交通銀行
BANK OF COMMUNICATIONS

交通銀行股份有限公司
Bank of Communications Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 03328)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The Board of Directors of Bank of Communications Co., Ltd. (the "**Bank**") is pleased to announce the audited consolidated financial information (the "**Annual Results**") of the Bank and its subsidiaries (the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**"), which was prepared in accordance with the *International Financial Reporting Standards* (the "**IFRSs**") issued by the International Accounting Standards Board. The Board of Directors of the Bank (the "**Board of Directors**") and the Audit Committee of the Board of Directors have reviewed and confirmed the Annual Results.

I. GENERAL INFORMATION

	Stock name	Stock code	Stock exchange
A Share	Bank of Communications	601328	Shanghai Stock Exchange
H Share	BANKCOMM	03328	The Stock Exchange of Hong Kong Limited
Domestic Preference Share	BOCOM PREF1	360021	Shanghai Stock Exchange

Secretary of the Board of Directors and Company Secretary

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II. KEY FINANCIAL DATA AND FINANCIAL INDICATORS

As at the end of the Reporting Period, key financial data and financial indicators prepared by the Group under IFRSs are as follows:

Items	**2020**	2019	2018	2017	2016
Full year results					*(in millions of RMB)*
Net interest income	**153,336**	144,083	130,908	124,873	131,315
Net fee and commission income	**45,086**	43,625	41,237	40,551	36,795
Net operating income	**246,724**	232,857	213,055	196,520	194,027
Profit before tax	**86,425**	88,200	86,067	83,265	86,110
Net profit (attributable to shareholders of the Bank)	**78,274**	77,281	73,630	70,223	67,210
As at the end of the year					*(in millions of RMB)*
Total assets	**10,697,616**	9,905,600	9,531,171	9,038,254	8,403,166
Including: Loans and advances to customers[1]	**5,848,424**	5,304,275	4,854,228	4,579,256	4,220,635
Total liabilities	**9,818,988**	9,104,688	8,825,863	8,361,983	7,770,759
Including: Due to customers[1]	**6,539,254**	6,005,070	5,724,489	5,545,366	5,284,059
Shareholders' equity (attributable to shareholders of the Bank)	**866,607**	793,247	698,405	671,143	629,142
Per share					*(in RMB)*
Earnings per share (attributable to the ordinary shareholders of the Bank)[2]	**0.99**	1.00	0.96	0.91	0.89
Net assets per share (attributable to ordinary shareholders of the Bank)[3]	**9.87**	9.34	8.60	8.23	7.67

Items	**2020**	2019	2018	2017	2016
Key financial ratios					*(%)*
Return on average assets	**0.77**	0.80	0.80	0.81	0.87
Return on weighted-average shareholders' equity[2]	**10.35**	11.20	11.36	11.40	12.22
Net interest margin[4]	**1.57**	1.58	1.51	1.51	1.78
Cost-to-income ratio[5]	**28.29**	30.11	31.50	31.85	30.90
Non-performing loan ration	**1.67**	1.47	1.49	1.50	1.50
Provision coverage ratio	**143.87**	171.77	173.13	154.73	153.61
Capital adequacy ratios			*(in millions of RMB unless otherwise stated)*		
Net capital[6]	**1,021,246**	911,256	817,549	790,381	723,961
Including: Net core tier-1 capital[6]	**727,611**	689,489	634,807	609,454	568,131
Other tier-1 capital[6]	**134,610**	100,057	60,025	59,975	59,920
Tier-2 capital[6]	**159,025**	121,710	122,717	120,952	95,910
Risk-weighted assets[6]	**6,695,462**	6,144,459	5,690,542	5,646,313	5,163,250
Capital adequacy ratio *(%)*[6]	**15.25**	14.83	14.37	14.00	14.02
Tier-1 capital adequacy ratio *(%)*[6]	**12.88**	12.85	12.21	11.86	12.16
Core tier-1 capital adequacy ratio *(%)*[6]	**10.87**	11.22	11.16	10.79	11.00

Notes:

1. According to *Notice on Revising and Issuing the Format of Financial Statements of Financial Enterprises for 2018* (Cai Kuai [2018] No. 36) issued by Ministry of Finance of the People's Republic of China ("**Ministry of Finance**"), the interest of financial instruments calculated on the basis of the effective interest rate method should be included in the carrying amounts of corresponding financial instruments and reflected in the related items in the balance sheet. The items of "interest receivables" and "interest payables" should not be presented separately. In the consideration of analysis, "loans and advances to customers" here does not include interest receivable on related loans and advances and "due to customers" does not include interest payable on related deposits.
2. Calculated pursuant to the requirements of *Regulations on the Preparation of Information Disclosure for Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share* (2010 Revision) issued by the China Securities Regulatory Commission ("**CSRC**").
3. Refers to shareholders' equity attributable to ordinary shareholders of the Bank after the deduction of other equity instruments against the total issued ordinary shares at the end of the period.
4. Represented the ratio of net interest income to total average interest-bearing assets.
5. Calculated as business and management fees divided by net operating income after the deduction of other operating expenses, consistent with the financial report in accordance with China Accounting Standards.
6. Calculated pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* by the China Banking and Insurance Regulatory Commission ("**CBIRC**").

III. CHANGES IN SHARES AND SHAREHOLDERS

(I) Changes in Ordinary Shares

As at the end of the Reporting Period, the Bank issued a total of 74,262,726,645 ordinary shares including 39,250,864,015 A shares and 35,011,862,630 H shares, which accounted for 52.85% and 47.15%, respectively. All the ordinary shares issued by the Bank are not subject to sales restrictions.

1. Shareholdings of Top 10 Ordinary Shareholders as at the end of the Reporting Period[1]

Name of shareholders (Full name)	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares	Shares pledged or frozen	Nature of shareholders
The Ministry of Finance of the People's Republic of China	–	13,178,424,446	17.75	A Share	Nil	Government
	–	4,553,999,999	6.13	H Share	Nil	
HKSCC Nominees Limited[2,6]	6,882,615	14,975,070,959	20.16	H Share	Unknown	Foreign legal entity
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")[2,3]	–	13,886,417,698	18.70	H Share	Nil	Foreign legal entity
The National Council for Social Security Fund[2,4] ("SSF")	–	3,105,155,568	4.18	A Share	Nil	Government
	–	1,405,555,555	1.89	H Share	Nil	
China Securities Finance Corporation Limited	–	2,222,588,791	2.99	A Share	Nil	State-owned legal entity
Capital Airport Holding Company	–	1,246,591,087	1.68	A Share	Nil	State-owned legal entity
Shanghai Haiyan Investment Management Co., Ltd.[5]	–	808,145,417	1.09	A Share	Nil	State-owned legal entity
Yunnan Hehe (Group) Co., Ltd.[5]	–	745,305,404	1.00	A Share	Nil	State-owned legal entity
FAW Equity Investment (Tianjin) Co., Ltd.	–	663,941,711	0.89	A Share	Nil	State-owned legal entity
Hong Kong Securities Clearing Company Ltd. ("HKSCC")	(38,684,538)	651,507,280	0.88	A share	Nil	Foreign legal entity

Notes:

1. The relevant data and information is based on the Bank's register of members at the Registrar and Transfer Office.
2. The aggregate number of shares held by HKSCC Nominees Limited represents the total number of H shares of the Bank held by all institutional and individual investors who maintained an account with it as at the end of the Reporting Period. The data included 249,218,915 and 7,649,786,777 H shares indirectly held by HSBC and SSF respectively, which were registered under HKSCC Nominees Limited. The data did not include 13,886,417,698 and 1,405,555,555 H shares of the Bank directly held by the aforementioned two shareholders respectively, which were registered in the Bank's register of members.
3. According to the disclosure forms of interests filed with the Stock Exchange Hong Kong Limited (**"Hong Kong Stock Exchange"**) by HSBC Holdings plc, **HSBC beneficially held 14,135,636,613 H shares of the Bank as at the end of the Reporting Period, representing 19.03% of the Bank's total ordinary shares issued.** HSBC beneficially held 249,218,915 more H shares than shown on the Bank's register of members. The discrepancy was due to a purchase of H shares by HSBC from the secondary market in 2007 and thereafter receiving bonus shares issued by the Bank and participating in the rights issue of the Bank. Those extra shares have been registered under HKSCC Nominees Limited.
4. This included the 1,970,269,383 A shares of the Bank held by the Sixth Transfer Account for State-owned Capital of the SSF. Other than the above shareholdings, the SSF held additional 7,649,786,777 H shares of the Bank, of which 7,027,777,777 H shares were registered under HKSCC Nominees Limited and 622,009,000 H shares were indirectly held by certain asset managers (including Hong Kong Stock Connect). **As at the end of the Reporting Period, the SSF held a total of 12,160,497,900 A shares and H shares of the Bank, representing 16.37% of the Bank's total ordinary shares issued**.
5. Shanghai Haiyan Investment Management Co., Ltd. and Yunnan Hehe (Group) Co., Ltd. are parties acting in concert as defined under *Provisional Measures on Shareholdings Administration of Commercial Banks*.
6. HKSCC Nominees Ltd. is a wholly-owned subsidiary of HKSCC.
7. The Bank is not aware of the existence of any related relationship among the other Top 10 shareholders, or whether they are parties acting in concert as defined in *Provisional Measures on Shareholdings Administration of Commercial Banks*.

2. *Substantial Shareholders and Holders of Interest or Short Positions Required to be Disclosed under Division 2 and 3 of Part XV of the the Securities and Futures Ordinance ("SFO")*

As at the end of the Reporting Period, to the knowledge of the Directors, Supervisors and Chief Executive of the Bank, the substantial shareholders and other persons (excluding the Directors, Supervisors and Chief Executive of the Bank) who had interests or short positions in the shares or underlying shares of the Bank as recorded in the register required to be kept pursuant to Section 336 of the *SFO* are as follows:

Name of substantial shareholders	Capacity	Number of A shares	Nature of interest[1]	Percentage of total issued A shares (%)	Percentage of total issued shares (%)
The Ministry of Finance of the People's Republic of China	Beneficial owner	13,178,424,446[2]	Long position	33.57	17.75
The National Council for Social Security Fund	Beneficial owner	3,105,155,568[3]	Long position	7.91	4.18

Name of substantial shareholders	Capacity	Number of H shares	Nature of interest[1]	Percentage of total issued H shares (%)	Percentage of total issued shares (%)
The National Council for Social Security Fund	Beneficial owner	9,055,342,332[3]	Long position	25.86	12.19
The Ministry of Finance of the People's Republic of China	Beneficial owner	4,553,999,999[2]	Long position	13.01	6.13
HSBC Holdings plc	Interests of controlled corporations	14,135,636,613[4]	Long position	40.37	19.03

Notes:

1. Long positions held other than through equity derivatives.
2. To the knowledge of the Bank, as at the end of the Reporting Period, the Ministry of Finance held 4,553,999,999 H shares and 13,178,424,446 A shares of the Bank, representing 6.13% and 17.75% of the total ordinary shares issued by the Bank, respectively.
3. To the knowledge of the Bank, as at the end of the Reporting Period, the SSF held 9,055,342,332 H shares and 3,105,155,568 A shares (please refer to details in Shareholdings of Top 10 Ordinary Shareholders and relevant notes) of the Bank, representing 12.19% and 4.18% of the total ordinary shares issued by the Bank, respectively.
4. HSBC Holdings plc wholly owns HSBC Asia Holdings Limited, which wholly owns HSBC. HSBC beneficially held 14,135,636,613 H shares of the Bank. Pursuant to the *SFO*, HSBC Holdings plc was deemed to own the interests associated with the 14,135,636,613 H shares held by HSBC.

Save as disclosed above, as at the end of Reporting Period, no other person (excluding the Directors, Supervisors and Chief Executive of the Bank) or corporation was recorded in the register required to be kept under Section 336 of the *SFO* as holding any interests or short positions in the shares or underlying shares of the Bank that would fall to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the *SFO*.

(II) Information of Preference Shares

1. Top 10 Domestic Preference Shareholders and their Shareholdings as at the end of the Reporting Period

Name of shareholders	Increase or decrease during the Reporting Period (share)	Number of shares held as at the end of the Reporting Period (share)	Percentage (%)	Class of shares held	Shares pledged or frozen	Nature of shareholders
China Mobile Communications Corporation	–	100,000,000	22.22	Domestic preference share	Nil	State-owned legal entity
AXA SPDB Investment Managers – SPDB – Shanghai Pudong Development Bank Shanghai Branch	–	20,000,000	4.44	Domestic preference share	Nil	Others
CCB Trust Co., Ltd. – "Qian Yuan – Ri Xin Yue Yi" open-ended wealth management single fund trust	–	20,000,000	4.44	Domestic preference share	Nil	Others
Truvalue Asset Management – CMBC – China Merchants Bank Co., Ltd.	–	20,000,000	4.44	Domestic preference share	Nil	Others
Bosera Funds – ICBC – Bosera – ICBC – Flexible Allocation No. 5 Specific Multi-Customer Asset Management Plan	–	20,000,000	4.44	Domestic preference share	Nil	Others
Wisdom Asset Management – Ping An Bank – Ping An Bank Co., Ltd.	–	20,000,000	4.44	Domestic preference share	Nil	Others
China Citic Bank Corporation Limited – HuiYing Series of CITIC Banking Service	2,000,000	20,000,000	4.44	Domestic preference share	Nil	Others
China Ping An Life Insurance Co., Ltd. – Self-owned capital	–	18,000,000	4.00	Domestic preference share	Nil	Others
China National Tobacco Corporation – Henan Branch	–	15,000,000	3.33	Domestic preference share	Nil	State-owned legal entity
China Life Property & Casualty Insurance Company Limited – Traditional – Common insurance product	–	15,000,000	3.33	Domestic preference share	Nil	Others

Notes:

1. Shareholdings of preference shareholders are summarised according to the Bank's register members of preference shareholders.
2. "Percentage" refers to the percentage of number of preference shares held by preference shareholders in the total number of preference shares.
3. The Bank is not aware of the existence of any related relationship among the top 10 domestic preference shareholders, or any relationship between the above shareholders and top 10 ordinary shareholders, or whether they are parties acting in concert.

2. Dividends Distribution of Preference Shares

The Bank distributed dividends annually for the preference shares in cash. In the event that the Bank resolved to cancel part or all of the dividends of preference shares, the difference in the amount of dividends not fully paid to the shareholders of preference shares in the current period did not accrue to the subsequent interest period. Preference shareholders did not participate in the distribution of the residual earnings with ordinary shareholders after receiving dividends as agreed.

In accordance with the resolution and authorisation of the Shareholders' General Meeting, the 8th meeting of the 9th Session of Board of Directors of the Bank was held on 27 March 2020, during which the proposal for the dividend distribution of the offshore preference shares and the dividend distribution of the domestic preference shares were approved. The total amount of offshore preference shares' dividend distributed by the Bank amounted to USD136,111,111, including USD122,500,000 paid to preference shareholders at the after-tax dividend rate of 5% under the terms of issuance of the offshore preference shares. In addition, in accordance with relevant laws and regulations, 10% withholding tax of USD13,611,111 was withheld by the Bank on behalf of offshore preference shareholders. The above dividends were fully paid in cash on 29 July 2020. The dividend on domestic preference shares were calculated at the nominal dividend yield of 3.9% and amounted to RMB1,755,000,000, which were fully distributed as cash dividends on 7 September 2020.

Please refer to the announcement published by the Bank for details of dividend distribution of preference shares.

The dividend distributions of preference shares of the Bank's for the past three years are as follows:

Preference share type	Date of dividend distribution	Total amount of dividend distributed (including tax)	Dividend rate
Domestic Preference Share	7 September 2020	RMB1,755,000,000	3.9%
Offshore Preference Share	29 July 2020	USD136,111,111	5.0%
Domestic Preference Share	9 September 2019	RMB1,755,000,000	3.9%
Offshore Preference Share	29 July 2019	USD136,111,111	5.0%
Domestic Preference Share	7 September 2018	RMB1,755,000,000	3.9%
Offshore Preference Share	30 July 2018	USD136,111,111	5.0%

3. Other Information of Preference Shares

In July 2015, the Bank issued USD2.45 billion offshore preference shares, and it was listed on the Hong Kong Stock Exchange. On 27 March 2020, *the Proposal in Relation to Exercising the Redemption Right on the Offshore Preference Shares by Bank of Communications Co., Ltd.* was passed at the 8th meeting of the 9th Session of Board of Directors of the Bank. In June 2020, the Bank received a no objection letter from the CBIRC, regarding the Bank's redemption of USD2.45 billion offshore preference shares. In accordance with the terms and conditions of offshore preference shares, the Bank redeemed all of the aforementioned offshore preference shares on 29 July 2020. The redemption price of each offshore preference share was equal to the aggregate of the issue price (that is, the amount of liquidation preference) of each offshore preference share plus any declared but unpaid dividend accrued in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the redemption date in respect of each offshore preference share. The aggregate price of the redemption amounted to USD2.5725 billion. There are no outstanding offshore preference shares after the redemption and cancellation of the aforementioned ones.

According to *Accounting Standards for Business Enterprises No. 22 – Recognition* and *Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.37 – Presentation of Financial Instruments* issued by the Ministry of Finance, *International Financial Report Standards 9 – Financial Instruments* and *International Accounting Standards 32 – Financial Instruments: Presentation* issued by International Accounting Standards Board as well as terms and conditions of the preference shares issued by the Bank, the preference shares issued by the Bank met the requirements to be recognized as equity instruments and the issuance of preference shares was therefore classified as equity instruments.

During the Reporting Period, there was neither any conversion of preference shares, or any restoration of voting rights for preference shares.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Financial Statement Analysis

In 2020, in the face of the severe impact of COVID-19 pandemic and the complicated and tough operating environment, the Group actively implemented the "three major tasks of serving the real economy, financial risks management and deepening financial reforms". The Group was also committed to "stabilising six areas of economy, namely employment, finance, foreign trade, foreign investment, domestic investment and market expectations" and "safeguarding six priorities of economy, namely employment, people's livelihood, development of market entities, food and energy security, stable operation of industrial and supply chains, and smooth functioning of society". The Group insisted on high-quality development and adhered to serving the real economy, further implemented the new development philosophy while deeply integrating into national strategies. In addition, the Group coordinated regular pandemic prevention and control with business development, which enabled the Group to make progress while ensuring stability in the overall operation.

The Group paid constant attention to value creation and achieved steady growth in operating performance. During the Reporting Period, the Group's net profit (attributable to shareholders of the Bank) amounted to 78.274 billion, representing a year-on-year increase of 1.28%. The Group's net operating income amounted to 246.724 billion, representing a year-on-year increase of 5.96%. Net interest income amounted to 153.336 billion, representing a year-on-year increase of 6.42%. Net fee and commission income amounted to 45.086 billion, representing a year-on-year increase of 3.35%. The Group's interest margin remained basically stable, and net interest margin stood at 1.57%. With increased investment in technology, the Group's cost-to-income ratio decreased by 1.82 percentage points on a year-on-year basis to 28.29%.

The Group achieved a steady asset growth, and issued more loans. As at the end of the Reporting Period, the total assets of the Group increased by 8.00% over the end of the previous year to 10.70 trillion. The balance of the Group's loans and advances to customers increased by 544.149 billion or 10.26% over the end of the previous year to 5.85 trillion, and the incremental amount increased by 94.102 billion on a year-on-year basis. The balance of the Group's due to customer increased by 534.184 billion or 8.90% over the end of the previous year to 6.54 trillion, and the incremental amount increased by 253.603 billion on a year-on-year basis.

The Group kept strict risk control, and continued to improve asset quality. As at the end of the Reporting Period, the non-performing loan ratio of the Group was 1.67%, representing an increase of 0.20 percentage point over the end of the previous year. Loan impairment losses amounted to 56.269 billion, representing a year-on-year increase of 7.188 billion or 14.65%. Provision coverage ratio was 143.87%, which met the regulatory requirements.

1. *Analysis on Key Income Statement Items*

(1) Profit before tax

During the Reporting Period, the Group's profit before tax decreased by 1.775 billion on a year-on-year basis, representing a decrease of 2.01% to 86.425 billion. Profit before tax was mainly derived from net interest income and net fee and commission income. Credit impairment losses increased by 10.105 billion or 19.45% on a year-on-year basis.

The table below illustrates the selected items from the income statement of the Group during the periods indicated:

(in millions of RMB unless otherwise stated)

	2020	2019	Increase/ (decrease) (%)
Net interest income	**153,336**	144,083	6.42
Net non-interest income	**93,388**	88,774	5.20
Including: Net fee and commission income	**45,086**	43,625	3.35
Net operating income	**246,724**	232,857	5.96
Credit impairment losses	**(62,059)**	(51,954)	19.45
Impairment losses on other assets	**(484)**	(270)	79.26
Insurance business expense	**(15,729)**	(11,432)	37.59
Other operating expenses	**(82,027)**	(81,001)	1.27
Including: Operating expenses	**(66,004)**	(66,560)	(0.84)
Profit before tax	**86,425**	88,200	(2.01)
Income tax	**(6,855)**	(10,138)	(32.38)
Net profit	**79,570**	78,062	1.93

The table below illustrates the breakdown of the net operating income of the Group during the period indicated:

(in millions of RMB unless otherwise stated)

	2020		
	Amount	**Proportion (%)**	**Increase/ (decrease)(%)**
Net interest income	**153,336**	**62.15**	**6.42**
Net fee and commission income	**45,086**	**18.27**	**3.35**
Net gains arising from trading activities	**13,844**	**5.61**	**(13.13)**
Net gains arising from financial investments	**1,177**	**0.48**	**276.04**
Net share of profits of associates and joint ventures	**222**	**0.09**	**(46.38)**
Insurance business income	**15,170**	**6.15**	**29.80**
Other operating income	**17,889**	**7.25**	**6.49**
Net operating income	**246,724**	**100.00**	**5.96**

(2) Net interest income

During the Reporting Period, the Group's net interest income increased by 9.253 billion on a year-on-year basis to 153.336 billion, accounting for 62.15% of the net operating income, which was a major component of the Group's income. The increase in net interest income was attributable to the increase in the scale of interest-bearing assets. Besides, due to structural optimisation of liabilities and the decrease of cost ratio during the Reporting Period, the Group's interest expenses for the current year was lower than that of the previous year.

The table below shows the average balances, associated interest income and expenses and average rate of return or average costs ratio of the Group's interest-bearing assets and interest-bearing liabilities during the periods indicated:

(in millions of RMB unless otherwise stated)

	From January to December 2020			From January to December 2019		
	Average balances	**Interest income/ (expense)**	**Average rate of return (cost) (%)**	Average balance	Interest income/ (expense)	Average rate of return (cost) (%)
Assets						
Cash and balances with central banks	**788,180**	**10,770**	**1.37**	810,744	11,691	1.44
Due from and placements with banks and other financial institutions	**811,543**	**16,180**	**1.99**	820,846	24,167	2.94
Loans and advances to customers	**5,522,008**	**251,468**	**4.55**	4,969,586	242,948	4.89
Investment securities	**2,672,875**	**90,683**	**3.39**	2,498,842	88,647	3.55
Interest-earning assets	**9,794,606**	**369,101**	**3.77**	9,100,018	367,453	4.04
Non-interest-bearing assets	**947,106**			812,366		
Total assets	**10,741,712**			9,912,384		
Liabilities and Shareholders' Equity						
Due to customers	**6,325,312**	**139,142**	**2.20**	5,919,435	139,153	2.35
Due to and placements from banks and other financial institutions	**2,053,415**	**46,653**	**2.27**	2,027,770	57,650	2.84
Debt securities and others	**1,037,751**	**29,970**	**2.89**	764,402	26,567	3.48
Interest-bearing liabilities	**9,416,478**	**215,765**	**2.29**	8,711,607	223,370	2.56
Shareholders' equity and non-interest-bearing liabilities	**1,325,234**			1,200,777		
Total Liabilities and Shareholders' Equity	**10,741,712**			9,912,384		
Net interest income		**153,336**			144,083	
Net interest spread[1]			**1.48**			1.48
Net interest margin[2]			**1.57**			1.58
Net interest spread[1,3]			**1.69**			1.67
Net interest margin[2,3]			**1.77**			1.77

Notes:

1. Represented the difference between the average rate of return on total average interest-bearing assets and the average cost ratio of total average interest-bearing liabilities.
2. Represented the net interest income to total average interest-bearing assets.
3. Taken into account the tax exemption on the interest income from bonds.

During the Reporting Period, the Group's net interest income increased by 6.42% on a year-on-year basis. The net interest spread was 1.48%, flat on a year-over-year basis. The net interest margin decreased by 1 basis point on a year-on-year basis to 1.57%.

The table below shows the net interest spreads and net interest margin of the Group for each quarter of the period indicated:

Item (%)	2020 January – March	April – June	July – September	October – December
Net interest spread	1.45	1.44	1.54	1.47
Net interest margin	1.55	1.52	1.61	1.58
Net interest spread[Note]	1.65	1.65	1.75	1.69
Net interest margin[Note]	1.75	1.73	1.82	1.79

Note: Taken into account the tax exemption on the interest income from bond investment.

The table below illustrates the impact of changes in scales and interest rates on the Group's interest income and interest expense. The changes in scales and interest rates are based on the changes in average balance and the changes on interest rates of interest-bearing assets and interest-bearing liabilities during the periods indicated.

(in millions of RMB)

	Comparison between 2020 and 2019 Increase/ (Decrease) due to		
	Amount	**Interest rate**	**Net increase/ (decrease)**
Interest-bearing assets			
Cash and balances with central banks	(325)	(596)	(921)
Due from and placements with banks and other financial institutions	(274)	(7,713)	(7,987)
Loans and advances to customers	27,013	(18,493)	8,520
Investment securities	6,178	(4,142)	2,036
Changes in interest income	32,592	(30,944)	1,648
Interest-bearing liabilities			
Due to customers	9,538	(9,549)	(11)
Due to and placements from banks and other financial institutions	728	(11,725)	(10,997)
Debt securities issued and others	9,513	(6,110)	3,403
Changes in interest expenses	19,779	(27,384)	(7,605)
Changes in net interest income	12,813	(3,560)	9,253

During the Reporting Period, the Group's net interest income increased by 9.253 billion on a year-on-year basis, of which the increase of 12.813 billion was due to changes in the average balances of assets and liabilities and the decrease of 3.560 billion was due to changes in the average rate of return and the average rate of cost.

① Interest income

During the Reporting Period, the Group's interest income increased by 1.648 billion or 0.45% on a year-on-year basis to 369.101 billion. The interest income from loans and advances to customers, investment security and cash and balances with central banks accounted for 68.13%, 24.57% and 2.92% of total interest income respectively.

A. Interest income from loans and advances to customers

Interest income from loans and advances to customers was the largest component of the Group's interest income. During the Reporting Period, interest income from loans and advances to customers increased by 8.520 billion or 3.51% on a year-on-year basis to 251.468 billion, which was mainly due to the impact on the average balance of loans and advances to customers increasing by 552.422 billion. The increase was mainly generated from medium and long-term corporate and personal loans.

Analysis of the average income of loans and advances to customers by business type and term structure

(in millions of RMB unless otherwise stated)

	From January to December 2020			From January to December 2019		
	Average balance	**Interest income**	**Average rate of return (%)**	Average balance	Interest income	Average rate of return (%)
Corporate loans	**3,531,559**	**151,301**	**4.28**	3,124,000	145,053	4.64
– Short-term loans	**1,251,162**	**49,603**	**3.96**	1,168,636	50,912	4.36
– Medium and long-term loans	**2,280,397**	**101,698**	**4.46**	1,955,364	94,141	4.81
Personal loans	**1,797,028**	**94,684**	**5.27**	1,632,315	90,667	5.55
– Short-term loans	**493,737**	**31,033**	**6.29**	454,968	34,307	7.54
– Medium and long-term loans	**1,303,291**	**63,651**	**4.88**	1,177,347	56,360	4.79
Discounted bills	**193,421**	**5,483**	**2.83**	213,271	7,228	3.39
Total loans and advances to customers	**5,522,008**	**251,468**	**4.55**	4,969,586	242,948	4.89

B. Interest income from investment securities

During the Reporting Period, interest income from investment securities increased by 2.036 billion or 2.30% on a year-on-year basis to 90.683 billion, which was mainly due to the year-on-year increase by 174.033 billion in the average balance of investment securities.

C. Interest income from cash and balances with central banks

The balances with central banks mainly included balances in statutory reserves and in excess reserves. During the Reporting Period, interest income from cash and balances with central banks decreased by 0.921 billion or 7.88% on a year-on-year basis to 10.770 billion, which was mainly due to the year-on-year decrease of 7 basis points in the average rate of return on cash and balances with central banks.

D. Interest income from balances due from and placements with banks and other financial institutions

During the Reporting Period, the interest income from balances due from and placements with banks and other financial institutions decreased by 7.987 billion or 33.05% on a year-on-year basis to 16.180 billion, which was mainly due to the year-on-year decrease of 95 basis points in the average rate of return on due from and placements with banks and other financial institutions.

② Interest expenses

During the Reporting Period, the Group's interest expense decreased by 7.605 billion or 3.40% on a year-on-year basis to 215.765 billion. During the Reporting Period, due to the declining market interest rate, interest expenses on balances due to and placements from banks and other financial institutions decreased.

A. Interest expense on due to customers

Due to customers is the Group's primary funding source. During the Reporting Period, interest expenses on due to customers decreased by 0.011 billion or 0.01% on a year-on-year basis to 139.142 billion, accounting for 64.49% of total interest expenses. During the Reporting Period, the Group focused on reducing the scale of high-cost deposits and continuously optimising the deposit structure, which resulted in a significant growth in the scale of deposits without increasing interest expenses.

Analysis of the average cost of due to customers by product type

(in millions of RMB unless otherwise stated)

	From January to December 2020			From January to December 2019		
	Average balance	Interest expenses	Average rate of cost (%)	Average balance	Interest expenses	Average rate of cost (%)
Corporate deposits	**4,236,366**	**89,749**	**2.12**	4,016,938	92,749	2.31
– Corporate demand deposits	**1,867,106**	**17,401**	**0.93**	1,761,404	17,087	0.97
– Corporate time deposits	**2,369,260**	**72,348**	**3.05**	2,255,534	75,662	3.35
Personal deposits	**2,088,946**	**49,393**	**2.36**	1,902,497	46,404	2.44
– Personal demand deposits	**811,519**	**6,593**	**0.81**	701,742	5,057	0.72
– Personal time deposits	**1,277,427**	**42,800**	**3.35**	1,200,755	41,347	3.44
Total due to customers	**6,325,312**	**139,142**	**2.20**	5,919,435	139,153	2.35

B. Interest expenses on balances due to and placements from banks and other financial institutions

During the Reporting Period, interest expenses on balances due to and placements from banks and other financial institutions decreased by 10.997 billion or 19.08% on a year-on-year basis to 46.653 billion, which was mainly due to a year-on-year basis decrease of 57 basis points in the average rate of cost of balances due to and placements from banks and other financial institutions.

C. Interest expenses on debt securities and other interest-bearing liabilities

During the Reporting Period, interest expenses on debt securities and other interest-bearing liabilities increased by 3.403 billion or 12.81% on a year-on-year basis to 29.970 billion, which was mainly due to a year-on-year increase of 273.349 billion in average balance of debt securities issued and others.

(3) Net fee and commission income

Net fee and commission income was an important component of the Group's net operating income. During the Reporting Period, the Group continued to facilitate the transformation of its profit-making mode and to diversify revenue streams. The Group's net fee and commission income increased by 1.461 billion or 3.35% on a year-on-year basis to 45.086 billion. Management and agency services were the main drivers of the Group's net fee and commission income.

The table below illustrates the breakdown of the Group's net fee and commission income for the periods indicated:

(in millions of RMB unless otherwise stated)

	2020	2019	Increase/ (decrease) (%)
Bank cards	**20,107**	21,050	(4.48)
Management services	**16,889**	14,400	17.28
Agency services	**4,200**	3,098	35.57
Investment banking	**3,706**	4,337	(14.55)
Guarantee and commitment	**2,617**	2,520	3.85
Settlement services	**1,531**	2,024	(24.36)
Others	**248**	240	3.33
Total fee and commission income	**49,298**	47,669	3.42
Less: Fee and commission expense	**(4,212)**	(4,044)	4.15
Net fee and commission income	**45,086**	43,625	3.35

Fee income from management services increased on a year-on-year basis, mainly due to the increase in the scale of wealth management investment products and funds. Fee income from agency services increased on a year-on-year basis, mainly due to the increase in the income of funds sales. Fee income from investment banking decreased on a year-on-year basis, mainly due to the decrease in the income of financial consulting service.

(4) *Operating expenses*

During the Reporting Period, the Group's operating expenses decreased by 0.556 billion on a year-on-year basis to 66.004 billion. The Group's cost-to-income ratio was 28.29%, representing a year-on-year decrease of 1.82 percentage points. The cost-to-income ratio would decrease by about 2 percentage points from 28.29% if the tax exemption effect of bond interest and other income was restored. Some region introduced social insurance relief policies due to the impact of the COVID-19 pandemic, so the social insurance expenditure of the employees was reduced.

The table below illustrates the breakdown of the Group's operating expenses for the periods indicated:

(in millions of RMB unless otherwise stated)

	2020	2019	Increase/ (decrease) (%)
Staff remuneration, bonus, allowance and welfare[Note]	**22,638**	22,291	1.56
Other staff costs	**9,829**	10,994	(10.60)
Operating expenses[Note]	**25,649**	25,170	1.90
Depreciation and amortisation	**7,888**	8,105	(2.68)
Total operating expenses	**66,004**	66,560	(0.84)

Note: Due to changes in the presentation of financial statement items, comparative data has been restated in accordance with the current presentation.

(5) *Asset impairment losses*

During the Reporting Period, the Group's asset impairment losses were 62.543 billion, representing a year-on-year increase of 10.319 billion or 19.76%, including loan impairment losses which increased by 7.188 billion or 14.65% on a year-on-year basis to 56.269 billion. Under the influence of COVID-19 pandemic, the Group updated all parameters in the impairment model in a timely manner to reflect the impact of economic instability and uncertainty on asset credit risk. The Group increased the provision for impairment losses with a forward-looking vision. At the same time, the Group continuously intensified the disposal of non-performing assets in accordance with regulatory requirements, resulting in an increase in the corresponding asset impairment losses.

(6) Income tax

During the Reporting Period, the Group's income tax expenses decreased by 3.283 billion or 32.38% on a year-on-year basis to 6.855 billion. The effective tax rate of 7.93% was lower than the statutory tax rate of 25%, which was mainly due to the tax exemption on interest income from treasury bonds and local treasury bonds held by the Group, as promulgated in relevant tax provisions.

2. *Analysis on Key Balance Sheet Items*

(1) Assets

As at the end of the Reporting Period, the Group's total assets increased by 792.016 billion or 8.00% over the end of the previous year to 10,697.616 billion, mainly due to the increase in the scale of loans granted and financial investments.

The table below illustrates the balances (after impairment allowances) of the key components of the Group's total assets and their proportion to the total assets as at the dates indicated:

(in millions of RMB unless otherwise stated)

	31 December 2020		31 December 2019	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Loans and advances to customers (after impairment allowances)	**5,720,568**	**53.48**	5,183,653	52.34
Financial investments	**3,237,337**	**30.26**	3,005,843	30.34
Cash and balances with central banks	**817,561**	**7.64**	760,185	7.67
Due from and placements with banks and other financial institutions	**571,130**	**5.34**	648,488	6.55
Others	**351,020**	**3.28**	307,431	3.10
Total assets	**10,697,616**	**100.00**	9,905,600	100.00

① Loans and advances to customers

During the Reporting Period, the Group achieved a balanced and steady growth in loans with reasonably controlling of the amount, direction and pace of credit.

The table below illustrates the balance and breakdown of the Group's loans and advances to customers for the dates indicated:

(in millions of RMB unless otherwise stated)

	31 December 2020		31 December 2019		31 December 2018	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate loans	**3,707,471**	**63.39**	3,346,476	63.09	3,061,915	63.08
– Short term loans	**1,251,162**	**21.39**	1,189,543	22.43	1,170,200	24.11
– Medium and long-term loans	**2,456,309**	**42.00**	2,156,933	40.66	1,891,715	38.97
Personal loans	**1,980,882**	**33.87**	1,754,765	33.08	1,635,627	33.69
– Mortgage	**1,293,773**	**22.12**	1,135,428	21.41	1,007,528	20.75
– Credit card	**464,110**	**7.94**	467,387	8.81	505,190	10.41
– Others	**222,999**	**3.81**	151,950	2.86	122,909	2.53
Discounted bills	**160,071**	**2.74**	203,034	3.83	156,686	3.23
Total loans and advances to customers	**5,848,424**	**100.00**	5,304,275	100.00	4,854,228	100.00

As at the end of the Reporting Period, the Group's total loans and advances to customers increased by 544.149 billion or 10.26% over the end of the previous year to 5,848.424 billion, among which the Renminbi loans from domestic branches increased by 574.852 billion or 12.33% over the end of the previous year.

The corporate loan balance was 3,707.471 billion, achieving an increase of 360.995 billion or 10.79% over the end of the previous year, whose proportion in loans and advances to customers increased by 0.30 percentage point to 63.39% over the end of the previous year. Short-term loans increased by 61.619 billion, and medium and long-term loans increased by 299.376 billion, whose proportion in loans and advances to customers increased to 42.00%.

The balance of personal loans was 1,980.882 billion, representing an increase of 226.117 billion or 12.89% over the end of the previous year, whose proportion in loans and advances to customers increased by 0.79 percentage point to 33.87% over the end of the previous year. Mortgage loans increased by 158.345 billion or 13.95% over the end of the previous year, whose proportion in loans and advances to customers increased to 22.12%. Credit card loans decreased by 3.277 billion or 0.70% over the end of the previous year.

Discounted bills decreased by 42.963 billion or 21.16% over the end of the previous year.

Distribution of the loans and advances to customers by security types

(in millions of RMB unless otherwise stated)

	31 December 2020		31 December 2019	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Unsecured loans	**1,812,785**	**31.00**	1,844,304	34.77
Guaranteed loans	**990,248**	**16.93**	943,076	17.78
Collateralised and other secured loans	**3,045,391**	**52.07**	2,516,895	47.45
– Loans secured by collateral	**2,191,847**	**37.48**	1,926,508	36.32
– Pledged loans	**853,544**	**14.59**	590,387	11.13
Total	**5,848,424**	**100.00**	5,304,275	100.00

Expected credit loss allowance for loans and advances to customers

(in millions of RMB)

	31 December 2020	31 December 2019
Balance at the end of the previous year	**134,052**	125,540
Accrual/(Reversal) in the period	**56,269**	49,081
Transfer in/(Transfer out) in the period	**(683)**	(1,329)
Write-offs and disposals in the period	**(53,828)**	(41,983)
Recovered after written-off	**5,052**	2,688
Exchange differences	**(301)**	55
Balance at the end of the period	**140,561**	134,052

② Financial investments

As at the end of the Reporting Period, the Group's net balance of financial investments increased by 231.494 billion or 7.70% over the end of the previous year to 3,237.337 billion.

The breakdown of investments by nature

(in millions of RMB unless otherwise stated)

	31 December 2020		31 December 2019	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Bonds	**2,787,701**	**86.11**	2,585,678	86.02
Equity instruments and others	**449,636**	**13.89**	420,165	13.98
Total	**3,237,337**	**100.00**	3,005,843	100.00

The breakdown of investments by the presentation basis of financial statements

(in millions of RMB unless otherwise stated)

	31 December 2020		31 December 2019	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Financial investments at fair value through profit and loss	**482,588**	**14.91**	406,498	13.52
Financial investments at amortised cost	**2,019,529**	**62.38**	1,929,689	64.20
Financial investments at fair value through other comprehensive income	**735,220**	**22.71**	669,656	22.28
Total	**3,237,337**	**100.00**	3,005,843	100.00

As at the end of the Reporting Period, the balance of the Group's bond investments increased by 202.023 billion or 7.81% over the end of the previous year to 2,787.701 billion. In the future, the Bank will reinforce the research and judgement of the economic and financial situation, and focus on the allocation of incremental investment and restructuring the existing structure. Firstly is to maintain the overall strategy of investing mainly in interest rate bonds and make reasonable arrangements for investment in treasury bonds and local treasury bonds. Secondly is to keep tracking national industrial policies and changes in enterprise operations in real time to optimise the reserve and investment of credit bonds projects. Thirdly is to increase the bond transaction volume and expedite the turnover of treasury bonds and policy bank financial bonds. Fourthly is to optimise the investment structure. The Bank will seek the opportunity to replace some historical low-yield bonds with other assets of higher yield.

The breakdown of investment securities by issuers

(in millions of RMB unless otherwise stated)

	31 December 2020		31 December 2019	
	Balance	**Proportion (%)**	Balance	Proportion (%)
Government and central banks	**2,057,685**	**73.81**	1,788,034	69.15
Public sector entities	**26,940**	**0.97**	29,797	1.15
Banks and other financial institutions	**552,765**	**19.83**	634,303	24.53
Corporate entities	**150,311**	**5.39**	133,544	5.17
Total	**2,787,701**	**100.00**	2,585,678	100.00

As at the end of the Reporting Period, financial bonds held by the Group amounted to 552.765 billion, including bonds issued by policy bank of 200.590 billion and by banks and non-bank financial institutions of 352.175 billion, which accounted for 36.29% and 63.71% of the total bonds, respectively.

Top 10 financial bonds held by the Group

(in millions of RMB unless otherwise stated)

Bond name	**Face value**	**Annual interest rate (%)**	**Maturity date**	**Impairment allowance**
Policy bank bond issued in 2018	6,903	4.99	24/01/2023	1.03
Policy bank bond issued in 2018	6,420	4.82	24/01/2021	0.95
Policy bank bond issued in 2017	6,330	4.39	08/09/2027	0.91
Policy bank bond issued in 2017	5,680	4.44	09/11/2022	0.84
Policy bank bond issued in 2018	5,000	4.98	12/01/2025	0.75
Policy bank bond issued in 2018	4,420	4.83	22/01/2021	0.66
Policy bank bond issued in 2018	4,400	4.97	29/01/2023	0.66
Commercial bank bond issued in 2018	3,500	4.45	27/04/2028	–
Policy bank bond issued in 2016	3,333	3.33	22/02/2026	0.49
Policy bank bond issued in 2017	3,330	4.30	21/08/2024	0.48

③ Foreclosed asset

The following table illustrates selected information of the Group's foreclosed asset on the dates indicated:

(in millions of RMB)

	31 December 2020	31 December 2019
Original value of foreclosed assets	**1,109**	907
Less: Impairment allowance	**(142)**	(148)
Net value of foreclosed assets	**967**	759

(2) Liabilities

As at the end of the Reporting Period, the Group's total liabilities increased by 714.300 billion or 7.85% over the end of the previous year to 9,818.988 billion. Among them, due to customers increased by 534.184 billion or 8.90% over the end of the previous year, which accounted for 66.60% of total liabilities and represented an increase of 0.64 percentage point over the end of the previous year. Balance of due to and placement from banks and other financial institutions decreased by 116.591 billion or 6.12% over the end of the previous year, which accounted for 18.20% of total liabilities and represented a decrease of 2.71 percentage points over the end of the previous year.

Due to customers

Due to customers is the Group's primary funding source. As at the end of the Reporting Period, the Group's due to customer balance increased by 534.184 billion or 8.90% over the end of the previous year to 6,539.254 billion. In terms of the customer structure, the proportion of corporate deposits was 66.39%, representing a decrease of 0.75 percentage point over the end of the previous year. The proportion of personal deposits was 33.52%, representing an increase of 0.72 percentage point over the end of the previous year. In terms of deposit tenure, the proportion of demand deposits decreased by 0.18 percentage point over the end of the previous year to 43.09%, while the proportion of time deposits increased by 0.15 percentage point over the end of the previous year to 56.82%.

The table below illustrates the balance and breakdown of the Group's due to customers as of the dates indicated:

(in millions of RMB unless otherwise stated)

	31 December 2020		31 December 2019		31 December 2018	
	Balance	**Proportion (%)**	Balance	Proportion (%)	Balance	Proportion (%)
Corporate deposits	**4,341,524**	**66.39**	4,031,784	67.14	3,944,098	68.90
– Corporate demand deposits	**2,005,934**	**30.67**	1,835,688	30.57	1,748,857	30.55
– Corporate time deposits	**2,335,590**	**35.72**	2,196,096	36.57	2,195,241	38.35
Personal deposits	**2,192,231**	**33.52**	1,969,922	32.80	1,776,488	31.03
– Personal demand deposits	**812,534**	**12.42**	762,669	12.70	687,393	12.01
– Personal time deposits	**1,379,697**	**21.10**	1,207,253	20.10	1,089,095	19.02
Other deposits	**5,499**	**0.09**	3,364	0.06	3,903	0.07
Total due to customers	**6,539,254**	**100.00**	6,005,070	100.00	5,724,489	100.00

(3) Off-balance sheet items

The Group's off-balance sheet items included derivative financial instruments, contingencies and commitments.

The Group entered into various derivative financial instruments relating to interest rate contracts, exchange rate contracts, precious metals and commodity contracts for trading, hedging, asset and liability management and on behalf of customers. Please refer to 8. Derivative Financial Instruments in the Financial Report for the details of nominal amounts and fair value of the derivative financial instruments.

The Group's contingencies and commitments mainly included outstanding litigations, credit-related commitments and financial guarantees, capital expenditure commitments, operating leasing commitments, commitments on security underwriting and bond acceptance. Please refer to 10. Credit Commitment, Financial Guarantees, Other Commitments and Contingent Liabilities in the Financial Report for the details of contingencies and commitments.

3. Analysis on Key Cash Flow Items

As at the end of the Reporting Period, the Group's cash and cash equivalents increased by 139.385 billion over the end of the previous year to 307.120 billion.

The net cash inflows from operating activities increased by 231.943 billion on a year-on-year basis to 149.398 billion, which was mainly resulted from a year-on-year increase of net cash inflows from due to customers.

The net cash outflows from investing activities increased by 12.783 billion on a year-on-year basis to 94.591 billion, which was mainly due to a year-on-year increase in net cash outflows related to financial investing activities.

The net cash inflows from financing activities increased by 1.549 billion on a year-on-year basis to 88.277 billion, which was mainly due to the year-on-year increase of cash inflow from issuance of bonds and perpetual bonds and the cash outflow for the redemption of preference shares during the year.

4. Segment Analysis

(1) Operating results by geographical segments

The table below illustrates the profit before tax and net operating income from each of the Group's geographical segments for the periods indicated:

(in millions of RMB unless otherwise stated)

	2020				2019			
	Profit before tax	**Proportion (%)**	**Net operating income[1]**	**Proportion (%)**	Profit before tax	Proportion (%)	Net operating income[1]	Proportion (%)
Yangtze River Delta	**37,936**	**43.89**	**88,342**	**35.81**	34,369	38.96	75,929	32.61
Pearl River Delta	**9,448**	**10.93**	**20,069**	**8.13**	10,205	11.57	17,916	7.69
Bohai Rim Economic Zone	**11,725**	**13.57**	**27,112**	**10.99**	8,151	9.24	24,097	10.35
Central China	**16,081**	**18.61**	**34,035**	**13.79**	15,132	17.16	31,081	13.35
Western China	**12,216**	**14.13**	**19,771**	**8.01**	8,107	9.19	19,302	8.29
North Eastern China	**283**	**0.33**	**6,563**	**2.66**	(2,002)	(2.27)	6,177	2.65
Overseas	**8,453**	**9.78**	**13,856**	**5.62**	8,932	10.13	14,558	6.25
Head Office	**(9,717)**	**(11.24)**	**36,976**	**14.99**	5,306	6.02	43,797	18.81
Total	**86,425**	**100.00**	**246,724**	**100.00**	88,200	100.00	232,857	100.00

Notes:

1. Including net interest income, net fee and commission income, net gains arising from trading activities, net gains arising from financial investments, net gains from investments in associates and joint ventures, insurance business income and other operating income. Same applies hereinafter.
2. Head office included the Pacific Credit Card Centre. Same applies hereinafter.
3. Total included profit/(loss) attributable to non-controlling interests.
4. Due to the adjustment to the standards of dividing segments and evaluation guidelines of income allocation within segment, comparative data has been restated in accordance with the current presentation.

(2) Deposits and loans and advances by geographical segments

The table below illustrates the Group's deposits and loans and advances balances by geographical segments as at the dates indicated:

(in millions of RMB unless otherwise stated)

	31 December 2020				31 December 2019			
	Deposit balances	**Proportion (%)**	**Loans and advances balances**	**Proportion (%)**	Deposit balances	Proportion (%)	Loans and advances balances	Proportion (%)
Yangtze River Delta	**1,786,446**	**27.31**	**1,576,465**	**26.96**	1,657,282	27.58	1,434,280	27.04
Pearl River Delta	**768,470**	**11.75**	**701,865**	**12.00**	664,151	11.06	572,226	10.79
Bohai Rim Economic Zone	**1,348,298**	**20.62**	**831,454**	**14.22**	1,216,551	20.26	740,248	13.96
Central China	**1,072,501**	**16.40**	**958,527**	**16.39**	983,484	16.38	827,110	15.59
Western China	**734,423**	**11.23**	**680,088**	**11.63**	694,097	11.56	585,712	11.04
North Eastern China	**330,087**	**5.05**	**232,864**	**3.98**	306,599	5.11	212,871	4.01
Overseas	**495,356**	**7.58**	**359,368**	**6.14**	465,096	7.75	391,517	7.38
Head Office	**3,673**	**0.06**	**507,793**	**8.68**	17,810	0.30	540,311	10.19
Total	**6,539,254**	**100.00**	**5,848,424**	**100.00**	6,005,070	100.00	5,304,275	100.00

(3) Operating results by business segments

The Group's four main business segments were corporate banking, personal banking, treasury businesses and other businesses.

The table below illustrates the Group's profit before tax and net operating income from each of the Group's business segments for the periods indicated:

(in millions of RMB unless otherwise stated)

	2020		2019	
	Amount	**Proportion (%)**	Amount	Proportion (%)
Net operating income	**246,724**	**100.00**	232,857	100.00
Corporate banking	**115,330**	**46.74**	107,616	46.22
Personal banking	**113,730**	**46.10**	103,631	44.50
Treasury businesses	**15,892**	**6.44**	19,908	8.55
Other businesses	**1,772**	**0.72**	1,702	0.73
Profit before tax	**86,425**	**100.00**	88,200	100.00
Corporate banking	**45,310**	**52.43**	40,177	45.56
Personal banking	**28,945**	**33.49**	30,433	34.50
Treasury businesses	**11,792**	**13.64**	17,537	19.88
Other businesses	**378**	**0.44**	53	0.06

Note: Due to the adjustment to the standards of the business segment classification of some subsidiaries, comparative data has been restated in accordance with the current presentation.

5. Capital Adequacy Ratio

The Group calculated the capital adequacy ratios pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Trial Implementation)* issued by the CBIRC and the relevant requirements. Since the adoption of the Advanced Approach of Capital Management upon the first approval from the CBIRC in 2014, the Bank implemented and applied it in accordance with the regulatory requirements. Upon the approval of the CBIRC in 2018, the Bank ended the Advanced Approach of Capital Management parallel period and expanded the application scope. As at the end of the Reporting Period, the Group's capital adequacy ratio, tier-1 capital adequacy ratio and core tier-1 capital adequacy ratio were 15.25%, 12.88%, and 10.87% respectively, all of which met the regulatory requirements.

(in millions of RMB unless otherwise stated)

	The Group	**The Bank**
Net core tier-1 capital	727,611	614,452
Net tier-1 capital	862,221	747,744
Net capital	1,021,246	900,694
Core tier-1 capital adequacy ratio (%)	10.87	10.21
Tier-1 capital adequacy ratio (%)	12.88	12.42
Capital adequacy ratio (%)	15.25	14.96

Notes:

1. The above calculation excluded China BoCom Insurance Co., Ltd. and BoCommLife Insurance Company Limited.
2. According to the implementation scope of the Advanced Measurement Approach of Capital Management approved by the CBIRC, the credit risk that met the regulatory requirements was assessed by the internal rating-based approach, the market risk by the internal model approach and the operational risk by the standardised approach. The credit risk not covered by the internal rating-based approach was assessed by the weighted approach. The market risk not covered by the internal rating-based approach was assessed by the standardised approach. The operational risk not covered by the standardised approach was assessed by the basic-indicator approach.

For further information on the Group's capital measurement, please refer to the *2020 Disclosure on Capital Adequacy Ratio of Bank of Communications Co., Ltd.* at the website of SSE, the website of HKEx News or the official website of the Bank.

6. Leverage Ratio

The Group calculated the leverage ratio pursuant to the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* issued by the CBIRC. As at the end of the Reporting Period, the Group's leverage ratio was 7.50%, which met the regulatory requirements.

(in millions of RMB unless otherwise stated)

	31 December 2020	**30 September 2020**	**30 June 2020**	**31 March 2020**
Net tier-1 capital	862,221	821,274	801,083	808,639
Balance of adjusted on- and off-balance sheet assets	11,502,604	11,616,142	11,459,393	11,262,732
Leverage ratio (%)	7.50	7.07	6.99	7.18

(II) Business Review

1. Corporate Banking Businesses

- As at the end of the Reporting Period, the Bank's corporate loan balance increased by 10.79% over the end of the previous year to 3,707.471 billion, hitting a new high in recent years in terms of increment and growth rate, among which medium and long-term loans increased by 13.88% over the end of the previous year. Corporate deposit balance increased by 7.68% over the end of the previous year to 4,341.524 billion, among which demand deposits increased by 9.27% over the end of the previous year with lower cost.

(1) Scenario-based financial businesses

The Bank deeply explored scenario-based finance through digital thinking to serve the government affairs, people's welfare, small and micro enterprises related financial needs, and developed key product "BoCom e-Service" for the benefit and convenience of people covering three ends of "B-G-C". The Bank strengthened the application of scenario-based finance in areas including medical care, parks, property management, parking, mortgage and Party membership dues. The Bank also launched online services including Benefit Medical Payment, Inclusive e-Loans, e-License, e-Mortgage and Green e-Charge, overall upgrading the comprehensive financial solution for all industries. During the Reporting Period, Inclusive e-Loan accounted for nearly 78% in the net increase amount of inclusive loans for small and micro enterprises. The Bank developed a new model of scenario-based trade financial services with full-cycle competitiveness by innovatively providing the comprehensive financial solution of Single Window at customs. As as the end of the Reporting Period, only four months after the standard service was launched, the accumulated international settlement amounted to USD1.028 billion, representing 6.44% of the market share. The Bank deepened the cooperation with top internet companies such as Alibaba Group, Tencent and JD, and launched service of corporate online guarantee transaction covering "Cash + Notes".

(2) Industrial value chain financial businesses

The Bank focused on "Settlement Services + Trade Finance" for the financial service of the integrated industrial chain, built an "Online + Offline" integrated digital service model, and enhanced the application of technology. The Bank promoted digital note product of "Win to Fortune Rapid Discount", which satisfied customers' demand for fast financing. The Bank explored and optimized the product of factoring financing, and developed a product line of industrial chain rapid financing product, with characteristics of flexible credit granting and convenient operation. A leap forward was made in the efficiency of financing. As at the end of the Reporting Period, the total accumulated number of qualified industrial chain networks developed by domestic branches exceeded 5,100 and the balance of key products of industrial value chain financing increased by 27.07% to over 180.0 billion over the end of the previous year.

(3) Investment banking businesses

The domestic branches accumulatively underwrote 745 different corporate bonds (excluding local treasury bonds). The underwriting amount was 475.883 billion, representing an increase of 51.19%. The Bank underwrote 18 bonds related to the prevention and control of the pandemic, with the underwriting amount of 11.3 billion. The Hubei Branch ranked first in terms of the scale of underwriting debt financing instruments in the local market and fully supported the prevention and control of the pandemic and the resumption of work and production. The increased scale of domestic and overseas mergers and acquisitions finance was 72.735 billion, representing an increase of 68.69% on a year-on-year basis. For three consecutive years, this scale increased by over 65% on a year-on-year basis, ranking in the forefront of the market. The Bank forged an integrated equity investment platform by establishing a subsidiary named BoCom Capital Management Co., Ltd. The Bank actively participated in national green development fund, implemented major projects of debt-equity combination financing, and served the demands of financing from customers of green finance and FinTech covering all scenarios, all aspects and whole life cycle. The Bank was awarded "2020 Gamma Award for Best Comprehensive Bank in Undertaking Investment Bank Business" by the *Securities Times* and "Best Green Bond 2020 (China)" by *The Asset*.

(4) Inclusive loans for small and micro enterprises

The Bank proactively promoted the digitalization of inclusive finance and reengineered the process of inclusive finance businesses with characteristics of "Targeted Marketing, Standardized Products, Digital Risk Management and Concentrated Operation", which promoted the high-quality development of inclusive finance. The Bank innovatively acquired customers relying on digital methods including linked recommendation marketing and scenario-based platform, which overall enhanced the availability and ability of service for inclusive customers and achieved targeted marketing. Focusing on customer needs, the Bank improved standardized products and established "Inclusive e-Loan" comprehensive online financing product system. Customers can flexibly choose "individual or entity" as the loan principal and combine the modes of "mortgage, credit and guarantee" by themselves, which improved the availability and convenience of inclusive finance. The Bank enhanced digital risk management, improved the loan approval rules, enhanced the precision of warning during loan management, strengthened the intelligent and differentiated post-loan monitoring, established digital risk management system and enhanced the capability of online risk management. The Bank also promoted concentrated operation, reinforced the inclusive operating system, strengthened online business operating monitoring and built concentrated collection system.

As at the end of the Reporting Period, the balance of loans of inclusive loans for small and micro enterprises increased by 96.802 billion or 59.04% over the end of the previous year to 260.753 billion. Among them, the balance of online products increased by 75.284 billion over the end of the previous year. The number of customers with loan balance increased by 54 thousand over the end of the previous year to 158.4 thousand, representing an increase of 51.72%. The non-performing loan ratio was 1.91%, representing a decrease of 1.31 percentage points over the end of the previous year. During the Reporting Period, the average interest rate of cumulative loans was 4.08% and comprehensive financing cost of small and micro customers decreased by 96 basis points. As at the end of the Reporting Period, the Bank provided inclusive credit services in 2,766 outlets.

Besides that, at the end of the Reporting Period, the Bank's balance of loans of targeted financial poverty alleviation increased by 30.58% over the end of the previous year to 33.489 billion. The balance of inclusive agriculture-related loans increased by 21.97% over the end of the previous year to 34.824 billion.

(5) Asset custody businesses

The Bank strengthened the cooperation of businesses, and proactively developed public fund custody businesses, with the focus on top-performing equity funds. The Bank continued to expand pension custody businesses, realising the full implementation of professional annuities in 30 overall planning areas across the country. Seizing the policy opportunities, the Bank strengthened domestic and overseas combination marketing, and steadily promoted cross-border custody businesses. As at the end of the Reporting Period, the assets under custody increased by 9.97% to 10.33 trillion over the end of the previous year.

Build the leading bank in the Yangtze River Delta

As the only large-scale state-owned commercial bank headquartered in Shanghai, the Bank of Communications proactively connected to the national strategy of the Yangtze River Delta integrated development and leveraged its dual advantages of "full business license" and "international layout". Through the improvement of top-level design, the innovation of mechanism and the optimisation of product services, the Bank has formed a co-prosperous mode of serving national key regions while maintaining high quality development. During the Reporting Period, the total profit of the Yangtze River Delta region was 37.936 billion, contributing 43.89% of the Group's profit with a year-on-year increase of 4.93 percentage points.

Improve the top-level design. During the Reporting Period, the Bank established Yangtze River Delta Integration Management Department, became the first to be granted the building of branches in the Yangtze River Delta Demonstration Region, and formed a top-down regional coordinated mechanism. The Bank optimised the joint credit management model for group customers, improved the service efficiency and speeded up the response to the market.

Promote integrated operations and localized services. The Bank broke the obstacles of administrative borders and explored a coordinative mechanism between provincial and directly managed branches within the region. The Bank innovatively designed a new model of joint credit management for group customers and the principle of one-time loan approval, promoting the joint credit of regional branches. The Bank waived the transfer fees for online banking within the Yangtze River Delta region, developed a cooperation model for remote mortgage and industrial chain businesses within the region. In this way, the Bank improved the service efficiency and optimised the customer's experience.

Create an innovation highland. The Bank responded to Shanghai's call for "Enabling Access to Government Services via One Website and Achieving Unified Management with One Website", launched multiple online services and products for medical payment, small and micro corporate financing, mortgage registration, electronic identification and five "One Thing" innovated by Shanghai, and established the brand of "BoCom e-Service". Within this e-Service, the number of contracted customers of credit medical treatment by the end of 2020 accounted for around 85% market share in Shanghai, and the product "Benefit Medical Payment" was also launched in "My Nanjing" APP in December 2020. The Bank innovatively introduced an evaluation model for technical enterprises as well as BoCom Sci-tech loan products, and increased the support to those medium, small and micro enterprises of Sci-tech innovation within this region.

Increase the resource input and support major projects within the region. During the Reporting Period, new customer loans of the Yangtze River Delta region was 142.185 billion and accounted for 26.13% of the Group's total new loans. Among them, customer loans of the seven provincial and directly managed branches within the region increased by 12.73%, exceeding the average growth rate of the Group's loans and advances to customers by 2.47 percentage points. The branches in the region accomplished 84 cases of joint credit, successfully supported Shanghai Electric, SAIC Motor Corporation Limited and other group customers with cross-regional credit limit totaling over 50.0 billion, provided a special financing limit of 20.0 billion for the enterprises in Shanghai Hongqiao Business District, and granted a loan limit of nearly 10.0 billion to the three subway projects of Nanjing Metro Group Co., Ltd.

In the future, the Bank will accelerate the operating mechanism reform in the Yangtze River Delta, further delegate the power and motivate productivity. The Bank will make prominent breakthroughs in inclusive finance, trade finance, technology finance, wealth finance and services to the key areas and become the pioneer in the market. The Bank will also be intensively involved in the development of financial market innovation in the Yangtze River Delta, and continuously expand our business scale and market share in this region, with an obvious improvement in profit contribution.

Serve the new development pattern and develop features of trade finance

In recent years, empowered by technology, the Bank constantly expanded the business categories in fields of cash management, industrial value chain finance, international settlement and cross-border trade financing. By improving the quality and efficiency of services, the Bank gradually formulated the features of trade finance.

Customise cash management services for customers. The Bank was one of the first banks to initiate cash management services and created the brand "Win To Account". In recent years, the Bank successively launched some industry-leading products like Smart Zone, Smart Property, Smart Parking and Party Membership Fee Helper, providing integrated solution to the industry finance. By the end of 2020, the number of group customers under cash management exceeded 28.2 thousand, representing an increase of 712 over the end of the previous year; and the number of accounts related to cash management was over 1.0848 million, representing a net increase of 250.2 thousand over the end of the previous year.

Upgrade the industrial value chain finance and optimise customer experience, The Bank focused on "Settlement Services + Trade Finance" and established an "Online + Offline" integrated service model for the whole industrial chain. The Bank innovatively introduced a digital note product series of "Win to Fortune Rapid Discount", as well as the industrial chain rapid financing product line. As at the end of the Reporting Period, the total accumulated number of qualified industrial chain networks developed by domestic branches exceeded 5,100 and the balance of key products of industrial value chain financing increased by 27.07% to over 180.0 billion over the end of the previous year.

Focus on the scenario of cross-border trade and provide one-stop financial services. The Bank actively carried out technological innovation, optimised traditional trade finance business processes, and launched a series of online paperless products like EASY-Remittance, EASY-Certificate, EASY-Loan, EASY-Currency, to provide convenient cross-border payment, settlement, trade financing and foreign exchange financial services for foreign trade customers. The Bank also connected to the "Single Window" of the customs to provide one-stop trading, settlement and financing services for foreign trade companies. During the Reporting Period, international payment reached USD332.659 billion, an increase of 6.67% on a year-on-year basis. The volume of financing for cross-border trade increased by 36.43% on a year-on-year basis to USD23.523 billion; the volume of external guarantee by domestic branches reached USD4.058 billion.

Seize the opportunity of free trade zone businesses and provide offshore and onshore integrated financial services for domestic and overseas businesses. As at the end of the Reporting Period, the Bank established a total of 106 free trade zone branches and sub-branches in 21 provincial and municipal free trade zones. Relying on the advantage of integrated account system of "domestic account, NRA account, FT account, offshore Renminbi account and offshore foreign currency account", the Bank provided full-cycle services of settlement, remittances and financing for non-residential customers. By the end of December, the volumes of cross-border asset transfer in key regions such as the Yangtze River Delta, the Greater Bay Area and Hainan Free Trade Port exceeded RMB8.0 billion. In addition, the Bank's market share in the Special Area of Shanghai Free Trade Zone was over 70%.

In the future, the Bank will concentrate on the core node enterprises of the industry chain, supply chain and value chain in the "dual circulation" development pattern, and provide offshore and onshore integrated financial services in local and foreign currencies for domestic and overseas businesses. The Bank will highlight trade finance features to better serve the daily production and operating activities of the enterprises.

2. *Personal Banking Businesses*

◆ As at the end of the Reporting Period, the balance of personal deposits increased by 11.29% over the end of the previous year to 2,192.231 billion; the balance of personal loans increased by 12.89% over the end of the previous year to 1,980.882 billion, of which personal mortgage loans increased by 13.95% over the end of the previous year.

(1) Retail customers and assets under management (AUM)

The Bank was determined in retail digital transformation. By Leveraging the advantages of "Financial Asset + Data Asset", the Bank created shared value with customers while insisting on retail digital transformation and provided best services to customers. The Bank continued to build our wealth management capabilities and create wealth management characteristics from a three-dimensional perspective of "capacity + system + team" to accurately match multi-level wealth management needs for customers. In addition, the Bank strengthened data governance by means of building retail customer label system, and iteratively optimised the operational strategies throughout the customer life cycle upon the technical foundation of big data. By maximising the effect of dual-line synergy, we improved our wealth management service system. As at the end of the Reporting Period, the number of retail customers of domestic branches (including debit card and credit card customers) increased by 3.34% over the end of the previous year to 179 million. The number of qualified customers (customers with quarterly average assets of 0.50 million to 6.00 million) of OTO Fortune increased by 15.50% over the end of the previous year to 1.7372 million. Personal financial AUM of domestic branches increased by 13.04% or 449.251 billion over the end of the previous year to 3,895.566 billion, hitting a new height in recent years. The contribution of middle and high-end customer continued to increase. The balance of AUM of qualified customers for OTO and customers above the standard (customers with quarterly average assets of over 0.50 million) increased by 19.24% over the end of the previous year to 2,602.645 billion, accounting for 66.81% of the AUM balance of the Bank, representing an increase of 3.70 percentage points on a year-on-year basis, among which the AUM balance of qualified customers for OTO reached 1,789.750 billion, representing an increase of 16.96% over the end of the previous year.

(2) Wealth management business

The Bank extended the connotation of wealth management, selected high-quality products such as wealth management, funds and insurance from the market and developed into key products in the categories of "Cash+", "Fixed income+" to satisfy customer's increasingly diversified demands in wealth allocation. At the end of the Reporting Period, the incremental amount of wealth management products including asset management, fund, insurance and trust increased by 24.40% on a year-on-year basis, accounting for 63.94% in the increment of retail AUM and becoming the new engine of AUM increase. Net wealth management fee and commission income increased by 35.18% on a year-on-year basis to 7.634 billion, both the amount and the growth rate hit a new high record in recent three years.

As at the end of the Reporting Period, the balance of public fund product on consignment (including securities dealer and exclusive accounts) was 238.817 billion, representing an increase of 90.30% over the end of the previous year. The growth rate of existing scale and the increment of the public fund AUM ranked in the forefront among the top-five banks. The Bank realised on income of fund on consignment (including securities dealers and exclusive accounts) of 1.986 billion, representing an increase of 216.17% over the end of the previous year. The Bank introduced high-quality wealth management products from other banks to build wealth management system for different customer groups and a wealth management brand of OTO Best Choice, and the average yield of the "OTO Best Choice Fund" outperformed the market. The Bank smoothly realized the net-worth transformation of wealth management products, with the proportion of the balance of net-worth asset management products doubled compared with the end of the previous year. At the end of the Reporting Period, the balance of wealth management products AUM increased by 15.55% over the end of the previous year to 878.89 billion; the income of wealth management was 3.393 billion, representing an increase of 17.34% over the end of the previous year.

(3) Personal loan businesses

The Bank continued to accelerate the digital transformation of personal loan businesses. The Bank seized the opportunities for consumption finance, took the initiative to become digital-oriented and developed scenario-based Benefit Loan to meet people's needs for a better life with inclusive and favourable microfinance services. Adhering to the principle that houses are for living in, not for speculation, the Bank implemented regionally differentiated management for housing loans. To improve housing mortgage loan services, the Bank implemented online housing loans process, provided online functions such as pre-approval, pre-application and information exchange and launched mobile banking services and H5 processing channels. As at the end of the Reporting Period, the personal housing mortgage loan balance increased by 13.95% to 1,293.773 billion over the end of the previous year. The balance of domestic personal non-housing consumption loan (excluding credit card loans) increased by 75.18% over the end of the previous year. The increase ranked second among 17[1] major banks, and the market share increased by 0.45 percentage point on a year-on-year basis. The Benefit Loan accumulatively served 5.15 million customers, and accumulatively lent out 122.760 billion, which included the newly issued loans of 82.774 billion over the year.

The Bank actively supported the remission of individual customers' repayment difficulties during the pandemic and provided a grace period for repayment to individual customers complied with relevant regulatory policies. At the end of the Reporting Period, 41,500 personal loan customers with loans of 21.119 billion, which included housing mortgages and consumption loans, were relieved. In addition, the Bank optimized retail credit policies, improved the application of the personal financial rule engine system, established a pre-warning risk classification mechanism, strengthened the use of big data for screening purposes, promoted the construction of risk control centres, and enhanced digital risk control capability.

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1 The 17 banks refer to Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications, China Merchants Bank, Shanghai Pudong Development Bank, China CITIC Bank, Industrial Bank Co., Ltd, China Minsheng Banking Corp., Ltd, China Everbright Bank, Guangdong Development Bank, Hua Xia Bank Co., Ltd, Ping An Bank Co., Ltd, Hengfeng Bank Co., Ltd, China Zheshang Bank Co., Ltd and China Bohai Bank Co., Ltd.

(4) Private banking businesses

The Bank enhanced professional capabilities to provide wealth management services to high-end customers. Focusing on customers' demands on wealth preservation and increase, the Bank developed asset allocation models, established daily, weekly and quarterly reporting systems, developed asset allocation service tools and issued formal asset allocation proposals. The Bank initiated the reform in the business model of private banking, set up Retail and Private Wealth Management Committee, established 5 deliberative systems composed of investment strategy conference, product admittance review, marketing promotion, asset allocation and wealth management expert group, and formed a wealth management expert group.

The Bank diversified wealth management products for high-end customers. The Bank launched the "Zhen Cheng" series of insurance trust businesses with multiple functions such as insurance personal protection, high leverage and trust asset protection, and flexible inheritance. The Bank strengthened the business collaboration with subsidiaries including trust, insurance, fund and wealth management, customised innovative family trust services for customers, launched the first financial product exclusively designated for family wealth named "BoCom Fortune Wen Xiang Duo Yuan Ce Lue" to meet the individual needs of high net-value customers for wealth protection and stable inheritance. As at the end of the Reporting Period, there were 61,100 private banking customers of the Group, representing an increase of 21.67% over the end of the previous year; the assets of private banking customers under management of the Group were 833.801 billion, representing increase of 25.93% over the end of the previous year. Major interbank[2] market share of private banking businesses has risen for 3 consecutive years.

[2] Refer to Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, Bank of Communications and China Merchants Bank.

(5) Bank card businesses

The Bank promoted the digitalisation of customer acquisition of the credit card businesses, expanded internal and external channels and platforms via tools including big data and API technology, and established a multi-scenario, precise and three-dimensional digital customer acquisition system. In addition, the Bank optimised the coordination mechanism between credit card centers and various branches to create an integrated customer acquisition model. By focusing on high-quality targeted customers, the Bank launched personalised card products including Huanran Platinum Credit Card, Yangtze River Delta Theme Credit Card, Crystal Honey Card, Chinese Zodiac Card, JD PLUS Co-branded Card, World Skills Contest Credit Card, which gradually enriched the brand's element of "youth, high-end". At the end of the Reporting Period, there were 72.66 million registered domestic credit cards, within which customers acquired online accounted for 54.69%. The proportion of high-quality customers among new customers throughout the year increased by 7.65 percentage points on a year-on-year basis.

In response to the national call for consumption promotion and growth stability, the Bank carried out series of marketing campaigns such as "That's the Deal offered by Bank of Communications", "Weekly Swipe", "10th Anniversary of Super Red Friday". Additionally, the Bank carried out more segmented customer marketing activities based on the life cycle of credit card customers, managing the existing customers of credit card businesses. The cumulative consumption of credit cards throughout the year was 2,904.249 billion, and the average consumption of current accounts increased by 9% on a year-on-year basis; the number of existing active accounts increased by 3.0838 million on a year-on-year basis; the proportion of mobile payment transactions increased by 1.5 percentage points over the previous year. At the end of the Reporting Period, the credit card overdraft balance in domestic branches was 464.013 billion. The credit card overdraft non-performing ratio was 2.27%.

As at the end of the Reporting Period, the accumulated consumption of debit cards amounted to 1,971.918 billion. The accumulated number of cards issued amounted to 159.2390 million, representing a net increase of 6.8635 million over the end of the previous year.

Highlight wealth management features and implement retail digital transformation

Over the years, focusing on the strategic goal of “building the first-tier bank with wealth management characteristics and global competitive capabilities in the world” and the business principle of “creating shared value and providing the best service”, as well as with the driving force of the two wheels of “financial assets + data assets”, the retail business never stopped highlighting wealth management features and implementing retail digital transformation. In recent three years, the personal AUM developed rapidly, and the increments from 2018 to 2020 were 6.11%, 12.71% and 13.04% respectively. The AUM increment of wealth management products like asset management, fund, insurance and trust steadily increased from 41.57% in 2018 to 63.94% in 2020. Both the incremental amount and degree of wealth management fee and commission and transactional net income became a record high in recent three years, basically forming a growth pattern driven by wealth management. The rapid development of wealth management also contributed to the leading status of retail value creation in the market. During the period from 2017 to 2019, the average annual growth rate of operating income, pre-tax profit, and the net income of fee and commission of the retail business all exceeded the average of the top-four banks.

Highlight the wealth management features from three dimensions of "Capability + System + Team". Above all, the Bank cultivated the wealth management capacities and furthered the construction of investment research team. Under the guidance of the wealth management professional team, we fully implemented the wealth management asset allocation to provide professional and diversified asset allocation strategies and tools for the customers. **Second**, the Bank extended the system of wealth management products, fully leveraged the integrated advantage of the Group and strengthened cooperation with subsidiaries like BoCom Schroder Fund Management and BOCOM Wealth Management to enhance the professional capabilities in asset allocation. We opened to introduce high-quality products from other financial institutions and spared no effort in selecting products of high competence from customer's perspective. **Third**, we improved our wealth management team and consistently polished the working platform of account manager, enabling them to provide services both online and offline. At the end of the Reporting Period, the average number of accounts managed of all account managers doubled, and we further extended the range of customer services, continuously improving the yield per capita.

Improve the wealth management services from two perspectives of "digital operation and digital service". On one hand, the Bank furthered digital operation, created thousands of tags for retail customers and portraited completed customer profile. The Bank constantly improved the integrated retail marketing platform and enriched our data models and data assets, which effectively supported a digital marketing layout with multiple touch and various customer groups. We launched a business model of wealth management product line and cleared the segregation between business, technology and operation, accelerating the product evolution and innovation by means of intensive coupling. **On the other hand**, the Bank fully implemented digital services, built an all-round WeChat based service system, including "Cloud banking", "BoCom WeBank" public accounts and "BoCom" WeChat Mini Program, establishing a "cloud office". In this way, the offline services at the outlets were transferred online, which enhanced the level of digitalisation and intelligence of our services. Two major APPs of Mobile Banking and Go Pay accelerated the scenario establishment and continuously improved customer's experience, ranking third and second respectively in 2020 Sina Assessment. Our outlets also ranked top for six times in China Banking Association's assessment of Top Thousand Best Units and Top Hundred Best Units.

3. Interbank and Financial Market Businesses

- Balance of due to and placements from banks and other financial institutions decreased by 116.591 billion or 6.12% over the end of the previous year, which accounted for 18.20% of total liabilities and represented a decrease of 2.71 percentage points over the end of the previous year. The balance of current Renminbi interbank deposits of domestic branches was 654.038 billion, which accounted for 75.66% of Renminbi interbank deposits of domestic branches and represented an increase of 29 percentage points on a year-on-year basis.

- As at the end of the Reporting Period, the financial investment reached 3,237.337 billion, representing an increase of 7.70% over the end of the previous year, and the securities investment yield was 3.39%.

(1) Interbank businesses

The Bank deepened the business cooperation with financial institutions. Using channel construction and fund settlement as cornerstones, the Bank continued to conduct researches on business chains for customers in upstream, midstream and downstream. The Bank also participated in and served customer operations in aspects including market cultivation, product configuration, system construction, and end customer marketing in great depth. As at the end of the Reporting Period, there were 1,550 cooperative institutional customers on interbank platforms, representing an increase of 420 over the end of the previous year. The Bank's system connection covered 98% of securities traders in the third-party depository systems and 98% of the bank-future account transfer systems. The Bank was in the first tier to be granted the qualification of QFII/RQFII financing and securities lending settlement bank. The number of customers for transactions with securities and future trading companies increased by 1.0464 million over the end of the previous year. The balance of the deposit pledged as collateral of futures trading companies reached 79.99 billion, maintaining a leading position in the market. The Bank served the development of cross-border Renminbi clearing business and the number of customers indirectly involved in Cross-Border Interbank Payment System (CIPS) ascended to fourth in the market, and the number of new customers indirectly involved in CIPS ranked first in the market in 2020.

(2) Financial market businesses

Under measures taken to mitigate impacts of the pandemic and maintain stable market operation, the Bank's accumulated trading volume of annual financial market business increased by more than 30% on a year-on-year basis, contributed by 53.54 trillion of trading volume in Renminbi money market of domestic branches, USD1.33 trillion of the transaction volume in foreign currency market, 4.40 trillion of trading volume of Renminbi bonds, USD2.21 trillion of transaction volume in interbank foreign exchange market, 362.7 billion in terms of volume of precious metal brokerage transactions and 3,835 tons of volume of self-operated gold trading. The Bank maintained its market position as an active trading bank.

Investments as anti-pandemic special treasury bonds and anti-pandemic themed special bonds totalled over 50.0 billion, and interbank certificates of deposit issued amounted to 736.7 billion, of which 1.0 billion was for the first batch of anti-pandemic special interbank certificates of deposit. The Bank effectively responded to the impact of the pandemic, and ensured the bottom line of risk, ensuring the continuity of transaction, settlement, clearing and monitoring of businesses in the financial market; faced with dramatic fluctuations on international crude oil price, the Bank fully safeguarded the rights and interests of customers of the account-based products.

The Bank invested more in central and local government bonds, with new investments in treasury bonds of 250.8 billion and local treasury bonds of 277.3 billion; the Bank further scaled up support of bond investment business for enterprise operation and development, with new credit bonds investment amounting to 25.6 billion during the year; in close collaboration with enterprises for the purpose of risk avoiding and value preservation, the Bank completed interest rate derivatives transactions in Renminbi amounting to 25.0 billion, and gold hedging on consignment of 33 tons.

The Bank made efforts to accelerate the global capital integration. The Bank officially launched the capital platform of the Asia-pacific overseas branches, and concentrated US Dollar and offshore Renminbi funds of seven Asia-pacific overseas branches in Tokyo, Singapore, Seoul and other regions to centralize the securities issuance and investment operation business, money market business, as well as foreign exchanges and derivatives transactions with the international market, to improve returns on capital operations.

The Bank continuously expanded the business scope. The Bank was among the first batch of banks to develop treasury bond futures transactions of commercial banks, pledge-style repo transactions of cross-custodian institution, interest rate option transactions, standardised foreign currency pair swaps, FDR001(interbank overnight fixing repo rate), interest rate swaps, repurchase of domestic debt in foreign currency transactions settled in delivery versus payment (DVP). The Bank became one of the first prime brokers of the interbank Renminbi-foreign exchange market and was in the first batch of domestic market makers to obtain the innovative qualification of direct transaction services under the mode of direct investment.

(3) *Asset management business*

The Bank promoted the transformation of off-balance-sheet wealth management business, By focusing on products with fixed income, the Bank expanded and strengthened flagship products and improved product competitiveness in order to meet customers' wealth management needs. The Bank put efforts in optimising and refining featured products by using differentiated investment themes and investment strategies, and continued to enrich product types to meet diversified and personalised customer needs in order to develop featured customer services. During the Reporting Period, the average balance of off-balance-sheet asset management products of the Group reached 1,093.835 billion, representing an increase of 22.09% or 197.915 billion over the end of the previous year. The average balance of net-worth wealth management products increased by 298.216 billion or 108.62% over the previous year, totalling 572.763 billion, the proportion of which to the Group's off-balance-sheet wealth management products increased by 21.72 percentage points on a year-on-year basis to 52.36%.

The Bank, in compliance with regulatory requirements, carried forward orderly rectification to existing businesses in the transitional period. As at the end of the Reporting Period, existing products of wealth management business amounted to 574.645 billion, representing a decrease of 31.78% from the beginning of the year.

During the Reporting Period, the Bank rolled out the flagship product –"BoCom Fortune Wen Xiang Xian Jin Tian Li", providing T+0 quick redemption services. The Bank also launched open-ended products with a minimum holding period to encourage customers to adopt a long-term value investing approach. The Bank diversified regional theme wealth management products. As at the end of the Reporting Period, the scale of Yangtze River Delta themed product reached nearly 30.0 billion. In addition, a new series of value investment products were rolled out for the Greater Bay Area.

Deepen the factor market businesses and serve the financial infrastructure construction

The Bank is one of the most qualified comprehensive financial service providers in financial factor market. Oriented by customer demands and keep connected through transaction settlement, the Bank extensively linked and served various market participants in the financial factor market ecosystem with a focus on product system.

Improve service capacity and obtain license resources. The Bank obtained full license of the central counterparty clearing business in the interbank market as well as full license of domestic and overseas futures settlement business within and over the market. The Bank is the only bank that obtained the qualification as over-the-market depository bank of all futures exchanges, and thus became one of the five most fully equipped banks in terms of the securities treasury businesses and the only major settlement bank for the secondary trading market of China Securities Index quote.

Implement key projects and support national strategy. The Bank was committed to contributing to national strategies like the Yangtze River Delta Integration and the "6+1" development pattern construction of Shanghai as an international financial centre and boosting the innovative development of financial factor market businesses. The Bank established a new model for overseas customers to get access to the Renminbi commodity and derivatives market and performed the duties as the only depository bank for the designated account of National Equities Exchange and Quotations venture funds while applying new technologies such as blockchain and Internet of Things to serve futures and commodities trading market.

As at the end of the Reporting Period, the average deposit of financial factor market was 232.670 billion, representing a year-on-year increase of 32.728 billion or 16.37%. Among them, the average balance of current deposits in the financial factor market was 183.687 billion, representing an increase of 64.423 billion or 54.02% on a year-on-year basis; the scale of agent clearing and settlement in financial factor market increased significantly. The interbank factor market and the futures factor market increased by 163.56% and 17.6% on a year-on-year basis respectively, which was in the leading position of the market.

4. *Integrated Operation*

- The Group established a coordinative development pattern of commercial banking businesses as the body, along with other businesses including financial leasing, fund, wealth management, trust, insurance, and debt-to-equity swap, further improving the capability of comprehensive services.

- During the Reporting Period, net profit attributable to shareholders of the Bank from the subsidiaries[3] amounted to 8.203 billion representing a year-on-year increase of 47.51%, the proportion of which to the Group's net profit increased by 3.28 percentage points to 10.48% on a year-on-year basis.

- As at the end of the Reporting Period, the total assets of the subsidiaries increased by 16.69% over the end of the previous year to 495.644 billion, the proportion of which to the total assets of the Group increased by 0.34 percentage point to 4.63% over the end of the previous year.

Bank of Communications Financial Leasing Co., Ltd. – As the Bank's wholly-owned subsidiary, it officially was set up in December 2007 with a registered capital of 14.0 billion. The main business scope includes financial leasing and operating leasing in such sectors as aviation, shipping and energy power, transportation infrastructure, equipment manufacturing and livelihood services. In recent years, the company adhered to the development strategy of "Professional, Internalisation, Differentiation and Characteristics". It promoted aviation and shipping businesses, covering more than 30 countries and regions on five continents, which further highlighted the professional advantages. As at the end of the Reporting Period, the company's total assets and net assets were 309.272 billion and 31.799 billion respectively. The company's net profit during the Reporting Period was 3.202 billion, which is an increase of 7% on a year-on-year basis. In addition, the company's balance of leasing assets amounted to 268.766 billion, including aircraft and ship assets amounting to 166.647 billion, with fleets of 264 planes and 386 ships. The annual financing for shipping amounted to USD3.8 billion and ranked first in the world, which further strengthened its brand influence and market vitality in the field of international ship financing. Based on the statistic from China Banking Association ("CBA") Financial Leasing Committee, total assets, the balance of leased assets and operating income of the company all ranked first among domestic financial leasing companies.

Bank of Communications International Trust Co., Ltd. – It was set up in October 2007 with a registered capital of 5.765 billion, of which the Bank and Hubei Provincial Communications Investment Group Co., Ltd. contributed 85% and 15% respectively. The main business scope includes trust loans, investment fund trusts, accounts receivable financing, real estate trusts, family trusts, charitable trusts, credit asset securitisation, corporate asset securitisation, qualified domestic institutional investor (QDII), and private equity investment trusts. In recent years, with the strategic goal of "Building

3. Excluding Bank of Communication (Luxemburg) Co., S.A., Banco BOCOM BBM S.A. and Bank of Communications (Hong Kong) Co., Ltd., same applies hereinafter.

The Most Trustworthy Trust Asset Management Institution", the company focused on three key strategic businesses namely "professional asset management, high-end wealth management and high-quality fiduciary services", to highlight the essence of trust and serve the real economy. As at the end of the Reporting Period, the company's total assets and the assets under management (AUM) were 18.701 billion and 649.325 billion respectively. The company's net profit during the Reporting Period was 1.218 billion, which is an increase of 7% on a year-on-year basis.

Bank of Communications Schroder Fund Management Co., Ltd. – It was set up in August 2005 with a registered capital of 0.2 billion, jointly contributed by the Bank, Schroder Investment Management Limited and China International Marine Containers (Group) Co., Ltd., accounting for 65%, 30% and 5% respectively. The primary businesses include fund raising, fund sales and asset management. As at the end of the Reporting Period, the company's total assets and net assets were 6.018 billion and 4.738 billion respectively. The company's net profit during the Reporting Period was 1.260 billion, which is an increase of 114% on a year-on-year basis. During the Reporting Period, the company achieved outstanding investment performance driven by high quality research. The yield of equity investment under active management ranked 2/80 in the industry in recent five years and 5/93 in recent three years. The return of two fund products in recent five years was more than 200%, while the return of 14 fund products in recent three years was more than 100%. As at the end of the Reporting Period, the public fund under management reached 339.5 billion, representing an increase of 54.25% over the end of the previous year.

BOCOM Wealth Management Co., Ltd. – As a wholly-owned subsidiary of the Bank, it was set up in June 2019 with a registered capital of 8.0 billion. It primarily issues wealth management products of fixed income, equity, commodities, financial derivatives and hybrid categories to personal, private banking, institutional and interbank customers. As at the end of the Reporting Period, the company's total assets and net assets were 8.874 billion and 8.742 billion respectively. The company's net profit during the Reporting Period was 0.665 billion, which is an increase of 647% on a year-on-year basis. The company represented a core vehicle for the Group to build up wealth management characteristics, a core supplier of wealth management products and an integrated platform for innovation and development of wide asset management business. As at the end of the Reporting Period, the balance of products was 533.797 billion, representing an increase of 384.37% over the end of the previous year, to which the proportion of open-ended net worth products (excluding cash management products) accounted for 59.55%, with the balance of 317.866 billion; and the balance of products sold under consignment outside the Bank was 91.422 billion, accounting for 17.13% of the balance of products.

BoCommLife Insurance Company Limited. – It was set up in January 2010 with a registered capital of 5.1 billion, of which the Bank and the Commonwealth Bank of Australia contributed 62.50% and 37.50% respectively. The business scope includes life insurance, health insurance, accident insurance and reinsurance businesses of the aforementioned insurances, and the company operated in Shanghai, as well as regions where the branches were established. As at the end of the Reporting Period, the company's total assets and net assets were 71.501 billion and 6.953 billion respectively. The company's net profit during the Reporting Period was 1.035[4] billion representing an increase of 29% on a year-on-year basis. In recent years, with the strategic goal of "Becoming A Company with A Leading Position in Growth and Profitability of Guaranteed Insurance", the company stayed committed to providing insurance guarantee. During the Reporting Period, the premium increased by 20.10% on a year-on-year basis to 17.225 billion.

BOCOM Financial Asset Investment Co., Ltd. – As a wholly-owned subsidiary of the Bank, it was set up in December 2017 with a registered capital of 10.0 billion. As one of the first pilot banks to implement debt-to-equity conversion as determined by the State Council, it is mainly engaged in debt-to-equity conversion and supporting services. As at the end of the Reporting Period, the company's total assets and net assets were 49.038 billion and 11.360 billion respectively. The company's net profits during the Reporting Period was 1.235 billion, which is an increase of 610% on a year-on-year basis. During the Reporting Period, in response to the impacts of the pandemic, the company made efforts to develop the main business of market-oriented debt-to-equity swap, and reduced leverage ratio and controlled risks to serve the real economy. As at the end of the Reporting Period, a total of 76 debt-to-equity swap projects were put into operation, amounting to 43.019 billion, representing an increase of 36.87% over the end of the previous year; the Company's investment amount per person, net profit per person, ROAE, ROAA and other indicators were at the top level in the industry, and its capital adequacy ratio was in compliance with regulatory requirements.

BoCom International Holdings Company Limited. – It was set up on June 1998 (formerly known as Communications Securities Co., Ltd.). It changed its name to BoCom International Holdings Company Limited in May 2007. It was listed on the main board of Hong Kong Stock Exchange on 19 May 2017. As at the end of the Reporting Period, the Bank's shareholding in the company was 73.14%. The main business of BoCom International is divided into four major sections, namely, securities brokerage and margin financing, corporate finance and underwriting, asset management and consulting, and investment and loan. At the end of the Reporting Period, the total asset of the company was HKD23.360 billion, of which the net asset was HKD7.78 billion. Net profit during the Reporting Period was HKD0.851 billion, representing a year-on-year increase of 70%.

China BoCom Insurance Co., Ltd. – As a wholly-owned subsidiary of the Bank, it was set up in November 2000 with a registered capital of HKD0.4 billion. The main business was the operation of 17 types of general insurances approved by the Insurance Authority of Hong Kong. As at the end of the Reporting Period, the company's total assets and net assets were HKD0.769 billion and HKD0.555 billion respectively. The company's net profits during the Reporting Period were HKD12.80

4. Net profit was calculated in accordance with the new accounting standard for financial instruments (IFRS9), which was somewhat different from that calculated under IAS39 currently adopted in the insurance sector.

million, representing an increase of 20% on a year-on-year basis. During the Reporting Period, the company gave full play to the advantage of business license of Hong Kong insurance business, launched medical insurance products customised for Greater Bay Area, and introduced the reinsurance business of aircraft fleet of BoCom Leasing. The gross premiums increased by 12.87%, premium profits before expenditure increased by 12.62% and the net compensation rate was 45.80%, all of which were better than the market level[5].

5. *Global Service Capabilities*

- During the Reporting Period, the Bank's Johannesburg Branch in South Africa officially opened, which filled its market gaps in Africa. As of now, there are 23 overseas banking institutions, covering 18 countries and regions.

- Net profit of overseas banking institutions decreased by 3.99% on a year-on-year basis to 6.109 billion, whose contribution to the Bank's total net profit decreased by 0.43 percentage point to 7.80% on a year-on-year basis.

- As at the end of the Reporting Period, the total assets of overseas banking institutions increased by 6.61% over the end of the previous year to 1,240.992 billion, whose contribution to the Bank's total assets decreased by 0.15 percentage point to 11.60% over the end of the previous year.

(1) International settlement and trade financing

The Bank promoted trade facilitation, actively carried out technological innovation, optimised traditional trade finance business processes, and launched a series of online paperless products like EASY-Remittance, EASY-Certificate, EASY-Loan, EASY-Currency, and paperless products to provide convenient cross-border payment, settlement, trade financing and foreign exchange financial services to support the development of the real economy. The Bank also connected to the "Single Window" of the customs to provide one-stop trading, settlement and financing services to foreign trade companies. In addition, the Bank developed a new format of trade services, actively connected the Bank with cross-border e-Commerce enterprises and integrated foreign trade service platforms to improve the foreign exchange settlement autonomy and capital turnover efficiency of medium, small and micro enterprises. During the Reporting Period, international payment reached USD332.659 billion, an increase of 6.67% on a year-on-year basis. The volume of financing for cross-border trade increased by 36.43% on a year-on-year basis to USD23.523 billion; the volume of external guarantee by domestic branches reached USD4.058 billion.

5. The conclusion was made based on he Latest data of Hong Kong general insurance market as at the end of the third quarter of 2020.

(2) Overseas service network

The landscape of overseas service network made a steady progress. As at the end of the Reporting Period, the Bank established 23 overseas branches (sub-branches) and representative offices with 69 operating outlets in 18 countries and regions, providing customers with comprehensive financial services including deposits, loans and advances, international settlement, trade financing and foreign currency exchange. In 2020, the overseas branches insisted on the business philosophy of staying steady and complying with the laws and regulations, actively cooperated with domestic branches to fight against the pandemic, combined local endowments with the characteristics of these overseas branches to satisfy the cross-border financial needs of domestic customers who had the intention of "going global" and overseas customers. The Bank established overseas banking service network with 1,004 banks in 125 countries and regions, set up 256 cross-border Renminbi interbank accounts for 108 overseas Renminbi participating banks in 31 countries and regions, and opened 81 foreign currency settlement accounts in 26 major currencies with 62 banks in 31 countries and regions.

(3) Cross-border Renminbi transactions

The Bank launched "Kua Rong Tong" service and implemented the first forfaiting asset transfer transaction in the market. The Bank participated in the construction of CIPS direct participation banks, and the Seoul Branch became the first batch of overseas institutions transferring from indirect participation to direct participation. During the Reporting Period, the volume of cross-border Renminbi settlement of domestic and overseas banking institutions reached RMB2.03 trillion.

(4) Offshore services

With the advantage of business license, the Bank grabbed the development opportunities arising from Lin-Gang Special Area of Shanghai Pilot Free Trade Zone and the integration of Yangtze River Delta. During the Reporting Period, the net operating income of offshore business amounted to USD120.7328 million, while the total amount of offshore assets reached USD11.744 billion at the end of the Reporting Period.

BOCOM-HSBC STRATEGIC COOPERATION

In 2020, under the new market positioning of "Deepen Strategic Cooperation and Create Shared Value", the Bank and HSBC overcame the adverse effects of the pandemic and continued to deepen all-round strategic cooperation, which in return achieved positive results.

Maintain smooth communications with senior management and lay a solid foundation for cooperation.. In virtue of the communication framework of strategic cooperation, both parties learned from experiences, set objectives and promoted cooperation via multi-level management meetings such as the Summit Meeting and the Co-Chair Meeting.

Leverage complementary advantages and develop global business cooperation. Under the framework of "1+1 Global Financial Services", business cooperation kept a stable growth between both parties. BoCom and HSBC joined hands to assist Chinese enterprises to "go global", concluding 4 cooperative syndicated loan projects. Both parties consolidated cooperative advantages in Hong Kong, concluding 16 cooperative syndicated loan projects and 35 bond underwriting projects. Cooperation in offshore financing and treasury business was promoted in an orderly manner, further deepening the cooperation in foreign currency settlement and cross-border Renminbi settlement. In addition, cooperation in trust business was steadily promoted. In 2020, the amount of cooperative trust products reached 51.57 billion. Meanwhile, both parties worked together to promote the development of businesses empowered by FinTech, enhance the efficiency of trade finance to serve the real economy, and successfully implement the first domestic securities transaction between Chinese and foreign banks on the interbank trading platform of the China Banking Association.

Facilitate information exchanges and deepen the shared resources and experience. Both parties, under the framework of "Resources and Experience Sharing" (RES), continued to exchange experiences on business services and operating management with the focus on subjects such as business development and risk compliance.

Over the past 16 years, cooperation between these two banks was so perfect that it was praised as a classic case and a successful example of the cooperation between Chinese and foreign banks. In the future, the Bank will continue to work closely with HSBC while focusing on the Yangtze River Delta integration, FinTech and other fields. Both parties will vigorously explore opportunities, explore the potentials in depth, and join hands to create more values under the concept of mutual benefit and win-win cooperation.

6. Channel Construction and Service and Consumer Protection

(1) Channel construction

Mobile banking – Adhering to the "customer-oriented" principle, the Bank elaborately refined its mobile banking from the perspectives of user interface, business functions, system performance and product types for continuous iteration, to improve customer experience. As at the end of the Reporting Period, there were 31.0290 million monthly active users (MAU), increasing by 39.88% on an annual basis. Mobile banking APP used in financial and non-financial scenarios reached 84.70% and 38.23% respectively. The Bank interconnected the user system of mobile banking and Go Pay APP, and established the system of "one account for all", which enabled users to log in to the two APPs with the same username and password.

Go Pay – Accelerating the platform digital transformation progress, the Bank established an online "Finance + Life" service platform, covering areas including food and beverages, payment, prepayment, video, music, reading, car life and medicine. The Bank continuously improved the service capability of Go Pay APP platform, focusing on developing the ecosystem of digital scenario-based service. As at the end of the Reporting Period, the accumulated number of registered customers of Go Pay App was 65.2837 million while the number of MAUs was 24.2182 million. Go Pay APP used in financial and non-financial scenarios were 79.72% and 42.15% respectively.

Personal payment – The Bank arranged comprehensive online payment scenarios by providing functions such as online face-scanning payment, one-click card binding for mobile banking, card binding without card numbers on cooperative APP platforms and launched integrated preferential service plans for small and medium-sized merchants. The Bank extended the payment scenarios by scanning WeChat payment code and launched electronic medical insurance card on the mobile banking, making it more convenient for customers to seek medical treatment without physical medical insurance card. The Bank opened the electronic social security card issuance for all customers, breaking the regional restriction, and launched a specific social security zone in the mobile banking, so that customers could enjoy one-stop access to social security services.

Open banking – The construction of open banking has made a steady growth. As at the end of the Reporting Period, 633 interfaces were launched for open banking, covering 7 modules including investment and wealth management, asset credit, payment for acquiring services, financial information, account services, utilities payment and corporate services. In addition, it created 6 major types of life scenarios such as car owner services and 3 main business models of consumer finance, service payments and account deposit.

Third-party platforms – The Bank vigorously promoted the deployment of third-party platforms such as WeChat and Alipay. The Bank built an all-round WeChat-based service system, including "Cloud Banking", "BoCom WeBank" public account and "BoCom" WeChat Mini Program to enhance its customer acquisition capability. As at the end of the Reporting Period, customers served by Cloud Banking and "BoCom" WeChat Mini Program increased by 158.98% and 159.66% respectively over the previous year.

(2) Service and consumer protection

Insisting on the "consumer-oriented" principle, the Bank established a sound consumer protection mechanism and enhanced process control across various departments to build a benchmark for service quality. During the Reporting Period, 0.227 million complaints were received and all of them were processed, with a complaint follow-up satisfaction rate of 98.08%. The Bank was awarded 2019 A-Level Bank in the People's Bank of China Consumer Protection Rating. In the campaign on consumer protection, the Bank was awarded the "Outstanding Bank for Event Organization for '3.15' Education Awareness Week 2020" and the "Outstanding Bank for Event Organization" in the campaign of "Providing Financial Literacy for Thousands of Families in the Financial Literacy Month" host by CBIRC.

7. FinTech and Digital Transformation

◆ During the Reporting Period, the Bank's investment in FinTech increased by 13.45% on a year-on-year basis to 5.724 billion, which accounted for 2.85% of operating income, representing an increase of 0.28 percentage point over the previous year.

◆ As at the end of the Reporting Period, the number of FinTech employees increased to 3,976, which accounted for 4.38% of the Bank's total employees, out of which the number of information technology employees was 3,190, accounted for 3.52% of total employees.

(1) Deepen the reform of FinTech mechanism

As the FinTech and Product Innovation Committee was established under the Senior Management and BOCOM Financial Technology Company Limited was incorporated, the structure of "Two Departments, Three Centres, One Company, One Research Institute, One Office" was formed, which has been improving the governance system. The mechanism of agile development tightly coupled with businesses and technologies achieved an initial success. At the same time, agile transformation in project research and development promoted the shift from the demand-based model to the problem-based model for system development, saving one third of the average end-to-end delivery time.

(2) Accurately respond to customer and market demands in virtue of digital transformation

In response to Shanghai's call for "enabling access to government services via one website and achieving unified management with one website", the Bank, acting on the principle of "providing convenience and benefits for the people", launched the brand "BoCom e-Service". Within this e-Service, the credit medical treatment services covered over 400 public medical institutions, and the number of contracted customers accounted for about 85% of the market share in Shanghai. In addition, "Benefit Medical Payment", being a breakthrough, was the first product of its type, featured with 60-second online application process.

The Bank continued to improve product functions and user experience of its mobile banking, with the number of MAUs reaching 31.0290 million, representing a year-on-year increase of 39.88%. In addition, the number of MAUs of Go Pay APP was 24.2182 million. The two APPs ranked third and second respectively in 2020 Sina Assessment. There were 7 modules in open banking, fully covering investment and wealth management, asset credit, service payments, financial information, account services, utilities payment and corporate services. During the Reporting Period, the Bank was awarded the Best Innovative FinTech Bank of the Year by Sina Finance. Mobile banking and Open banking were awarded the Best Mobile User Experience Award and the Best Open Bank Award respectively by the China Financial Certification Authority (CFCA).

In order to develop a comprehensive online credit granting system and launch Inclusive e-Loan for small and micro enterprises, the Bank, through connection to governmental affairs platforms, achieved accurate customer identification, effective customer acquisition, automatic approval, and intelligent risk control in virtue of digitalisation.

The Bank fought against the pandemic with the assistance of the Intelligent Financial Service Platform. In virtue of the "Finance + Scenario" platform, the Bank rolled out a pandemic control information management system within a week, providing enterprises, public institutions and communities with Internet-based pandemic prevention and control services through its functions such as registration for pandemic control, online reservation of masks and declaration of health condition. Cloud banking was successfully connected to the Internet medical platform "WeDoctor", with the number of patients ranking first in the financial sector. In addition, as "95559 Smart Voice Portal" was quickly piloted in Wuhan, the average daily calls handled by the smart voice assistant reached 47 thousand and the number of interactions with smart customer service bots exceeded 0.70 million.

(3) Enhance financial risks management capability

The Bank improved the accuracy, coverage and timeliness of risk identification through knowledge diagram, doubled the overdue forecast accuracy of the forecast model for loans approaching due dates, improved the identification accuracy of anti-telecommunication fraud model to over 75% and reduced the workload of manual risk investigation by 75%. Credit approval efficiency increased by 40% after the use of intelligent credit approval that enables paperless declaration. Intelligent operating system automatically categorised 59 types of vouchers, reduced the time cost from 4 seconds to 1.8 seconds after the replacement of manual operation by machine recognition, with an average recognition rate of more than 95%, and thus improved efficiency while reducing manual operation risks in an effective manner.

(4) Strengthen data governance capability

The Bank developed "1+1+N" data governance system consisting of one general policy, one principal measure and numerous ("N") management regulations in key areas. In addition, the Bank launched the construction of an enterprise-level data middle office and constantly improve the capability of data asset management. The Bank set up the enterprise-level data standard and reinforced data quality control. The Bank established a unified foundation of big data and continuously improved the capacity of data storage and calculation. The Bank focused on the data demands from regulatory requirements, customer services and business management, improved the data application capabilities, and designed multiple digital products such as customer tags, business indicators and intelligent knowledge diagrams. Based on the innovative design of enterprise-level data middle office, adding the data services applicable to multiple scenarios, the Bank was empowered for the digital transformation and development. The Bank also reinforced integration and connection with external data sources, doubling the Bank's external data dimensions over the previous year, so as to continuously improve the accuracy and effectiveness of business decisions and financial services.

(5) Enhance technology innovation

Through a newly self-developed core application architecture, the Bank promoted the transformation to distributed technology architecture. The daily transaction volume of debit cards and accounting transactions via the distributed platform accounted for 70% of the daily transactions on the main server, ensuring business continuity under extreme conditions. Numerous recognition technologies such as face recognition, fingerprint recognition, vein recognition and iris recognition were integrated into the unified biological recognition platform, and applied to more than 300 transactions in multiple channels such as corporate mobile banking, personal mobile banking, and mobile handset. The average monthly transaction volume exceeded 6.00 million with the highest daily transaction volume reaching 0.70 million. In addition, an enterprise-class robotic process automation (RPA) platform was adopted in operation, custody, wealth management and other sectors. Meanwhile, the Bank applied intelligent voice into intelligent customer service bots, intelligent calls and intelligent voice analysis with the overall recognition accuracy rate over 90%. Furthermore, the unified diagram engine platform was used in 32 business scenarios and awarded First Prize of Shanghai Financial Innovation. The Bank completed IPV6 retrofit of 49 sets of Internet-to-customer application system, ranking third in the PBOC list of IPV6 demonstration units in the financial sector. The Bank was certified on the highest level (level 5) of software test maturity model integration (TMMi) recognised by the international certified organisation TMMi and became the first domestic commercial bank that completed the accreditation certification independently. Insisting on the requirement of using licensed software, the Bank vigorously explored product lines with open source technology. In 2021, the Bank was titled "2020 National Copyrights Demonstration Unit (Licensed Software)" by the National Copyright Administration of the People's Republic of China.The Bank joined hands with Fudan University and China Mobile to establish the FinTech Joint Lab, to further support Shanghai in transforming into an international financial centre.

(6) Consolidate cybersecurity construction

The Bank continued to promote security management of application system throughout the whole life cycle of development, operation and maintenance, and achieved 100% security control over system development and 100% security protection after system deployment. In addition, the Bank established an integrated security monitoring platform, with an in-built threat model covering nine types of security risks and more than 120 security monitoring scenarios. Meanwhile, the Bank established a sound security operation mechanism, to achieve 24/7 monitoring on security alerts throughout the Bank, to correspond in minutes and to handle in hours. A safe telecommuting channel was developed, allowing more than 0.02 million of employees to work from home. Furthermore, the Bank organised a industry-leading information security team and actively introduced external authorities for assessment and certification, to ensure that the information construction was secured and in compliance with relevant laws and regulations.

(III). RISK MANAGEMENT

The Board of Directors of the Bank established the overall risk appetite of "Stability, Balance, Compliance and Innovation" for the Bank and further set specific indicators of risk limits against various risks including credit, market, operation, liquidity, interest rate of banking book, information technology, country and reputation to exercise strict control over various risk types and ensure the bottom line of preventing the occurrence of systematic and regional risks.

1. Risk Management Framework

The Board of Directors of the Bank assumed the ultimate responsibility, served the highest function of decision-making and monitored the Bank's risk management through its Risk Management and Related Party Transaction Control Committee. The Bank's Senior Management established a Risk Management Committee, namely the Comprehensive Risk Management and Internal Control Committee, and two business review committees, namely the Credit and Investment Review Committee and the High-risk Asset Review Committee. The business review committees were guided by and reported to the Comprehensive Risk Management and Internal Control Committee. Each provincial and directly managed branch, overseas branch, subsidiary and directly operating institution correspondingly established the Risk Management Committee accordingly referring to the aforementioned framework, which served as the main platform to study the prevention and control of systematic and regional risks and decision-making risks on major issues, ensured that the comprehensive risk management system had been implemented throughout the Group.

2. Risk Management Tool

The Group actively introduced various types of risk information data, explored the application of advanced technologies such as big data, artificial intelligence and knowledge diagram to build models, upgraded the unified risk monitoring system of the Group and enhanced the intellectualization of the risk management. During the Reporting Period, the Group pushed forward the construction of risk measurement system and achieved the unified management of risk measurements throughout the Group. Additionally, the calculation system and application mechanism of risk return index were also established to enhance the balance of risk and return.

3. Credit Risk Management

During the Reporting Period, responding to state policies and market fluctuations, the Group upgraded the outline of credit granting and risk policy and guidelines on industrial investment to implement the principle of "one policy for one bank". The Group strengthened asset quality management during the pandemic by implementing the relief policies in compliance with relevant requirements, strengthening management of loans approaching due dates and accurately implementing loan classification. The Group also established a monthly dynamic inspection mechanism to identify customers with potential risk and substantial risk exposed under the pandemic in advance. It adopted a multi-level, category-specific approach by customers to ensure responsibilities were fulfilled, and disposal and mitigation measures were taken beforehand. Control over key areas and sensitive industries of credit card, overcapacity, real estate, cross-border business and implicit government debts was strengthened by means of total volume control, name list and quota limits. In addition, the Group also intensify the regional risk control.

Meanwhile, the Group enhanced disposal and collection. During the Reporting Period, disposal of total amount of non-performing loans reached 82.911 billion, representing a year-on-year increase of 19.621 billion, of which 53.828 billion was written off. The Group, through securitisation of non-performing assets, actively expanded channels for disposal. Throughout the year, the Group issued a total of three transactions of securities and disposed of 14.144 billion of non-performing loans, with the issuing scale taking the third place in the market. In addition, the Group enhanced the application of market-oriented debt-to-equity swap of risk assets to successfully settle projects of large exposure risk such as Dandong Port, Qinghai Salt Lake Industry Co., Ltd. and Sichuan Coal Industry Group.

The Group continued to strengthen credit card risk management capabilities through digitalisation. As part of this, the iteration of financial risk models accelerated; the accuracy of measurement modelling increased; and customers' pre-loan approval standards were optimised. In addition, management of customer segments in the middle of the loan process was specified to resolve potential risks exposed. Post-loan follow-ups were reinforced to achieve effective loan collectivity. As a result, the preliminary manifestation of risk management procedures was shown. The loan migration rate has decreased since the second quarter, the quarterly increment amount of non-performing loans in the second half year gradually decreased, and the overall quality of credit card assets stayed under control.

During the Reporting Period, under the influence of COVID-19 pandemic and other factors, risk exposure of some customers was accelerated. Meanwhile, the Group strengthened risk identification and strictly followed asset quality classification standards. As at the end of the Reporting Period, the balance of non-performing loans was 97.698 billion and the non-performing loan ratio was 1.67%, representing an increase of 19.655 billion and 0.20 percentage point respectively over the end of the previous year. The period also witnessed a decrease in the balance and proportion of special mention loans. Meanwhile, the balance of overdue loans remained stable, yet the proportion declined.

Distribution of loans by five categories of loan classification

(in millions of RMB unless otherwise stated)

	31 December 2020		31 December 2019		31 December 2018	
	Amount	**Proportion (%)**	Amount	Proportion (%)	Amount	Proportion (%)
Pass loan	**5,668,199**	**96.92**	5,111,715	96.37	4,662,605	96.06
Special mention loan	**82,527**	**1.41**	114,517	2.16	119,111	2.45
Total performing loan balance	**5,750,726**	**98.33**	5,226,232	98.53	4,781,716	98.51
Sub-standard loan	**52,652**	**0.90**	16,963	0.32	13,711	0.28
Doubtful loan	**26,713**	**0.46**	42,508	0.80	38,456	0.79
Loss loan	**18,333**	**0.31**	18,572	0.35	20,345	0.42
Total non-performing loan balance	**97,698**	**1.67**	78,043	1.47	72,512	1.49
Total	**5,848,424**	**100.00**	5,304,275	100.00	4,854,228	100.00

Distribution of special mention loans and overdue loans by business type

(in millions of RMB unless otherwise stated)

	31 December 2020				31 December 2019			
	Special mention loan balance	**Special mention loan ratio (%)**	**Overdue loan balance**	**Overdue loan balance ratio (%)**	Special mention loan balance	Special mention loan ratio (%)	Overdue loan balance	Overdue loan balance ratio (%)
Corporate loans	**71,677**	**1.93**	**60,851**	**1.64**	101,987	3.05	60,022	1.79
Personal loans	**10,841**	**0.55**	**29,264**	**1.48**	12,280	0.70	30,472	1.74
Mortgage	**2,395**	**0.19**	**7,132**	**0.55**	2,380	0.21	6,214	0.55
Credit cards	**7,684**	**1.66**	**18,245**	**3.93**	9,449	2.02	20,589	4.41
Personal business loans	**204**	**0.17**	**1,648**	**1.36**	97	0.17	1,685	3.03
Others	**558**	**0.55**	**2,239**	**2.19**	354	0.37	1,984	2.06
Discounted bills	**9**	**0.01**	**88**	**0.05**	250	0.12	26	0.01
Total	**82,527**	**1.41**	**90,203**	**1.54**	114,517	2.16	90,520	1.71

The balance of corporate special mention loan was 71.677 billion, representing a decrease of 30.310 billion over the end of the previous year. The special mention loan ratio was 1.93%, representing a decrease of 1.12 percentage points over the end of the previous year. The balance of corporate overdue loan was 60.851 billion, representing an increase of 0.829 billion over the end of the previous year. The overdue loan ratio was 1.64%, representing a decrease of 0.15 percentage point over the end of the previous year.

The balance of personal special mention loan was 10.841 billion, representing a decrease of 1.439 billion over the end of the previous year. The special mention loan ratio was 0.55%, representing a decrease of 0.15 percentage point over the end of the previous year. The balance of personal overdue loan was 29.264 billion, representing a decrease of 1.208 billion over the end of the previous year. The overdue loan ratio was 1.48%, representing a decrease of 0.26 percentage point over the end of the previous year.

Distribution of loans and non-performing loans by business type

(in millions of RMB unless otherwise stated)

	31 December 2020				31 December 2019			
	Loans	**Proportion (%)**	**Non-performing loans**	**Non-performing loan ratio (%)**	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)
Corporate loans	**3,707,471**	**63.39**	**78,830**	**2.13**	3,346,476	63.09	59,443	1.78
Personal loans	**1,980,882**	**33.87**	**18,773**	**0.95**	1,754,765	33.08	18,574	1.06
Mortgage	**1,293,773**	**22.12**	**4,849**	**0.37**	1,135,428	21.41	4,038	0.36
Credit cards	**464,110**	**7.94**	**10,558**	**2.27**	467,387	8.81	11,135	2.38
Personal business loans	**120,985**	**2.07**	**1,542**	**1.27**	55,560	1.05	1,647	2.96
Others	**102,014**	**1.74**	**1,824**	**1.79**	96,390	1.81	1,754	1.82
Discounted bills	**160,071**	**2.74**	**95**	**0.06**	203,034	3.83	26	0.01
Total	**5,848,424**	**100.00**	**97,698**	**1.67**	5,304,275	100.00	78,043	1.47

Distribution of loans and non-performing loans by industry

(in millions of RMB unless otherwise stated)

	31 December 2020				31 December 2019			
	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)
Corporate loans	**3,707,471**	**63.39**	**78,830**	**2.13**	3,346,476	63.09	59,443	1.78
Transportation, storage and postal services	**708,649**	**12.12**	**9,738**	**1.37**	637,943	12.03	8,665	1.36
Manufacturing	**658,203**	**11.25**	**29,301**	**4.45**	601,143	11.33	24,711	4.11
Leasing and commercial services	**577,500**	**9.87**	**10,876**	**1.88**	508,863	9.59	2,428	0.48
Water conservancy, environmental and other public facilities	**334,399**	**5.72**	**234**	**0.07**	284,797	5.37	124	0.04
Real estate	**348,185**	**5.95**	**4,711**	**1.35**	264,495	4.99	877	0.33
Wholesale and retail trade	**204,856**	**3.50**	**9,823**	**4.80**	221,381	4.17	11,601	5.24
Production and supply of electric power, heat, gas and water	**221,313**	**3.78**	**2,156**	**0.97**	215,642	4.07	1,210	0.56
Construction	**135,732**	**2.32**	**3,683**	**2.71**	135,998	2.56	2,099	1.54
Mining	**125,367**	**2.14**	**2,625**	**2.09**	117,555	2.22	2,999	2.55
Finance	**118,702**	**2.03**	**10**	**0.01**	107,865	2.03	11	0.01
Education, science, culture and public health	**112,961**	**1.93**	**2,908**	**2.57**	96,875	1.83	728	0.75
Others	**85,570**	**1.48**	**1,075**	**1.26**	93,314	1.76	2,515	2.70
Accommodation and catering	**34,886**	**0.60**	**701**	**2.01**	32,259	0.61	1,051	3.26
Information transmission, software and information technology services	**41,148**	**0.70**	**989**	**2.40**	28,346	0.53	424	1.50
Personal loans	**1,980,882**	**33.87**	**18,773**	**0.95**	1,754,765	33.08	18,574	1.06
Discounted bills	**160,071**	**2.74**	**95**	**0.06**	203,034	3.83	26	0.01
Gross amount of loans and advances	**5,848,424**	**100.00**	**97,698**	**1.67**	5,304,275	100.00	78,043	1.47

During the Reporting Period, the Group actively supported the real economy development with its new loans preferentially going to industries such as manufacturing, service and transportation. With respect to real estate loans, the principle that "houses are for living in, not for speculation" was insisted to maintain a sound and healthy development. In addition, the Group enhanced control over industries with severe overcapacity. As at the end of the Reporting Period, the balance of loans to industries with severe overcapacity accounted for 2.60% of the total domestic loans, representing a decrease of 0.5 percentage point from the beginning of the year.

Distribution of loans and non-performing loans by region

(in millions of RMB unless otherwise stated)

	31 December 2020				31 December 2019			
	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)	Loans	Proportion (%)	Non-performing loans	Non-performing loan ratio (%)
Yangtze River Delta	**1,576,465**	**26.96**	**20,932**	**1.33**	1,434,280	27.04	12,836	0.89
Pearl River Delta	**701,865**	**12.00**	**7,332**	**1.04**	572,226	10.79	6,056	1.06
Bohai Rim Economic Zone	**831,454**	**14.22**	**17,058**	**2.05**	740,248	13.96	9,646	1.30
Central China	**958,527**	**16.39**	**18,005**	**1.88**	827,110	15.59	11,369	1.37
Western China	**680,088**	**11.63**	**9,220**	**1.36**	585,712	11.04	11,951	2.04
North Eastern China	**232,864**	**3.98**	**10,998**	**4.72**	212,871	4.01	13,826	6.50
Overseas	**359,368**	**6.14**	**3,586**	**1.00**	391,517	7.38	1,213	0.31
Head Office	**507,793**	**8.68**	**10,567**	**2.08**	540,311	10.19	11,146	2.06
Gross amount of loans and advances	**5,848,424**	**100.00**	**97,698**	**1.67**	5,304,275	100.00	78,043	1.47

Note: Head Office included the Pacific Credit Card Centre.

Based on regional economic traits, the Group implemented differentiated policies of "One Strategy for One Bank" to make dynamic adjustments to business authorisation based on different regions. The Pearl River Delta, Western China and North Eastern China witnessed a decrease in the non-performing loan ratio over the previous year while other regions showed an increase in this ratio.

Overdue loans and advances

(in millions of RMB unless otherwise stated)

	31 December 2020		31 December 2019	
Overdue period	**Amount**	**Proportion (%)**	Amount	Proportion (%)
Within 3 months	**25,480**	**0.44**	28,923	0.55
3 months to 1 year	**34,145**	**0.58**	28,618	0.53
1 to 3 years	**25,916**	**0.44**	23,661	0.45
Over 3 years	**4,662**	**0.08**	9,318	0.18
Total	**90,203**	**1.54**	90,520	1.71

The Group adopted prudent classification standards for overdue loans. Corporate loans overdue for more than 60 days were included in non-performing loans. Loans overdue for 90 days accounted for 66% of non-performing loans.

As at the end of the Reporting Period, the balance of overdue loans was 90.203 billion, representing a decrease of 0.317 billion over the end of the previous year. The overdue ratio was 1.54%, representing a decrease of 0.17 percentage point over the end of the previous year. The balance of loans overdue for over 90 days was 64.723 billion, representing an increase of 3.126 billion over the end of the previous year.

Loan migration rates

(%)	**2020**	2019	2018
Pass loan migration rate	**1.84**	1.71	1.85
Special mention loan migration rate	**46.59**	29.76	30.01
Sub-standard loan migration rate	**25.48**	42.76	88.62
Doubtful loan migration rate	**19.92**	10.92	15.36

Note: Data calculated pursuant to the Notice on the *Distribution of the Regulatory Indicator and Calculation Formula for off Field Investigation issued by the CBIRC.*

Credit risk concentration

As at the end of the Reporting Period, the total loans of the largest single borrower of the Group accounted for 3.71% of the Group's net capital, and the total loans of top 10 borrowers accounted for 15.75% of the Group's net capital. The following table illustrates the loans of top 10 single borrowers as at the end of the Reporting Period:

(in millions of RMB unless otherwise stated)

	Data as at 31 December 2020		
	Industry	**Amount**	**Percentage of total loans (%)**
Customer A	Transportation, storage and postal services	37,927	0.64
Customer B	Production and supply of electric power, heat, gas and water	25,700	0.44
Customer C	Manufacturing - Electronics	17,866	0.31
Customer D	Transportation, storage and postal services	13,677	0.23
Customer E	Transportation, storage and postal services	12,864	0.22
Customer F	Transportation, storage and postal services	12,000	0.21
Customer G	Transportation, storage and postal services	10,589	0.18
Customer H	Transportation, storage and postal services	10,236	0.18
Customer I	Finance	10,015	0.17
Customer J	Production and supply of electric power, heat, gas and water	10,000	0.17
Total of Top Ten Customers		160,874	2.75

4. Market Risk Management

Market risk refers to the risk of losses of on- and off-balance sheet businesses of the Bank arising from unfavourable changes in interest rate, exchange rate, commodity price and share price. Interest rate risk and exchange rate risk are the major market risks encountered by the Group.

Based on the risk appetite of the Board of Directors, the Group proactively identified, measured, monitored, controlled and reported its market risk through quota management, risk hedging and risk transfer. As a result, the Group was able to manage its market risk exposure to an acceptable level and maximise its risk-adjusted profits.

The exchange rate risk and general interest rate risk of trading book were assessed with the use of the internal model-based approach by the Group, while the market risk not covered by the internal model based approach was assessed under the standardised approach. In terms of the internal model-based approach, historical simulation method was adopted to calculate value at risk ("**VaR**") and stressed value at risk ("**SVaR**"), which had a historical observation period of 1 year, a holding period of 10 working days and a 99% confidence interval. Daily capital transaction positions of the Group and the most updated market data were obtained to perform position valuation and sensitivity analysis in a timely manner. In addition, using the historical simulation method, the Group measured VaR of market risk on a daily basis from different perspectives, including risk factors and investment portfolios and products and performed reverse testing on a daily basis to verify the accuracy of the VaR model. The results obtained using the internal model-based approach were also applied to capital measurement, quota monitoring and management, performance assessment and risk monitoring and analysis.

During the Reporting Period, the Group kept improving the market risk management system, strengthened the risk management of overseas branches, enhanced exposure monitoring and risk warning in the event of financial market volatility, and strictly controlled the market risk exposure limits, optimised the market risk information management system and promoted the construction of a large middle ground system of market risks. The Group also optimised market risk management models and configurations, closely monitored the risk management of domestic and overseas markets, performed quantitative testing of market risk and thoroughly analysed the possible challenges in new trends of market risk regulation.

5. Liquidity Risk Management

The governance structure of liquidity risk management of the Group consisted of a decision-making body comprised the Board of Directors and its Special Committees and Senior Management, a supervisory body comprised the Board of Supervisors and Audit Supervision and an executive body comprised Financial Management Department, Financial Markets Department, Risk Management Department, Operations and Channel Management Department, branches, subsidiaries and the Head Office's departments in charge of each business.

The Group's liquidity risk management goal was to establish and improve the liquidity risk management system, and effectively identify, measure, monitor and manage the liquidity risk at legal entity level and group level, subsidiaries, branches and business lines to ensure that the liquidity needs can be timely satisfied at a reasonable cost.

The Group annually determined liquidity risk appetite according to business strategies, business characteristics, financial strength, financing abilities, overall risk appetite and market influence. According to the liquidity risk appetite, the Group formulated written liquidity risk management strategies, policies and procedures. The strategies and policies of liquidity risk management covered all on- and off-balance sheet businesses, as well as all business departments, branches and subsidiaries that might have a significant impact on liquidity risk at home and abroad and included liquidity risk management under normal and stressful conditions.

During the Reporting Period, the Group implemented the *Rules on Liquidity Risk Management of Commercial Group* issued by the CBIRC. Various businesses of the Group were developed in a coordinative manner under a stable liquidity risk condition with satisfactory liquidity indicators under regulatory requirements of liquidity ratio, liquidity coverage ratio, net stable funding ratio and liquidity matching ratio. In accordance with regulatory policy requirements and the need for deepening reform across the Bank, the Group further strengthened on- and off-balance sheet liquidity risk management. By forecasting in advance and performing cash flow calculation and analysis, the Group reinforced the coordination and integration to improve financing management and high quality liquid asset (HQLA) management, continuously monitored to ensure daytime liquidity security and liquidity limit controllable and launched regular stress testing for liquidity risk, in which the stressed scenarios were established under the consideration of the correlation between different risks and liquidity risk and the impacts of market liquidity on the Group's liquidity risk. The results of stress tests showed that liquidity risk was in a controllable range under various pressures scenarios. The Group organised emergency exercise for liquidity risk to improve the reaction speed and liquidity risk elimination ability.

As at the end of the Reporting Period, the table below shows the liquidity ratio indicator of the Group:

	Standard Value	31 December 2020	31 December 2019	31 December 2018
Liquidity ratios (%)	≥25	69.24	72.92	68.73

Note: Calculated according to the regulatory calibre of the CBIRC.

The liquidity coverage ratio is the ratio of HQLA to net cash outflows in the following 30 days. The aim is to ensure that commercial banks have sufficient qualified HQLA to meet the liquidity needs of at least 30 days in the future by settling these assets under the liquidity stress scenarios subject to regulatory requirements. The Group's qualified HQLA mainly included cash, reserves that can be withdrawn from the central bank under stress scenarios and bonds that meet the definition of primary and secondary assets in the *Administrative Measures for Liquidity Risk Management of Commercial Banks*. According to the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, commercial banks with an asset scale no less than RMB200.0 billion should always meet the minimum regulatory standards with a liquidity coverage ratio not less than 100%. The daily average liquidity coverage ratio of the Group during the fourth quarter of 2020 was 132.33% (the daily average within the quarter was the arithmetic average of daily data of the quarter, the number of daily data required was 92). The ratio decreased by 0.88 percentage point over the previous quarter mainly due to increase in net cash outflows.

The net stable funding ratio is the ratio of available stable funds to the required stable funds. The aim is to ensure that commercial banks have sufficient sources of stable funds to meet the demand for stable funds from all types of assets and off-balance-sheet exposures. According to the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, commercial banks with an asset scale no less than RMB200.0 billion should always meet the minimum regulatory standards with a net stable funding ratio not less than 100%. The Group's net stable funding ratio for the third quarter of 2020 was 109.01%, representing a decrease of 0.76 percentage point over the previous quarter, which was mainly due to the increase in loans issued to retail and small business customers, non-financial institutions, sovereignty, central banks and public sector entities. In the fourth quarter of 2020, the net stable funding ratio was 110.60%, representing an increase of 1.58 percentage points over the previous quarter, which was mainly due to the increase in deposits from retail and small business customers.

6. Operational Risk Management

The Group developed comprehensive operational risk management system dealing with the nature, scale and product complexity of the Group's businesses. The Group also standardised the procedures of operational risk controls, control assessment, lost data collection, key risk indicator monitoring and operational risk management. During the Reporting Period, the Group improved the operational risk management and risk assessment mechanism, carried out operational control assessment on key processes and established an integrated business continuity management at home and abroad to extend outsourcing risk management mechanism to the whole Group.

7. Legal Compliance and Anti-money Laundering

During the Reporting Period, the Bank promoted the development of long-term mechanism for overseas compliance management, improved legal knowledge education and the construction of compliance culture to enhance the legal compliance guarantee for operation and management. The Bank also improved the anti-money laundering management structure, optimised the anti-money laundering process, advocated the establishment of anti-money laundering system, and improved the capabilities to manage money laundering risks.

8. Reputation Risk Management

The Group improved the reputation risk management framework. Negative comments from various stakeholders regarding the Group's operation, management, any other behaviours or external events were managed. Situations regarding reputation risk were appropriately handled. The Group intensified the identification, warning, assessment and monitoring of reputation risk, and promptly adjusted corresponding strategy and measures. During the Reporting Period, negative public opinions were actively handled, and reputational risk was under control. No event occurred regarding significant reputational risk.

9. Cross-Industry, Cross-Border and Country Risk Management

The Group set up the risk management system across industries and boarders characterised by "Centralised Management, Clear Task Allocation, Complete and Adequate System Tools, IT Support, Risk Quantification, and Consolidation of Substantially Controlled Entities". During the Reporting Period, considering the uncertainties caused by the spread of COVID-19 pandemic overseas, the Group intensified the prevention and control of the pandemic in overseas institutions to ensure stable operation of business. In addition, the Group also strengthened management of key areas such as liquidity, business continuity, asset quality and employees' awareness of pandemic prevention in overseas institutions. The Group carried out risk assessment of overseas banking institutions and improved assessment method and working mechanism. The Group enhanced the consolidation management, issued the *Measures on Consolidation Management of Bank of Communications (2020)*, optimised consolidation management system, provided better guidance and evaluated subsidiaries' consolidation management. The Group implemented country risk management, optimised country risk limit plans, regularly monitored country risk exposures and timely carried out country risk rating, assessment, and indication.

10. Management of Large Exposure Risk

The Group thoroughly implemented the requirements of the *Administrative Measures for the Large Exposures of Commercial Banks* issued by the CBIRC, boosted the construction of management system, and optimised management process and organisation structure. The Group continued to monitor large exposure risk, and strictly adhered to relevant delegated authorities' standards, so as to improve the Group's ability to prevent systematic and regional risk. During the Reporting Period, the Group's large exposure risk indicators met the regulatory requirements.

(IV). DEEPEN THE REFORM

Sticking to the strategic goal of "building the first-tier bank with wealth management characteristics and global competitive capabilities in the world" and the aim of continuously improving the adaptability, competitiveness, inclusiveness and FinTech capacity, the Bank has been deepening the reform on related mechanisms and consistently simulating the motivation and vitality of business development, so as to better serve the real economy and control financial risks.

1. Integrate into China's national strategies to build featured advantages.

Seizing the strategic opportunity of the Yangtze River Delta regional integrated development, the Group reformed the framework, optimised the function of the Yangtze River Delta integration management and established a strategic leadership group and Yangtze River Delta Integration Management Department. The Group fully exploited its global layout, integrated operation and unique geographical advantages in the Yangtze River Delta to better serve the national strategy of regional development.

The Group leveraged the qualification advantages of the offshore business, performed reforms on the business function and business framework of the offshore free trade zone, and enhanced the risk prevention and control as well as the compliance and anti-money laundering management of the offshore businesses. The Group supported and served the construction of the new area in Shanghai Free Trade Zone, and built the advantages of offshore finance and trade finance.

The Group implemented the reform of the Beijing Administrative Department and the Head Office's Strategic Customer Department to enhance the integrated operating function of group customers. The Group optimised the business functional framework of the financial market and strengthened the integrated management of the financial markets in terms of the domestic and overseas business as well as the local and foreign currency business. The Group reformed the equity investment platform and provided support for the construction of Shanghai Technology Innovation Centre to align with the deepening reform of the capital market.

2. Optimise the functional structure and realize management efficiency.

Targeting at building the core competence of FinTech, the Group accelerated the intensive integration of technology into businesses, performed the reform on FinTech mechanism, and thus improved the overall FinTech framework of the Group. The Group set up the FinTech Committee to improve the broad plan, top-level design and the integrated management capacities of FinTech businesses. By improving the settings and functions of department, the Group integrated the software development resources and promoted the integration of technology and business. The Group also implemented three major projects of FinTech Ten Thousand Plan, FinTech Management Trainee as well as Empowerment and Transformation for Existing Talents.

In order to solve the problems of department functional positioning, classified management, mutual coordination and absence or repetition, the Bank initiated reforms on the functional structure and the management system such as budget and finance, assets and liabilities, operation channel as well as strategic management and research, focused on the pain points, clarified the limit of responsibilities, and unleashed the management efficiency to improve professional management capabilities. As a result, a basic framework of "four beams and eight pillars" for the middle and back office across the Bank was established, and achievements of the reform gradually became prominent.

3. Deepen the reform on credit risk management

The Bank implemented reforms on credit risk management and anti-money laundering, and segregated the functions of credit management and credit approval. The Bank also integrated the post-loan/investment management functions, implemented a unified management over credit risk by the Credit Management Department, and clarified the overall risk management functions led by the Risk Management Department. The asset preservation function, after removed from the Risk Management Department, has achieved independence in operation and has been under professional management, which improved the quality and efficiency of risk disposal. In addition, the Bank established the Anti-money Laundering Centre of sub-department level under the Department of Law and Compliance at the Head Office, reinforced the management function of anti-money laundering and sanction compliance across the Bank, and optimised the process of compliant anti-money laundering management, accelerating the unified management of anti-money laundering business.

4. Reinforce the institutional management and incentive constraints.

To focus on value creation and encourage positive incentives, the Bank omptimised the classified management of provincial branches, establishing a scientific and reasonable guideline for assessment and distribution. Based on the principle of "compliance and clearness, positive incentives, fairness and transparency", the Bank optimised the bank-wide position system.

(V). OUTLOOK

Looking forward into 2021, the international economic situation will remain complex and challenging, and the global economic recovery is still going to be tottering, but the fundamentals of China's long-term economic development remain positive. The pandemic prevention and control results will continue to consolidate, and the macro policies will remain their continuity, stability and sustainability. The implementation of policy would be more targeted and effective. Overall, during 2021 and the period of the "14th Five-Year Plan", the banking industry will switch from rapid growth to a new phase of high-quality development, with opportunities going together with challenges.

On one hand, the banking industry faces great opportunities for transformation and development. In the new development stage, technology innovation becomes the major force driving the economic growth. The modernisation of the industrial chain keeps accelerating its pace, and there are strong demands for high-end, intelligent and green transformation of traditional industries, both bringing new growth points for the operation of banks. As building a new development pattern and boosting domestic demand become the strategic basis, demands in the livelihood consumption will continue to improve in the future, bringing opportunities for the development of inclusive finance and consumer finance. Along with the comprehensive implementation of national strategies in key regions such as the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, the Beijing-Tianjin-Hebei region and the Chengdu-Chongqing economic circle, these areas will become major regions for the business growth of the banking industry. At the same time, the simultaneous promotion of new urbanisation and new infrastructure construction, along with the digital transformation of government and society, provides an important period of opportunity for the banking industry to accelerate the digitalisation layout.

On the other hand, the development and operations in the banking industry are facing certain challenges. Due to the accelerated rise in the leverage ratio of enterprises and residents against the backdrop of the pandemic, risks in some areas may be aggravated and there is certain downward pressure on the asset quality of the banks. Increasingly complex international environment along with gradually tightening overseas policies may increase the liquidity risks, while the geopolitical conflicts may lead to higher volatility of global financial asset price. In this situation, there will be uncertainty for the banks to develop their overseas business and certain financial market business, and pressure on risk control and anti-money laundering may turn greater. At the same time, the opening-up policy of the financial sector has gradually come into effect. Driven by policies allowing foreign-funded banks to enjoy national treatment, foreign-funded banks are speeding up their entry into the Chinese market, and competitions between domestic banks and foreign-funded banks will further intensify.

2021 is the opening year of the "14th Five-Year Plan", and in this critical year, BoCom will start a new journey to push forward with its transformation and development. The Group will adhere to the tune of seeking progress while maintaining stability and spare no efforts to promote high-quality development with reform and innovation as the fundamental driving forces. In addition, the Group will unswervingly uphold the new concept of development and serve the new development pattern by highlighting the features in areas of inclusive finance, trade finance, technology finance and wealth finance. With the breakthrough of building the Leading Bank in the Yangtze River Delta and pursuing digital transformation, BoCom will achieve coordinated development with the real economy and celebrate the centenary of the Party with outstanding performance. The Group will emphasize the following areas:

Build the leading bank in the Yangtze River Delta. The Group will leverage its home advantages to transform the gift of resource into the differentiated competitiveness, make leading breakthroughs in the subdivisions and form a demonstration effect. The Group will improve the integrated mechanism that encourages the "cross-regional business development, cross-regional customer management, cross-regional resource allocation and cross-regional talent exchange". The Group will accelerate the promotion of "BoCom e-Service" and push forward the pilot run of the innovative cross-provincial business of social security, medical insurance and housing provident fund.

Further implement digital transformation. The Group will focus on enhancing its core abilities of serving customers and building digital and ecological business systems, so as to accelerate business value creation and improve customer experience. The Group will speed up to build customer service platform, marketing platform and enterprise-level risk control platform and reshape management models and business processes. The Group will continuously promote the construction of enterprise-level distributed architecture system, distributed core system and general technology capability system, and enhance the ability of FinTech to empower the business development to drive the FinTech-empowered business development. Meanwhile, the Group will promote data asset management, unified data computing and data application services to unlock the value of data, and form the digital competitiveness of the Group.

Explore the wealth finance feature. Relying on the strategic basis of "expanding domestic demand", the Group will exercise its comprehensive advantages to establish a customer-oriented business mode integrating the whole chain, so as to improve the ability in asset allocation and customer service. The Group will promote the combination of the advantages of different product lines, creating more hit products of cash management and equity investment. Through Online and offline channels combination, the Group will connect Mobile banking, Go Pay APP, Online banking and physical outlets to provide full-channel wealth management services.

Improve the quality and efficiency of financial services. The Group will serve the real economy as always and increase support to key areas and weak links including small and micro enterprises, "agriculture, rural areas and farmers" and rural revitalization. Leveraging the advantages of its broad range of licensed activities and international network, the Group will serve the development of new areas such as technology innovation and the upgrading of industrial chain and supply chain, providing strong and effective financial support for the rapid construction of the new development pattern.

Maintain the stability of asset quality. Centered on the asset quality, the Group will continue to improve the comprehensive risk management system featured with "full coverage, full process, specialisation, and accountability". The Group will further deepen the reform of risk credit management and anti-money laundering, accelerate the project incubation of the FinTech Joint Lab, and push forward the construction of the middle office for retail risk management. The Group will reinforce the ability of overall risk management and control for preventing non-compliance cases, as well as optimise the mechanism of risk monitoring, early warning and response, so as to improve corresponding capabilities.

V. OTHER INFORMATION

(I) Human Resource

1. Basic Information of Employees and the Organisation

As at the end of the Reporting Period, the Group had a total of 90,716 employees, of whom 84,740 employees were based in domestic branches and 2,591 were local employees in overseas branches. The number of employees of the Bank's major subsidiaries was 3,385, excluding staff dispatched from the Head Office and Branches. The number of retired employees that the Bank had obligation to bear the cost to was 2,498.

For employees in domestic institutions, 29,742 employees heldhold professional and technical qualifications, of which 557 employees held senior professional and technical qualifications, accounting for approximately 0.66%. 15,791 employees held intermediate professional and technical qualifications, accounting for 18.63%. 13,394 employees held junior professional and technical qualifications, accounting for 15.81%. The number of employees with master's degree and above is 11,774, accounting for 13.89%. The number of employees with bachelor's degree is 59,581, accounting for 70.31%. And 13,385 employees had associate's degree and below, which accounted for 15.80%.

Expertise of domestic employees

Category of position	**Number**	**Proportion** *(%)*
Market Development	28,695	33.86%
Financial Accounting	25,672	30.30%
Operating and Management	7,778	9.18%
Service Assurance	6,734	7.95%
Risk Management	5,698	6.72%
Information Technology	2,809	3.31%
Audit Supervision	1,383	1.63%
Others	5,971	7.05%
Total	**84,740**	**100.00%**

As at the end of the Reporting Period, the Bank's assets, entities and employees were presented by regions as follows:

	Assets		**Entities**		**Employees**	
	Amount *(in millions of RMB)*	**Proportion** *(%)*	**Number of entities**	**Proportion** *(%)*	**Number of employees**	**Proportion** *(%)*
Yangtze River Delta	2,641,386	24.69	719	23.98	25,539	29.24
Pearl River Delta	920,887	8.61	323	10.77	9,262	10.61
Bohai Rim Economic Zone	1,543,501	14.43	490	16.35	13,494	15.45
Central China	1,194,919	11.17	553	18.45	13,777	15.78
Western China	822,759	7.69	485	16.18	10,795	12.36
North Eastern China	384,627	3.60	358	11.94	8,703	9.96
Overseas	1,114,676	10.42	69	2.30	2,591	2.97
Head Office	4,187,998	39.15	1	0.03	3,170	3.63
Eliminated and unallocated assets	(2,113,137)	(19.76)	–	–	–	–
Total	**10,697,616**	**100.00**	**2,998**	**100.00**	**87,331**	**100.00**

Note: The number of employees in the Head Office excluded the employees in the Pacific Credit Card Centre, the financial service centres/Business Department and the staff dispatched from the Head Office.

2. Employees' Remuneration Policy

In response to the reform and development requirements, the Bank improved the performance appraisal and remuneration system of "salary determined by post and bonus granted upon performance". The Bank adhered to consistency of value creation with fairness, optimised the allocation of remuneration resources, guided and maximised value creation of operating units, and improved capabilities of pursuing high-quality development. Besides, the Bank insisted on the guidance of responsibility, grass-root and performance, and focused on the precise motivation of key groups based on product profitability. Based on the risk accountability system, the Bank continued to improve the deferred payment system for the performance-based incentives of the employees in key positions for the purpose of stable operation and sustainable development. In addition to basic social pension and insurance, the Bank cared the staff and implemented the supplementary benefits such as annuity.

3. Training Management

During the Reporting Period, the Bank continuously held various training classes for cadres, including 4 special training sessions for outstanding young and middle-aged cadres, 1 training session for newly appointed leaders in charge of the grass-roots business institutions, 1 orientation training session for senior managers, 1 training session for key leaders of provincial branches, and some qualification certification training sessions for leaders of tier-2 branches. The Bank paid great attention to professional trainings and held various seminars on corporate businesses, international businesses, inclusive finance business, credit granting businesses and interbank businesses. In addition, the Bank conducted enhancement trainings for employees to improve their business operating abilities in retail business and anti-money laundering training to strengthen the professional competence of employees. In view of the impact of COVID-19 pandemic, the Bank switched to online training via the its own platform e-school, xuexi.cn APP and Tencent Meeting. During the Reporting Period, the Bank organised cadre training for nearly 1.33 million staff, including face-to-face training for over 0.17 million staff and online training for over 0.90 million staff. Besides, nearly 0.26 million staff received a combination of in-person and online training or other training.

4. *Talent Training and Reserve*

During the Reporting Period, the Bank formulated the *Plan for the Cultivation of FinTech Talents (2020-2024)*. The Bank strived to build a technology team consisting of over 10,000 talents with "forward-looking vision, agile mind, efficient work style, and value creating ability" via external talent introduction, internal talent transformation and incentive scheme. The Bank optimised the career ladder for experts and enhanced the professionals' guidance of responsibility, grass-root and performance, resulting in the employment of over 200 experts during the year. The Bank improved the mechanism for cultivating management trainees, especially FinTech professionals and other leading talents. More and more general management trainees were sent to support key areas for an accelerated career growth. The Bank kept aligned with national and local talent programmes, providing talent support for the development of Beijing-Tianjin-Hebei, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area and Hainan Free Trade Port. The Bank pushed forward the building of international talent teams and continued to develop talents in areas including risk compliance, credit review, information technology through overseas exchange and job shadowing and special training. During the Reporting Period, a total of more than 60 professional cadres were dispatched, recalled or put into job rotation. During the year, the 4 talents were listed as leading employees financial talents of Shanghai Financial System, and 7 talents were listed as young financial talents of Shanghai Financial System.

(II) Purchase, Sale or Repurchase of the Bank's Listed Securities

In July 2020, the Bank has redeemed and cancelled USD2.45 billion of offshore preference shares in whole. Please refer to the section of "Changes in Shares and Shareholders" for details. Save as disclosed above, during the Reporting Period, neither the Bank nor any of its subsidiaries purchased, sold or repurchased any listed securities of the Bank.

(III) Compliance with *Corporate Governance Code* under the Hong Kong Listing Rules

Adhering to the governance vision of becoming the "best bank in corporate governance", the Bank insisted on combining effective international governance practices with China's national situation and industrial realities, and improved governance mechanism for large-scale commercial banks with Chinese characteristics based on the "core leadership by the Party Committees, strategic decision making by the Board of Directors, legal supervision by the Board of Supervisors and authorised operation by Senior Management".

On 16 January 2020, Mr. Ren Deqi was appointed as Chairman of the Board of Directors of the Bank. On the same day, Mr. Ren Deqi would no longer serve as Vice Chairman of the Board of Directors of the Bank and would, on behalf, perform the duties of President. According to the resolution at the 10th meeting of the 9th Board of Directors of the Bank, Mr. Liu Jun was appointed as President of the Bank. Mr. Liu Jun served as President of the Bank from 7 July 2020. On the same day, Mr. Ren Deqi would no longer perform the duties of acting President.

Save as disclosed above, the Board of Directors of the Bank confirmed that it complied with the principles and provisions of the *Corporate Governance Code* contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**") at all times during the year ended 31 December 2020 and also complied with majority of the best suggested practices.

(IV) Compliance with *Model Code for Securities Transactions by Directors of Listed Issuers*

The Bank required that the Directors, Supervisors and Senior Management of the Bank should strictly adhere to the *Model Code for Securities Transactions by Directors of Listed Issuers* contained in Appendix X of the Hong Kong Listing Rules. The Bank adopted a set of standards not less strict than those mentioned above for the securities transactions of the Directors, Supervisors and Senior Management. According to the checking results, all the Directors, Supervisors and Senior Management of the Bank confirmed that the securities transactions conducted by them were in compliance with the above rules during the Reporting Period.

(V) Changes in the Bank's Shareholdings of Directors, Supervisors and Senior Management

Name	Position	Class of shares	Number of shares held at the beginning of the Reporting Period (share)	Increase (or decrease) in shareholdings during the Reporting Period (Share)	Number of shares held at the end of the Reporting Period (share)
Ren Deqi	Chairman of the Board of Directors	A share	0	0	0
	and Executive Director	H share	100,000	100,000	200,000
Chan Siu Chung	Non-executive Director	A share	0	0	0
		H share	49,357	0	49,357
Du Yarong	Employee Supervisor	A share	60,000	30,000	90,000
		H share	20,000	0	20,000
Lin Zhihong	Employee Supervisor	A share	0	30,000	30,000
		H share	0	0	0
Guo Mang	Executive Vice President	A share	50,000	0	50,000
		H share	0	0	0
Gu Sheng	Secretary of the Board of Directors	A share	66,100	0	66,100
		H share	21,000	0	21,000
Tu Hong	Chief Business Officer	A share	0	0	0
	(Interbank and Market Business Sector)	H share	50,000	0	50,000
Ng Siu On	BoCom-HSBC Strategic Cooperation	A share	0	0	0
	Consultant	H share	30,000	0	30,000
Resigned/Retired Directors, Supervisors and Senior Management					
Hou Weidong	Ex-Executive Director and	A share	80,000	0	80,000
	Ex-Executive Vice President	H share	20,000	0	20,000
Wang Taiyin	Ex-Non-executive Director	A share	80,000	0	80,000
		H share	50,000	0	50,000
Song Guobin	Ex-Non-executive Director	A share	20,000	0	20,000
		H share	0	0	0
He Zhaobin	Ex-Non-executive Director	A share	20,000	0	20,000
		H share	0	0	0
Chen Qing	Ex-Employee Supervisor	A share	40,000	0	40,000
		H share	20,000	0	20,000
Wang Xuewu	Ex-Employee Supervisor	A share	25,000	30,000	55,000
		H share	0	0	0
Xu Han	Ex-Chief Business Officer	A share	50,000	0	50,000
	(Retail and Private Business Sector)	H share	30,000	0	30,000
Zhang Hui	Ex-Chief Risk Officer	A share	45,000	0	45,000
		H share	20,000	0	20,000

Note: Mr. Guan Xingshe purchased 30,000 A shares of the Bank in January 2021. Mr. Wang Xuewu purchased 30,000 A shares of the Bank after his resignment in December 2020.

Additionally, Mr. Chan Siu Chung, Director of the Bank, held 98 shares of H shares of BoCom International Holdings Company Limited. Saved as disclosed above, as at the end of Reporting Period, none of the Bank's Directors, Supervisors or Chief Executives had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the *SFO*) which were required to be filed to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the *SFO*, or which were required to be recorded in the register as kept pursuant to section 352 of the *SFO*, or which were required, pursuant to the *Model Code* to be filed to the Bank and the Hong Kong Stock Exchange.

(VI) Annual Profit Distribution

The Board of Directors proposed that based on the total issued ordinary shares of 74,262,726,645 shares of the Bank as at the end of 31 December 2020, a cash dividend of RMB0.317 per share (inclusive of tax) (the "**Final Dividend**") will be distributed to the registered shareholders of A share and H share of the Bank, totalling approximate RMB23.541 billion. The proposal of the profit distribution plan is subject to the approval of the annual general meeting to be held on Tuesday, 29 June 2021 (the "**2020 AGM**").

The register of members for H shares of the Bank will be closed from Saturday, 29 May 2021 to Tuesday, 29 June 2021 (both days inclusive), during which time no transfer of the H shares will be registered. Holders of the H shares intending to attend the 2020 AGM shall lodge all the prepared transfer documents for H shares together with the relevant share certificates with Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Bank in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, 28 May 2021.

If the resolution regarding the payment of the Final Dividend is approved by the shareholders of the Bank at the 2020 AGM, it is expected to be distributed on Tuesday 13, July 2021 to the shareholders whose names appear on the register of members of A shares of the Bank at the close of business on Monday, 12 July 2021, and on Tuesday, 3 August 2021 to the shareholders whose names appear on the register of members of H shares of the Bank on Monday, 12 July 2021.

The Register of Members will be closed from Wednesday, 7 July 2021 to Monday, 12 July 2021 (both days inclusive) during which period no transfer of H Shares will be registered. In order to be qualified to receive the Final Dividend, for holders of H Shares, all transfer documents together with the relevant share certificates must be lodged with the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 6 July 2021.

VI. FINANCIAL REPORT

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(All amounts expressed in millions of RMB unless otherwise stated)

	Year ended 31 December	
	2020	2019
Interest income	**369,101**	367,453
Interest expense	**(215,765)**	(223,370)
Net interest income	**153,336**	144,083
Fee and commission income	**49,298**	47,669
Fee and commission expense	**(4,212)**	(4,044)
Net fee and commission income	**45,086**	43,625
Net gains arising from trading activities	**13,844**	15,936
Net gains arising from financial investments	**1,177**	313
Including: Net gains/(losses) on derecognition of financial assets measured at amortised cost	*27*	*(281)*
Share of profits of associates and joint ventures	**222**	414
Insurance business income	**15,170**	11,687
Other operating income	**17,889**	16,799
Credit impairment losses	**(62,059)**	(51,954)
Other assets impairment losses	**(484)**	(270)
Insurance business expense	**(15,729)**	(11,432)
Other operating expenses	**(82,027)**	(81,001)
Profit before tax	**86,425**	88,200
Income tax	**(6,855)**	(10,138)
Net profit for the year	**79,570**	78,062

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

	Year ended 31 December	
	2020	2019
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Loans and advances to customers at fair value through other comprehensive income		
Amount recognised in equity	*19*	*(335)*
Amount reclassified to profit or loss	*(183)*	*(378)*
Debt investments at fair value through other comprehensive income		
Amount recognised in equity	*(920)*	*3,715*
Amount reclassified to profit or loss	*(825)*	*(395)*
Effective portion of gains or losses on hedging instruments in cash flow hedges		
Amount recognised in equity	*(1,362)*	*(156)*
Amount reclassified to profit or loss	*815*	*147*
Translation difference on foreign operations	**(4,776)**	1,141
Others	**(8)**	18
Subtotal	**(7,240)**	3,757
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity investments designated at fair value through other comprehensive income	**(1,204)**	(560)
Actuarial losses on pension benefits	**(132)**	(20)
Changes in fair value attributable to changes in the credit risk of financial liability designated at fair value through profit or loss	**7**	25
Others	**20**	–
Subtoal	**(1,309)**	(555)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

	Year ended 31 December	
	2020	2019
Other comprehensive income, net of tax	**(8,549)**	3,202
Total Comprehensive income for the year	**71,021**	81,264
Net profit attributable to:		
Shareholders of the Bank	**78,274**	77,281
Non-controlling interests	**1,296**	781
	79,570	78,062
Total comprehensive income attributable to:		
Shareholders of the Bank	**69,960**	80,414
Non-controlling interests	**1,061**	850
	71,021	81,264
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB yuan)	**0.99**	1.00

Consolidated Statement of Financial Position

(All amounts expressed in millions of RMB unless otherwise stated)

	As at 31 December 2020	As at 31 December 2019
ASSETS		
Cash and balances with central banks	**817,561**	760,185
Due from and placements with banks and other financial institutions	**571,130**	648,488
Derivative financial assets	**54,212**	20,937
Loans and advances to customers	**5,720,568**	5,183,653
Financial investments at fair value through profit or loss	**482,588**	406,498
Financial investments at amortised cost	**2,019,529**	1,929,689
Financial investments at fair value through other comprehensive income	**735,220**	669,656
Investments in associates and joint ventures	**4,681**	4,600
Property and equipment	**169,471**	171,179
Deferred income tax assets	**27,991**	24,065
Other assets	**94,665**	86,650
Total assets	**10,697,616**	9,905,600
LIABILITIES		
Due to and placements from banks and other financial institutions	**1,787,491**	1,904,082
Financial liabilities at fair value through profit or loss	**29,279**	26,980
Derivative financial liabilities	**55,942**	26,424
Due to customers	**6,607,330**	6,072,908
Certificates of deposits issued	**634,297**	498,991
Current income tax liabilities	**3,786**	7,086
Deferred income tax liabilities	**1,286**	918
Debt securities issued	**497,755**	403,918
Other liabilities	**201,822**	163,381
Total liabilities	**9,818,988**	9,104,688

Consolidated Statement of Financial Position (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

	As at 31 December 2020	As at 31 December 2019
EQUITY		
Share capital	**74,263**	74,263
Other equity instruments	**133,292**	99,870
Including: Preference shares	***44,952***	*59,876*
Perpetual bonds	***88,340***	*39,994*
Capital surplus	**111,428**	113,663
Other reserves	**333,176**	328,310
Retained earnings	**214,448**	177,141
Equity attributable to shareholders of the Bank	**866,607**	793,247
Equity attributable to non-controlling interests of ordinary shares	**8,763**	7,665
Equity attributable to non-controlling interests of other equity instruments	**3,258**	–
Non-controlling interests	**12,021**	7,665
Total equity	**878,628**	800,912
Total equity and liabilities	**10,697,616**	9,905,600

Consolidated Statement of Changes in Equity

(All amounts expressed in millions of RMB unless otherwise stated)

		Other equity instruments			Other reserves											Non-controlling interests		
	Share capital	Preference Shares	Perpetual bonds	Capital surplus	Statutory reserve	Discretionary reserve	Statutory general reserve	Revaluation reserve for financial assets at fair value through other comprehensive income	Revaluation reserve for the changes in credit risk of the financial liabilities designated at fair value through profit or loss	Effective portion of gains or losses on hedging instruments in cash flow hedges	Translation reserve on foreign operations	Actuarial changes reserve	Others	Retained earnings	Attributable to the shareholders of the Bank	Attributable to non-controlling interests of ordinary shares	Attributable to non-controlling interests of other equity instruments	Total
As at 1 January 2020	**74,263**	**59,876**	**39,994**	**113,663**	**64,897**	**139,853**	**117,567**	**3,421**	**5**	**15**	**1,199**	**(10)**	**1,363**	**177,141**	**793,247**	**7,665**	**-**	**800,912**
Net profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	78,274	78,274	1,231	65	79,570
Other comprehensive income	-	-	-	-	-	-	-	(2,938)	7	(547)	(4,716)	(132)	12	-	(8,314)	(35)	(200)	(8,549)
Total comprehensive income	-	-	-	-	-	-	-	(2,938)	7	(547)	(4,716)	(132)	12	78,274	69,960	1,196	(135)	71,021
Capital contribution by other equity instruments holders	-	(14,924)	48,346	(2,201)	-	-	-	-	-	-	-	-	-	-	31,221	-	3,458	34,679
Dividends paid to ordinary shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,393)	(23,393)	(132)	-	(23,525)
Dividends paid to preference shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,714)	(2,714)	-	-	(2,714)
Interest paid to perpetual bond holders	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,680)	(1,680)	-	-	(1,680)
Interest paid to non-cumulative subordinated additional tier-1 capital securities holders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(65)	(65)
Transfer to reserves	-	-	-	-	7,534	77	5,596	-	-	-	-	-	-	(13,207)	-	-	-	-
Transferred from other comprehensive income	-	-	-	-	-	-	-	(27)	-	-	-	-	-	27	-	-	-	-
Others	-	-	-	(34)	-	-	-	-	-	-	-	-	-	-	(34)	34	-	-
As at 31 December 2020	**74,263**	**44,952**	**88,340**	**111,428**	**72,431**	**139,930**	**123,163**	**456**	**12**	**(532)**	**(3,517)**	**(142)**	**1,375**	**214,448**	**866,607**	**8,763**	**3,258**	**878,628**
As at 31 December 2018	74,263	59,876	–	113,663	64,516	139,796	114,281	1,397	(20)	24	93	10	1,345	129,161	698,405	6,903	–	705,308
Impact of adoption of IFRS 16	–	–	–	–	–	–	–	–	–	–	–	–	–	(616)	(616)	(7)	–	(623)
As at 1 January 2019	74,263	59,876	–	113,663	64,516	139,796	114,281	1,397	(20)	24	93	10	1,345	128,545	697,789	6,896	–	704,685
Net profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	–	77,281	77,281	781	–	78,062
Other comprehensive income	–	–	–	–	–	–	–	2,013	25	(9)	1,106	(20)	18	–	3,133	69	–	3,202
Total comprehensive income	–	–	–	–	–	–	–	2,013	25	(9)	1,106	(20)	18	77,281	80,414	850	–	81,264
Capital contribution by other equity instruments holders	–	–	39,994	–	–	–	–	–	–	–	–	–	–	–	39,994	–	–	39,994
Dividends paid to ordinary shares	–	–	–	–	–	–	–	–	–	–	–	–	–	(22,279)	(22,279)	(81)	–	(22,360)
Dividends paid to preference shares	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,671)	(2,671)	–	–	(2,671)
Transfer to reserves	–	–	–	–	381	57	3,286	–	–	–	–	–	–	(3,724)	–	–	–	–
Transferred from other comprehensive income	–	–	–	–	–	–	–	11	–	–	–	–	–	(11)	–	–	–	–
As at 31 December 2019	74,263	59,876	39,994	113,663	64,897	139,853	117,567	3,421	5	15	1,199	(10)	1,363	177,141	793,247	7,665	–	800,912

Consolidated Statement of Cash Flows

(All amounts expressed in millions of RMB unless otherwise stated)

	Year ended 31 December	
	2020	2019
Cash flows from operating activities:		
Profit before tax:	**86,425**	88,200
Adjustments for:		
Provision for impairment losses	**62,059**	51,954
Provision for other assets impairment losses	**484**	270
Provision for insurance contracts reserve	**15,495**	9,115
Depreciation and amortisation	**14,776**	13,982
Provision for outstanding litigation	**32**	50
Net gains on the disposal of property, equipment and other assets	**(166)**	(287)
Interest income from financial investments	**(90,683)**	(88,647)
Accreted interests on impaired financial assets	**(1,369)**	(1,467)
Fair value (gains)/losses	**(5,951)**	1,027
Share of profit of associates and joint ventures	**(222)**	(414)
Net gains arising from financial investments	**(1,177)**	(313)
Interest expense on debt securities issued	**14,566**	11,519
Operating cash flows before movements in operating assets and liabilities	**94,269**	84,989
Net decrease in balances with central banks	**29,357**	41,487
Net decrease in due from and placements with banks and other financial institutions	**127,404**	160,720
Net increase in financial assets at fair value through profit or loss	**(83,695)**	(24,219)
Net increase in loans and advances to customers	**(597,926)**	(491,230)
Net decrease/(increase) in other assets	**7,907**	(27,120)
Net decrease in due to and placements from banks and other financial institutions	**(113,503)**	(239,042)
Net increase in financial liabilities at fair value through profit or loss	**8,899**	3,491
Net increase in due to customers and certificates of deposits issued	**669,890**	414,859
Net increase in other liabilities	**19,878**	2,220
Net (decrease)/increase in value-added tax and surcharge payable	**(328)**	21
Income tax paid	**(12,754)**	(8,721)
Net cash flows generated from/(used in) operating activities	**149,398**	(82,545)

Consolidated Statement of Cash Flows (Continued)

(All amounts expressed in millions of RMB unless otherwise stated)

	Year ended 31 December	
	2020	2019
Cash flows from investing activities:		
Purchase of financial investments	**(838,096)**	(705,173)
Disposal or redemption of financial investments	**671,877**	565,819
Dividends received	**1,562**	537
Interest received from financial investments	**89,464**	86,428
Acquisition of intangible assets and other assets	**(2,735)**	(1,822)
Disposal of intangible assets and other assets	**372**	350
Purchase and construction of property and equipment	**(21,414)**	(30,554)
Disposal of property and equipment	**4,379**	2,607
Net cash flows used in investing activities	**(94,591)**	(81,808)
Cash flows from financing activities:		
Cash received from issuing other equity instruments	**51,804**	39,994
Cash received on debt securities issued	**177,486**	168,271
Repayment of principals and interests of lease liabilities	**(2,415)**	(2,652)
Repayment of principals of debt securities issued	**(80,476)**	(84,176)
Cash payments for interest on debt securities	**(13,050)**	(9,688)
Cash payments for distribution of dividends	**(27,785)**	(24,940)
Redemption of other equity instruments	**(17,125)**	–
Dividends paid to non-controlling interests	**(162)**	(81)
Net cash flows generated from financing activities	**88,277**	86,728
Effect of exchange rate changes on cash and cash equivalents	**(3,699)**	1,868
Net increase/(decrease) in cash and cash equivalents	**139,385**	(75,757)
Cash and cash equivalents at the beginning of the year	**167,735**	243,492
Cash and cash equivalents at the end of the year	**307,120**	167,735
Net cash flows from operating activities include:		
Interest received	**285,937**	283,899
Interest paid	**(205,169)**	(233,397)

1 Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with all the applicable International Financial Reporting Standards ("**IFRSs**") and disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap.622). The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property which are measured at fair value.

1.1 New and amended standards adopted by the Group

The Group has adopted the following new or amendments to the International Financial Reporting Standards ("**IFRSs**"):

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Revised Conceptual Framework for Financial Reporting	Conceptual Framework for Financial Reporting
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS 16	COVID-19-related Rent Concessions

<u>Amendments to IAS 1 and IAS 8</u>

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Amendments to IFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

Amendments to IFRS 9, IAS 39 and IFRS 7

The IASB has published amendments to IFRS 9, IAS 39 and IFRS 7 as a first reaction to the potential effects the Interest Rate Benchmark Reform ("**IBOR**") could have on financial reporting. The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. Key changes include:

- Modifying specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform;

- Under the amendments, an entity assumes that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk are based is not altered by IBOR reform; and

- In some hedges, the hedged item or hedged risk is a non-contractually specified IBOR risk component. Under the amendments, the risk component only needs to be separately identifiable at initial hedge designation and not on an ongoing basis; and

- The amendment requires disclosure of the nominal amount of hedging instruments to which the reliefs are applied, any significant assumptions or judgements made in applying the reliefs, and qualitative disclosures about how the entity is impacted by IBOR reform and is managing the transition process.

Amendments to IFRS 16

The IASB has published *COVID-19-related Rent Concessions (Amendment to IFRS 16)*. Its key amendments include:

- Lessees were provided an exemption from assessing a rent concession related to COVID-19 is a lease modification.

- Lessees applying the exemption need to account for rent concessions as if they were not lease modification.

- Lessees that apply the exemption need to disclose that fact.

- Lessees need to apply the exemption retrospectively as required by IAS 8 without restatement of comparative amount for prior period.

The adoption of the new IFRSs and amendments to IFRSs above does not have a material impact on the Group's operating results, financial position or other comprehensive income.

1.2 Standards and amendments issued but not yet effective

		Effective for annual period commencing on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed.
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
IFRS 17 and its amendments	Insurance Contracts	1 January 2023
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020	1 January 2022

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("**Interest Rate Benchmark Reform – Phase 2**"). The amendments are effective for annual periods beginning on or after 1 January 2021, with early application permitted.

Interest Rate Benchmark Reform – Phase 2 additional temporary reliefs from applying specific IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform, including:

- For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised.

- Require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued.

- Additional temporary exceptions from applying specific hedge accounting requirement.

- Additional IFRS 7 disclosure requirements related to IBOR reform.

The Group is assessing the impact on the Group's operating results and financial position of adopting Interest Rate Benchmark Reform – Phase 2.

Amendments to IFRS 10 and IAS 28

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

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

IFRS 17 and its amendments

IFRS 17 Insurance Contracts was issued in May 2017 as replacement for IFRS 4. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of discounted probability weighted cash flows, an explicit risk adjustment, and a contractual service margin ("**CSM**") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the "variable fee approach" for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The IASB issued the amendments to IFRS 17 Insurance contracts, on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17. The amendments to IFRS 17 include:

- Effective date

  The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.

- Expected recovery of insurance acquisition cash flows

  An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.

- Contractual service margin attributable to investment services

  Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.

- Reinsurance contracts held – recovery of losses

  When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.

- Other amendments to IFRS 17 include:

  – Scope exclusions for some credit card (or similar) contracts, and some loan contracts;

  – Presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups;

  – Applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss;

  – An accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17;

  – Inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows;

  – Selected transition reliefs and other minor amendments.

The Group is assessing the impact on the Group's operating results and financial position of adopting IFRS 17.

Amendments to IFRS 3

The amendments to IFRS 3, 'Business combinations', referred to the 2018 Conceptual Framework for Financial Reporting, are in order to determine what constitutes an asset or a liability in a business combination. In addition, the amendments add a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The amendments also clarify that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

Amendments to IAS 37

The amendment clarifies the meaning of 'costs to fulfil a contract' and explains that the direct cost of fulfilling a contract comprises:

- The incremental costs of fulfilling that contract (for example, direct labour and materials); and

- An allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of PP&E used to fulfil the contract).

The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

<u>Annual Improvements to IFRS Standards 2018-2020</u>

The Annual Improvements to IFRSs 2018-2020 Cycle include a number of amendments to various IFRSs:

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- IFRS 16 Leases – amendment of its illustrative example to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Except for the above-mentioned impact of Interest Rate Benchmark Reform – Phase 2 and Amendments to IFRS 17, the adoption of the above new standards and amendments issued but not yet effective is not expected to have a material effect on the Group's operating results, financial position or other comprehensive income.

2 Net Interest Income

	(In millions of RMB)	
	Year ended 31 December	
	2020	2019
Interest income		
Loans and advances to customers	**251,468**	242,948
Financial investments	**90,683**	88,647
Due from and placements with banks and other financial institutions	**16,180**	24,167
Balances with central banks	**10,770**	11,691
	369,101	367,453
Interest expense		
Due to customers	**(139,142)**	(139,153)
Due to and placements from banks and other financial institutions	**(46,653)**	(57,650)
Certificates of deposit issued	**(15,404)**	(15,048)
Debt securities issued	**(14,566)**	(11,519)
	(215,765)	(223,370)
Net interest income	**153,336**	144,083
Including:		
Interest income on impaired financial assets	**1,369**	1,467

3 Fee and Commission Income

	(In millions of RMB)	
	Year ended 31 December	
	2020	2019
Bank cards	**20,107**	21,050
Management services	**16,889**	14,400
Investment banking	**3,706**	4,337
Agency services	**4,200**	3,098
Guarantee and commitment	**2,617**	2,520
Settlement services	**1,531**	2,024
Others	**248**	240
	49,298	47,669

	Year ended 31 December	
	2020	2019
Fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at FVPL	**1,342**	943
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	**3,458**	3,541

4 Credit Impairment Losses

	Year ended 31 December	
	2020	2019
Due from and placements with banks and other financial institutions	**225**	(731)
Loans and advances to customers at amortised cost	**55,303**	49,749
Loans and advances to customers at FVOCI	**(12)**	(346)
Credit related commitments and financial guarantees	**4,874**	1,434
Financial investments at amortised cost	**(129)**	(120)
Debt investments at FVOCI	**316**	(160)
Other receivables	**855**	1,610
Others	**627**	518
	62,059	51,954

5 Other Assets Impairment Losses

	(In millions of RMB)	
	Year ended 31 December	
	2020	2019
Impairment losses on operating lease assets	**485**	233
Impairment losses on foreclosed assets	**(1)**	37
	484	270

6 Income Tax

	Year ended 31 December	
	2020	2019
Current income tax		
– Mainland China enterprise income tax	**8,247**	11,789
– Hong Kong profits tax	**630**	1,059
– Income tax arising in Macao, Taiwan and other countries or regions	**577**	680
Subtotal	**9,454**	13,528
Deferred income tax	**(2,599)**	(3,390)
Total	**6,855**	10,138

The provision for enterprise income tax in Mainland China is calculated based on the statutory rate of 25% (2019: 25%) of the assessable income of the Bank and each of the subsidiary established in Mainland China. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions, the shortfall arising from the differential in tax rates of overseas branches as compared with the Mainland China tax rate shall be reported and paid by head office.

The actual taxation on the Group differs from the theoretical amount calculated using the Group's profit before tax at the tax rate of 25% (2019: 25%). The major reconciliation items are as follows:

	(In millions of RMB)	
	Year ended 31 December	
	2020	2019
Profit before tax	**86,425**	88,200
Tax calculated at statutory rate of 25%	**21,606**	22,050
Effects of different tax rates prevailing in Hong Kong, Macao, Taiwan and other countries or regions	**(152)**	(206)
Effects of non-deductible expenses [(1)]	**3,644**	3,094
Effects of non-taxable income [(2)]	**(17,393)**	(15,231)
Adjustments for income tax of prior years	**(430)**	431
Others	**(420)**	–
Income tax	**6,855**	10,138

(1) Non-deductible expenses primarily represent non-deductible write-offs.

(2) Non-taxable income primarily represents interest income from PRC treasury bonds and municipal government bonds and fund investment income gained in Mainland China.

7 Basic and Diluted Earnings Per Share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

	Year ended 31 December	
	2020	2019
Net profit attributable to shareholders of the Bank	**78,274**	77,281
Less: Dividends paid to preference shareholders	**(2,714)**	(2,671)
Interest paid to perpetual bond holders	**(1,680)**	–
Net profit attributable to ordinary shareholders of the Bank	**73,880**	74,610
Weighted average number of ordinary shares in issue (expressed in millions) at the end of the year	**74,263**	74,263
Basic and diluted earnings per share (expressed in RMB per share)	**0.99**	1.00

For the purpose of calculating basic earnings per share, a cash dividend of RMB2,714 million on non-cumulative preference shares declared for the period was deducted from the amounts attributable to shareholders of the Bank. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2020, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

For the purpose of calculating basic earnings per share, distributions on non-cumulative perpetual bonds declared for the period was deducted from the amounts attributable to shareholders of the Bank. The Bank has declared an interest of RMB1,680 million on perpetual bonds during the year ended 31 December 2020.

8 Derivative Financial Instruments

The following derivative financial instruments are utilised by the Group for trading or hedging purposes:

Currency and commodity forwards are contracts between two parties to buy or sell certain currencies or commodities at a specified future date at a predetermined price. The party agreeing to buy the underlying currency or commodities in the future assumes a long position, and the party agreeing to sell the currency or commodities in the future assumes a short position. The price agreed upon is called the delivery price, which is equal to the forward price at the time the contract is entered into.

Currency, commodity and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, commodities or interest rates (i.e fixed-for-foating swaps) or a combination of these (i.e. cross-currency interest rate swaps). The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Currency, commodity and interest rate options are contractual agreements under which the seller (writer) grants the buyer (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) on or before a set date or during a set period, a specific amount of a currency or commodity at a predetermined price or to receive an interest payment based on a variable interest rate and pay at a fixed interest rate or vice versa. The seller receives a premium from the buyer in consideration for assuming foreign exchange, interest rate risk or commodity price fluctuations. Options may be either exchange-traded or negotiated between the Group and a customer (over the counter market).

The notional amounts of certain types of financial instruments provide a reference of the amounts 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 price risks. The derivative financial instruments may become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or commodity price relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative financial instruments held are set out in the following tables.

(In millions of RMB)

	Contractual/ Notional Amount	**Fair values**	
		Assets	**Liabilities**
As at 31 December 2020			
Foreign exchange and commodity contracts	**2,435,423**	**44,435**	**(40,914)**
Interest rate contracts and others	**3,101,818**	**9,777**	**(15,028)**
Total amount of derivative financial instruments recognised	**5,537,241**	**54,212**	**(55,942)**

	Contractual/ Notional Amount	Fair values	
		Assets	Liabilities
As at 31 December 2019			
Foreign exchange and commodity contracts	2,173,598	15,784	(20,423)
Interest rate contracts and others	3,826,987	5,153	(6,001)
Total amount of derivative financial instruments recognised	6,000,585	20,937	(26,424)

The tables above provide a breakdown of the contractual or notional amounts and the fair values of the Group's derivative financial instruments outstanding at year end. These instruments, comprising foreign exchange, interest rate and commodity derivatives allow the Group and its customers to transfer, modify or reduce their foreign exchange, interest rate and commodity price fluctuation risks.

The Group undertakes its transactions in foreign exchange, interest rates and commodity contracts with other financial institutions and customers. Management has established limits for these contracts based on counterpart types, industry sectors and countries. Related risks are regularly monitored and controlled by management.

Notional amounts of derivative financial instruments by original currency:

	(In millions of RMB)	
	As at 31 December 2020	As at 31 December 2019
RMB	**3,772,066**	4,442,337
USD	**1,387,805**	1,209,161
HKD	**247,659**	204,007
Others	**129,711**	145,080
Total	**5,537,241**	6,000,585

Hedge accounting

The above derivative financial instruments including those designated as hedging instruments by the Group are as follows:

	Contractual/ Notional Amount	**Fair values**	
		Assets	**Liabilities**
As at 31 December 2020			
Derivative financial instruments designated as hedging instruments in fair value hedges	**139,555**	**184**	**(4,689)**
Derivative financial instruments designated as hedging instruments in cash flow hedges	**58,382**	**268**	**(1,901)**
Total	**197,937**	**452**	**(6,590)**

	Contractual/ Notional Amount	Fair values	
		Assets	Liabilities
As at 31 December 2019			
Derivative financial instruments designated as hedging instruments in fair value hedges	121,791	295	(1,794)
Derivative financial instruments designated as hedging instruments in cash flow hedges	29,379	130	(168)
Total	151,170	425	(1,962)

(a) Fair value hedge

The Group uses interest rate swaps to hedge against changes in fair value arising from changes in interest rates. Some purchased interest rate swap contracts are designated as hedging instruments, whose terms are identical with those of the corresponding hedged items regarding interest rate, maturity and currency. The Group uses regression analysis to evaluate the effectiveness of hedging. With the supporting of testing results, the Group's management considers the hedging relationship to be highly effective. The hedged items include due from and placements with banks and other financial institutions, debt investments at FVOCI, due to and placements from banks and other financial institutions, loans and advances to customers and certificates of deposits issued.

The following table shows the profit or loss effects of the fair value hedges:

(In millions of RMB)

	Year ended 31 December	
	2020	2019
Net gains/(losses) from fair value hedges:		
Hedging instruments	**(4,314)**	(2,504)
Hedged items attributable to the hedged risk	**4,462**	2,250
Total	**148**	(254)

(b) Cash flow hedge

The Group uses foreign exchange contracts to hedge against exposures to cash flow variability primarily resulting from foreign exchange risks, and uses interest rate swaps to hedge against exposures to cash flow variability primarily resulting from interest rate risks. The hedged items include debt investments at FVOCI, due from and placements with banks and other financial institutions, debt securities issued, loans and advances to customers, due to and placements from banks and other financial institutions and certificates of deposits issued. The Group mainly uses regression analysis to evaluate the effectiveness of hedging. With the supporting of testing results, the Group's management considers the hedging relationship to be highly effective.

For the year ended 31 December 2020, the Group recognised a loss of RMB1,761 million (31 December 2019: a loss of RMB210 million) from effective portion of cash flow hedge in other comprehensive income. The Group reclassifies other comprehensive income as profit or loss of RMB1,085 million (31 December 2019: a profit of RMB196 million). Gains or losses arising from ineffective portion of cash flow hedge were immaterial. There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur.

(c) *Effect of IBOR reform on Hedge accounting*

During the transition period of interest rate benchmark reform, interest rate benchmarks are assumed to continue unaltered for the purposes of hedge accounting until such time as the uncertainty is resolved.

Significant judgement will be required in determining when uncertainty is expected to be resolved and therefore when the temporary exceptions will cease to apply. However, the Group has determined that the uncertainty continued to exist at 31 December 2020 and so the temporary exceptions apply to all of the group's hedge accounting relationships that reference benchmarks subject to reform.

9 Dividends

	(In millions of RMB)	
	Year ended 31 December	
	2020	2019
Dividends to ordinary shareholders of the Bank	**23,393**	22,279
Dividends to preference shareholders of the Bank	**2,714**	2,671

Under PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

(1) Making up cumulative losses from prior years, if any;

(2) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank as determined under the relevant PRC accounting standards;

(3) Allocations to statutory general reserve;

(4) Allocations to the discretionary reserve upon approval by the Annual General Meeting. These funds form part of the shareholders' equity.

The cash dividends are recognised in the consolidated statement of financial position upon approval by the shareholders at Annual General Meeting.

Pursuant to the approval by the Board meeting on 27 March 2020, the Bank appropriated overseas preference dividends on 29 July 2020 with a dividend yield of 5% (the actual dividend yield obtained by the preference shareholders) with total amount of USD136 million. The Bank also appropriated domestic preference dividends on 7 September 2020 with a dividend yield of 3.9% (the actual dividend yield obtained by the preference shareholders), with total amount of RMB1,755 million.

Pursuant to the approval by the Annual General Meeting of Shareholders on 30 June 2020, It was resolved that a cash dividend of RMB0.315 (before tax) for each ordinary share, with total amount of RMB23,393 million, calculated based on 74,263 million shares outstanding (the par value per share is RMB1) as at 31 December 2019, will be distributed to ordinary shareholders.

The Bank distributed the interest on the 2019 Undated Additional Tier-1 Capital Bonds amounting to RMB1,680 million on 20 September 2020.

On 26 March 2021, the Board of Directors of the Bank proposed to appropriate RMB6,897 million to the statutory reserve and RMB6,432 million to the statutory general reserve. A cash dividend of RMB0.317 (before tax) for each share, totalling RMB23,541 million, calculated based on the total number of shares outstanding of 74,263 million shares (RMB1 per share) as at 31 December 2020 was also proposed. The proposal will be subject to the approval by the Shareholders' Meeting of the Bank.

10 Credit Related Commitments and Financial Guarantees, Other Commitments and Contingent Liabilities

Credit related commitments and financial guarantees

The following tables provide the contractual amounts of the Group's credit related commitments and financial guarantees which the Group has committed to its customers:

(In millions of RMB)

	As at 31 December 2020	As at 31 December 2019
Letters of guarantee	**333,610**	268,812
Letters of credit commitments	**163,151**	139,948
Acceptance bills	**319,076**	271,507
Credit card commitments	**800,441**	736,039
Loan commitments		
– Under 1 year	**5,111**	20,459
– 1 year and above	**55,323**	35,405
	1,676,712	1,472,170

Capital expenditure commitments

	As at 31 December 2020	As at 31 December 2019
Contracted but not provided for	**62,224**	60,310

Operating lease commitments

The Group acts as lessor in operating leases principally through aircraft and vessels leasing undertaken by its subsidiaries. The future minimum lease receivables on certain aircraft and vessel under irrevocable operating leases are as follows:

	As at 31 December 2020	As at 31 December 2019
Within 1 year (inclusive)	**13,074**	13,496
Beyond 1 year but no more than 2 years (inclusive)	**12,622**	12,818
Beyond 2 years but no more than 3 years (inclusive)	**12,220**	12,176
Beyond 3 years but no more than 5 years (inclusive)	**22,062**	22,920
More than 5 years	**36,562**	42,024
	96,540	103,434

Commitments on security underwriting and bond acceptance

The Group is entrusted by the Ministry of Finance ('**MOF**') to underwrite certain Certificated Bonds and Savings Bonds. The investors of Certificated Bonds and Savings Bonds have early redemption right while the Group has the obligation to buy back those Certificated Bonds and Savings Bonds. The redemption price is the principal value of the Certificated Bonds or Savings Bonds plus unpaid interest till redemption date. As at 31 December 2020, the principal value of the certain Certificated Bonds and Savings Bonds that the Group had the obligation to buy back amounted to RMB81,548 million (31 December 2019: RMB83,777 million). The MOF will not provide funding for the early redemption of these Certificated Bonds and Savings Bonds on a back-to-back basis but will pay interest and principal at maturity. The Group expects the amount of redemption before the maturity dates of these bonds through the Group will not be material.

The original maturities of these bonds vary from 1 to 5 years.

As at 31 December 2020, the Group had no announced but unfulfilled irrevocable commitment on security underwriting (31 December 2019: Nil).

Legal proceedings

The Group has been involved as defendants in certain lawsuits arising from its normal business operations. Management of the Group believes, based on legal advice, the final result of these lawsuits will not have a material impact on the financial position or operations of the Group. The total outstanding claims against the Group (defendant) by a number of third parties at the end of the year are summarised as follows:

(In millions of RMB)

	As at 31 December 2020	As at 31 December 2019
Outstanding litigations	**3,876**	5,011
Provision for outstanding litigation	**1,032**	1,029

11 Segmental Analysis

The Group's Board of Directors and senior management reviews the Group's operation by the particular economic areas in which the Group's branches and subsidiaries provide products or services. The Group's geographical operating segments are decided based upon location of the assets, as the Group's branches and subsidiaries mainly serve local customers.

The reportable geographical operating segments derive their revenue primarily from commercial banking services and investing activities, including deposits, loans, bills, trade financing, money market placements and takings, and securities investments, etc.

The Group's geographical operating segments include branches and subsidiaries (if any) in relevant regions, as follows:

(1) Yangtze River Delta: including Shanghai (excluding Head Office), Jiangsu Province, Zhejiang Province, and Anhui Province;

(2) Pearl River Delta: including Fujian Province and Guangdong Province;

(3) Bohai Rim Economic Zone: including Beijing, Tianjin, Hebei Province, and Shandong Province;

(4) Central China: including Shanxi Province, Jiangxi Province, Henan Province, Hubei Province, Hunan Province, Hainan Province, and Guangxi Zhuang Autonomous Region;

(5) Western China: including Chongqing, Sichuan Province, Guizhou Province, Yunnan Province, Shanxi Province, Gansu Province, Qinghai Province, Inner Mongolia Autonomous Region, Ningxia Autonomous Region, and Xinjiang Uyghur Autonomous Region;

(6) Northeastern China: including Liaoning Province, Jilin Province and Heilongjiang Province;

(7) Overseas: including Hong Kong, New York, Tokyo, Singapore, Seoul, Frankfurt, Macau, Ho Chi Minh City, San Francisco, Sydney, Taipei, London, Luxembourg, Brisbane, Paris, Rome, Brazil, Melbourne, Toronto, Prague, Johannesburg;

(8) Head Office, including the Pacific Credit Card Centre.

The revenue from external parties is reported to the Board of Directors and the senior management in a manner consistent with that in the consolidated statement of profit or loss and other comprehensive income.

As the Group's major revenue is derived from interest, and the Board of Directors and the senior management relies primarily on net interest income to assess the performance of segments, the interest income and expenses for all reportable segments are presented on a net basis.

The Group's Board of Directors and senior management reviews the segment performance on the basis of profit before tax. Funds are ordinarily allocated between segments. Costs of these funds are charged at the Group's cost of capital and disclosed in inter-segment net interest income. There are no other material items of income or expenses between the segments.

Geographical operating segment information

(In millions of RMB)

	Year ended 31 December 2020								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External interest income	71,200	29,851	34,229	43,754	29,300	9,248	23,605	127,914	369,101
External interest expense	(48,338)	(19,692)	(34,843)	(23,729)	(15,170)	(9,089)	(14,820)	(50,084)	(215,765)
Inter-segment net interest income/ (expense)	22,627	6,175	21,372	7,612	2,313	5,166	19	(65,284)	-
Net interest income	45,489	16,334	20,758	27,637	16,443	5,325	8,804	12,546	153,336
Fee and commission income	11,988	3,127	4,963	5,355	2,799	1,067	2,802	17,197	49,298
Fee and commission expense	(2,157)	(47)	(71)	(69)	(25)	(19)	(226)	(1,598)	(4,212)
Net fee and commission income	9,831	3,080	4,892	5,286	2,774	1,048	2,576	15,599	45,086
Net gains arising from trading activities	3,067	171	253	485	57	16	(346)	10,141	13,844
Net gains arising from financial investments	507	-	-	-	-	-	2,420	(1,750)	1,177
Insurance business income	15,103	-	-	-	-	-	67	-	15,170
Share of profits of associates and joint ventures	-	-	-	-	-	-	50	172	222
Other operating income	14,345	484	1,209	627	497	174	285	268	17,889
Total operating income – net	88,342	20,069	27,112	34,035	19,771	6,563	13,856	36,976	246,724
Credit impairment losses	(8,368)	(4,245)	(7,200)	(9,483)	(1,673)	(3,028)	(1,156)	(26,906)	(62,059)
Other assets impairment losses	(486)	-	1	-	-	(4)	5	-	(484)
Insurance business expense	(15,699)	-	-	-	-	-	(30)	-	(15,729)
Other operating expense	(25,853)	(6,376)	(8,188)	(8,471)	(5,882)	(3,248)	(4,222)	(19,787)	(82,027)
Profit before tax	37,936	9,448	11,725	16,081	12,216	283	8,453	(9,717)	86,425
Income tax									(6,855)
Net profit for the year									79,570
Depreciation and amortisation	(1,779)	(902)	(1,114)	(1,096)	(945)	(486)	(488)	(1,078)	(7,888)
Capital expenditure	(19,236)	(545)	(760)	(1,460)	(561)	(273)	(193)	(1,130)	(24,158)

(In millions of RMB)

	Year ended 31 December 2019								
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Total
External interest income	67,117	25,271	31,944	38,731	26,227	8,829	33,580	135,754	367,453
External interest expense	(47,749)	(18,260)	(33,178)	(21,794)	(15,761)	(8,710)	(24,203)	(53,715)	(223,370)
Inter-segment net interest income/ (expense)	21,262	7,711	19,642	8,294	5,474	4,799	(370)	(66,812)	–
Net interest income	40,630	14,722	18,408	25,231	15,940	4,918	9,007	15,227	144,083
Fee and commission income	10,136	2,952	4,208	5,043	2,703	1,056	3,166	18,405	47,669
Fee and commission expense	(1,320)	(66)	(65)	(44)	(32)	(16)	(328)	(2,173)	(4,044)
Net fee and commission income	8,816	2,886	4,143	4,999	2,671	1,040	2,838	16,232	43,625
Net gains arising from trading activities	2,416	28	341	388	87	50	342	12,284	15,936
Net gains arising from financial investments	114	–	–	–	–	–	487	(288)	313
Insurance business income	11,647	–	–	–	–	–	40	–	11,687
Share of profits of associates and joint ventures	–	–	–	–	–	–	134	280	414
Other operating income	12,306	280	1,205	463	604	169	1,710	62	16,799
Total operating income – net	75,929	17,916	24,097	31,081	19,302	6,177	14,558	43,797	232,857
Credit impairment losses	(6,224)	(1,911)	(7,576)	(7,630)	(4,807)	(4,882)	(86)	(18,838)	(51,954)
Other assets impairment losses	(230)	1	–	(11)	(15)	1	(16)	–	(270)
Insurance business expense	(11,424)	–	–	–	–	–	(8)	–	(11,432)
Other operating expense	(23,682)	(5,801)	(8,370)	(8,308)	(6,373)	(3,298)	(5,516)	(19,653)	(81,001)
Profit before tax	34,369	10,205	8,151	15,132	8,107	(2,002)	8,932	5,306	88,200
Income tax									(10,138)
Net profit for the year									78,062
Depreciation and amortisation	(1,675)	(917)	(1,188)	(1,123)	(965)	(495)	(608)	(1,134)	(8,105)
Capital expenditure	(29,082)	(450)	(419)	(664)	(407)	(263)	(281)	(810)	(32,376)

(In millions of RMB)

	As at 31 December 2020									
	Yangtze River Delta	**Pearl River Delta**	**Bohai Rim Economic Zone**	**Central China**	**Western China**	**North Eastern China**	**Overseas**	**Head Office**	**Eliminations**	**Total**
Segment assets	**2,641,386**	**920,887**	**1,543,501**	**1,194,919**	**822,759**	**384,627**	**1,114,676**	**4,187,998**	**(2,141,128)**	**10,669,625**
Including:										
Investments in associates and joint ventures	*4*	-	-	*6*	-	-	*203*	*4,468*	-	*4,681*
Unallocated assets										**27,991**
Total assets										**10,697,616**
Segment liabilities	**(2,437,106)**	**(908,645)**	**(1,524,423)**	**(1,162,723)**	**(808,702)**	**(385,778)**	**(1,057,224)**	**(3,674,229)**	**2,141,128**	**(9,817,702)**
Unallocated liabilities										**(1,286)**
Total liabilities										**(9,818,988)**

	As at 31 December 2019									
	Yangtze River Delta	Pearl River Delta	Bohai Rim Economic Zone	Central China	Western China	North Eastern China	Overseas	Head Office	Eliminations	Total
Segment assets	2,293,215	778,331	1,350,485	1,080,193	759,509	344,260	1,100,225	4,029,095	(1,853,778)	9,881,535
Including:										
Investments in associates and joint ventures	*4*	–	–	*6*	–	–	*431*	*4,159*	–	*4,600*
Unallocated assets										24,065
Total assets										9,905,600
Segment liabilities	(2,127,221)	(766,612)	(1,336,459)	(1,052,611)	(748,795)	(346,410)	(1,067,199)	(3,512,241)	1,853,778	(9,103,770)
Unallocated liabilities										(918)
Total liabilities										(9,104,688)

Given the adjustment to the standards of dividing segments and evaluation guidelines of income allocation within segment, the comparative figures were stated under existing standards.

Business Information

The Group is engaged predominantly in banking and related financial activities. It comprises corporate banking, personal banking, treasury and other business. Corporate banking mainly comprises corporate loans, bills, trade financing, corporate deposits and remittance. Personal banking mainly comprises personal loans, personal deposits, credit cards and remittance. Treasury mainly comprises money market placements and takings, financial investment, and securities sold under repurchase agreements. The "Others Business" segment mainly comprises items which cannot be categorised in the above business segments.

The business information of the Group is summarised as follows:

(In millions of RMB)

	Year ended 31 December 2020				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	61,605	49,328	42,341	62	153,336
Inter-segment net interest income/(expense)	20,409	16,782	(37,191)	–	–
Net interest income	82,014	66,110	5,150	62	153,336
Net fee and commission income	15,571	28,044	1,314	157	45,086
Net gains arising from trading activities	3,585	1,964	8,218	77	13,844
Net gains arising from financial investments	–	–	1,177	–	1,177
Share of profits of associates and joint ventures	–	–	–	222	222
Insurance business income	32	15,138	–	–	15,170
Other operating income	14,128	2,474	33	1,254	17,889
Total operating income – net	**115,330**	**113,730**	**15,892**	**1,772**	**246,724**
Credit impairment losses	(33,129)	(28,215)	(714)	(1)	(62,059)
Other assets impairment losses	(485)	–	–	1	(484)
Insurance business expense	(30)	(15,699)	–	–	(15,729)
Other operating expense					
– Depreciation and amortisation	(2,949)	(4,433)	(407)	(99)	(7,888)
– Others	(33,427)	(36,438)	(2,979)	(1,295)	(74,139)
Profit before tax	**45,310**	**28,945**	**11,792**	**378**	**86,425**
Income tax					(6,855)
Net profit for the year					**79,570**
Depreciation and amortisation	(2,949)	(4,433)	(407)	(99)	(7,888)
Capital expenditure	(9,033)	(13,574)	(1,247)	(304)	(24,158)

(In millions of RMB)

	Year ended 31 December 2019				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
External net interest income	54,603	47,152	42,315	13	144,083
Inter-segment net interest income/(expense)	19,915	15,277	(35,192)	–	–
Net interest income	74,518	62,429	7,123	13	144,083
Net fee and commission income	16,710	26,114	620	181	43,625
Net gains arising from trading activities	2,795	1,135	11,852	154	15,936
Net gains arising from financial investments	–	–	313	–	313
Share of profits of associates and joint ventures	–	–	–	414	414
Insurance business income	2	11,685	–	–	11,687
Other operating income	13,591	2,268	–	940	16,799
Total operating income – net	107,616	103,631	19,908	1,702	232,857
Credit impairment losses	(31,794)	(21,134)	975	(1)	(51,954)
Other assets impairment losses	(233)	–	(10)	(27)	(270)
Insurance business expense	(8)	(11,424)	–	–	(11,432)
Other operating expense					
– Depreciation and amortisation	(2,917)	(4,347)	(406)	(435)	(8,105)
– Others	(32,487)	(36,293)	(2,930)	(1,186)	(72,896)
Profit before tax	40,177	30,433	17,537	53	88,200
Income tax					(10,138)
Net profit for the year					78,062
Depreciation and amortisation	(2,917)	(4,347)	(406)	(435)	(8,105)
Capital expenditure	(11,650)	(17,366)	(1,623)	(1,737)	(32,376)

The comparative information was restated in accordance with the current categorisation since the business segment categorisation of some subsidiaries has been changed.

(In millions of RMB)

	As at 31 December 2020				
	Corporate Banking Business	**Personal Banking Business**	**Treasury Business**	**Other Business**	**Total**
Segment assets	**4,192,292**	**2,067,778**	**4,346,218**	**63,337**	**10,669,625**
Including:					
Investments in associates and joint ventures	**–**	**–**	**–**	***4,681***	***4,681***
Unallocated assets					**27,991**
Total assets					**10,697,616**
Segment liabilities	**(4,834,361)**	**(2,313,457)**	**(2,599,201)**	**(70,683)**	**(9,817,702)**
Unallocated liabilities					**(1,286)**
Total liabilities					**(9,818,988)**

	As at 31 December 2019				
	Corporate Banking Business	Personal Banking Business	Treasury Business	Other Business	Total
Segment assets	3,524,914	1,829,595	4,429,717	97,309	9,881,535
Including:					
Investments in associates and joint ventures	–	–	–	*4,600*	*4,600*
Unallocated assets					24,065
Total assets					9,905,600
Segment liabilities	(4,340,472)	(2,004,467)	(2,719,447)	(39,384)	(9,103,770)
Unallocated liabilities					(918)
Total liabilities					(9,104,688)

There were no significant transactions with a single external customer that the Group mainly relied on.

12 Liquidity Risk

The table below analyses the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the end of reporting date to the contractual maturity date.

(In millions of RMB)

	On demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2020									
Assets									
Cash and balances with central banks	176,216	-	320	-	-	-	-	641,025	817,561
Due from and placements with banks and other financial institutions	111,953	174,623	91,078	153,121	33,242	7,113	-	-	571,130
Derivative financial assets	-	9,718	11,570	22,283	9,068	1,573	-	-	54,212
Financial investments at FVPL	2,100	9,722	12,857	37,651	44,167	58,795	314	316,982	482,588
Loans and advances to customers	-	484,371	319,698	1,305,770	1,103,053	2,476,035	31,641	-	5,720,568
Financial investments at FVOCI	-	28,930	46,507	126,501	339,517	182,346	72	11,347	735,220
Financial investments at amortised cost	-	41,210	49,086	278,043	972,565	678,355	270	-	2,019,529
Other assets	61,973	286	19	15,410	16,448	4,047	4,432	194,193	296,808
Total assets	352,242	748,860	531,135	1,938,779	2,518,060	3,408,264	36,729	1,163,547	10,697,616
Liabilities									
Due to and placements from banks and other financial institutions	(664,483)	(247,467)	(268,704)	(544,824)	(48,745)	(13,268)	-	-	(1,787,491)
Financial liabilities at FVPL	(2,199)	(6,291)	(5,722)	(14,933)	(134)	-	-	-	(29,279)
Derivative financial liabilities	-	(8,357)	(10,798)	(20,858)	(12,210)	(3,719)	-	-	(55,942)
Due to customers	(2,826,643)	(716,981)	(560,281)	(942,581)	(1,560,842)	(2)	-	-	(6,607,330)
Other liabilities	(68,467)	(94,306)	(235,723)	(374,652)	(367,189)	(198,609)	-	-	(1,338,946)
Total liabilities	(3,561,792)	(1,073,402)	(1,081,228)	(1,897,848)	(1,989,120)	(215,598)	-	-	(9,818,988)
Net amount on liquidity gap	(3,209,550)	(324,542)	(550,093)	40,931	528,940	3,192,666	36,729	1,163,547	878,628

(In millions of RMB)

	On demand	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Overdue	Undated	Total
As at 31 December 2019									
Assets									
Cash and balances with central banks	90,626	–	291	–	–	–	–	669,268	760,185
Due from and placements with banks and other financial institutions	68,990	149,937	95,479	265,628	57,812	10,642	–	–	648,488
Derivative financial assets	–	3,350	4,941	7,339	3,971	1,336	–	–	20,937
Financial investments at FVPL	7,455	5,468	16,748	50,326	58,460	47,292	–	220,749	406,498
Loans and advances to customers	–	645,176	316,350	1,217,899	1,168,046	1,802,390	33,792	–	5,183,653
Financial investments at FVOCI	–	11,231	36,586	112,932	386,254	113,708	–	8,945	669,656
Financial investments at amortised cost	–	21,690	36,753	267,765	1,040,314	562,427	740	–	1,929,689
Other assets	61,712	5	15	7,807	20,326	3,802	4,524	188,303	286,494
Total assets	228,783	836,857	507,163	1,929,696	2,735,183	2,541,597	39,056	1,087,265	9,905,600
Liabilities									
Due to and placements from banks and other financial institutions	(409,571)	(312,213)	(276,142)	(846,554)	(39,762)	(19,840)	–	–	(1,904,082)
Financial liabilities at FVPL	(1,087)	(4,103)	(6,026)	(7,453)	(8,311)	–	–	–	(26,980)
Derivative financial liabilities	–	(3,494)	(5,876)	(10,477)	(5,121)	(1,456)	–	–	(26,424)
Due to customers	(2,608,492)	(616,996)	(680,301)	(1,018,114)	(1,122,574)	(26,431)	–	–	(6,072,908)
Other liabilities	(60,594)	(50,219)	(145,757)	(398,664)	(277,546)	(141,514)	–	–	(1,074,294)
Total liabilities	(3,079,744)	(987,025)	(1,114,102)	(2,281,262)	(1,453,314)	(189,241)	–	–	(9,104,688)
Net amount on liquidity gap	(2,850,961)	(150,168)	(606,939)	(351,566)	1,281,869	2,352,356	39,056	1,087,265	800,912

VII. PUBLICATION OF THE ANNOUNCEMENT OF ANNUAL RESULTS

This results announcement is extracted from the 2020 Annual Report prepared in accordance with the IFRSs. The full report will be published on the website of HKEx News at www.hkexnews.hk, as well as the website of the Bank at www.bankcomm.com for the reference of shareholders. The 2020 Annual Report, which is prepared in accordance with China Accounting Standards, will be available on the website of Shanghai Stock Exchange at www.sse.com.cn and the website of the Bank at www.bankcomm.com. Investors should read the full text of the Annual Report for details of the Annual Result. The Annual Report prepared in accordance with the IFRSs is anticipated to be despatched to the shareholders of H shares in April 2021.

This announcement is prepared in both Chinese and English. Should there be any inconsistency between the Chinese and English versions, the Chinese version should prevail.

By order of the Board
Bank of Communications Co., Ltd.
Ren Deqi
Chairman of the Board

Shanghai, the PRC
26 March 2021

As at the date of this announcement, the directors of the Bank are Mr. Ren Deqi, Mr. Liu Jun, Mr. Li Longcheng, Mr. Wang Linping*, Mr. Chang Baosheng*, Mr. Chan Siu Chung*, Mr. Song Hongjun*, Mr. Chen Junkui*, Mr. Liu Haoyang*, Mr. Jason Yeung Chi Wai#, Mr. Raymond Woo Chi Wan#, Mr. Cai Haoyi# and Mr. Shi Lei#, Mr.Zhang Xiangdong#, Ms.Li Xiaohui#.*

* *Non-executive directors*

\# *Independent Non-executive directors*