中國銀行
BANK OF CHINA

# 中國銀行股份有限公司
# BANK OF CHINA LIMITED

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

**(the "Bank")**

**(Stock Code: 3988 and 4619 (Preference Shares))**

# 2020 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of the Bank is pleased to announce the audited results of the Bank and its subsidiaries for the year ended 31 December 2020. This announcement, containing the full text of the 2020 Annual Report of the Bank, complies with the relevant content requirements of the Hong Kong Listing Rules in relation to preliminary announcements of annual results. The printed version of the Bank's 2020 Annual Report will be delivered to the H-Share Holders of the Bank and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Bank at www.boc.cn in late April 2021.

# Introduction

Bank of China is the bank with the longest continuous operation among Chinese banks. Formally established in February 1912, the Bank served consecutively as the country's central bank, international exchange bank and specialised international trade bank. After 1949, drawing on its long history as the state-designated specialised foreign exchange and trade bank, the Bank became responsible for managing China's foreign exchange operations and offering international trade settlement, overseas fund transfer and other non-trade foreign exchange services. Restructured into a wholly state-owned commercial bank in 1994, the Bank provides various financial services, and has developed into a large commercial bank delivering services in local and foreign currencies and featuring complete business varieties and strong strength. The Bank was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in 2006, becoming the first Chinese bank to launch an A-Share and H-Share initial public offering and achieve a dual listing in both markets. The Bank is the official banking partner of the Beijing 2008 Summer Olympics and the Beijing 2022 Winter Olympics, thus making it the only bank in China to serve two Olympic Games. In 2011, Bank of China became the first financial institution from an emerging economy to be designated as a Global Systemically Important Bank, a designation it has now maintained for ten consecutive years. With its growing international status, competitiveness and comprehensive strengths, the Bank has marched forward into the ranks of the world's large banks. From 2021, the year in which China's 14th Five-Year Plan is launched, the Bank will enter into a new stage of its reform and development, while aligning its endeavours with national development, and embark upon a brand new journey towards building a first-class global banking group.

As China's most globalised and integrated bank, Bank of China has institutions across the Chinese mainland as well as in 61 countries and regions, and BOCHK and the Macau Branch serve as local note-issuing banks in their respective markets. The Bank has a well-established global service network and an integrated service platform based on the pillars of its corporate banking, personal banking, financial markets and other commercial banking business, which covers investment banking, direct investment, securities, insurance, funds, aircraft leasing, asset management, financial technology, financial leasing and other areas, thus providing its customers with a comprehensive range of financial services.

Bank of China embodies a noble sense of duty and commitment. Over its 109-years history, the Bank has upheld the spirit of "pursuing excellence" and remained committed to delivering benefits to the society and contributing to the prosperity of the nation. With adoration of the nation in its soul, integrity as its backbone, reform and innovation as its path forward and "people first" as its guiding principle, the Bank has built up an excellent brand image that is widely recognised within the industry and by its customers. As a large state-owned commercial bank faced with a period of historic opportunities for great achievements, the Bank will follow Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, develop a full understanding of the new development stage, apply the new development philosophy and serve the new development paradigm; uphold the mission of "Bridge China and the World for the Common Good"; practice the values of "provide excellent service, innovate with prudence, uphold openness and inclusiveness, collaborate for mutual growth", take the strategic approach of "invigorate, adapt to change and drive for major breakthroughs", and thus strive to build a first-class global banking group that, makes an even greater contribution to realising the Chinese Dream of national rejuvenation and the aspirations of the people to live a better life and build a community with a shared future for mankind.

# Development Strategy

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

# Corporate Culture Concept System

## Our Mission

***Bridge China and the World for the Common Good***

## Our Vision

***Build a First-Class Global Banking Group***

## Our Values

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

# Honours and Awards

| | |
|---|---|
| **Financial Stability Board (FSB)** | Global Systemically Important Bank |
| ***The Banker*** | Ranked 4th in Top 1,000 World Banks |
| | Ranked 4th in Top 500 Global Banking Brands |
| ***FORTUNE*** | Ranked 43rd in Global 500 (2020) |
| ***Forbes*** | Ranked 10th in Global 2000 |
| ***Asiamoney*** | Best Overall Chinese Bank for Belt and Road Initiative |
| | Best Transaction Bank for Trade Finance |
| | Best Transaction Bank |
| | Best Bank for Leveraged Finance |
| ***Finance Asia*** | Best DCM House |
| ***The Asian Banker*** | Best AI Initiative in China |
| | Overseas Wealth Management Service of the Year in China |
| ***Asian Private Banker*** | Best National Private Bank in China (State-owned Banks) |
| **PBOC** | First Prize for Technological Development of Banks |
| **China Foreign Exchange Trade System** | Best Comprehensive Market-making Institution |
| ***CBN*** | Best Digitalised Bank |
| ***China Business Journal*** | Mobile Banking with Excellent Competitiveness |
| ***Financial News*** | 2020 Bank with Best Inclusive Finance Services |
| ***Securities Times*** | Award of Top List of Intelligent Investment Advisory Service in China (Wealth Management) |
| **Sina** | Best Bank with Responsible Investment |
| **China SME Investment & Finance Expo** | Excellent Case of Financial Services for Small and Medium-sized Enterprises |
| ***Directors & Boards*** | "Golden Prize of Round Table" for Excellent Board of Directors |
| **League of American Communications Professionals (LACP)** | Gold Award of the Annual Report |
| **Hong Kong Management Association (HKMA)** | Excellence Award for H-Share & Red Chip Entries |
| **China Banking Association** | Award of Best Socially Responsible Manager |
| | Award for Achievements in Supporting the Three Critical Battles |
| | Award for Achievements in Pursuing Belt and Road Initiative |
| | Most Socially Responsible Outlet with Special Contributions in China's Banking Industry |
| ***China Newsweek*** | 2020 Responsible Enterprise |
| **World Brand Lab** | Ranked 12th in China's 500 Most Valuable Brands |
| **Hurun Research Institute** | Ranked 2nd in the Hurun List of Brands with Most Historical and Cultural Heritage in 2020 |
| **ChinaHR.com** | Top 100 Employers in the Opinion of Chinese University Students |

# Contents

# Definitions

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

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

| | |
|---|---|
| BOC-Samsung Life | BOC-Samsung Life Ins. Co., Ltd. |
| BOC Wealth Management | BOC Wealth Management Co., Ltd. |
| CAS | Chinese Accounting Standards |
| CBIRC | China Banking and Insurance Regulatory Commission |
| Central and Southern China | The area including, for the purpose of this report, the branches of Henan, Hubei, Hunan, Guangdong, Shenzhen, Guangxi and Hainan |
| Company Law | The Company Law of PRC |
| CSRC | China Securities Regulatory Commission |
| Eastern China | The area including, for the purpose of this report, the branches of Shanghai, Jiangsu, Suzhou, Zhejiang, Ningbo, Anhui, Fujian, Jiangxi, Shandong and Qingdao |
| HKEX | Hong Kong Exchanges and Clearing Limited |
| Hong Kong Listing Rules | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| Hong Kong Stock Exchange | The Stock Exchange of Hong Kong Limited |
| H Share | Overseas-listed foreign investment share(s) in the ordinary share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (Stock Code: 3988) |
| Huijin | Central Huijin Investment Ltd. |
| IFRS | International Financial Reporting Standards |
| Independent Director | Independent director under the listing rules of SSE and the Articles of Association, and independent non-executive director under the Hong Kong Listing Rules |
| MOF | Ministry of Finance, PRC |
| Northeastern China | The area including, for the purpose of this report, the branches of Heilongjiang, Jilin, Liaoning and Dalian |
| Northern China | The area including, for the purpose of this report, the branches of Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia and the Head Office |
| PBOC | The People's Bank of China, PRC |
| PRC | The People's Republic of China |
| RMB | Renminbi, the lawful currency of PRC |

| | |
|---|---|
| SAFE | State Administration of Foreign Exchange, PRC |
| SFO | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| SSE | The Shanghai Stock Exchange |
| Western China | The area including, for the purpose of this report, the branches of Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Ningxia, Qinghai, Tibet and Xinjiang |

# Important Notice

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

The 2020 Annual Report and Annual Results Announcement of the Bank have been reviewed and approved at the meeting of the Board of Directors of the Bank held on 30 March 2021. The number of directors who should attend the meeting is 14, with 11 directors attending the meeting in person. Independent Directors Mr. Martin Cheung Kong LIAO and Mr. CHUI Sai Peng Jose did not attend the meeting due to other important business engagements and both appointed Independent Director Mr. WANG Changyun as their authorised proxy to attend and vote on their behalves. Independent Director Ms. CHEN Chunhua did not attend the meeting due to other important business engagements and appointed Independent Director Mr. JIANG Guohua as her authorised proxy to attend and vote on her behalf. All of the 14 directors of the Bank exercised their voting rights at the meeting. The supervisors and senior management members of the Bank attended the meeting as non-voting attendees.

The 2020 financial statements prepared by the Bank in accordance with CAS and IFRS have been audited by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with Chinese and international auditing standards, respectively. Both auditors issued an unqualified opinion.

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

The Board of Directors has recommended a final dividend on ordinary shares for 2020 of RMB1.97 per ten shares (before tax), subject to the approval of the forthcoming Annual General Meeting scheduled on 20 May 2021. No capitalisation of the capital reserve to share capital is proposed in this profit distribution.

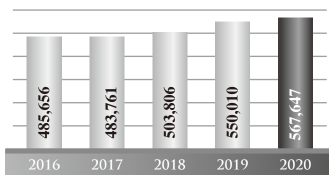
During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes and no material guarantee business that violated the applicable regulations and procedures.

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

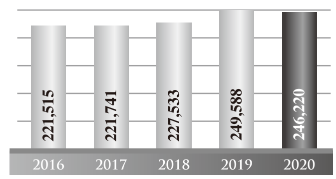
The Bank is faced with risks arising from changes in the macroeconomic environment and from political and economic conditions in different countries and regions as well as risks arising from its day-to-day operations, including the risk arising from changes in the credit status of borrowers, adverse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

# Financial Highlights

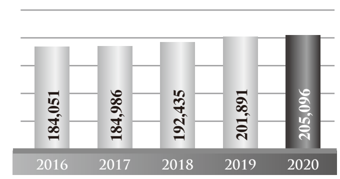
**Operating income**
RMB Million



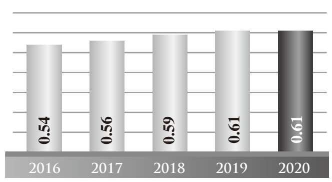

**Operating profit**
RMB Million



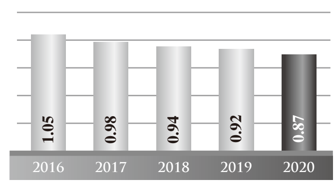

**Profit for the year**
RMB Million



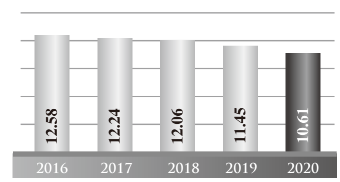

**EPS (basic)**
RMB



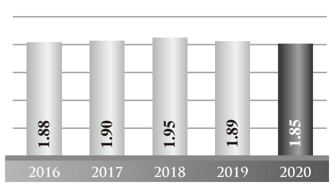

**ROA**
%



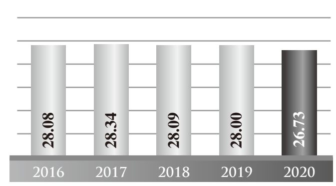

**ROE**
%



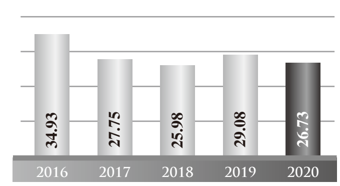

**Net interest margin**
%



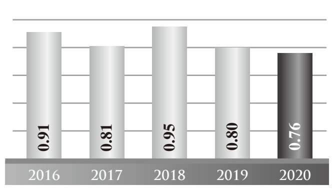

**Cost to income ratio (calculated under regulations in the Chinese mainland)**
%



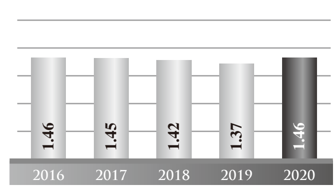

**Non-interest income to operating income**
%



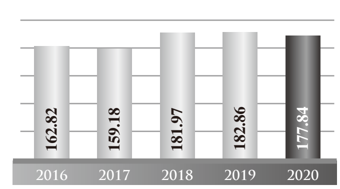

**Credit cost**
%




**Non-performing loans to total loans**
%




**Allowance for loan impairment losses to non-performing loans**
%



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

Unit: RMB million

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

**Notes:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Corporate Information

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

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

**Legal Representative and Chairman**
LIU Liange

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

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

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

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

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

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

**Website Designated by CSRC for Publication of the Annual Report**
www.sse.com.cn

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

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

**Legal Advisor**
King & Wood Mallesons
Clifford Chance

**Auditors**
**Domestic Auditor**
Ernst & Young Hua Ming LLP
Office Address:
Level 16, Ernst & Young Tower, Oriental Plaza,
No. 1 East Chang An Avenue, Dongcheng District, Beijing, China
Certified Public Accountants who signed the auditor's report: LEUNG Shing Kit, ZHANG Fan

**International Auditor**
Ernst & Young
Office Address:
22/F, CITIC Tower, 1 Tim Mei Avenue
Central, Hong Kong, China

**Unified Social Credit Code**
911000001000013428

**Financial Institution Licence Serial Number**
B0003H111000001

**Registered Capital**
RMB294,387,791,241

**Securities Information**

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

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

**Domestic Preference Share**
Shanghai Stock Exchange

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

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

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

**Joint Sponsors for Domestic Preference Share (Third Tranche, Fourth Tranche)**
CITIC Securities Company Limited
Office Address:
North Tower, Excellence Times Plaza II,
No. 8 Zhongxinsan Road, Futian District,
Shenzhen,
Guangdong Prov., China
Sponsor Representatives:
MA Xiaolong, WANG Chen

BOC International (China) Co., Ltd.
Office Address:
39/F, BOC Building,
200 Mid. Yincheng Road,
Pudong New Area, Shanghai, China
Sponsor Representatives:
DONG Wendan, LIU Guoqiang

Continuous Supervision Period
From 17 July 2019 to
31 December 2020 (Third Tranche)
From 26 August 2019 to
31 December 2020 (Fourth Tranche)

# Message from the Chairman

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

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

In 2020, we considered the big picture and strongly supported the real economy and national strategies. Remaining true to our founding mission at all times, we unswervingly integrated our own development with the destiny of the nation, so as to deliver benefit to society, contribute to the nation's prosperity, support opening-up with quality services, and boost high-quality and sustainable development. In 2020, the Bank's newly granted domestic RMB loans set a new record, with a focus on inclusive finance, private enterprises, green finance and other sectors. Our balance of inclusive finance loans granted to micro and small-sized enterprises stood at RMB611.7 billion, up 48% over the prior year-end. Outstanding medium and long-term loans granted to the manufacturing sector grew by 34.1%. Manufacturing loans as a percentage of total corporate loans remained at a relatively high level compared to other large Chinese banks, with solid growth achieved in green credit. We continued to enhance business presence in key regions and cities such as Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Hainan Free Trade Port, and Chengdu-Chongqing Economic Circle. We became the first among our peers to issue comprehensive service programmes and maintained a leading position among Chinese banks in the Guangdong-Hong Kong-Macao Greater Bay Area. We adopted 13 measures to stabilise foreign trade and facilitated smooth flows across the foreign trade industrial chain and supply chain, securing a leading edge over Chinese peers in international settlement and financing under export credit insurance. We served the China International Import Expo (CIIE) as the sole strategic partner for the third consecutive year, earning a strong reputation in the market.

In 2020, we fulfilled our responsibilities as a major state-owned bank, coordinated our efforts in pandemic control and financial services, and contributed to the fight against poverty. Following the outbreak of COVID-19, we adhered to a coordinated response among our domestic and overseas operations, continuously arranged for pandemic prevention and employee health protection measures in our workplaces and business premises, and flexibly adopted methods such as online office and online services to maintain smooth and orderly business operations across the globe. Devoting more efforts to fight the pandemic through financial services, we took the lead in introducing "30 Measures" to fully support Hubei in fighting against the virus and resuming business. We implemented policies for dedicated limits on re-lending and rediscount, and worked hard to increase the proportion of unsecured loans and medium and long-term loans, as well as the first-time loan ratio, to help enterprises overcome difficulties. Our domestic and overseas institutions stood together through storm and stress. We allocated pandemic prevention and control supplies in a coordinated manner across the globe, providing more than 10 million items of supplies for over 57 countries and regions at home and abroad, which was widely praised. We made great efforts to bolster poverty alleviation by stepping up support for targeted areas through financial services, and saw rapid growth in the balance of poverty alleviation loans. Through our assistance, the four counties of Yongshou, Xunyi, Chunhua and Changwu in Xianyang, Shaanxi Province completed the task of poverty alleviation, and 1,034 poverty-stricken villages across the country were lifted out of poverty, demonstrating the Bank's great contributions to the national initiatives of poverty alleviation and rural revitalisation.

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

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

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

In 2020, we adhered to deepening reform on all fronts and continuously stimulated the vitalities of officials and employees. Reform is the only way to liberate and develop the productive forces and fundamental drivers of business development. BOC's most valuable assets are our energetic employees, more than 300,000 in number, who consistently compete and excel. We deepened reform of our organisational structure, business model and management mechanism, kept improving the Bank's governance capabilities, and accomplished 117 tasks under 24 reform projects during the year. We set up the Education & Development Department at the Head Office, established BOC University, and constantly improved the training system for all employees. In addition, we established the Asset & Liability Management Department to enhance the refined and professional management of assets and liabilities. We continuously improved the corporate credit management mechanism and promoted the transformation of the marketing management mechanism in a coordinated manner. To further enable the Head Office to better exercise leadership and build up capacity, we formulated overarching frameworks of reform to enhance comprehensive risk management and human resource management. We made vigorous efforts to cultivate our talent pool, putting qualified young people onto management posts and introducing more intra-Group rotation programmes.

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

In 2020, we persistently improved and modernised our corporate governance. A sound corporate governance system is the cornerstone of a bank's stability and long-term development. We enhanced our governance system, in which the Party Committee takes overall charge, the Board of Directors develops strategies and makes decisions, the Board of Supervisors conducts supervision according to law, and the management is responsible for business operation. We also refined the corporate governance mechanism, which features a proper division of responsibilities, coordinated functioning and effective checks and balances. We strengthened communication and coordination with the controlling shareholder, effectively safeguarded the rights of minority shareholders to access information, participate and make decisions regarding the Bank's affairs, gained the understanding and support of shareholders for our major decisions, and improved the efficiency of our corporate governance and operations. The members of the Board of Directors performed their duties diligently and earnestly, put forward constructive comments and suggestions regarding the Bank's key areas of work based on their outstanding professionalism, abundant professional experience and excellent capabilities, and thereby effectively supported the efficient operation and scientific decision-making of the Board of Directors.

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

**LIU Liange**
*Chairman*
30 March 2021

# Message from the Chairman of the Board of Supervisors

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

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

In 2020, the Board of Supervisors further strengthened self-improvement. It hosted a special seminar to study its work priorities and methods, focusing on the Bank's central tasks and on problems encountered during supervision, so as to improve its efficiency. In addition, special training courses were delivered for supervisors to enhance their competence and duty performance ability. All members of the Board of Supervisors performed their supervisory duties faithfully and diligently, and provided professional, well-considered and independent suggestions. The Board of Directors and the Senior Management attached great importance and gave strong support to the work of the Board of Supervisors, carefully studied the suggestions and recommendations of the Board of Supervisors in its letters of supervisory recommendation and special survey reports, pushed forward rectification, and regularly updated the Board of Supervisors on rectification progress. As a result, the constructive supervisory role of the Board of Supervisors, through which supervision promotes improvement and development, was brought into full play. The effective interaction among the Board of Directors, the Board of Supervisors and the Senior Management boosted the continuous enhancement of the Bank's corporate governance.

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

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

**ZHANG Keqiu**
*Chairman of the Board of Supervisors*
30 March 2021

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Economic and Financial Environment

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

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

The Chinese government carried out COVID-19 pandemic prevention and control and promoted economic and social development, making the utmost efforts to ensure stability on the six fronts (namely, employment, financial sector, foreign trade, foreign investment, domestic investment, and expectations) and security in the six areas (namely, employment, the people's basic livelihood, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments), thus driving positive economic growth across the whole year. The economic structure continued to be optimised, high-tech industries maintained rapid growth, and new patterns and new models of the digital economy constantly emerged. New achievements were made in high-level opening-up. The *Master Plan for the Hainan Free Trade Port* was released and implemented, and the Regional Comprehensive Economic Partnership (RCEP) Agreement was officially signed. The structure of export products continued to improve. In 2020, China's gross domestic product (GDP) increased by 2.3%. Total retail sales of consumer goods (TRSCG) dropped by 3.9%, total fixed asset investments (TFAI) grew by 2.9%, exports rose by 4.0%, value added of high-tech manufacturing climbed by 7.1%, and the consumer price index (CPI) went up by 2.5%.

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

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

## Income Statement Analysis

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

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

Unit: RMB million, except percentages

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

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

Unit: RMB million

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

## Net Interest Income and Net Interest Margin

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

### Interest Income

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

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

Interest income on balances with central banks and due from and placements with banks and other financial institutions was RMB59.163 billion, a decrease of RMB10.353 billion or 14.89% compared with the prior year, mainly due to a decrease in yield of balances with central banks and due from and placements with banks and other financial institutions.

### Interest Expense

In 2020, interest expense on due to customers was RMB258.439 billion, a decrease of RMB10.885 billion or 4.04% compared with the prior year, principally due to a decrease in the interest rate of deposits.

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

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

## Net Interest Margin

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

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

Unit: RMB million, except percentages

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

Notes:

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

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

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

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

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

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

Unit: RMB million, except percentages

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

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

## Non-interest Income

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

### Net Fee and Commission Income

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

Unit: RMB million, except percentages

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

### Other Non-interest Income

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

Unit: RMB million, except percentages

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

## Operating Expenses

The Bank continued to operate its business in a prudent manner. It optimised its cost structure, increased investment in technological innovation, and allocated greater resources to key products, areas and regions, thus further improving input and output efficiency. In 2020, the Group recorded operating expenses of RMB202.411 billion, an increase of RMB4.142 billion or 2.09% compared with the prior year. The Group's cost to income ratio (calculated in accordance with regulations in the Chinese mainland) was 26.73%, a decrease of 1.27 percentage points compared with the prior year. Please refer to Notes V.6, 7 to the Consolidated Financial Statements for detailed information.

Unit: RMB million, except percentages

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

## Impairment Losses on Assets

The Bank continued to improve its comprehensive risk management system and adopted a proactive and forward-looking risk management approach, thus ensuring generally stable credit asset quality. It stringently implemented a prudent and solid risk provisioning policy and maintained adequate capacity for risk mitigation. In 2020, the Group's impairment losses on assets totalled RMB119.016 billion, an increase of RMB16.863 billion or 16.51% compared with the prior year. Please refer to the section "Risk Management — Credit Risk Management" and Notes V.9, 17, VI.3 to the Consolidated Financial Statements for more information on loan quality and allowance for loan impairment losses.

## Income Tax Expense

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

## Financial Position Analysis

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

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

Unit: RMB million, except percentages

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

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

## Loans and Advances to Customers

The Bank earnestly fulfilled its responsibilities as a large state-owned bank, scaled up support for business expansion in such key areas as inclusive finance, private enterprises, high-end manufacturing, green finance, strategic emerging industries, and rural revitalisation, and maintained steady growth in lending scale while effectively preventing credit risk. It continued to strictly control credit facilities granted to industries characterised by high pollution, high energy consumption and overcapacity. It also earnestly implemented the requirements of national real estate control policies, strengthened concentration management and strictly controlled financial risks. As at the end of 2020, the Group's loans and advances to customers amounted to RMB14,216.477 billion, an increase of RMB1,147.692 billion or 8.78% compared with the prior year-end. Specifically, the Group's RMB loans and advances to customers totalled RMB11,338.990 billion, an increase of RMB1,189.645 billion or 11.72% compared with the prior year-end, while its foreign currency loans amounted to USD441.001 billion, an increase of USD22.515 billion or 5.38% compared with the prior year-end. Please refer to Note V.17 to the Consolidated Financial Statements for detailed information.

The Bank further improved its risk management system, paid close attention to changes in the macroeconomic situation, strengthened risk identification and management in key areas and made greater efforts in the disposal of non-performing assets, thus maintaining a relatively stable asset quality. As at the end of 2020, the balance of the Group's allowance for loan impairment losses amounted to RMB368.619 billion, an increase of RMB42.696 billion compared with the prior year-end. The balance of the Group's restructured loans amounted to RMB21.692 billion, an increase of RMB9.314 billion compared with the prior year-end.

Unit: RMB million, except percentages

| | **As at 31 December 2020** | | As at 31 December 2019 | |
|---|---|---|---|---|
| **Items** | **Amount** | **% of total** | Amount | % of total |
| Corporate Loans | **8,600,090** | **60.50%** | 7,986,380 | 61.11% |
| Personal Loans | **5,583,295** | **39.27%** | 5,047,809 | 38.62% |
| Accrued interest | **33,092** | **0.23%** | 34,596 | 0.27% |
| **Total Loans** | **14,216,477** | **100.00%** | 13,068,785 | 100.00% |

## Investments

The Bank closely tracked financial market dynamics, maintained investment activity at a reasonable pace and continuously improved its investment structure. As at the end of 2020, the Group held investments of RMB5,591.117 billion, an increase of RMB77.055 billion or 1.40% compared with the prior year-end. Specifically, the Group's RMB investments totalled RMB4,366.310 billion, an increase of RMB139.926 billion or 3.31% compared with the prior year-end, while foreign currency investments totalled USD187.713 billion, an increase of USD3.131 billion or 1.70% compared with the prior year-end.

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

Unit: RMB million, except percentages

| Items | As at 31 December 2020 | | As at 31 December 2019 | |
|---|---|---|---|---|
| | Amount | % of total | Amount | % of total |
| Financial assets at fair value through profit or loss | 504,549 | 9.02% | 518,250 | 9.40% |
| Financial assets at fair value through other comprehensive income | 2,107,790 | 37.70% | 2,218,129 | 40.23% |
| Financial assets at amortised cost | 2,978,778 | 53.28% | 2,777,683 | 50.37% |
| **Total** | 5,591,117 | 100.00% | 5,514,062 | 100.00% |

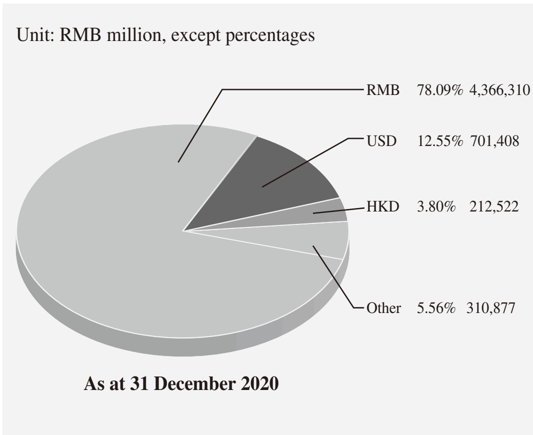
Investments by Issuer Type

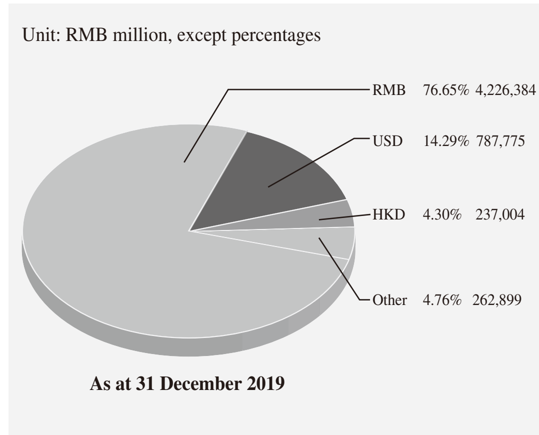
Unit: RMB million, except percentages

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

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

Investments by Currency




Top Ten Financial Bonds by Value Held by the Group

Unit: RMB million, except percentages

| Bond Name | Par Value | Annual Rate | Maturity Date | Impairment Allowance |
|---|---|---|---|---|
| Bond issued by policy banks in 2018 | 13,370 | 4.98% | 2025-01-12 | – |
| Bond issued by policy banks in 2020 | 12,160 | 2.96% | 2030-04-17 | – |
| Bond issued by policy banks in 2017 | 11,800 | 4.39% | 2027-09-08 | – |
| Bond issued by policy banks in 2018 | 11,089 | 4.88% | 2028-02-09 | – |
| Bond issued by financial institutions in 2020 | 10,880 | 4.20% | 2030-09-14 | – |
| Bond issued by policy banks in 2018 | 10,730 | 4.73% | 2025-04-02 | – |
| Bond issued by policy banks in 2020 | 9,215 | 3.23% | 2030-03-23 | – |
| Bond issued by policy banks in 2019 | 8,837 | 3.48% | 2029-01-08 | – |
| Bond issued by financial institutions in 2019 | 7,400 | 4.28% | 2029-03-19 | – |
| Bond issued by policy banks in 2017 | 7,330 | 4.30% | 2024-08-21 | – |

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

## Due to Customers

The Bank continuously accelerated product and service innovation, enhanced its financial services offering and expanded the scale of customers' financial assets, thus promoting the steady growth of its liability business. It actively expanded upstream businesses such as salary payment agency, third-party custody, cash management and social security card, and improved the management modes for liability business such as certificates of deposit (CDs), structured deposits and negotiated deposits. It effectively controlled interest payment costs, leading to continuous improvement in the development quality of its deposit business. As at the end of 2020, the Group's due to customers amounted to RMB16,879.171 billion, an increase of RMB1,061.623 billion or 6.71% compared with the prior year-end. Specifically, the Group's RMB due to customers totalled RMB13,003.027 billion, an increase of RMB1,077.104 billion or 9.03% compared with the prior year-end, while its foreign currency due to customers stood at USD594.054 billion, an increase of USD36.211 billion or 6.49% compared with the prior year-end.

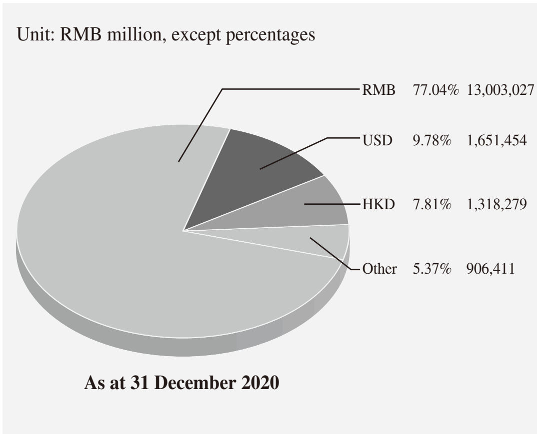
The principal components of due to customers of the Group and its institutions in the Chinese mainland are set out below:

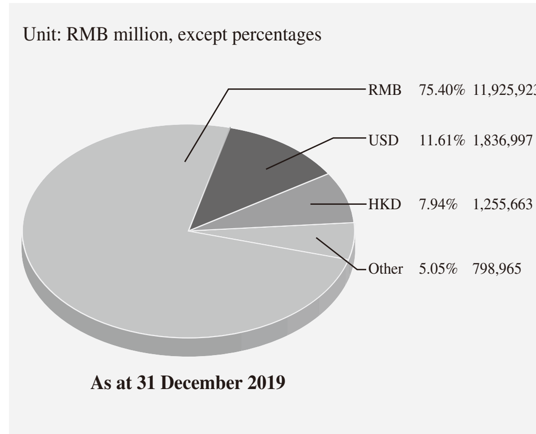
Unit: RMB million, except percentages

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

Note: "Others" is inclusive of accrued interest.

Due to Customers by Currency




## Equity

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

## Off-balance Sheet Items

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

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

Contingent liabilities and commitments include legal proceedings and arbitrations, assets pledged, collateral accepted, capital commitments, operating leases, Treasury bond redemption commitments, credit commitments and underwriting obligations, etc. Please refer to Note V.41 to the Consolidated Financial Statements for more detailed information on contingent liabilities and commitments.

## Cash Flow Analysis

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

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

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

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

## Segment Reporting by Geography

The Group conducts its business activities in the Chinese mainland, Hong Kong, Macao, Taiwan and other countries and regions. A geographical analysis of profit contribution and related assets and liabilities is set forth in the following table:

Unit: RMB million

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

As at the end of 2020, total assets[3] of the Bank's Chinese mainland segment amounted to RMB19,454.269 billion, an increase of RMB1,530.733 billion or 8.54% compared with the prior year-end, representing 75.26% of the Group's total assets. In 2020, this segment recorded a profit before income tax of RMB188.740 billion, an increase of RMB10.402 billion or 5.83% compared with the prior year, representing 76.60% of the Group's profit before income tax.

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

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

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

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

## Critical Accounting Estimates and Judgements

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

## Fair Value Measurement

Movement of Financial Instruments Measured at Fair Value

Unit: RMB million

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

The Bank has put in place a sound internal control mechanism for fair value measurement. In accordance with the *Guidelines on Market Risk Management in Commercial Banks*, the *Regulatory Guidelines on Valuation of Financial Instruments in Commercial Banks*, CAS and IFRS, with reference to the New Basel Capital Accord, and drawing on the best practices of leading international banks regarding valuations, the Bank formulated the *Valuation Policy of Financial Instrument Fair Values of Bank of China Limited* to standardise the fair value measurement of financial instruments and enable timely and accurate financial information disclosure. Please refer to Note VI.6 to the Consolidated Financial Statements for more detailed information related to the fair value measurement.

## Other Financial Information

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

## BUSINESS REVIEW

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

Unit: RMB million, except percentages

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

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

Unit: RMB million

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

## Commercial Banking in the Chinese Mainland

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

Unit: RMB million, except percentages

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

### Corporate Banking

The Bank continuously pushed forward the transformation of corporate banking, and endeavoured to promote the high-quality development of corporate banking by focusing on consolidating its customer base, refining customer structure and innovating products and services. Centring on the key customer groups of administrative institutions, the Bank stepped up marketing efforts at the source and enhanced its comprehensive service capability. Focusing on the building of the national social security system, the Bank advanced product innovation, optimised system functions, and provided customers with a series of products such as enterprise annuities, occupational annuities, employee benefit plans and pension security management products, thereby continuously improving customer satisfaction. The Bank fully supported the pandemic prevention and control as well as the resumption of work and production. It stepped up efforts to serve the real economy, supported the high-quality development of the manufacturing industry, and continued to consolidate the foundations for the development of private enterprises. It also explored financial solutions for targeted poverty alleviation, actively promoted green credit assets, and continuously improved the services for rural revitalisation. What's more, the Bank actively integrated into and served the national strategies for regional development, and focused on supporting the coordinated development of key regions. It actively implemented the country's opening-up strategy, and leveraged its role as the main channel of financial services for foreign trade and economic cooperation. The Bank also continuously pushed forward RMB internationalisation, and served as the main channel for cross-border RMB circulation and the leader in service innovation. In 2020, the Bank's corporate banking business in the Chinese mainland realised an operating income of RMB186.956 billion, a decrease of RMB0.910 billion or 0.48% compared with the prior year.

### Corporate Deposits

Upholding the customer-centric approach, the Bank focused on diversified financial needs of customers, expanded the customers' total financial assets, enhanced the fund retention capacity, and boosted the sound and sustainable development of deposit business. It set up the Administrative Institutions Department at the Head Office to further increase the strategic resource input to the administrative institutions business. Focusing on the key customer groups of administrative institutions, the Bank stepped up marketing efforts at the source and enhanced its comprehensive service capability. It also sharpened its market competitiveness in key areas through scenario-based marketing across the entire industrial chain of education, medical care and other industries. The Bank properly conducted scenario building and cross-selling of products, enhanced the ability to acquire and activate customers, and consolidated the development foundations of its deposit business. As at the end of 2020, RMB corporate deposits in the Bank's operations in the Chinese mainland totalled RMB6,453.523 billion, an increase of RMB426.447 billion or 7.08% compared with the prior year-end. Foreign currency corporate deposits amounted to USD85.977 billion, an increase of USD7.879 billion or 10.09% compared with the prior year-end.

### Corporate Loans

The Bank fulfilled its responsibilities, and fully supported pandemic prevention and control as well as the resumption of work and production. Implementing the national development strategy, the Bank actively supported the high-quality development of the manufacturing industry and continued to consolidate the foundations for the development of private enterprises. It effectively coordinated targeted poverty alleviation through finance and rural revitalisation, and effectively improved the services for the real economy. Moreover, the Bank moved faster in improving credit structure, focused on such areas as new infrastructure and new urbanisation initiatives and major projects, high-end manufacturing, people's livelihood consumption, digital economy and new energy, and seized development opportunities arising from the Olympic and Paralympic Winter Games Beijing 2022 (Beijing 2022 Games). To support the development of key regions, the Bank improved its business layout in the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, the Hainan Pilot Free Trade Port and other national strategic regions. It also formulated supporting policies and comprehensive financial service plans for the large-scale development in the western region, the ecological protection in the Yellow River basin and the development of the Chengdu-Chongqing economic circle and other key regions. Meanwhile, the Bank provided solid financial services for the Belt and Road Initiative, and strengthened "Going Global" efforts and overseas economic and trade cooperation. As at the end of 2020, RMB corporate loans of the Bank's operations in the Chinese mainland totalled RMB6,266.331 billion, an increase of RMB675.103 billion or 12.07% compared with the prior year-end. Foreign currency corporate loans totalled USD39.173 billion, an increase of USD1.980 billion or 5.32% compared with the prior year-end.

**Continuously supporting green finance development**

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

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

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

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

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

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

## Financial Institutions Business

The Bank continued to deepen cooperation with various financial institutions. It built up its integrated financial services platform, maintaining a leading position in terms of financial institution customer coverage. It has established correspondent relationships with over 1,400 institutions, providing multinational institutions and enterprises with financial services such as international settlement, bond financing, foreign exchange trading, investment custody and global cash management. Closely following the implementation of the Belt and Road Initiative, the Bank strengthened cooperation with key correspondent banks in countries and regions along the Belt and Road. It continued to deepen comprehensive cooperation with organisations and institutions such as Asian Infrastructure Investment Bank, BRICS New Development Bank and the Silk Road Fund, participated in the investment and financing projects of local policy financial institutions, and provided extensive financial services. As lead underwriter, it successfully facilitated the issuance of the first Panda Bond of the Asian Infrastructure Investment Bank, as well as serving as joint lead underwriter for the New Development Bank's Coronavirus Combating Panda Bond and debut overseas USD-denominated bond. By increasing efforts to expand its cross-border RMB businesses, the Bank has become the major RMB clearing channel and main RMB cooperating bank for overseas central banks and other sovereign institutions, commercial banks and exchange houses. The Bank has now opened 1,485 cross-border RMB clearing accounts for correspondent banks across 116 countries and regions, thus maintaining a leading position among Chinese banks. It also promoted the RMB Cross-Border Interbank Payment System (CIPS) and signed cooperation agreements for indirect participant relationships with 359 domestic and overseas financial institutions, seizing the largest market share among peers. The Bank's custodian service for Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII) and its agency service for overseas central banks and other sovereign institutions all earned a leading position in the industry in terms of both customer base and business scale. It also signed an agreement on transaction agency service in China's interbank foreign exchange market with Bank of Korea. It participated deeply in the comprehensive promotion of the H-Share full circulation programme, and jointly launched the "Shanghai-Macao Gold Road" project with the Shanghai Gold Exchange, thus enhancing its image as a co-brand in the financial factors market. As at the end of 2020, the Bank ranked first in terms of market share in foreign currency deposits from financial institutions. The Bank applied FinTech to boost the upgrading of business modes, and launched "BOC Bank-Securities Express", a QR Code-based account opening product for third-party depository, securing its leading position among peers in terms of growth in both the number and market share of third-party custody customers.

## Transaction Banking Business

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

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

The Bank continuously pushed forward RMB internationalisation. It served as the main channel for RMB cross-border flows and acted as a market leader in service innovation. In 2020, the Group's transaction volume of cross-border RMB payment reached RMB9.20 trillion, up 25.75% compared with the prior year, of which the Bank's institutions in the Chinese mainland settled RMB6.75 trillion, an increase of 34.37% compared with the prior year, thus maintaining the largest market share. The number of cross-border RMB business customers served by the Bank's institutions in the Chinese mainland went up by nearly 10% over the previous year. The Bank also continued to publish the BOC Cross-border RMB Index (CRI), BOC Offshore RMB Index (ORI) and the *White Paper on RMB Internationalisation*, providing global customers with strong, comprehensive and professional support to understand and use RMB.

The Bank actively improved its product and service system, and enhanced the quality and efficiency of its services for the real economy. It stepped up the establishment of application scenarios of transaction banking business, improved the service level of account, payment and settlement, reshaped the process of opening accounts for corporate customers at outlet counters to improve efficiency, and launched multi-channel account services such as door-to-door account opening using mobile smart counter devices as well as an online reservation account opening service. The Bank devoted great efforts to promoting the expansion of supply chain finance, supported SME financing, deepened financial services innovation in key industries, undertook the pilot implementation of multi-tier supply chain financing, and facilitated the reopening of the economy through the coordination of industrial chains. Meanwhile, the Bank continued to enhance its global cash management service capability, and promoted the standardised and batch expansion of cash management business in specific scenarios and industries. It further improved the comprehensive product system of its "Global Cash Management Platform+" to support applications for education, government affairs, medical care and other key scenarios, and consolidated its advantages in cross-border business through cross-border cash pool and offshore cash pool services by aiming for new heights in its opening-up initiatives. It also promoted the integration and innovation of business and technology, and vigorously pushed forward the application and promotion of blockchain and other cutting-edge technologies. It successfully processed the world's first transaction using the cross-border RMB trade finance transfer service platform of Shanghai Commercial Paper Exchange Corporation Ltd., as well as China's first electronic L/C settlement using the blockchain-based cross-border trade platform.

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

### Inclusive Finance

Conscientiously implementing national policies and measures to support the development of micro and small-sized enterprises, and following relevant regulatory requirements, the Bank continuously promoted the development of inclusive finance services. Focusing on the overall requirements of "increasing volume, reducing price, improving quality, expanding coverage", the Bank continued to extend more credit to micro and small-sized enterprises and reduced their financing costs. As at the end of 2020, the Bank's outstanding inclusive finance loans granted to micro and small-sized enterprises[4] reached RMB611.7 billion, an increase of 48% compared with the prior year-end, outpacing the growth rate of the Bank's total loans. The number of micro and small-sized customers was over 480,000, higher than the beginning of the year. The average interest rate of new inclusive finance loans to micro and small-sized enterprises was 3.93%. The Bank strengthened risk control and improved operational compliance, and thus maintained stable quality of loans granted to micro and small-sized enterprises.

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

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

**Improving the quality and efficiency of inclusive finance services**

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

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

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

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

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

## Pension Business

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

**Facilitating the rapid development of national key areas of technological innovation**

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

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

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

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

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

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

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

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

## Personal Banking

Emphasising a customer-centric approach, the Bank responded swiftly to challenges arising from the pandemic and changes in market conditions, and comprehensively improved its personal banking business, including its organisational structure, business philosophy and operational indicators, and realised early success in its reform. The Bank enhanced its growth drivers for personal banking and adapted to the trends of digitalisation and consumption upgrading, it continuously improved its account management services, focused on building advantageous brands in wealth management, consumer finance, private banking, foreign exchange and bank card, and boosted capital-light operations by developing its financial assets under management. The Bank's retail indicators recorded an overall improvement. In 2020, the Bank's personal banking business in the Chinese mainland realised an operating income of RMB199.508 billion, an increase of RMB36.079 billion or 22.08% compared with the prior year.

### Account Management Business

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

The Bank improved the process of payment settlement service, thus satisfying differentiated customer needs. It further expanded its salary payment agency business by classifying customer groups and improving the connectivity between corporate and personal businesses. It also provided salary payment agency customers with a package of integrated service solutions, including account opening, salary payment, consumption and investment. The Bank launched an online margin deposit business featuring multiple transaction scenarios. It streamlined the operating procedures for all personal banking business, and promoted "no or rare manual processing" for high-frequency business, thereby further improving the quality and efficiency of its services for personal customers.

### Wealth Management Business

Focusing on customers' wealth management needs, the Bank strived to develop professional and inclusive products and services, and comprehensively enhanced its asset allocation capabilities, achieving the highest level of growth rate in terms of both customer numbers and financial assets under management of medium- and high-end customers of the last three years. It strengthened product supply, selected high-quality products from the market, and built a tiered product platform, further enriching its product system and sharpening its competitive edge. Meanwhile, the Bank enhanced its intelligent investment advisory services by launching an agile intelligent investment advisory service for mobile banking, which allocating investment portfolios for different scenarios and different customer groups. The "BOC Robot Advisor" generated sales of RMB20.7 billion and posted an average yield of 34.91%, winning the "Gold Award for Technology Innovation Application" in the 2020 China FinTech Innovation Competition. The Bank also developed the "BOC Zhi Hui" customer loyalty rewords platform, and expanded its ecosystem of non-financial scenarios, offering rewards including "clothing, food, hotel, transportation, tourism, entertainment, learning and pensions". It enhanced its R&D capabilities, and built an investment strategy research service system covering stocks, bonds, foreign exchange, commodities and policies, providing customers with asset allocation reports. It issued the *BOC White Paper on Personal Banking Global Asset Allocation* for the third consecutive year. As at the end of 2020, the Bank had set up 8,112 wealth management centres and 1,101 prestigious wealth management centres in the Chinese mainland. It was awarded "Best Wealth Management Bank" by the China Banking Association and "2020 Excellent Wealth Management Brand" by *China Business Journal*.

## Consumer Finance Business

In strict compliance with national policies, the Bank proactively adjusted its structure and promoted transformation, maintained the steady development of its residential mortgage business, and accelerated the upgrading of inclusive finance and consumer loan business. As at 31 December 2020, the Bank's RMB personal loans in the Chinese mainland totalled RMB4,979.214 billion, an increase of RMB528.750 billion or 11.88% compared with the prior year-end. Within this increase, the proportion of non-housing loans in the incremental personal loans of commercial banks in the Chinese mainland rose relatively rapidly. The Bank prioritised demand from families in key regions seeking loans for first-time own-use home purchase, and the proportion of residential mortgage loans granted to key regions continuously increased. The Bank built an efficient and convenient consumer loan product system and realised centralised and intelligent post-lending management with the online loan product "BOC E-Credit" as the breakthrough point. At the same time, the Bank developed and implemented the online personal business loan product "Tax Loan" based on tax data. It continued to enrich its inclusive finance personal loan products by launching the innovative "Work Resumption Loan" to facilitate the resumption of work and production of individual businesses and micro and small-sized enterprises. It also increased the supply of small-amount loans for poverty alleviation, contributing to an all-round victory in national poverty alleviation.

## Private Banking Business

The Bank accelerated the development of its private banking business, vigorously boosted business innovation and improved its customer service system, providing high-net-worth customers with professional, comprehensive and globalised financial services. As at 31 December 2020, the Group had 132,900 private banking customers with RMB1.85 trillion financial assets under management. The Bank accelerated the development of its wealth inheritance business, witnessed a year-on-year increase of 102.2% in the number of family trust service customers, and released the *Report on Family Wealth Management of Chinese Entrepreneurs*. It focused on cultivating teams of relationship managers, private bankers and investment advisors, and intensified efforts to enhance the layout of private banking centres in key cities. As at 31 December 2020, the Bank had established 77 private banking centres in the Chinese mainland. In addition, the Bank continued to build its Asia-Pacific private banking platform, and provided cross-border integrated corporate and private banking solutions for high-net-worth customers, thereby further enhancing its global service capability. The Bank was awarded "Overall Best State-Owned Private Bank" and "Best Private Bank for International Network" by *Asiamoney*, "Best National Private Bank in China (State-owned Banks)" for the second time by *Asian Private Banker*, "Trustworthy Private Bank" by *The Economic Observer*, "Excellent Financial Institution for Family Service Capability" by Huiyu Global Family Office Think Tank, and "Best Private Bank in China — Family Inheritance Service Award" by *Wealth*, further boosting the continuous growth of the Bank's brand influence and reputation.

## Personal Foreign Exchange Business

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

## Bank Card Business

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

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

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

Unit: million cards/RMB billion, except percentages

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

**Fully supporting the transformation and upgrading of consumer finance**

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

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

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

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

## Financial Markets Business

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

### Securities Investment

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

### Trading

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

### Investment Banking

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

To facilitate the construction of China's multi-layered capital market system and support customers in their direct financing, the Bank underwrote bonds in the China interbank market with a total amount of RMB1,575.925 billion. It actively supported COVID-19 pandemic prevention and control by underwriting a total amount of RMB33.650 billion of pandemic prevention and control bonds for non-financial enterprises and international development institutions. The Bank's underwriting business for financial institutions was greatly boosted, with its financial bond underwriting volume and market share continuing to increase for a further consecutive year. It enhanced its cross-border competitiveness by assisting overseas entities including Asian Infrastructure Investment Bank and New Development Bank in issuing Panda Bonds, maintaining its leadership in the market share of Panda Bonds underwriting. Acting as lead underwriter and bookrunner, the Bank assisted the MOF in successfully issuing USD and EUR sovereign bonds, totalling more than USD10.0 billion equivalent. These issuances further constructed the yield curve of foreign currency-denominated sovereign bonds and strengthened international investors' confidence in China's economy. The Bank maintained the largest market share in China's offshore bond underwriting market. It also made efforts to promote the development of green finance, led the China interbank market in green bond underwriting, and assisted Chinese entities to issue offshore green bonds. The Bank proactively contributed to the war against poverty and helped China Three Gorges Corporation to issue poverty alleviation bonds. Moreover, it strongly supported private enterprise financing, underwriting debt financing instruments for private enterprises totalling RMB40.121 billion and thus further expanding financing channels for private enterprises. The Bank also maintained the leading market share among all commercial banks in the interbank market in terms of asset-backed securitisation underwriting business. As a result, the Bank was awarded "Best DCM House" by *FinanceAsia*, "Best for Cross Border Debt Capital Markets", "Green Deal of the Year" and "Best Firm for ABN" by *Asiamoney*, and "Best Bond Adviser-Global", "Best Anti-COVID-19 Deal", "Best Sovereign Bond", "Best Social Bond", and "Best Sustainability Bond" by *The Asset*. As such, the brand influence of "BOC Debt Capital Markets" was continuously enhanced. The Bank steadily promoted its credit asset-backed securitisation business and optimised the structure of its existing assets. The Bank successfully issued two residential mortgage-backed securities with a total amount of RMB15.365 billion and two non-performing credit asset-backed securities with a total amount of RMB1.230 billion.

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

### Asset Management

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

### Custody Business

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

**Delivering high-quality financial services for the Beijing 2022 Games**

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

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

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

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

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

### Village Bank

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

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

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

## Globalised Operation

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

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

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

## Corporate Banking

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

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

The Bank actively promoted the integration of business resources, and comprehensively upgraded its cross-border matchmaking capability. As at the end of 2020, the Bank has held 72 cross-border matchmaking events worldwide, serving 30,000 Chinese and foreign enterprises from 125 countries and regions and facilitating enterprises' business cooperation on trade, investment and technology introduction, thus winning high praise from all circles of society. Based on the demands of customers in the Chinese mainland, the Bank helped domestic enterprises resume work and production by piloting medium- and long-term matchmaking services such as the "2020 Shandong (China) SME Cross-border Investment and Trade Conference". The Bank also supported the connectivity and high-quality development of SMEs through country-specific matchmaking events such as the "2020 China-CEEC SMEs Cross-border Matchmaking Conference (Poland)", the "2020 China-Italy SMEs Cross-border Online Matchmaking Forum" and the "China-Argentina Trade and Investment Matchmaking Conference of the Third China International Import Expo (CIIE)" as well as industry-specific matchmaking events including the "The VR Industry Investment and Cooperation Docking Meeting". The Bank hosted the Trade and Investment Matchmaking Conference of the CIIE for the third consecutive year, and adopted a large-scale online and offline matchmaking interface covering multiple places and all time zones. The conference attracted nearly 700 exhibitors and more than 1,300 buyers, with a cumulative 18 hours of negotiation, resulting in 861 cooperation intentions.

## Personal Banking

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

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

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

## Financial Markets Business

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

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

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

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

## Clearing Business

The Bank continuously improved its cross-border RMB clearing capabilities and pushed forward the cross-border application of RMB, thus further consolidating its leading edge in international payments. As at the end of 2020, the Bank accounted for 13 of the world's 27 authorised RMB clearing banks and continued to lead its peers. It also ranked first in terms of the number of CIPS indirect participants, with the Macau Branch accessing CIPS as a direct participant. In 2020, the Bank's cross-border RMB clearing transactions totalled RMB471 trillion, an increase of more than 8% compared with the prior year, maintaining first place in the global market. The Bank was reappointed as US dollar settlement bank of the China Foreign Exchange Payment System.

## Online Services Channels

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

## Technology Support

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

## BOCHK

Against the backdrop of a complex and challenging environment, BOCHK actively responded to changes in the market environment, strengthened the execution of its strategic plans and steadily pushed forward its business priorities. BOCHK continued to give full play to its regional synergies in Southeast Asia in order to implement its integrated business systems. It captured new opportunities from the Guangdong-Hong Kong-Macao Greater Bay Area and continued to develop its local market in Hong Kong. BOCHK expedited its digital and innovation-driven development and increased the application of FinTech in its products and services. It constantly optimised its environmental, social and governance (ESG) framework and targets and promoted green and sustainable development. BOCHK strengthened its risk and compliance controls, with major financial indicators remaining at solid levels. As at the end of 2020, BOCHK's issued share capital was HKD52.864 billion. Its total assets amounted to HKD3,320.981 billion and net assets reached HKD319.655 billion. Its profit for the year was HKD28.468 billion.

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

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

**BOCHK actively explored market opportunities in its core market of Hong Kong and outperformed its peers in key business areas.** The growth of BOCHK's total customer deposits and loans outpaced the market average. Its deposit structure was continually optimised, while the asset quality of its loan portfolio outperformed the local market. BOCHK remained the top mandated arranger in the Hong Kong-Macao syndicated loan market for the 16th consecutive year and maintained its top market position as an IPO main receiving bank and in the total number of new mortgage loans in Hong Kong. BOCHK worked alongside the HKSAR Government and the Hong Kong Monetary Authority to launch a number of initiatives, including the launch of loan schemes and relief measures for SMEs to address their business challenges and navigate the difficult times alongside them. Moreover, BOCHK continued to deepen its cooperation with large local corporates, achieving breakthroughs in debt issuance and payment businesses. It optimised its customer segment services by launching a brand new premium Private Wealth service for high-end customers, offering more prestigious services to targeted clients, and thus continuously improved its customer structure and numbers. It expedited its FinTech innovation by promoting digital enhancement and scenario-based application in products and services, with the aim of better meeting needs for people's livelihood financial services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Comprehensive Operation

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

### Investment Banking Business

#### BOCI

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

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

BOCI made plans for business development in key areas and served the real economy. It devoted great efforts to building the infrastructure of the Group's Asia Pacific private banking centre. BOCI-Prudential Asset Management Limited, a subsidiary of BOCI, maintained its position as a top-ranked service provider in the Hong Kong Mandatory Provident Fund (MPF) and Macao Pension Fund businesses. BOCI ranked among the top in terms of Hong Kong market turnover, including both securities and derivatives (warrants & CBBC) products, and actively participated in the Mainland-Hong Kong Mutual Recognition of Funds programme. The "BOCI Greater Bay Area Leaders Index" continued to outperform its peers. In addition, BOCI facilitated the internationalisation of the onshore commodities derivatives market, and enhanced the Shanghai International Energy Exchange crude oil derivatives trading service offered to its clients.

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

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

**BOCI China**

BOCI China is engaged in securities-related business in the Chinese mainland. As at the end of 2020, the registered capital, total assets and net assets of BOCI China were RMB2.778 billion, RMB53.960 billion and RMB15.006 billion respectively. In 2020, it realised a profit for the year of RMB885 million.

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

On 26 February 2020, BOCI China was successfully listed on the main board of the Shanghai Stock Exchange, receiving wide recognition from investors. BOCI China will give full play to its brand value and synergies as it develops into a first-class investment bank.

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

## Asset Management Business

### BOCIM

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

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

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

### BOC Wealth Management

The Bank is engaged in wealth management business in the Chinese mainland through BOC Wealth Management. BOC Wealth Management's business includes wealth management products for the general public, wealth management products for qualified investors, consulting, and other asset management related products and services. As at the end of 2020, BOC Wealth Management's registered capital was RMB10.000 billion, its total assets amounted to RMB11.065 billion and its net assets totalled RMB10.473 billion. In 2020, its profit for the year reached RMB455 million.

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

## Insurance

### BOCG Insurance

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

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

### BOC Life

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

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

### BOC Insurance

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

BOC Insurance actively served the Bank's globalisation strategy. It maintained a leading position in the overseas insurance business, covering more than 30 industries in 70 countries and regions in Asia, Africa and South America. Supporting regional development strategies, BOC Insurance developed integrated insurance action plans for the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. It supported China's industrial upgrading by offering an insurance compensation mechanism for the first (set of) major technical equipment, so as to facilitate the upgrading of major technical equipment, with a cumulative issued amount of RMB1.9 billion. It supported customs clearance facilitation reform by providing services for the "single window in international trade" and moving online the full process of tariff guarantee insurance and cargo transportation insurance. To support the development of private enterprises, BOC Insurance formulated and implemented 19 measures for serving private enterprises. It also played an active role in COVID-19 pandemic prevention and control, carried out the "BOC Protection Scheme for Doctors and Nurses" campaign, and provided exclusive insurance services for over 140,000 medical workers with a total insured amount of RMB6.3 billion. In addition, it assumed its share of social responsibility by joining the China Nuclear Insurance Pool, the China Urban and Rural Residential Building Earthquakes Catastrophe Insurance Pool, the single-purpose pre-paid card performance bond insurance pool and the Residential Project Inherent Defect Insurance (IDI) supplier list, and by obtaining the qualifications to provide serious illness insurance for urban and rural residents. In addition, BOC Insurance introduced new forms of claim settlement services, increasingly applied technology to claim settlement, simplified claim settlement formalities, thus improving the efficiency of claim settlement. Attaching importance to consumer protection, BOC Insurance focused on complaint management and customer services, and actively carried out consumer education activities. It was awarded as an excellent organiser of the "3.15 Week of Financial Consumer Protection Publicity" and the "Month of Financial Knowledge Popularisation" campaigns in the Chinese bancassurance industry.

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

**BOC-Samsung Life**

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

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

## Investment Business

### BOCG Investment

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

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

### BOC Asset Investment

The Bank is engaged in debt-for-equity swap and related business in the Chinese mainland through BOC Asset Investment. As at the end of 2020, the registered capital of BOC Asset Investment was RMB10.000 billion, with total assets and net assets standing at RMB78.747 billion and RMB11.149 billion respectively. In 2020, it realised a profit for the year of RMB858 million.

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

## Leasing Business

### BOC Aviation

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

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

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

### BOCL

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

Following the strategic objectives of the Group, BOCL focused on national strategies and key regions, upheld the development philosophy of specialisation, differentiation and featured characteristics, highlighted the featured characteristics of financial leasing, refined and strengthened its leasing brand, continued to deepen internal connectivity and collaboration, and achieved key business breakthroughs. As at the end of 2020, it had conducted more than RMB10 billion in financial leasing business, involving transportation, water conservancy, energy production and supply, construction, manufacturing and other industries, thus taking practical steps to support the development of the real economy.

## Financial Technology

### BOC Financial Technology

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

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

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

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

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

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

**Continuously developed a business collaboration ecosystem.** The Bank deepened the regional joint meeting mechanism by applying it in 40 domestic and overseas branches, and took multiple measures to support the coordinated marketing of major projects. It supported the major national strategies for regional development, allocated more resources to key regions, and built demonstration zones for comprehensive financial services. In the Yangtze River Economic Delta the Bank set up a comprehensive operation office in Suzhou, Jiangsu Province, which served as an integrated service platform for regional comprehensive operation. In the Guangdong-Hong Kong-Macao Greater Bay Area, BOCG Investment, BOC Asset Investment and the Shenzhen Branch jointly explored a new mode of investment-lending financial services for technological innovation enterprises. All these efforts ensured the synergistic effects of comprehensive operation, and drove the growth of deposits, loans and custody business of the Group's commercial banks.

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

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

## Service Channels

Upholding the concepts of centralisation, integration, sharing, wisdom and openness, the Bank accelerated the transformation and upgrading of all service channels. It built online channels with stronger scenario integration capabilities and offline channels with greater value creation vitality. As a result, it cultivated an ecosystem centred on customer experience in which online and offline channels are integrated and financial and non-financial scenarios are seamlessly connected.

### Online Channels

Following a "Mobile First" strategy and embracing the trend of digital transformation, the Bank continued to increase its efforts to expand online channels and upgrade its mobile banking service, realising a rapid growth in online businesses. In 2020, the Bank's substitution ratio of e-banking channels for outlet-based business transactions reached 95.31%. Its e-channel transaction amount reached RMB274.97 trillion, an increase of 12.80% compared with the prior year. Among this, mobile banking transaction volumes reached RMB32.28 trillion, an increase of 14.14% compared with the prior year, making mobile banking the online trading channel with the most active customers.

Unit: million customers, except percentages

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

Unit: RMB billion, except percentages

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

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

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

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

## Offline Channels

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

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

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

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

Unit: single item, except percentages

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

## Information Technology Development

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

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

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

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

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

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

**Accelerating the promotion of BOC IT digital transformation strategy**

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

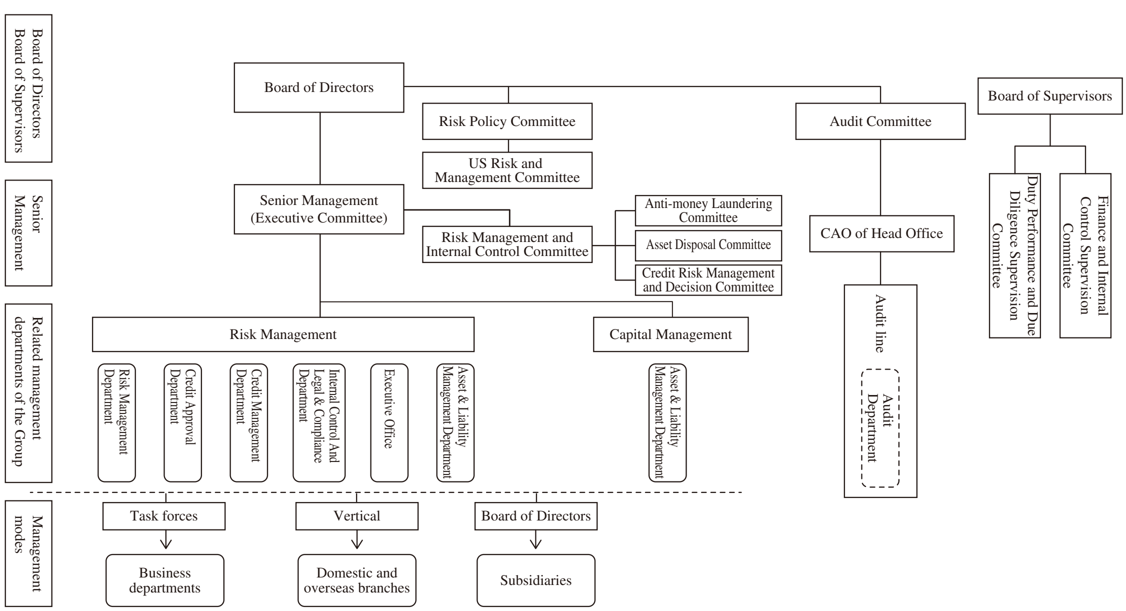
The Bank deepened whole-process digital transformation, promoted the application of emerging technologies such as big data, artificial intelligence, blockchain and biometric authentication, and continuously enhanced its digitalisation and intelligent development capacities. It pushed forward scenario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

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

# RISK MANAGEMENT

The Bank continued to improve its risk management system in line with the Group's strategies. Amid the global spread of COVID-19 and the economic downturn, the Bank strengthened emergency management, established a pandemic response mechanism at the Group level, focused on potential risks in key areas, and reinforced the risk management and control of its domestic and overseas institutions. It fully implemented regulatory requirements, and carried out rectification and accountability for the CBIRC's initiatives such as "review of market disruption rectification" and quarterly regulatory notifications. The Bank continued to improve the compliance of its effective risk data aggregation and risk reporting, moved ahead with the establishment of an implementation mechanism for new regulations on online loans, and actively responded to reform of the inter-bank offered rate (IBOR), so as to ensure compliant operation. It also refined its risk management system, promoted the building of the "Three Lines of Defence" for risk management, updated the Group's risk appetite, and strengthened the development of business departments as the middle office of risk control. In addition, the Bank established a multi-tiered consolidated risk management system to improve the effectiveness of the Group's consolidated risk management and control. It pushed forward capital-saving transformation, consolidated the foundation for the Basel III implementation, made stress tests more responsive, and enriched its comprehensive risk measurement and monitoring tools. It also consolidated the foundations of the IT system for risk management, continued to expand scenarios for risk data intelligent application, and actively promoted risk data governance.

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




## Credit Risk Management

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

The Bank continuously adjusted and optimised its credit structure. With the aim of advancing strategic implementation and balancing risk, capital and return, it improved the management plans for its credit portfolios. In line with national industrial policy orientation, the Bank intensified its support to the real economy, bolstered the improvement of weak links in infrastructure, scaled up support for such areas as new infrastructure and new urbanisation initiatives and major transportation and water conservancy projects, and boosted the high-quality development of the manufacturing industry. It also enacted guidelines for industrial lending and continued to push forward the building of an industrial policy system, so as to optimise its credit structure.

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

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

The Bank stepped up efforts in the mitigation of NPAs, and continued to adopt the centralised and tiered management of NPA projects. It reinforced the supervision of key regions and key projects, and improved the quality and efficiency of disposal. The Bank proactively explored the application of "Internet Plus" in NPA collection, and diversified its disposal channels. In addition, it enhanced the application of write-off and debt-for-equity swaps to consolidate asset quality and prevent and resolve financial risks.

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

As at the end of 2020, the Group's NPLs[5] totalled RMB207.273 billion, an increase of RMB29.038 billion compared with the prior year-end. The NPL ratio was 1.46%, an increase of 0.09 percentage point compared with the prior year-end. The Group's allowance for impairment losses on loans and advances was RMB368.619 billion, an increase of RMB42.696 billion compared with the prior year-end. The coverage ratio of allowance for loan impairment losses to NPLs was 177.84%, a decrease of 5.02 percentage points compared with the prior year-end. The NPLs of the Bank's institutions in the Chinese mainland totalled RMB189.985 billion, an increase of RMB20.034 billion compared with the prior year-end. The NPL ratio of the Bank's institutions in the Chinese mainland was 1.65%, maintaining a similar level as compared with the prior year-end. The Group's outstanding special-mention loans stood at RMB264.594 billion, a decrease of RMB24.720 billion compared with the prior year-end, accounting for 1.87% of total loans and advances, down by 0.35 percentage point from the prior year-end.

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

Five-category Loan Classification

Unit: RMB million, except percentages

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

Migration Ratio

Unit: %

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

In accordance with IFRS 9, the Bank assesses expected credit losses with forward-looking information and makes relevant allowances. In particular, it makes allowances for assets classified as stage 1 and assets classified as stage 2 and stage 3 according to the expected credit losses over 12 months and the expected credit losses over the entire lifetime of the asset, respectively. As at the end of 2020, the Group's stage 1 loans totalled RMB13,642.318 billion, accounting for 96.21% total loans; stage 2 loans totalled RMB330.133 billion, accounting for 2.33% total loans; and stage 3 loans totalled RMB207.273 billion, accounting for 1.46% total loans.

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

Movement of Credit-Impaired Loans

Unit: RMB million

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

Loans and Credit-Impaired Loans by Currency

Unit: RMB million

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

The Bank makes adequate and timely allowances for loan impairment losses based on the expected credit loss (ECL) module in accordance with the principles of authenticity and forward-lookingness. Please refer to Notes II.4 and VI.3 to the Consolidated Financial Statements for the accounting policy in relation to allowances for impairment losses.

In 2020, the Group's impairment losses on loans and advances stood at RMB103.630 billion, an increase of RMB4.859 billion compared with the prior year. The credit cost was 0.76%, down 0.04 percentage point compared with the prior year. Specifically, the Bank's institutions in the Chinese mainland registered impairment losses on loans and advances of RMB93.585 billion, a decrease of RMB3.871 billion compared with the prior year. The credit cost of the Bank's institutions in the Chinese mainland was 0.86%, down 0.14 percentage point compared with the prior year.

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

Unit: %

| Indicators | Regulatory Standard | As at 31 December 2020 | As at 31 December 2019 | As at 31 December 2018 |
|---|---|---|---|---|
| Loan concentration ratio of the largest single borrower | ≤10 | **2.8** | 3.2 | 3.6 |
| Loan concentration ratio of the ten largest borrowers | ≤50 | **13.9** | 14.5 | 15.3 |

Notes:

1 Loan concentration ratio of the largest single borrower = total outstanding loans to the largest single borrower ÷ net regulatory capital.

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

Please refer to Notes V.17 and VI.3 to the Consolidated Financial Statements for detailed information regarding loan classification, stage determination, credit-impaired loans and allowance for loan impairment losses.

The following table shows the top ten individual borrowers as at the end of 2020.

Unit: RMB million, except percentages

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

## Market Risk Management

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

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

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

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

## Management of Interest Rate Risk in the Banking Book

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

The Bank assessed the interest rate risk in the banking book mainly through the analysis of interest rate repricing gaps, and made timely adjustments to the structure of its assets and liabilities, optimised the internal and external pricing strategy or implemented risk hedging based on changes in the market situation. Assuming that the yield curves of all currencies were to shift up or down by 25 basis points in parallel, the Group's sensitivity analysis of net interest income on all currencies is as follows[6].

Unit: RMB million

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

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

## Liquidity Risk Management

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

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

As at the end of 2020, the Group's liquidity risk indicator met regulatory requirements. The Group's liquidity ratio is shown in the table below (in accordance with the relevant provisions of regulatory authorities in the Chinese mainland):

Unit: %

| Ratio | | Regulatory standard | As at 31 December 2020 | As at 31 December 2019 | As at 31 December 2018 |
|---|---|---|---|---|---|
| Liquidity ratio | RMB | ≥25 | **54.5** | 54.6 | 58.7 |
| | Foreign currency | ≥25 | **58.6** | 60.4 | 54.8 |

Liquidity gap analysis is one of the methods used by the Bank to assess liquidity risk. Liquidity gap results are periodically calculated, monitored and used for sensitivity analysis and stress testing. As at the end of 2020, the Bank's liquidity gap was as follows (please refer to Note VI.5 to the Consolidated Financial Statements):

Unit: RMB million

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

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

## Reputational Risk Management

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

## Internal Control and Operational Risk Management

### Internal Control

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

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

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

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

The Bank devoted great efforts to internal control and case prevention management, consolidated the liabilities of primary responsible parties and took multiple control measures. It consistently improved its internal control rules, process and system, stepped up efforts in the building of its internal control inspection team and organised bank-wide risk screening, thereby improving the quality and efficiency of internal control and case prevention. The Bank also focused on the rectification of issues or findings, raised employees' compliance awareness and fostered an internal control compliance culture.

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

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

The Bank paid close attention to fraud risk prevention and control, proactively identifying, assessing, controlling and mitigating risks. In 2020, the Bank succeeded in preventing 178 external cases involving RMB384 million.

## Operational Risk Management

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

## Compliance Management

The Bank continuously improved its compliance risk governance mechanism and management process to ensure the stable development and sustainable operation of the Group. It strengthened its anti-money-laundering (AML) and sanction compliance policies and procedures, optimised AML resource allocation, deepened AML efforts and strengthened sanction compliance monitoring and management. It intensified system and model building and improved system functionality. The Bank continuously strengthened the establishment of a robust management framework for overseas compliance, improved the compliance risk assessment programme, refined relevant management policies, and enhanced the compliance management capabilities of overseas institutions. It improved the AML and sanction compliance training management mechanism and conducted various forms of compliance training, so as to enhance all employees' compliance awareness and abilities.

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

## Country Risk Management

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

In face of the extremely complicated international situation, the Bank continued to strengthen country risk management in strict accordance with regulatory requirements and based on business development needs. It reviewed the Group's country risk across the board and made timely adjustments to the country risk limit. It actively pushed forward the provisioning of country risk allowances and enhanced its ability to offset country risk. It also reviewed and optimised the methodology for country risk rating and limit approval, and made rating and limit management more reasonable and effective. What's more, the Bank optimised the country risk management system, and strengthened the monitoring and reporting of country risk exposures. The Group's country risk exposures were mainly concentrated in countries and regions with low and relatively low country risk, and the overall country risk was controlled at a reasonable level.

## Capital Management

The Bank's capital management objectives are to ensure capital adequacy, promote the Group's business development, resist various risks including credit risk, market risk and operational risk, guarantee that the Group and related institutions always meet capital regulatory requirements, and improve its capital use efficiency and value creation capabilities.

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

In 2020, the Bank successfully issued USD2.820 billion of preference shares, RMB90.0 billion of undated capital bonds and RMB75.0 billion of tier 2 capital bonds, further enhancing its capital strength. It strengthened the management of existing capital instruments and redeemed RMB32.0 billion of domestic preference shares, effectively reducing the cost of capital. The Bank continually reinforced internal management, with RWA growing at a slower pace than total assets. As at the end of 2020, the Group's capital adequacy ratio reached 16.22%, an increase of 0.63 percentage point from the end of 2019, remaining at a robust and reasonable level.

## Capital Adequacy Ratios

As at the end of 2020, the capital adequacy ratios calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* are listed below:

Unit: RMB million, except percentages

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

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

## Leverage Ratio

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

Unit: RMB million, except percentages

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

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

# ORGANISATIONAL MANAGEMENT, HUMAN RESOURCES DEVELOPMENT AND MANAGEMENT

## Organisational Management

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

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

Unit: RMB million/unit/person, except percentages

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

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

## Human Resources Development and Management

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

Composition of Staff by Age Group and Education Level

| Items | The Group | Commercial banking business in the Chinese mainland | Overseas institutions and comprehensive operation companies |
|---|---|---|---|
| **Composition of Staff by Age Group** | | | |
| Up to 30 | 23.73% | 22.50% | 32.33% |
| Between 31 and 40 | 35.37% | 35.26% | 36.19% |
| Between 41 and 50 | 25.93% | 26.89% | 19.14% |
| 51 and above | 14.97% | 15.35% | 12.34% |
| **Composition of Staff by Education Level** | | | |
| Master's degree and above | 10.80% | 9.12% | 22.53% |
| Bachelor's degree | 67.37% | 69.30% | 53.91% |
| Associate degree | 17.50% | 17.88% | 14.85% |
| Other | 4.33% | 3.70% | 8.71% |

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

| Items | Commercial banking business in the Chinese mainland | Items | Commercial banking business in the Chinese mainland |
|---|---|---|---|
| Corporate banking | 15.32% | Operation services and financial management | 7.88% |
| Personal banking | 17.94% | Risk and internal control management | 9.38% |
| Financial markets | 0.37% | Information technology | 2.49% |
| Cross-marketing and teller | 36.25% | Other | 10.37% |

In 2020, centring on the Group's strategies and annual priorities, the Bank deepened its reform of organisational structure and management mechanism. Emphasising the key strategic tasks of enterprise-level structure building, strategic scenario development, data governance, smart operation and outlet transformation, it moved forward with reform of its organisational structure and innovation of its systems and mechanisms. Focusing on "strong innovation, strong services, strong coordination and strong sharing", the Bank made continuous efforts to build a "strong headquarters", optimised the functional framework for globalised management, education and training, asset and liability management, corporate banking and other areas, and comprehensively improved the modernisation of the Group's governance system and governance capacity. In active response to national strategies and development, the Bank improved its regional management mode, strengthened its mechanism development, supported the development of key regions, continuously optimised its institutional management mode in provincial capitals, and further improved its organisational system for inclusive finance.

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

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

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

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

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

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

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

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

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

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

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

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

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

## OUTLOOK

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

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

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

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

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

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

# Corporate Social Responsibilities

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

**Bravely assumed responsibilities to fight COVID-19 together**

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

The Bank built a pandemic prevention safety net to ensure uninterrupted financial services. During the pandemic, all outlets arranged work shifts, reduced activities that cause physical clustering, and adopted protective and quarantine measures. They also cleaned and disinfected all workplaces to cut off the transmission chain of the virus. At the same time, the Bank strengthened its electronic channel services, such as mobile banking, online banking and ATMs, to continuously ensure that customers' needs for financial services were met. In face of the overseas pandemic, the Bank timely formulated and implemented the continuity plan and emergency response plan, continuously enhanced the risk resistance capacity of overseas businesses, and ensured the safe, continuous and prudential operation of overseas business. At the same time, the Bank continuously refined the emergency response plan, strengthened country risk monitoring, and reinforced the management of credit risk, market risk and liquidity. It also intensified the application of risk quantification techniques, inspected the overseas business and asset quality, and hence lifted the risk warning capability. The Bank pushed forward the building of a long-effect compliance management mechanism for overseas institutions, reinforced the implementation of rules and regulations, enhanced the compliance management capability, and thereby ensured the safe and sound operation of business.

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

The Bank actively supported the resumption of work and production and increased its assistance to enterprises affected by the pandemic. It issued the *Notice on Increasing Financial Support for Enterprises to Resume Work and Production*, and set up a special corporate credit programme of RMB200 billion. At the same time, the Bank granted a special credit line of RMB50 billion to Hubei, and formulated 30 special measures to support the epidemic prevention and control in Hubei Province and the resumption of work and production at different levels in different regions. The Bank gave full play to its advantages in global network layout, spared no efforts to provide various financial services for the pandemic prevention and control as well as the reopening of economy across the globe. Specifically, the Bank improved fund settlement, financing support and online services, opened a special account for pandemic-related donations, and upgraded mobile banking, online banking and other supporting services. Furthermore, the Bank provided services for central banks and policy banks in many countries, supported the pandemic-related fund raising and remittance in relevant countries, and made its due contributions to the global fight against the virus.

The Bank mobilised its resources across the world to donate goods and funds to regions severely affected by the pandemic. Immediately following the onset of the epidemic, the Bank donated RMB30 million to Hubei Province, and established the "Joint Fight against COVID-19 in Hubei" programme. In conjunction with the China Charity Federation, the Bank called on staff to donate to Hubei, with total donations amounting to RMB18.02 million from 135,400 donors. Meanwhile, the Bank closely tracked the pandemic situation, and coordinated prevention materials to support domestic and overseas pandemic containment. Based on its global presence, the Bank provided anti-pandemic supplies and necessary living assistance for Chinese students stranded overseas, and donated anti-pandemic supplies to neighbouring countries, countries along the Belt and Road, and key overseas markets of the Bank. All domestic and overseas institutions of the Bank stuck together through thick and thin, participated in the fight against the pandemic through charitable donations, materials raising and voluntary services, and built a solid defence line for the fight. They donated more than 10 million pieces of anti-prevention supplies to the Chinese mainland and 57 countries and regions, and hence contributed to the pandemic prevention and control.

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

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

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

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

**Implemented National Strategies to Support the Development of Dual Circulation**

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

The Bank utilised its financial resources to serve the domestic and international circulations. In implementing the national strategy of regional coordinated development, the Bank established an integrated regional financial services system which focused on and injected vitality into the Beijing-Tianjin-Hebei region, the Yangtze Economic Belt, the Guangdong-Hong Kong-Macao Greater Bay Area, the Xiongan New Area and the Hainan Pilot Free Trade Port. It also followed up with more than 600 major overseas projects along the Belt and Road, and granted a variety of credits exceeding USD185.1 billion. In addition, the Bank vigorously supported the RMB internationalisation. Across the year, its cross-border RMB settlement volume stood at RMB9.20 trillion, up 25.75% year on year, and its cross-border RMB clearing volume stood at RMB471 trillion.

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

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

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

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

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

The Bank increased credit support for inclusive finance to facilitate the steady and healthy development of micro and small-sized enterprises. In strict accordance with relevant requirements, the Bank cut fees for micro and small-sized enterprises, and launched inclusive preferential interest rates for such enterprises. Where enterprises suffered temporary operating difficulties, the Bank did not blindly withdraw their loans in advance, cancel their loans or delay the granting of loans. By doing so, the Bank eased the pressure on enterprises, individual businesses and owners of micro and small-sized firms on capital turnover. Meanwhile, the Bank supported enterprises' resumption of work and expansion of production capacity, and helped maintain stability in employment. As at the end of 2020, the balance of loans for inclusive finance under the target of "two no-less-than and two control" amounted to RMB611.662 billion, an increase of RMB198.714 billion from the beginning of the year.

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

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

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

**Drove Innovations in Green Finance to Address Climate Challenges**

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

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

The Bank developed innovative green financial products so as to expand financing channels for green industries. It launched comprehensive businesses such as green credit, green bonds, climate investment and financing, and green bills, and built a multi-tiered and three-dimensional green financial business system to vigorously support green industries and projects. As at the end of 2020, the Bank's balance of green credit in the Chinese mainland denominated in RMB reached RMB896.798 billion. The Bank has established a management framework for sustainable development bonds. As at the end of 2020, the Bank's total scale of sustainable development bonds reached approximately USD9.3 billion, including 7 issues of green bonds equivalent to USD8.3 billion. In 2020, the Bank also issued the first "blue bond" among Chinese and foreign commercial organisations, with the funds raised used to support marine-related sewage treatment and offshore wind power projects.

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

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

**Protected Customer Rights and Interests and Safeguarded Financial Security**

The Bank attached great importance to consumer protection and incorporated it into its business development strategy and corporate culture building. It continuously refined relevant systems and mechanisms to consolidate the policy foundation, improved the whole-process control mechanism for consumer protection, and stressed the requirements for ex-ante consumer protection review, financial marketing and publicity control, and proper settlement of consumer complaints and disputes. With the focus placed on the protection of consumers' financial information, the Bank effectively protected the information security of customers. It carried out extensive publicity and education activities, such as the "3.15" consumer protection education and publicity campaigns, publicity and education campaigns against illegal fund-raising, the "Protecting Personal Wealth" campaign, and the "Financial Knowledge Popularisation Month" using its official website, WeChat official account and in workplaces. By doing so, the Bank further strengthened financial consumers' self-protection awareness and risk prevention abilities, and created a healthy and harmonious financial consumption environment.

**Built Professional Platforms to Continually Contribute to Public Welfare**

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

In terms of education aid, the Bank carried out continuous public welfare programmes such as the "Winter Warm Heart Campaign", "Yixinzhuxue Student Aid Action" and "Colourful Breaktime Growth Programme". Through these programmes, the Bank strived to fund impoverished students' schooling, improve the teaching environment in poverty-stricken areas, raise rural teachers' overall quality, and promote educational equity. In terms of cultural inheritance, the Bank organised study tours, social events and other activities, in an effort to strengthen the education regarding excellent traditional Chinese culture, facilitate the generational inheritance and sustainable development of such traditional culture, and to nourish national cultural confidence. In terms of care and aid for the elderly, in response to the *Opinions of the General Office of the State Council on Promoting the Development of Elderly Care Services*, the Bank developed the Bank of China Philanthropy Mutual Assistant Platform for Elderly Care with reference to time banking and other practices, and created innovative models of elderly care services, in a bid to support the development of public welfare pension undertakings. As at the end of 2020, this platform had been piloted in Beijing, Shanghai, Shenzhen, etc., engaging approximately 10,000 elderly people and volunteers.

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

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

**Contributing to the Decisive Victory in Poverty Alleviation with Financial Strengths**

**Fixed-point poverty alleviation**

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

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

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

**Finance-powered poverty alleviation**

The Bank continued to leverage its industry advantages and enhanced credit support. As at the end of 2020, the Bank recorded a balance of poverty alleviation loans of RMB148.491 billion, underwrote six poverty alleviation bonds amounting to RMB10.77 billion, and cumulatively extended more than RMB24.6 billion of government-sponsored student loans, helping more than 1.8 million students with financial difficulties complete their studies. The Bank also launched products such as "Farmer's Benefit Loan" and small-amount loans for poverty alleviation, giving full play to its leading role in poverty alleviation through financial services. Meanwhile, the Bank made continuous efforts in outlet building in impoverished areas and improved financial facilities there. As at the end of 2020, 320 institutions were set up in former national-level poverty-stricken counties. About 20 branches nationwide, including Hebei Branch and Shandong Branch, set up rural aid stations in local rural areas. 89 institutions were established in the deep poverty-stricken areas of "three regions and three prefectures", with 519 mobile smart counters put into use and 703 offsite self-service banks opened in the related branches. BOC Fullerton Community Bank, the village bank with the largest number of institutions and the widest geographical distribution in China, gave full play to its role in supporting agricultural enterprises and small and micro enterprises. As at the end of 2020, BOC Fullerton Community Bank granted 91.6% of its loans to agricultural enterprises and small and micro enterprises, and its balance of poverty alleviation loans stood at RMB2.859 billion. It set up 126 legal person institutions, 180 sub-branches and outlets, 109 rural aid stations and 6 inclusive finance service stations. 65% of these institutions were distributed in Central and Western China, with some established in 34 national-level poverty-stricken counties.

# Changes in Share Capital and Shareholdings of Shareholders

## Ordinary Shares

### Changes in Ordinary Share Capital

Unit: Share

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

Notes:

1 As at 31 December 2020, the Bank had issued a total of 294,387,791,241 ordinary shares, including 210,765,514,846 A Shares and 83,622,276,395 H Shares.

2 As at 31 December 2020, none of the Bank's A Shares and H Shares were subject to selling restrictions.

## Number of Ordinary Shareholders and Shareholdings

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

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

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

Unit: Share

| No. | Name of ordinary shareholder | Changes during the reporting period | Number of shares held as at the end of the reporting period | Percentage of total ordinary shares | Number of shares subject to selling restrictions | Number of shares pledged or frozen | Type of shareholder | Type of ordinary shares |
|---|---|---|---|---|---|---|---|---|
| 1 | Central Huijin Investment Ltd. | – | 188,461,533,607 | 64.02% | – | None | State | A |
| 2 | HKSCC Nominees Limited | (14,801,197) | 81,902,010,990 | 27.82% | – | Unknown | Foreign legal person | H |
| 3 | China Securities Finance Co., Ltd. | – | 8,596,044,925 | 2.92% | – | None | State-owned legal person | A |
| 4 | Central Huijin Asset Management Ltd. | – | 1,810,024,500 | 0.61% | – | None | State-owned legal person | A |
| 5 | China Life Insurance Company Limited — dividend — personal dividend — 005L — FH002SH | 138,256,625 | 977,844,499 | 0.33% | – | None | Other | A |
| 6 | HKSCC Limited | (100,598,710) | 811,837,259 | 0.28% | – | None | Foreign legal person | A |
| 7 | China Life Insurance Company Limited — traditional — general insurance product — 005L — CT001SH | 223,180,724 | 712,689,170 | 0.24% | – | None | Other | A |
| 8 | MUFG Bank, Ltd. | – | 520,357,200 | 0.18% | – | Unknown | Foreign legal person | H |
| 9 | China Pacific Life Insurance Co., Ltd. — China Pacific Life Insurance Dividend Equity Portfolio (Traditional) with management of Changjiang Pension Insurance Co., Ltd. | – | 382,238,605 | 0.13% | – | None | Other | A |
| 10 | China Life Insurance (Group) Company — traditional — general insurance product — southbound trading (innovation strategy) | 169,172,162 | 169,172,162 | 0.06% | – | None | Other | A |

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

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

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

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

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

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

## Substantial Shareholder Interests

The register maintained by the Bank under section 336 of the SFO recorded that, as at 31 December 2020, the shareholders indicated in the following table were substantial shareholders having interests in shares of the Bank (as defined in the SFO):

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

Notes:

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

2 "S" denotes short position.

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

## Controlling Shareholder of the Bank

### Central Huijin Investment Ltd.

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

As at 31 December 2020, the basic information of companies directly held by Huijin is as follows:

| No. | Company name | Proportion of the total capital held by Huijin |
|---|---|---|
| 1 | China Development Bank | 34.68% |
| 2 | Industrial and Commercial Bank of China Limited ★☆ | 34.71% |
| 3 | Agricultural Bank of China Limited ★☆ | 40.03% |
| 4 | Bank of China Limited ★☆ | 64.02% |
| 5 | China Construction Bank Corporation ★☆ | 57.11% |
| 6 | China Everbright Group Ltd. | 63.16% |
| 7 | Evergrowing Bank Co., Limited | 53.95% |
| 8 | China Export & Credit Insurance Corporation | 73.63% |
| 9 | China Reinsurance (Group) Corporation ☆ | 71.56% |
| 10 | New China Life Insurance Company Limited ★☆ | 31.34% |
| 11 | China Jianyin Investment Limited | 100.00% |
| 12 | China Galaxy Financial Holding Co., Ltd. | 69.07% |
| 13 | Shenwan Hongyuan Group Co., Ltd. ★☆ | 20.05% |
| 14 | China International Capital Corporation Limited ★☆ | 40.11% |
| 15 | China Securities Co., Ltd. ★☆ | 30.76% |
| 16 | China Galaxy Asset Management Co., Ltd. | 13.3% |
| 17 | Guotai Junan Investment Management Co., Ltd. | 14.54% |

Notes:

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

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

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

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

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

## Preference Shares

### Issuance and Listing of Preference Shares in the Past Three Years

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

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

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

## Number of Preference Shareholders and Shareholdings

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

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

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

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

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

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

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

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

### Profit Distribution of Preference Shares

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

### Exercising Redemption Rights of Preference Shares

On 23 November 2020, the Bank redeemed all 320,000,000 shares of the Domestic Preference Shares (First Tranche) issued on 21 November 2014. On 15 March 2021, the Bank redeemed all 280,000,000 shares of the Domestic Preference Shares (Second Tranche) issued on 13 March 2015.

For details, please refer to the Bank's announcements published on the websites of SSE, HKEX and the Bank.

### Other Information regarding the Preference Shares

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

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

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

## Issuance of Other Securities

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

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

# Directors, Supervisors and Senior Management Members

## Basic Information

### Incumbent Directors, Supervisors and Senior Management Members

| **Incumbent Directors** | | | | |
|---|---|---|---|---|
| **Name** | **Year of birth** | **Gender** | **Position** | **Term of office as Director** |
| LIU Liange | 1961 | Male | Chairman | From October 2018 to the date of the Annual General Meeting in 2021 |
| WANG Wei | 1963 | Male | Executive Director and Executive Vice President | From June 2020 to the date of the Annual General Meeting in 2023 |
| LIN Jingzhen | 1965 | Male | Executive Director and Executive Vice President | From February 2019 to the date of the Annual General Meeting in 2021 |
| ZHAO Jie | 1962 | Male | Non-executive Director | From August 2017 to the date of the Annual General Meeting in 2023 |
| XIAO Lihong | 1965 | Female | Non-executive Director | From August 2017 to the date of the Annual General Meeting in 2023 |
| WANG Xiaoya | 1964 | Female | Non-executive Director | From August 2017 to the date of the Annual General Meeting in 2023 |
| ZHANG Jiangang | 1973 | Male | Non-executive Director | From July 2019 to the date of the Annual General Meeting in 2022 |
| CHEN Jianbo | 1963 | Male | Non-executive Director | From June 2020 to the date of the Annual General Meeting in 2023 |
| WANG Changyun | 1964 | Male | Independent Director | From August 2016 to the date of the Annual General Meeting in 2022 |
| Angela CHAO | 1973 | Female | Independent Director | From January 2017 to the date of the Annual General Meeting in 2022 |
| JIANG Guohua | 1971 | Male | Independent Director | From December 2018 to the date of the Annual General Meeting in 2021 |
| Martin Cheung Kong LIAO | 1957 | Male | Independent Director | From September 2019 to the date of the Annual General Meeting in 2022 |
| CHEN Chunhua | 1964 | Female | Independent Director | From July 2020 to the date of the Annual General Meeting in 2022 |
| CHUI Sai Peng Jose | 1960 | Male | Independent Director | From September 2020 to the date of the Annual General Meeting in 2022 |

| Incumbent Supervisors | | | | |
|---|---|---|---|---|
| **Name** | **Year of birth** | **Gender** | **Position** | **Term of office as Supervisor** |
| ZHANG Keqiu | 1964 | Female | Chairman of the Board of Supervisors | From January 2021 to the date of the Annual General Meeting in 2024 |
| WANG Zhiheng | 1973 | Male | Employee Supervisor | From December 2018 to the date of the 2021 Employee Delegates' Meeting |
| LI Changlin | 1962 | Male | Employee Supervisor | From December 2018 to the date of the 2021 Employee Delegates' Meeting |
| LENG Jie | 1963 | Male | Employee Supervisor | From December 2018 to the date of the 2021 Employee Delegates' Meeting |
| JIA Xiangsen | 1955 | Male | External Supervisor | From May 2019 to the date of the Annual General Meeting in 2022 |
| ZHENG Zhiguang | 1953 | Male | External Supervisor | From May 2019 to the date of the Annual General Meeting in 2022 |
| **Incumbent Senior Management Members** | | | | |
| **Name** | **Year of birth** | **Gender** | **Position** | **Term of office as Senior Management Member** |
| WANG Wei | 1963 | Male | Executive Director and Executive Vice President | From December 2019 |
| LIN Jingzhen | 1965 | Male | Executive Director and Executive Vice President | From March 2018 |
| ZHENG Guoyu | 1967 | Male | Executive Vice President | From May 2019 |
| LIU Qiuwan | 1961 | Male | Chief Information Officer | From June 2018 |
| LIU Jiandong | 1969 | Male | Chief Risk Officer | From February 2019 |
| MEI Feiqi | 1962 | Male | Secretary to the Board of Directors and Company Secretary | Company Secretary from March 2018 and Secretary to the Board of Directors from April 2018 |

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

## Former Directors, Supervisors and Senior Management Members

| Name | Year of birth | Gender | Position held before leaving the post | Term of office |
|---|---|---|---|---|
| WANG Jiang | 1963 | Male | Vice Chairman and President | From January 2020 to February 2021 |
| WU Fulin | 1963 | Male | Executive Director and Executive Vice President | From February 2019 to January 2020 |
| LIAO Qiang | 1974 | Male | Non-executive Director | From September 2018 to March 2020 |
| WANG Xiquan | 1960 | Male | Chairman of the Board of Supervisors | From November 2016 to January 2021 |
| SUN Yu | 1973 | Male | Executive Vice President | From February 2019 to December 2020 |
| XIAO Wei | 1960 | Male | Chief Audit Officer | From November 2014 to November 2020 |

Note:

1. No former director, supervisor or senior management member, except Mr. SUN Yu who held 10,000 H shares of the Bank, held any share of the Bank during their terms of office.

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

3. Please refer to the above table for the term of office of Mr. WU Fulin as former Executive Director of the Bank. His term of office as former Executive Vice President of the Bank started from December 2018.

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

| | | Remuneration before tax from the Bank in 2020 (Unit: RMB ten thousand) | | | | |
|---|---|---|---|---|---|---|
| Name | Position | Remuneration paid | Employer contribution to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund | Other monetary income | Total | Remunerated by shareholding companies or other connected parties |
| **Incumbent Directors, Supervisors and Senior Management Members** | | | | | | |
| LIU Liange | Chairman | 61.94 | 15.76 | — | 77.70 | No |
| WANG Wei | Executive Director and Executive Vice President | 55.74 | 15.36 | — | 71.10 | No |
| LIN Jingzhen | Executive Director and Executive Vice President | 55.74 | 15.36 | — | 71.10 | No |
| ZHAO Jie | Non-executive Director | — | — | — | — | Yes |
| XIAO Lihong | Non-executive Director | — | — | — | — | Yes |
| WANG Xiaoya | Non-executive Director | — | — | — | — | Yes |
| ZHANG Jiangang | Non-executive Director | — | — | — | — | Yes |
| CHEN Jianbo | Non-executive Director | — | — | — | — | Yes |
| WANG Changyun | Independent Director | 63.47 | — | — | 63.47 | Yes |
| Angela CHAO | Independent Director | 45.00 | — | — | 45.00 | Yes |
| JIANG Guohua | Independent Director | 60.86 | — | — | 60.86 | Yes |
| Martin Cheung Kong LIAO | Independent Director | 45.00 | — | — | 45.00 | Yes |
| CHEN Chunhua | Independent Director | 22.45 | — | — | 22.45 | Yes |
| CHUI Sai Peng Jose | Independent Director | 13.75 | — | — | 13.75 | Yes |
| ZHANG Keqiu | Chairman of the Board of Supervisors | — | — | — | — | — |
| WANG Zhiheng | Employee Supervisor | 5.00 | — | — | 5.00 | No |
| LI Changlin | Employee Supervisor | 5.00 | — | — | 5.00 | No |
| LENG Jie | Employee Supervisor | 5.00 | — | — | 5.00 | No |
| JIA Xiangsen | External Supervisor | 26.00 | — | — | 26.00 | No |
| ZHENG Zhiguang | External Supervisor | 26.00 | — | — | 26.00 | No |
| ZHENG Guoyu | Executive Vice President | 55.74 | 15.37 | — | 71.11 | No |
| LIU Qiuwan | Chief Information Officer | 97.84 | 17.83 | 2.00 | 117.67 | No |
| LIU Jiandong | Chief Risk Officer | 97.84 | 17.88 | 2.00 | 117.72 | No |
| MEI Feiqi | Secretary to the Board of Directors and Company Secretary | 93.17 | 17.82 | 5.10 | 116.09 | No |

| | | Remuneration before tax from the Bank in 2020 (Unit: RMB ten thousand) | | | | |
|---|---|---|---|---|---|---|
| Name | Position | Remuneration paid | Employer contribution to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund | Other monetary income | Total | Remunerated by shareholding companies or other connected parties |
| **Former Directors, Supervisors and Senior Management Members** | | | | | | |
| WANG Jiang | Vice Chairman and President | 61.94 | 15.76 | — | 77.70 | No |
| WU Fulin | Executive Director and Executive Vice President | 4.65 | 1.20 | — | 5.85 | No |
| LIAO Qiang | Non-executive Director | — | — | — | — | Yes |
| WANG Xiquan | Chairman of the Board of Supervisors | 61.94 | 15.76 | — | 77.70 | No |
| SUN Yu | Executive Vice President | 54.37 | 15.37 | — | 69.74 | No |
| XIAO Wei | Chief Audit Officer | 89.68 | 15.66 | 2.00 | 107.34 | No |

Notes:

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

2 The 2020 final remuneration for Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, executive directors and other senior management members is to be determined and will be disclosed in an additional announcement by the Bank.

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

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

5 In 2020, Non-executive Directors Mr. ZHAO Jie, Ms. XIAO Lihong, Ms. WANG Xiaoya, Mr. ZHANG Jiangang, Mr. CHEN Jianbo and Mr. LIAO Qiang were not remunerated by the Bank.

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

7 The above persons' remuneration is calculated on the basis of their actual time working as directors, supervisors or senior management members of the Bank in 2020. Employee supervisors' remuneration above is paid for their service as supervisors of the Bank during the reporting period.

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

9 The Bank incurred RMB12.9835 million in remuneration to its directors, supervisors and senior management members' services in 2020.

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

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

## Biographies of Directors, Supervisors and Senior Management Members

### Directors

**LIU Liange**
**Chairman**

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

**WANG Wei**
**Executive Director and Executive Vice President**

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

**LIN Jingzhen**
**Executive Director and Executive Vice President**

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

**ZHAO Jie**
**Non-executive Director**

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

**XIAO Lihong**
**Non-executive Director**

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

**WANG Xiaoya**
**Non-executive Director**

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

**ZHANG Jiangang**
**Non-executive Director**

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

**CHEN Jianbo**
**Non-executive Director**

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

**WANG Changyun**
**Independent Director**

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

**Angela CHAO**
**Independent Director**

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

**JIANG Guohua**
**Independent Director**

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

**Martin Cheung Kong LIAO**
**Independent Director**

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

**CHEN Chunhua**
**Independent Director**

Independent Director of the Bank since July 2020. Ms. CHEN is currently professor of the National School of Development at Peking University, Dean of BiMBA Business School of the National School of Development at Peking University and Professor of the Business Administration School at South China University of Technology. She is also a visiting professor of the School of Business at National University of Singapore. From 2000 to 2003, she was Vice Dean of the College of Business Administration at South China University of Technology. From 2003 to 2004, she served as President of Shandong Liuhe Group. From 2006 to 2008, she served as Executive Dean of the School of Economics and Commerce at South China University of Technology. From 2006 to 2016, she served as an expert on the decision-making consultation for the Guangzhou Municipal Government. Ms. CHEN has served as a non-executive director of SPT Energy Group Inc. (HK01251) (since 2013). She was an independent director of China Merchants Fund Management Co., Ltd., Welling Holding Limited, Guangzhou Zhujiang Brewery Co., Ltd. and Shunde Rural Commercial Bank, and she once served as the joint chairman and chief executive officer of New Hope Liuhe Co., Ltd., a director of the Yunnan Baiyao Holding Ltd. and a non-executive director of Vtron Group Co., Ltd. (002308). Ms. CHEN obtained a Bachelor's Degree of engineering in radio technology from South China Institute of Technology in 1986 and became a post-doctoral candidate in business administration of the Nanjing University Business School in 2005.

**CHUI Sai Peng Jose**
**Independent Director**

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

## Supervisors

**ZHANG Keqiu**
**Chairman of the Board of Supervisors**

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

**WANG Zhiheng**
**Employee Supervisor**

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

**LI Changlin**
**Employee Supervisor**

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

**LENG Jie**
**Employee Supervisor**

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

**JIA Xiangsen**
**External Supervisor**

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

**ZHENG Zhiguang**
**External Supervisor**

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

## Senior Management Members

**WANG Wei**
**Executive Director and Executive Vice President**

Please refer to the section "Directors"

**LIN Jingzhen**
**Executive Director and Executive Vice President**

Please refer to the section "Directors"

**ZHENG Guoyu**
**Executive Vice President**

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

**LIU Qiuwan**
**Chief Information Officer**

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

**LIU Jiandong**
**Chief Risk Officer**

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

**MEI Feiqi**
**Secretary to the Board of Directors and Company Secretary**

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

## Changes in Directors, Supervisors and Senior Management Members

Changes in the Bank's directors were as follows:

Mr. WANG Jiang began to serve as Vice Chairman, Executive Director and member of the Strategic Development Committee of the Board of Directors of the Bank as of 14 January 2020.

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

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

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

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

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

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

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

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

Changes in the Bank’s supervisors were as follows:

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

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

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

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

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

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

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

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

The Board of Directors of the Bank considered and approved the appointment of Ms. ZHAO Rong as Chief Business and Management Officer of the Bank on 30 October 2020. Such appointment is subject to the approval by regulatory authorities.

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

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

The Board of Directors of the Bank considered and approved the appointment of Mr. ZHUO Chengwen as Chief Audit Officer of the Bank on 16 March 2021. Such appointment is subject to the approval by regulatory authorities.

# Corporate Governance

## Overview of Corporate Governance

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

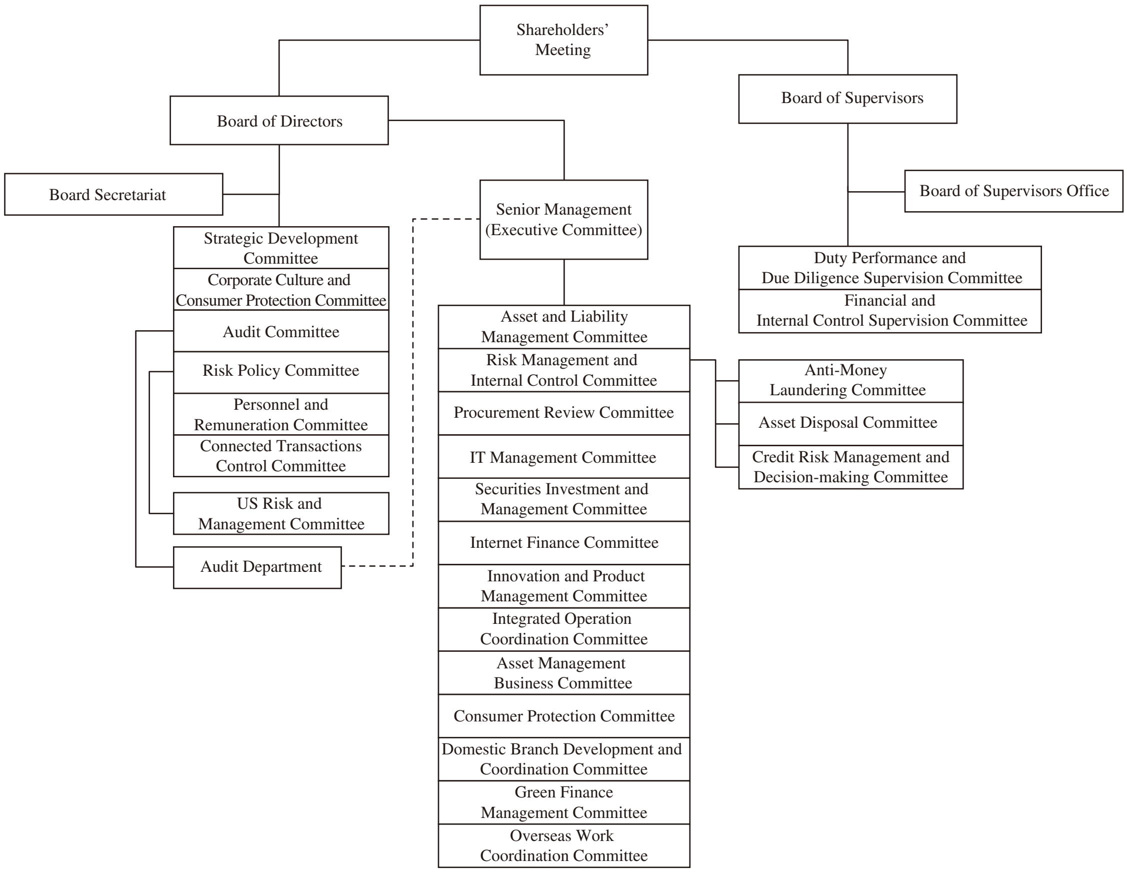
The Bank has been working on improving its corporate governance structure, policies and procedures. It persistently followed up and implemented regulatory requirements on capital market, always choosing to adhere to the strictest available standards. It re-examined and self-inspected its corporate governance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

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

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

In 2020, the Bank's corporate governance performance continued to be recognised by the capital markets and the public. The Bank was granted the 16th "Golden Prize of Round Table" for Excellent Board of Directors of Chinese Listed Companies.

## Corporate Governance Framework




## Corporate Governance Compliance

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

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

## Amendments to the Articles of Association

No amendment was made to the Articles of Association in 2020.

## Shareholders and Shareholders' Rights

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

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

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

### Shareholders' Right to Propose Resolutions at Shareholders' Meetings

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

## Shareholders' Right to Present Enquiries

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

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

# Shareholders' Meeting

## Functions and Powers of Shareholders' Meeting

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

## Convening of Shareholders' Meeting

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

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

The Bank issued announcements on the resolutions and legal opinions of the aforementioned shareholders' meeting on 30 June 2020, pursuant to regulatory requirements. Please refer to the websites of SSE, HKEX and the Bank.

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

During the reporting period, the Board of Directors has fully implemented the resolutions passed at the shareholders' meeting and the scheme on the authorisation to the Board of Directors granted by the shareholders' meeting, and earnestly carried out the proposals regarding the 2019 profit distribution plan, the 2020 annual budget for fixed assets investment, the bond issuance plan, the appointments of directors and 2020 external auditor and so on.

## Board of Directors

### Functions and Powers of the Board of Directors

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

### Composition of the Board of Directors

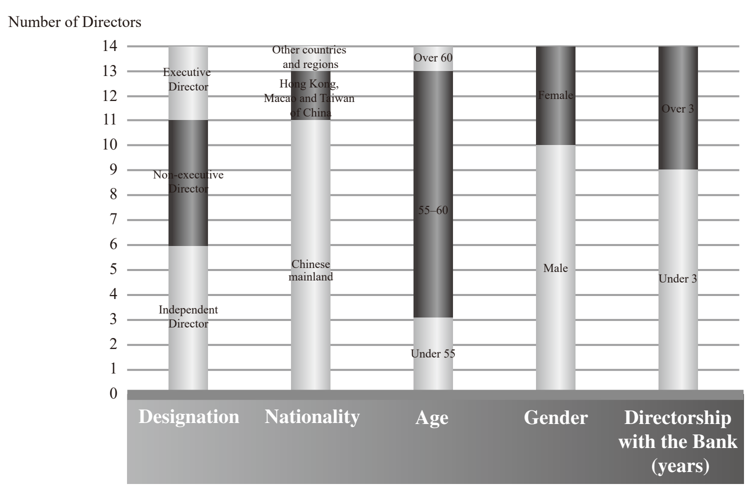
The Board of Directors has set up the Strategic Development Committee, Corporate Culture and Consumer Protection Committee, Audit Committee, Risk Policy Committee, Personnel and Remuneration Committee and Connected Transactions Control Committee, as well as the US Risk and Management Committee established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

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

The positions of Chairman and President of the Bank are assumed by two persons. Mr. WANG Jiang ceased to serve as President of the Bank as of 5 February 2021. Mr. LIU Liange began to perform the duties of the President as of 7 February 2021, to the date the new President appointed by the Board of Directors officially performs duties.

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

**Board Composition**




## Convening of Board Meetings

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

In 2020, the Bank convened nine meetings of the Board of Directors via written resolutions. At these meetings, the Board of Directors mainly reviewed and approved the proposals on the nomination of candidates for directors, the application for provisional authorisation of outbound donations, and the convening of extraordinary general meeting, among others.

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

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

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

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

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

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

During the reporting period, the Bank performed self-assessment on internal control in line with the *Basic Standard for Enterprise Internal Control* and its supporting guidelines. No material deficiencies were identified in the internal control systems for both the financial reporting and non-financial reporting of the Bank. Ernst & Young Hua Ming LLP, as the Bank's external auditor for internal control, audited the effectiveness of the Bank's internal controls over financial reporting and issued a standard unqualified opinion. The *2020 Internal Control Assessment Report of Bank of China Limited* and the *2020 Auditor's Report on Internal Control* issued by Ernst & Young Hua Ming LLP have been published on the websites of SSE, HKEX and the Bank.

## Duty Performance of Directors

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

During the reporting period, the attendance rate of each director of the shareholders' meetings, meetings of the Board of Directors and special committees is given below. Directors who did not attend certain meetings in person have authorised other directors to attend and vote at those meetings as their proxy.

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

| Directors | Shareholders' Meetings | Meetings of the Board of Directors | Meetings of the Special Committees of the Board of Directors: Strategic Development Committee | Corporate Culture and Consumer Protection Committee | Audit Committee | Risk Policy Committee | Personnel and Remuneration Committee | Connected Transactions Control Committee |
|---|---|---|---|---|---|---|---|---|
| **Incumbent Directors** | | | | | | | | |
| LIU Liange | 1/1 | 15/17 | 8/9 | 4/4 | – | – | – | – |
| WANG Wei | 0/0 | 7/7 | – | – | – | – | – | 3/3 |
| LIN Jingzhen | 1/1 | 16/17 | – | – | – | 6/8 | – | – |
| ZHAO Jie | 1/1 | 17/17 | – | – | 6/6 | 8/8 | 7/7 | – |
| XIAO Lihong | 1/1 | 17/17 | 9/9 | – | – | 8/8 | – | – |
| WANG Xiaoya | 1/1 | 17/17 | 9/9 | 4/4 | – | – | 7/7 | – |
| ZHANG Jiangang | 1/1 | 17/17 | 9/9 | – | 6/6 | – | – | – |
| CHEN Jianbo | 0/0 | 7/7 | 4/4 | 3/3 | – | 5/5 | – | – |
| WANG Changyun | 1/1 | 17/17 | 9/9 | – | 6/6 | 8/8 | 7/7 | – |
| Angela CHAO | 1/1 | 13/17 | – | – | 1/6 | 3/8 | – | 1/4 |
| JIANG Guohua | 1/1 | 16/17 | 8/9 | 3/4 | 6/6 | – | 7/7 | 4/4 |
| Martin Cheung Kong LIAO | 1/1 | 16/17 | 9/9 | – | 4/6 | – | 7/7 | 4/4 |
| CHEN Chunhua | 0/0 | 7/7 | 4/4 | 3/3 | – | – | 2/3 | – |
| CHUI Sai Peng Jose | 0/0 | 5/6 | – | 2/2 | 1/1 | – | 1/2 | 2/2 |
| **Former Directors** | | | | | | | | |
| WANG Jiang | 1/1 | 15/17 | 7/8 | – | – | – | – | – |
| WU Fulin | 0/0 | 2/3 | – | – | – | – | – | – |
| LIAO Qiang | 0/0 | 2/3 | 2/2 | – | – | 0/1 | – | – |

## Training and Expertise Enhancement of Directors

In 2020, the Board of Directors paid significant attention to enhancing directors' expertise, with a special focus on arranging relevant training. All directors of the Bank fully observed Rule A.6.5 of the *Code* as well as PRC regulatory requirements, actively participating in specialised training including sessions on the enhancement of corporate value management, economic development trend under the impact of pandemic, the preparation of the 14th Five-Year Plan, and changes in domestic and international development situations. The Bank also gave special presentations and training to the directors newly appointed in 2020 regarding its development strategy, business development, corporate governance, overseas institutions and overseas operations. The Bank's directors also took it upon themselves to enhance their professional skills in various ways, including writing and publishing professional articles, attending forums and seminars, meeting with domestic and overseas regulators, and conducting on-site research exercises at the Bank's domestic and overseas branches as well as at other advanced banks.

## Independence and Duty Performance of Independent Directors

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

In 2020, the Bank's independent directors attended meetings of the Board of Directors, reviewed proposals, participated in discussions and offered their professional opinions independently, objectively and diligently, in accordance with the Articles of Association, the *Procedural Rules for Board of Directors of Bank of China Limited* and the *Work Rules of Independent Directors of Bank of China Limited*. Please refer to the section "Directors' Attendance of the Shareholders' Meeting, Meetings of the Board of Directors and Special Committees" for the attendance of independent directors at meetings.

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

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

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

Pursuant to the provisions and requirements set forth in the circular (ZhengJianFa [2003] No. 56) issued by CSRC, and according to the principles of justice, fairness and objectivity, the Independent Directors of the Bank, Mr. WANG Changyun, Ms. Angela CHAO, Mr. JIANG Guohua, Mr. Martin Cheung Kong LIAO, Ms. CHEN Chunhua and Mr. CHUI Sai Peng Jose have provided the following information regarding the Bank's guarantee business:

The guarantee business is one of the Bank's ordinary business activities approved by PBOC and CBIRC and does not fall within the scope of guarantees as defined in the *Circular on Regulating Guarantee Businesses of Listed Companies*. The Bank has formulated specific management measures, operational processes and approval procedures in light of the risks of the guarantee business and carried out this business accordingly. The Bank's guarantee business principally comprises letters of guarantee. As at 31 December 2020, the outstanding amount of letters of guarantee issued by the Bank was RMB1,035.517 billion.

### Responsibility Statement of Directors on Financial Reports

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

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

## Special Committees of the Board of Directors

### Strategic Development Committee

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

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

The Strategic Development Committee held five on-site meetings and four meetings via written resolutions in 2020. At these meetings, it mainly reviewed the proposals on the business plan and financial budget of Bank of China for 2020, the profit distribution plan of Bank of China for 2019, the issuance of write-down undated capital bonds, the issuance of qualified write-down tier 2 capital instruments, the dividend distribution plan of offshore preference shares, the inclusive finance business plan for 2020, the development plan for enhancing service to private enterprises of Bank of China, the related proposal on donation for preventing and controlling the epidemic.

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

### Corporate Culture and Consumer Protection Committee

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

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

The Corporate Culture and Consumer Protection Committee held four on-site meetings in 2020, at which it reviewed and approved the *2019 Corporate Social Responsibility Report of Bank of China* and the *Report on Consumer Protection in the First Half of 2020*. In addition, it heard *Bank of China Corporate Culture Building Report* and the *General Analysis Report of Corporate Culture of Bank of China*. Based on the Bank's 14th Five-Year Plan and the practices of domestic and overseas leading enterprises and peers, the Bank proposed to develop its corporate culture system by soliciting the opinions and suggestions of internal and external experts and its employees.

**Audit Committee**

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

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

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

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

According to the *Procedure Rules on the Preparation of Annual Report of the Board Audit Committee of Bank of China Limited*, prior to the start of audit field work by the auditors, the Audit Committee confirmed with the auditors the details of the 2020 audit plan, including areas of focus for auditing the 2020 Annual Report, risk assessment and identification methods, the application of accounting standards, tests of internal control, compliance and fraud related procedures, and the allocation of human resources. In particular, the committee reminded the auditors to report any difference of judgment between the auditors and the Senior Management during the audit, as well as the process and results of reconciling such differences.

The Audit Committee heard and reviewed reports from the Senior Management concerning the Bank's business performance and primary financial data. It also requested that the Senior Management submit the annual financial statements to the auditors in a timely manner, so as to ensure sufficient time for the annual audit. During the audit, the committee maintained independent communications with the auditors and arranged independent communications between the auditors and the independent directors. At its second meeting of 2021, the Audit Committee reviewed and approved the Bank's 2020 financial statements and submitted them to the Board of Directors for approval.

In accordance with the *Policies of Selection, Rotation and Dismissal for External Auditors of Bank of China Limited*, the 2020 external auditor made a summary report and submitted a report on their independence compliance to the committee.

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

## Risk Policy Committee

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

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

The Risk Policy Committee held five on-site meetings and three meetings via written resolutions in 2020, at which it mainly considered the Group risk appetites statement, market risk management policy, trading book market risk limits, liquidity risk management policy, polices for interest rate risk in the banking book, policies on anti-money laundering, counter-terrorist financing and sanctions compliance, securities investment policy, capital adequacy ratio report and internal capital adequacy assessment report. The committee also regularly reviewed the Group risk reports and other agendas.

In addition, the committee paid close attention to critical risk issues arising from changes in overseas and domestic economic and financial conditions, adjustments of the government's macro policies and overall overseas and domestic regulations. The committee expressed important opinions and recommendations regarding the improvement of the Bank's risk governance mechanism and the effective prevention and control of risks, including credit risk, market risk, operational risk, legal and compliance risk, liquidity risk and so on.

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

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

In 2020, the US Risk and Management Committee convened seven meetings via written resolutions. It regularly reviewed reports regarding the risk management and operations of all of the Bank's institutions in the US, the latest US regulatory trends and dynamics, among others. In addition, the committee reviewed and approved the relevant framework documents and important policies and regulations of the Bank's institutions in the US and the New York Branch according to regulatory requirements.

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

### Personnel and Remuneration Committee

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

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

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

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

### Connected Transactions Control Committee

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

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

The Connected Transactions Control Committee held three on-site meetings and one meeting via written resolutions in 2020, at which it mainly reviewed and approved the report on the connected party list, the report on connected transactions in 2019, the statement of connected transactions of the Bank in 2019, among others. During the reporting period, the Connected Transactions Control Committee paid constant attention to the transmission of the Bank's policies and system development for connected transactions, and put forward constructive suggestions in that regard.

## Board of Supervisors

### Functions and Powers of the Board of Supervisors

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

### Composition of the Board of Supervisors

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

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

### Duty Performance of the Board of Supervisors

In 2020, the Board of Supervisors and its special committees earnestly performed their supervisory responsibilities and reviewed relevant proposals through detailed discussion. The Board of Supervisors held four on-site meetings and four meetings by written resolution, and made relevant resolutions. The Duty Performance and Due Diligence Supervision Committee held four on-site meetings and five meetings by written resolution, while the Finance and Internal Control Supervision Committee held four on-site meetings. For the performance of and supervisory opinions from the Board of Supervisors during the reporting period, please refer to the section "Report of the Board of Supervisors".

## Senior Management

### Functions and Powers of the Senior Management

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

### Duty Performance of the Senior Management

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

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

During the reporting period, the Senior Management (Executive Committee) established an additional committee — namely the Overseas Work Coordination Committee, which is responsible for overall coordination on the key commercial banking issues of the Group's globalised operations pertaining to overseas institutions. The Senior Management currently presides over the Asset and Liability Management Committee, the Risk Management and Internal Control Committee (which governs the Anti-money Laundering Committee, the Asset Disposal Committee and the Credit Risk Management and Decision-making Committee), the Procurement Review Committee, the IT Management Committee, the Securities Investment and Management Committee, the Internet Finance Committee, the Innovation and Product Management Committee, the Integrated Operation Coordination Committee, the Asset Management Business Committee, the Consumer Protection Committee, the Domestic Branch Development and Coordination Committee, the Green Finance Management Committee, and the Overseas Work Coordination Committee. During the reporting period, all of the committees diligently fulfilled their duties and responsibilities as per the powers specified in their committee charters and the rights delegated by the Executive Committee, and pushed forward the sound development of the Bank's various operations.

## Securities Transactions by Directors and Supervisors

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

## Appointment of External Auditors

Upon approval by the 2019 Annual General Meeting, Ernst & Young Hua Ming LLP was reappointed as the Bank's domestic auditor and internal control auditor for 2020, and Ernst & Young was reappointed as the Bank's international auditor for 2020.

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

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

Ernst & Young Hua Ming LLP and Ernst & Young have provided audit services to the Bank for eight consecutive years. Mr. LEUNG Shing Kit and Ms. ZHANG Fan are the certified public accountants who signed the auditor's report on the Bank's financial statements prepared in accordance with CAS for the year ended 31 December 2020.

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

## Investor Relations and Information Disclosure

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

In 2020, the Bank prepared and disclosed its regular and provisional reports in strict adherence to the principles of truthfulness, accuracy, completeness, timeliness and fairness. It continuously enhanced transparency and optimised its information disclosure, focusing on the demands of investors. It continuously enhanced the pertinence and effectiveness of information disclosure in order to guarantee investors' access to relevant information. Through concise and clear language, investors are provided with equal opportunity to access accurate information. The Bank has established a sound information disclosure system and put in place clear specifications regarding information disclosure standard and the scope of application, responsibility and division of work, communication mechanism, as well as working procedures and internal monitoring measures. It carefully organised compliance analysis and disclosure of material events, as well as actively exploring and steadily promoting voluntary information disclosure. The Bank reinforced the principal responsibility system and information correspondent mechanism, promoted the building of a professional team and a strong compliance culture of information disclosure, so as to improve the initiative and long-term perspective of its information disclosure management work. It also carried out the registration and submission of insider information in strict compliance with relevant regulatory requirements and the rules of the Bank.

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

# Report of the Board of Directors

The Board of Directors is pleased to present its report together with the audited Consolidated Financial Statements of the Bank and its subsidiaries (the "Group") for the year ended 31 December 2020.

## Principal Activities

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

## Major Customers

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

## Results and Profit Distribution

The Bank's annual results for 2020 are set out in the Consolidated Financial Statements. The Board of Directors has recommended a final dividend on ordinary shares for 2020 of RMB1.97 per ten shares (before tax), subject to the approval of the forthcoming Annual General Meeting scheduled on 20 May 2021. If approved, the 2020 final dividend on the Bank's ordinary shares will be denominated and declared in RMB and paid in RMB or equivalent Hong Kong dollars. The actual amount distributed in Hong Kong dollars will be calculated according to the average of the exchange rates of HKD to RMB announced by PBOC in the week before 20 May 2021 (inclusive), being the date of the Bank's Annual General Meeting. The A-Share dividend distribution date is expected to be 4 June 2021 and the H-Share dividend distribution date is expected to be 30 June 2021 in accordance with relevant regulatory requirements and business rules. No capitalisation of the capital reserve to share capital is proposed in this profit distribution.

At the Bank's 2019 Annual General Meeting held on 30 June 2020, a final dividend on ordinary shares for 2019 of RMB1.91 per ten shares (before tax) was approved for payment. The A-Share and H-Share dividends were distributed to the shareholders in July and August of 2020 in accordance with relevant regulations. The distribution plan has been accomplished and the actual distributed amount for ordinary shares was approximately RMB56.228 billion (before tax). No interim dividend on ordinary shares was paid for the period ended on 30 June 2020 by the Bank. The Bank did not propose any capitalisation of the capital reserve to share capital in 2020.

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

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

On 30 August 2020, the dividend distribution plans for the Bank's Domestic Preference Shares (First and Second Tranche) were approved by the Board. The Bank distributed a total of RMB1.920 billion (before tax) of dividends on the Domestic Preference Shares (First Tranche) on 23 November 2020, with an annual dividend rate of 6.00% (before tax). The Bank distributed a total of RMB1.540 billion (before tax) of dividends on the Domestic Preference Shares (Second Tranche) on 15 March 2021, with an annual dividend rate of 5.50% (before tax). The dividend distribution plans have been accomplished.

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

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

| Year of dividend distribution | Dividend per share (before tax) (Unit: RMB) | Total dividend (before tax) (Unit: RMB million) | Profit attributable to equity holders of the Bank (Unit: RMB million) | Payout ratio | Capitalisation the capital reserve to share capital |
|---|---|---|---|---|---|
| 2020 | 0.197 | 57,994 | 192,870 | 30% | Nil |
| 2019 | 0.191 | 56,228 | 187,405 | 30% | Nil |
| 2018 | 0.184 | 54,167 | 180,086 | 30% | Nil |

## Dividend Distribution for Preference Shares

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

## Formulation and Implementation of Cash Dividend Policy

### Ordinary Shares

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

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

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

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

The dividend distribution plan for ordinary shares of the Bank has been approved by the shareholders' meeting. In 2020, the Bank distributed dividends on ordinary shares for 2019 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

### Preference Shares

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

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

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

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

The dividend distribution plans for preference shares of the Bank have been approved by the Board of Directors. In 2020, the Bank distributed dividends on domestic and offshore preference shares in strict compliance with the Articles of Association, the terms of issuance of preference shares and the Board of Directors' resolutions on dividend distribution.

## Closure of H-Share Register of Members

The H-Share register of members of the Bank will be closed from Saturday, 29 May to Thursday, 3 June 2021 (both days inclusive), for the purpose of determining the list of shareholders entitled to the proposed final dividends on ordinary shares. In order to qualify for the proposed final dividends, the H-Share Holders of the Bank who have not registered the relevant transfer documents are required to lodge them, together with the relevant share certificates, with the H-Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, China, no later than 4:30 p.m. on Friday, 28 May 2021. The ex-dividend date of the Bank's H Shares will be on Thursday, 27 May 2021.

## Donations

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

## Share Capital

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

## Distributable Reserves

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

## Fixed Assets

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

## Financial Summary

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

## Connected Transactions

Under the Hong Kong Listing Rules, transactions between the Bank and its connected persons (as defined under the Hong Kong Listing Rules) constitute connected transactions to the Bank. Such transactions are monitored and administered by the Bank in accordance with the Hong Kong Listing Rules. In 2020, the Bank has engaged in a number of connected transactions with its connected persons in the ordinary and usual course of its business. Such transactions are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements according to the Hong Kong Listing Rules.

## Directors' Interests in Competing Businesses of the Bank

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

## Remuneration Policy of Directors, Supervisors and Senior Management Members

The Bank has formulated a clear regulation on the remuneration of directors, supervisors and senior management members. The remuneration for Chairman of the Board of Directors, President, Chairman of the Board of Supervisors and executive vice presidents shall be paid in accordance with the rules on remuneration reform for central enterprises, which consists of basic annual remuneration, performance-based annual remuneration and incentive income linked to term appraisal. The remuneration for other senior management members and shareholder supervisors consists of basic annual remuneration and performance-based remuneration, with part of performance-based remuneration paid in a deferred manner. Independent directors as well as external supervisors and employee supervisors are remunerated by the Bank while non-executive directors are not remunerated by the Bank. The Bank remunerates directors, supervisors and senior management members who are employed by the Bank with salaries, bonuses, employer contributions to social insurance, enterprise annuity, supplementary medical insurance and housing provident fund, as well as other monetary income.

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

## Directors' and Supervisors' Service Contracts

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

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

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

## Directors' and Supervisors' Rights to Acquire Shares

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

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

To the best knowledge of the Bank, as at 31 December 2020, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code* as set out in Appendix 10 of the Hong Kong Listing Rules.

## Financial, Business and Family Relations among Directors

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

## Substantial Shareholder Interests

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

## Management Contracts

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

## Share Appreciation Rights Plan and Share Option Scheme

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

## Purchase, Sale or Redemption of the Bank's Securities

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

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

## Pre-emptive Rights

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

## Permitted Indemnity Provision

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

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

## Equity-linked Agreement

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

## Business Review

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

## Use of Raised Funds

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

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

## Tax and Tax Relief

Shareholders of the Bank are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. Shareholders should seek professional advice from their tax and legal advisors. The following cited laws, regulations and stipulations are all relevant provisions issued before 31 December 2020.

### A-Share Holders

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

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

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

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

## H-Share Holders

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

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

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

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

### Domestic Preference Share Holders

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

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

### Offshore Preference Share Holders

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

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

## Auditors

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

## Consumer Rights Protection

The Bank set up the Corporate Culture and Consumer Protection Committee under the Board of Directors to take charge of the overall planning and guiding of the Group's corporate culture fostering and consumer protection. In 2020, the Bank formulated the *Framework Plan for Consumer Protection Efforts*, which comprehensively reviewed the current situation of the Bank's consumer protection, and set forth the Bank's strategic objectives for consumer protection and priorities for 2020.

In terms of policy formulation, in 2020, the Bank revised and issued the *Management Measures of Bank of China Limited for Consumer Protection (Version 2020)*, the *Management Measures of Bank of China Limited for Customer Complaints (Version 2020)*, the *Guidelines of Bank of China Limited on Financial Dispute Settlement for Personal Customers (Version 2020)*, the *Special Contingency Plan of Bank of China Limited for Material Emergencies in Consumer Protection (Version 2020)*, the *Management Measures of Bank of China Limited for Protection of Consumer Financial Information (Version 2020)* and other rules for consumer protection. The Bank further specified the overall management of consumer protection, complaint management, dispute settlement, material emergency response regarding consumer protection and consumer financial information protection in these policies and pushed for their implementation.

In terms of consumer publicity and education, the Bank actively organised all institutions to carry out publicity and education campaigns on consumer protection, and built a publicity and education system where the Head Office, branches and comprehensive operation companies coordinate with each other and online and offline activities are integrated. During the publicity campaigns themed on “3.15 Rights • Responsibilities • Risks, Financial Consumer Rights Day”, the “Promoting Financial Knowledge, Protecting Personal Wealth”, the “Financial Knowledge Popularisation” and the “Month of Financial Knowledge Popularisation” in March, June and September, the Bank launched publicity and education activities in various interesting forms at outlets and through online media platforms such as WeChat, Weibo, official website, mobile banking and TikTok, which were recognised by regulatory authorities and consumers.

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

## Members of the Board of Directors

Executive Directors: LIU Liange, WANG Wei, LIN Jingzhen

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

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

On behalf of the Board of Directors
**LIU Liange**
*Chairman*
30 March 2021

# Report of the Board of Supervisors

## Meetings of the Board of Supervisors

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

In 2020, the attendance rate of each supervisor of the meetings of the Board of Supervisors is given below:

| Supervisors | Number of meetings attended in person/ Number of meetings convened during term of office |
|---|---|
| **Incumbent Supervisors** | |
| ZHANG Keqiu | 0/0 |
| WANG Zhiheng | 8/8 |
| LI Changlin | 8/8 |
| LENG Jie | 8/8 |
| JIA Xiangsen | 8/8 |
| ZHENG Zhiguang | 8/8 |
| **Former Supervisors** | |
| WANG Xiquan | 8/8 |

In 2020, the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors held four on-site meetings and five meetings by written resolution, at which it reviewed and approved proposals regarding the evaluation opinions of the Board of Supervisors on the duty performance of the Board of Directors, the Senior Management and its members for 2019, performance evaluation results for the Chairman of the Board of Supervisors for 2019, 2019 remuneration distribution plan for the Chairman of the Board of Supervisors and shareholder supervisors, implementation plan on performance management for the Chairman of the Board of Supervisors and shareholder supervisors in 2020, performance evaluation results and remuneration distribution plan for external supervisors, implementation plan on performance management for external supervisors in 2020, nomination of Ms. ZHANG Keqiu as candidate for Shareholder Representative Supervisor of the Bank, election of Ms. ZHANG Keqiu as the Chairman of the Board of Supervisors of the Bank, and appointment of Ms. ZHANG Keqiu as Chairman of the Duty Performance and Due Diligence Supervision Committee of the Board of Supervisors of the Bank, among others. The Finance and Internal Control Supervision Committee of the Board of Supervisors held four on-site meetings, at which it reviewed and approved the proposals regarding the Bank's four regular reports, 2019 profit distribution plan, 2019 internal control assessment report, 2019 corporate social responsibility report, and evaluation opinions of the Board of Supervisors on the Bank's strategy implementation in 2019, among others.

## Performance of Supervision and Inspection by the Board of Supervisors

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

**Supervised and evaluated the duty performance of directors and senior management members in an orderly manner.** First, the Board of Supervisors strictly supervised day-to-day duty performance. Supervisors attended the meetings of the Board of Directors and its special committees, as well as meetings of the Senior Management as non-voting attendees, heard reports of relevant departments, participated in symposiums, held interviews, analysed materials and carried out special surveys. This allowed supervisors to stay informed regarding the duty performance of directors and senior management members, and to follow up on the decision-making, implementation and progress of major issues and key operation and management measures. In 2020, the Board of Supervisors completed four analysis reports on the duty performance of the Board of Directors and the Senior Management, and expressed supervisory opinions or suggestions regarding major concerns. Second, it earnestly carried out annual duty performance evaluation. The Board of Supervisors collected duty performance and due diligence reports of directors and senior management members, organised interviews with directors and senior management members regarding their duty performance, evaluated the annual duty performance of the Board of Directors, the Senior Management and its members in an objective and fair manner with due regards to routine supervision information, and formulated annual duty performance evaluation opinions. After review and approval at the meeting of the Board of Supervisors, it reported evaluation results to the shareholders' meeting, and duly filed duty performance evaluation opinions with the regulator. The Board of Directors and the Senior Management attached great importance to and actively cooperated with the supervision and evaluation of duty performance carried out by the Board of Supervisors, clearly embodying how the Bank's corporate governance entities perform their respective duties and obligations in a coordinated manner and maintain effective checks and balances.

**Solidified the review and supervision of strategy, finance and regular reports.** First, the Board of Supervisors effectively performed the responsibility of strategy supervision. It kept a close eye on the Bank's support for major national strategies and plans, pandemic prevention and control, the resumption of work and production, and the development of the real economy, followed and evaluated the implementation progress of the Bank's development strategies under the new circumstances, and provided insights and suggestions for the preparation of the Bank's strategies in the 14th Five-Year Plan period. Second, the Board of Supervisors made steady progress in routine financial supervision. It followed up the Bank's progress in the implementation of its major financial policies and decisions on financial matters, such as the priorities of annual financial management, the annual business plan and the financial budget. It regularly sorted and analysed the Bank's financial and accounting data, strengthened its forward-looking analysis and judgment of the Bank's financial operation based on tracking and studying of the macro-economic and financial situation, regulatory policies and peer dynamics, completed four analysis reports on the Bank's financial position, and made timely prompts to relevant management departments to take effective measures to improve operating results. Third, the Board of Supervisors solidified the review and supervision of regular reports. It regularly heard reports on operating results and audit opinions, supervised and reviewed the authenticity, accuracy and completeness of financial materials such as regular reports, annual financial report and profit distribution plan, and all supervisors signed written confirmation opinions. The Board of Supervisors put forward four letters of supervisory recommendations, outlined 17 concerns and made 40 specific suggestions to the Board of Directors and the Senior Management. These were related to paying due attention to the impact of the pandemic on the Bank's operation, capturing opportunities for business development, responding to changes in the external environment, strengthening the business management of overseas institutions, following national policies such as "dual circulation", consolidating the foundation for high-quality development, strengthening comprehensive risk management, improving the quality and efficiency of asset quality control, tracking the latest capital regulatory policies, and intensifying capital replenishment and management.

**Deepened the supervision of risk management and internal control.** First, the Board of Supervisors strengthened the day-to-day supervision of risk management and internal control. In response to the continuously rising credit risk, market risk, liquidity risk, internal control and operational risk in the banking sector during the year, the Board of Supervisors proactively studied and analysed new problems and new challenges faced by the Bank with respect to risk management and internal control. Taking into consideration its risk supervision responsibilities and remaining mindful of worst-case scenarios, it continuously followed up on the implementation of key tasks related to risk management and internal control. In 2020, it completed four analysis reports on risk management and internal control, issued risk prompts, and put forward relevant opinions and suggestions. Second, focusing on the concerns of regulators and internal and external auditors, the Board of Supervisors properly supervised comprehensive risk management and risk control in key areas. It responded to the COVID-19 pandemic and related risk events, and sent risk alerts to the Senior Management and relevant departments.

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

**Enhanced its supervisory role through special surveys.** In 2020, the Board of Supervisors continued to combine special surveys with the supervision of duty performance, strategy, finance, risk and internal control, conducted more targeted and specialised surveys, brought the value of research into play, and strengthened the application of research results. Focusing on the Bank's development strategy and priorities, the Board of Supervisors organised three special surveys on the development of overseas institutions, the building of transaction banking and the disposal of non-performing assets. The survey teams were led by supervisors and consisted of directors and personnel from relevant departments of the Head Office. They interviewed directors and senior management members, held discussions with a total of 24 departments and institutions from the Head office and comprehensive operation subsidiaries, and conducted field surveys in five domestic tier-1 branches and tier-2 branches under jurisdiction. Due to the pandemic, they also held video seminars with 11 domestic and overseas institutions and carried out written surveys with 29 domestic and overseas institutions. Through these efforts, they developed a full understanding of the implementation of decisions and plans made by the Head Office, deeply analysed existing problems and difficulties, widely solicited proposed countermeasures, and submitted survey reports that provided the Board of Directors and the Senior Management with targeted and practical opinions and suggestions.

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

**Strengthened self-improvement.** The Board of Supervisors hosted a special seminar to study its work priorities and methods, focusing on the Bank's central tasks as well as problems encountered during supervision, so as to improve its work efficiency. The Board of Supervisors organised and completed the annual duty performance evaluation of itself and its members, and urged all supervisors to earnestly perform the supervision duties delegated by laws, regulations and the Articles of Association. Special training courses were held to improve supervisors' professional competency around themes such as changes in current trends, challenges and opportunities faced by the banking industry, anti-money laundering and sanctions compliance management. All supervisors performed their duties faithfully and diligently, leveraged their respective expertise, and made efforts to sharpen their policy competence and duty performance capability. They also actively attended meetings, earnestly reviewed proposals, heard working reports, undertook special surveys and provided professional, well-considered and independent opinions, thus conscientiously fulfilling their supervisory function.

The Board of Directors and the Senior Management attached great importance and gave strong support to the work of the Board of Supervisors. By holding Executive Committee meetings and special meetings, issuing written instructions and through other forms, they required senior management members and relevant functional departments to carefully study the opinions and suggestions offered by the Board of Supervisors in letters of supervisory recommendations and survey reports, push forward the rectification of existing problems, and regularly update the Board of Supervisors on rectification progress. As a result, the constructive supervisory role of the Board of Supervisors, through which supervision promotes improvement and development, was brought into full play. Effective interaction among the Board of Directors, the Board of Supervisors and the Senior Management boosted the continuous enhancement of the Bank's corporate governance.

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

## Working Performance of the External Supervisors

During the reporting period, Mr. JIA Xiangsen and Mr. ZHENG Zhiguang, the external supervisors of the Bank, performed their supervisory duty in strict accordance with the provisions of the Articles of Association of the Bank. They were present at shareholders' meetings, attended the meetings of the Board of Directors, the Strategic Development Committee, the Corporate Culture and Consumer Protection Committee, the Audit Committee and the Risk Policy Committee as non-voting attendees, and personally attended all meetings of the Board of Supervisors and its special committees during their terms of office. Mr. JIA Xiangsen and Mr. ZHENG Zhiguang led three special surveys and proposed the following independent opinions: Regarding the survey of the development of overseas institutions, they proposed to adhere to the globalisation strategy and take the path of high-quality development by implementing new development concept. Regarding the survey concerning the building of transaction banking, they proposed to strengthen top-level design and improve the product and service system. Regarding the survey concerning the disposal of non-performing assets, they proposed to optimise resource allocation and strengthen technological application. Their contributions played an active role in promoting the improvement of the Bank's corporate governance and business management. During the reporting period, Mr. JIA Xiangsen and Mr. ZHENG Zhiguang worked at the Bank for more than 15 working days.

On behalf of the Board of Supervisors
**ZHANG Keqiu**
*Chairman of the Board of Supervisors*
30 March 2021

# Significant Events

## Material Litigation and Arbitration

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

## Purchase and Sale of Material Assets

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

## Implementation of Stock Incentive Plan and Employee Stock Ownership Plan

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

## Significant Connected Transactions

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

## Major Contracts and Enforcement thereof

### Material Custody, Sub-contracts and Leases

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

### Material Guarantee Business

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

### Other Major Contracts

During the reporting period, the Bank had no other major contract that was required to be disclosed.

## Misappropriation of Funds by Controlling Shareholder and Other Related Parties

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

## Undertakings

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

The Bank's Directors and Senior Management made "Commitments on Effective Implementation of the Remedial Measures" when the Bank issued its preference shares. As at 31 December 2020, the Bank's Directors and Senior Management have strictly observed and has not breached such undertaking.

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

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members or controlling shareholder was subject to any investigation, compulsory measures or accusation of criminal responsibilities by relevant authorities or any investigation, administrative punishment or regulatory measures by CSRC, or had material administrative punishment imposed on them by other administrative authorities, or were publicly reprimanded by any stock exchange.

## Integrity of the Bank and its Controlling Shareholder

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

## Performing Social Responsibility for Poverty Alleviation

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

## Information on the Environmental, Social and Governance

For details of the Bank's Information on the Environmental, Social and Governance, Please refer to the *2020 Corporate Social Responsibility Report of Bank of China* published on the websites of SSE, HKEX and the Bank.

## Other Significant Events

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

# Independent Auditor's Report

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

**To the shareholders of Bank of China Limited**
(Established in the People's Republic of China with limited liability)

**Opinion**

We have audited the consolidated financial statements of Bank of China Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 193 to 417, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

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

## Key Audit Matters (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|

***Impairment assessment of loans and advances to customers***

The Group uses a number of models and assumptions in the measurement of expected credit losses, for example:

- Significant increase in credit risk — The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for loans with longer remaining periods to maturity.
- Models and parameters — Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions.
- Forward-looking information — Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights.
- Individual impairment assessment — Identifying credit impaired loans requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.

Since loan impairment assessment involves many judgements and assumptions, and in view of the significance of the amount (as at 31 December 2020, gross loans and advances to customers amounted to RMB14,216,477 million, representing 58% of total assets, and impairment allowance for loans and advances to customers amounted to RMB368,619 million), impairment of loans and advances is considered a key audit matter.

Relevant disclosures are included in Note II.4, Note III.1, Note V.17 and Note VI.3 to the consolidated financial statements.

We evaluated and tested the effectiveness of design and implementation of key controls related to the credit approval process, post approval credit management, loan grading system, collateral monitoring, loans with deferred principal and interest payments as well as loan impairment assessment, including relevant data quality and information systems.

We adopted a risk-based sampling approach in our loan review procedures. We assessed the debtors' repayment capacity and evaluated the Group's loan grading, taking into consideration post-lending investigation reports, debtors' financial information, collateral valuation reports and other available information.

With the support of our internal credit risk modelling experts, we evaluated and tested the important parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects:

1. Expected credit loss model:

- In response to the macroeconomic changes, the COVID-19 pandemic implications and the supporting policies from government authorities, we assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, exposure at default, and significant increase in credit risk.
- Assessed the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions of multiple macroeconomic scenarios.

## Key Audit Matters (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment assessment of loans and advances to customers (Continued)*** | |
| | • Evaluated the models and the related assumptions used in individual impairment assessment and analysed the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.<br><br>2. Design and operating effectiveness of key controls:<br><br>• Evaluated and tested the data and key controls used to determine expected credit losses, including loan business data, internal credit rating data, macroeconomic data, as well as impairment system computational logic, inputs and interfaces among relevant systems.<br><br>• Evaluated and tested key controls over expected credit loss models, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration.<br><br>We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk and impairment allowance. |

## Key Audit Matters (Continued)

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

## Key Audit Matters (Continued)

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

## Other Information included in the Annual Report

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Shing Kit.

Ernst & Young
Certified Public Accountants

Hong Kong
30 March 2021

# Consolidated Financial Statements

## CONTENTS

**CONTENTS** (Continued)

## CONSOLIDATED INCOME STATEMENT

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

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

For details of the dividends paid or proposed, please refer to Note V.38.3.

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**
As at 31 December 2020 (Amount in millions of Renminbi, unless otherwise stated)

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

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

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

**LIU Liange**
*Director*

**WANG Wei**
*Director*

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

| | | Attributable to equity holders of the Bank | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital | Other equity instruments | Capital reserve | Other comprehensive income | Statutory reserves | General and regulatory reserves | Undistributed profits | Treasury shares | Non-controlling interests | Total |
| As at 1 January 2020 | | 294,388 | 199,893 | 136,012 | 19,613 | 174,762 | 250,100 | 776,940 | (7) | 124,995 | 1,976,696 |
| Total comprehensive income | V.12 | – | – | – | (15,446) | – | – | 192,870 | – | 4,810 | 182,234 |
| Appropriation to statutory reserves | V.38.1 | – | – | – | – | 18,676 | – | (18,676) | – | – | – |
| Appropriation to general and regulatory reserves | V.38.2 | – | – | – | – | – | 17,881 | (17,881) | – | – | – |
| Dividends | V.38.3 | – | – | – | – | – | – | (68,257) | – | (6,982) | (75,239) |
| Net change in treasury shares | V.37.3 | – | – | – | – | – | – | – | (1) | – | (1) |
| Capital contribution by non-controlling shareholders | | – | – | – | – | – | – | – | – | 1,358 | 1,358 |
| Capital contribution and reduction by other equity instruments holders | V.37.4 | – | 77,597 | (37) | – | – | – | – | – | – | 77,560 |
| Other comprehensive income transferred to retained earnings | | – | – | – | 142 | – | – | (142) | – | – | – |
| Other | | – | – | (2) | – | – | – | (6) | – | 237 | 229 |
| As at 31 December 2020 | | 294,388 | 277,490 | 135,973 | 4,309 | 193,438 | 267,981 | 864,848 | (8) | 124,418 | 2,162,837 |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

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

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

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

**CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**
For the year ended 31 December 2020 (Amount in millions of Renminbi, unless otherwise stated)

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

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

## I GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

Bank of China Limited (the "Bank"), formerly known as Bank of China, a State-owned joint stock commercial bank, was founded on 5 February 1912. From its formation until 1949, the Bank performed various functions of a central bank, foreign exchange bank and commercial bank specialising in trade finance. After 1949, the Bank was designated as the state-designated specialised foreign exchange and trade bank. Since 1994, the Bank has evolved into a State-owned commercial bank. In this regard, in accordance with the Master Implementation Plan for the Joint Stock Reform approved by the State Council of the PRC, the Bank was converted into a joint stock commercial bank on 26 August 2004 and its name was changed from Bank of China to Bank of China Limited. In 2006, the Bank listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange.

The Bank is licensed as a financial institution by the China Banking and Insurance Regulatory Commission (the "CBIRC") No. B0003H111000001 and is issued the business license of legal enterprise with unified social credit code No. 911000001000013428 by the State Administration of Industry and Commerce of the PRC. The registered address is No.1, Fuxingmen Nei Dajie, Beijing, China.

The Bank and its subsidiaries (together the "Group") provide a full range of corporate banking, personal banking, treasury operations, investment banking, insurance and other services to its customers in the Chinese mainland, Hong Kong, Macao, Taiwan and other major international financial centres.

The Bank's principal regulator is the CBIRC. The operations in Hong Kong, Macao, Taiwan and other countries and regions of the Group are subject to the supervision of local regulators.

The parent company is Central Huijin Investment Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC").

These consolidated financial statements have been approved by the Board of Directors on 30 March 2021.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

### 1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRSs. In addition, the consolidated financial statements comply with the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and investment properties are measured at their fair values in the consolidated financial statements. Other accounting items are measured at their historical costs. Impairment allowance is recognised and measured as relevant policy.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note III.

### *1.1 Standards, amendments and interpretations effective in 2020*

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

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

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

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 1 Basis of preparation (Continued)

#### *1.1 Standards, amendments and interpretations effective in 2020 (Continued)*

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

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 1 Basis of preparation (Continued)

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

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

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 1 Basis of preparation (Continued)

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

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

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

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

IAS 37 Amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 1 Basis of preparation (Continued)

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

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

The amendments to IAS 1 and IFRS Practice Statement 2 (the PS) provide guidance to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies. The amendments add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

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

IFRS 17 Insurance Contracts and IFRS 17 amendments replaced IFRS 4 Insurance Contracts. The standard provides a general model for insurance contracts and two additional approaches: the variable fee approach and the premium allocation approach. IFRS 17 and amendments cover the recognition, measurement, presentation and disclosure of insurance contracts and apply to all types of insurance contracts.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 1 Basis of preparation (Continued)

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

Annual Improvements to IFRSs 2018–2020 Cycle were issued in May 2020, including an amendment to IFRS 9 Financial Instruments, which clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability by conducting the "10 per cent" test for derecognition of financial liabilities. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The improvements also include an amendment to lease incentives, which removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16 Leases, so as to remove potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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

### 2 Consolidation

#### *2.1 Subsidiaries*

Subsidiaries are all entities (including corporates, divided parts of associates and joint ventures, and structured entities controlled by corporates) over which the Group has control. That is the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. If the changes of the relevant facts and circumstances resulting in the definition of control involved in the changes of relevant elements, the Group will re-evaluate whether subsidiaries are controlled.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2 Consolidation (Continued)

#### *2.1 Subsidiaries (Continued)*

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. Goodwill is tested for impairment annually or whenever there is an indication of possible impairment, and carried at cost less accumulated impairment losses. If there is any indication that goodwill is impaired, recoverable amount is estimated and the difference between carrying amount and recoverable amount is recognised as an impairment charge. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as the current investment income of subsidiaries. The Group assesses at each financial reporting date whether there is objective evidence that an investment in subsidiaries is impaired. An impairment loss is recognised for the amount by which the investment in subsidiaries' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investment in subsidiaries' fair value less costs to sell and value in use.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 2 Consolidation (Continued)

#### *2.2 Associates and joint ventures*

Associates are all entities over which the Group has significant influence but no control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint ventures exist where the Group has a contractual arrangement with one or more parties to undertake economic activities which are subject to joint control.

Investments in associates and joint ventures are initially recognised at cost and are accounted for using the equity method of accounting. The Group's "Investment in associates and joint ventures" includes goodwill.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in the associates and joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assesses at each financial reporting date whether there is objective evidence that investments in associates and joint ventures are impaired. Impairment losses are recognised for the amounts by which the investments in associates and joint ventures' carrying amounts exceed their recoverable amounts. The recoverable amounts are the higher of investments in associates and joint ventures' fair value less costs to sell and value in use.

#### *2.3 Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income are reclassified to the income statement.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 3 Foreign currency translation

#### *3.1 Functional and presentation currency*

The functional currency of the operations in the Chinese mainland is the Renminbi ("RMB"). Items included in the financial statements of each of the Group's operations in Hong Kong, Macao, Taiwan and other countries and regions are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The presentation currency of the Group is RMB.

#### *3.2 Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the exchange rates that approximate the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are translated at the foreign exchange rates ruling at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on all other monetary assets and liabilities are recognised in the income statement.

Non-monetary assets and liabilities that are measured at historical cost in foreign currencies are translated using the foreign exchange rates at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated using the foreign exchange rates at the date the fair value is determined. Translation differences on non-monetary financial assets classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income. Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised as "Net trading gains" in the income statement.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 3 Foreign currency translation (Continued)

#### *3.2 Transactions and balances (Continued)*

The results and financial positions of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each income statement are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction; and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of deposits taken and other currency instruments designated as hedges of such investments are taken to other comprehensive income. When a foreign entity is disposed, these exchange differences are recognised in the income statement. The effect of exchange rate changes on cash and cash equivalents is presented individually in the statement of cash flows.

### 4 Financial instruments

#### *4.1 Initial recognition and measurement*

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

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

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

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.2 Classification and Subsequent measurement*

*4.2.1 Financial assets*

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

*Business model*

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows. For example, financial assets are held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. If above two situations are not applicable, the business model of the financial assets is "other". The Group's assessment of the business model is performed on a financial asset portfolio basis, and determined on the basis of scenarios which are reasonably expected to occur, taking into account: how cash flows were realised in the past, how the performance are evaluated and reported to the entity's key management personnel; the risks that affect the performance and the way in which those risks are assessed and managed; and how managers of the business are compensated, etc.

*The contractual cash flow characteristics*

The assessment of contractual cash flow characteristics is to determine whether the asset's contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, the principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.2 Classification and Subsequent measurement (Continued)*

*4.2.1 Financial assets (Continued)*

*(1) Financial assets at amortised cost*

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

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

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

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

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

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

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

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

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in “Other comprehensive income”, except for interests calculated using effective interest method, impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. The impairment allowances for such financial assets are recognised in other comprehensive income, impairment gains or losses are recognised in profit or loss, and not reduce the carrying amount of such financial assets in the statement of financial position.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.2 Classification and Subsequent measurement (Continued)*

*4.2.1 Financial assets (Continued)*

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

*Investments in equity instruments*

The Group may, at initial recognition, irrevocably designate an investment in equity instrument, which is not held for trading, as at fair value through other comprehensive income when it meets the definition of an equity instrument under IAS 32 *Financial Instruments: Presentation*. When the equity instrument is derecognised, the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from other comprehensive income to undistributed profits under equity. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss. No impairment gains or losses are recognised for such equity instruments.

*(3) Financial assets at fair value through profit or loss*

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, which includes financial assets held for trading, financial assets designated as at fair value through profit or loss and other financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on such financial asset is recognised in profit or loss unless it is part of a hedging relationship. Dividends, which the Group is entitled to collect, on equity investments in such measurement category are recognised in profit or loss.

When, and only when, the Group changes the business model for managing financial assets, the Group shall reclassify all affected financial assets. Reclassification is applied prospectively from the first day of the first reporting period following the change in business model.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

### *4.2 Classification and Subsequent measurement (Continued)*

*4.2.2 Financial liabilities*

The Group classifies all financial liabilities as subsequently measured at amortised cost, except for:

- financial liabilities at fair value through profit or loss. Such liabilities, include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.

- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

- financial guarantee contracts and commitments to provide a loan at a below-market interest rate.

Financial liabilities at fair value through profit or loss held by the Group are subsequently measured at fair value. A gain or loss on a financial liability that is measured at fair value is recognised in profit or loss unless:

- it is part of a hedging relationship; or

- it is a financial liability designated as at fair value through profit or loss and the effects of changes in the Group's credit risk are presented in other comprehensive income. When such financial liability is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to undistributed profits under equity.

The Group does not reclassify any financial liabilities.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

### *4.2 Classification and Subsequent measurement (Continued)*

*4.2.3 Financial assets and financial liabilities held for trading*

A financial asset or financial liability is classified as held for trading if it:

- is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or

- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

- is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

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

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

- a portfolio of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the portfolio is provided internally on that basis to the Group's key management personnel; or

- the financial liability contains one or more embedded derivatives, unless the embedded derivative(s) does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.3 Financial guarantee contracts and loan commitments*

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

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement less amortisation calculated and the impairment allowance determined by the expected credit loss ("ECL") model, and any increase in the liability relating to guarantees is taken to the income statement.

Loan commitments are commitments provided by the Group to the customers to grant loans under the established contract terms during certain period. The impairment allowance for loan commitments is measured using the ECL model.

The impairment allowances for financial guarantees and loan commitments are presented in "Other liabilities — provision".

#### *4.4 Determination of fair value*

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants.

The Group uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Group makes use of all factors that market participants would consider in setting a price, and incorporates these into its chosen valuation techniques and tests for validity using prices from any observable current market transactions in the same instruments.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.5 Derecognition of financial instruments*

Financial assets are derecognised when the rights to receive cash flows from the investments have expired, or when a financial asset is transferred, the Group has transferred substantially all risks and rewards of ownership, or when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

Financial liabilities are derecognised when they are extinguished — that is, when the obligation is discharged, cancelled or expires.

#### *4.6 Impairment measurement for losses on assets*

At the financial reporting date, the Group assesses and recognises the relevant impairment allowances for financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, and loan commitments and financial guarantee contracts on the basis of expected credit losses.

*Measurement of ECL*

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all cash flows expected to be received by the Group discounted at the original effective interest rate, i.e. the present value of all cash shortfalls.

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

- Stage 1: The financial instruments without significant increases in credit risk since initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage 3, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

### *4.6 Impairment measurement for losses on assets (Continued)*

*Measurement of ECL (Continued)*

Where, in the previous accounting period, the impairment allowance of a financial instrument was measured based on the ECL of the instrument over the entire lifetime, and while, at the current financial reporting date, such financial instrument is no longer regarded as experiencing a significant increase in credit risk since its initial recognition, the Group measures the impairment allowance of the financial instrument on the financial reporting date using the ECL of the instrument over the next 12 months.

For purchased or originated credit-impaired financial assets, the Group only recognises the cumulative change in lifetime expected credit losses since initial recognition at the financial reporting date as impairment allowance. At each financial reporting date, the Group recognises in profit or loss the amount of the changes in lifetime expected credit losses as an impairment gain or loss.

The Group measures ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group considers the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.6 Impairment measurement for losses on assets (Continued)*

*Measurement of ECL (Continued)*

The Group conducted an assessment of ECL according to forward-looking information and used a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group uses judgements, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

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

*Criteria for determining significant increases in credit risk*

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each financial reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on an individual financial instrument or a group of financial instruments shared credit risk characteristics, the Group compares the risk of default of financial instruments at the financial reporting date with that at the date of initial recognition in order to figure out the changes of default risk in the expected lifetime of financial instruments.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.6 Impairment measurement for losses on assets (Continued)*

*Criteria for determining significant increases in credit risk (Continued)*

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

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

Qualitative criteria

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

Backstop criteria

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

*Definition of default and credit-impaired financial asset*

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

### *4.6 Impairment measurement for losses on assets (Continued)*

*Definition of default and credit-impaired financial asset (Continued)*

- It becoming probable that the borrower will enter into bankruptcy or other financial re-organisation;

- The disappearance of an active market for that financial asset because of financial difficulties;

- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

- The debtor is more than 90 days overdue for any of the principal, advances, interest or investments in corporate bonds of the Group.

A financial asset becoming credit-impaired may be caused by the combined effect of several events, but not a single discrete event. For credit-impaired financial assets, the Group mainly evaluate the future cash flow (including the recoverable value of the collateral held) in different circumstances on an individual basis. Expected credit losses are measured as the differences between the present value of estimated cash flows discounted at the original effective interest rate and the asset's gross carrying amount. Any adjustment is recognised in profit or loss as an impairment gain or loss.

*Parameters of ECL measurement*

According to whether the credit risk has significantly increased and whether the asset is credit-impaired, the Group measures the impairment allowance for different assets with ECL of 12 months or the entire lifetime respectively. The key parameters in ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the models for estimating PD, LGD and EAD.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.6 Impairment measurement for losses on assets (Continued)*

*Parameters of ECL measurement (Continued)*

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group adjusts PD based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and removing the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies;

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

*Forward-looking information*

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

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

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

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

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.6 Impairment measurement for losses on assets (Continued)*

*Forward-looking information (Continued)*

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

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

*Modification of contractual cash flows*

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

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

*Grouping of financial instruments for losses measured on a collective basis*

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

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.7 Write off*

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the relevant legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

#### *4.8 Derivative financial instruments and hedge accounting*

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but do not qualify for hedge accounting, changes in the fair value of these derivatives are recognised in "Net trading gains" in the income statement.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. When designating a hedging relationship and on an ongoing basis, the Group assesses the hedge effectiveness, that is the extent to which changes in the fair value or cash flows of the hedging instrument offsets changes in fair values or cash flows of the hedged item.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.8 Derivative financial instruments and hedge accounting (Continued)*

The hedging relationship should meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument. That means the hedging instrument and hedged item have values that generally move in the opposite direction because of the same risk, which is the hedged risk;

- The effect of credit risk does not dominate the value changes that result from that economic relationship; and

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

Possible sources of ineffectiveness are as follows:

- Increase or decrease in the amounts of hedged items or hedging instruments;

- Significant changes in counterparties' credit risk.

The Group discontinues hedge accounting prospectively when the hedging instrument expires or is sold, terminated or exercised (the replacement or rollover of a hedging instrument into another hedging instrument does not constitute an expiration or termination), or the hedging relationship ceases to meet the updated risk management objective, or to meet other qualifying criteria for hedging accounting.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.8 Derivative financial instruments and hedge accounting (Continued)*

*(1) Fair value hedge*

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in the income statement, together with the changes in fair value of the hedged item attributable to the hedged risk. The net result is included as ineffectiveness in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity.

*(2) Cash flow hedge*

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in "Other comprehensive income". The ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the same periods when the hedged future cash flows affect profit or loss.

When the Group discontinues hedge accounting for a cash flow hedge, if the hedged future cash flows are still expected to occur, that amount accumulated in the cash flow hedge reserve shall remain in equity. If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.8 Derivative financial instruments and hedge accounting (Continued)*

*(3) Net investment hedge*

Net investment hedge is a hedge of a net investment in a foreign operation.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are reclassified to the income statement when the foreign operation is disposed of as part of the gain or loss on the disposal.

When the Group separates the forward element and the spot element of a forward contract and designates as the hedging instrument only the change in the value of the spot element, the changes in the value of the forward element of the forward contract shall be recognised in other comprehensive income to the extent that it relates to the hedged item. If the hedged items are transaction related, the amount accumulated in other comprehensive income shall be accounted for similarly to cash flow hedges. If the hedged items are time-period related, that amount is amortised on a systematic and rational basis over the period during which the hedged items could affect profit or loss, and the amortisation amount is reclassified from other comprehensive income to profit or loss as a reclassification adjustment.

#### *4.9 Embedded derivatives*

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the hybrid (combined) instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is a financial asset, the Group applies the requirements of classification and measurement to the entire hybrid contract. If a hybrid contract contains a host that is not a financial asset, the Group separates the embedded derivative from the host contract and accounts for it as a derivative, if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 4 Financial instruments (Continued)

#### *4.9 Embedded derivatives (Continued)*

- The hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the income statement.

These embedded derivatives separated from the host contract are measured at fair value with changes in fair value recognised in the income statement.

If it is unable to measure the embedded derivative separately either at acquisition or at the subsequent financial reporting date, the Group will designate the entire hybrid instrument as at fair value through profit or loss.

#### *4.10 Offsetting financial instruments*

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

### 5 Precious metals and precious metals swaps

Precious metals comprise gold, silver and other precious metals. The Group retains all risks and rewards of ownership related to precious metals deposited with the Group as precious metal deposits, including the right to freely pledge or transfer, and it records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. Precious metals that are not related to the Group's precious metal market making and trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's market making and trading activities are initially recognised at fair value and subsequent changes in fair value included in "net trading gains" are recognised in the income statement.

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

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 6 Repurchase agreements, agreements to re-sell and securities lending

Securities and bills sold subject to repurchase agreements ("Repos") continue to be recognised, and are recorded as "Financial investments". The corresponding obligation is included in "Placements from banks and other financial institutions" and "Due to central banks". Securities and bills purchased under agreements to re-sell ("Reverse repos") are not recognised. The receivables are recorded as "Placements with and loans to banks and other financial institutions" or "Balances with central banks", as appropriate.

The difference between purchase and sale price is recognised as "Interest expense" or "Interest income" in the income statement over the life of the agreements using the effective interest method.

Securities lending transactions are generally secured, with collateral taking the form of securities or cash. Securities lent to counterparties by the Group are recorded in the consolidated financial statements. Securities borrowed from counterparties by the Group are not recognised in the consolidated financial statements of the Group. Cash collateral received or advanced is recognised as a liability or an asset in the consolidated financial statements.

### 7 Property and equipment

The Group's property and equipment mainly comprise buildings, equipment and motor vehicles, aircraft and construction in progress. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in "Property and equipment".

The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Such initial cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

(Amount in millions of Renminbi, unless otherwise stated)

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 7 Property and equipment (Continued)

Property and equipment are reviewed for impairment at each financial reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by the difference between proceeds and carrying amount, after deduction of relevant taxes and expenses. These are included in the income statement.

### *7.1 Buildings, equipment and motor vehicles*

Buildings comprise primarily branch and office premises. The estimated useful lives, estimated residual value rate and depreciation rate of buildings, equipment and motor vehicles are as follows:

| Type of assets | Estimated useful lives | Estimated residual value rate | Annual depreciation rate |
|---|---|---|---|
| Buildings | 15–50 years | 3% | 1.9%–6.5% |
| Equipment | 3–15 years | 3% | 6.4%–32.4% |
| Motor vehicles | 4–6 years | 3% | 16.1%–24.3% |

### *7.2 Aircraft*

Aircraft are used in the Group's aircraft operating leasing business.

Aircraft are depreciated using the straight-line method over the expected useful life of 25 years, less the years in service at the time of purchase to an estimated residual value rate varying from 0% to 15%.

### *7.3 Construction in progress*

Construction in progress consists of assets under construction or being installed and is stated at cost. Cost includes equipment cost, cost of construction, installation and other direct costs. Items classified as construction in progress are transferred to property and equipment when such assets are ready for their intended use and the depreciation charge commences after such assets are transferred to property and equipment.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 8 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration.

### *8.1 As Lessee*

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any option to purchase the underlying asset as a short-term lease; and a lease for which the value of the individual underlying asset is relatively low when it is new as a lease of low-value asset. The Group chooses not to recognise the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rental expenses are recognised as "Operating expenses" in the income statement on a straight-line basis over each period of the lease term.

The Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payment. The economic circumstance and the observable interest rate set the foundation for each institution of the Group in determining the incremental borrowing rate. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the institution and the underlying asset, the lease term, the amount of lease liability and other specific conditions of the lease.

*Right-of-use assets*

The right-of-use assets of the Group mainly include buildings, vehicles and other right-of-use assets.

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises:

(1) the amount of the initial measurement of the lease liability;

(2) any lease payments made at or before the commencement date of the lease less any lease incentives received;

(3) any initial direct costs incurred when the Group is a lessee; and

(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 8 Leases (Continued)

#### *8.1 As Lessee (Continued)*

*Right-of-use assets (Continued)*

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the asset from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liabilities at the present value of the changed lease payments and adjusts the carrying amounts of the right-of-use assets accordingly. When the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

*Lease liabilities*

At the commencement date of the lease, the Group measures the lease liabilities at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of lease liabilities in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of lease liabilities are recognised in profit or loss as incurred.

After the commencement date, the Group remeasures lease liabilities by discounting the revised lease payments if any of the following occur: (i) there is a change in the in-substance fixed payments; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iv) there is a change in the assessments of options to purchase the underlying asset, extend or terminate the lease, or the circumstances of the actual exercise of these options.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 8 Leases (Continued)

#### *8.1 As Lessee (Continued)*

*Lease modification*

Lease modification is a change in the scope of a lease, the consideration for a lease or lease term, that was not part of the original terms and conditions of the lease. For example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the Group remeasures the lease term and the lease liability by discounting the revised lease payments using a revised discount rate.

#### *8.2 As Lessor*

At the inception date, a lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease.

When the Group is a lessor under finance leases, the Group recognises the lease payments receivable and derecognises the assets under finance leases at the commencement date. The finance lease receivables are recorded in the consolidated statement of financial position as loans and advances to customers. In the initial measurement of the lease payments receivable, the Group recognises the net investment in the lease as the book value. The net investment in the lease is the present value of the sum of the unguaranteed residual value and the unreceived lease payments receivable at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognises the interest income in each period during the lease term using the constant periodic rate of interest, and recognises such interest income in profit or loss. Variable lease payments that are not measured as part of the net investment in the lease are recognised in profit or loss as incurred.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 8 Leases (Continued)

#### *8.2 As Lessor (Continued)*

When the Group is a lessor under operating leases, the Group still reflects the underlying assets as the Group's assets. The rental income is recognised as "Other operating income" in the income statement on a straight-line basis over each period of the lease term. Variable lease payments that are not measured as part of the receivable in the lease are recognised in profit or loss as incurred.

### 9 Investment properties

Investment properties, principally consisting of office buildings, are held to generate rental income or earn capital gains or both and are not occupied by the Group. Investment properties are carried at fair value and changes in fair value are recorded in the income statement, representing the open market value and other related information determined periodically by independent appraisers.

### 10 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned and controlled by the Group, including computer software and other intangible assets.

Computer software and other intangible assets are stated at acquisition cost less accumulated amortisation and impairment. These costs are amortised on a straight-line basis over their estimated useful lives with the amortisation recognised in the income statement.

The value of intangible assets is reviewed for impairment at each financial reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The recoverable amount of an intangible asset is the higher of the asset's fair value less costs to sell and value in use.

### 11 Repossessed assets

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

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 12 Employee benefits

#### *12.1 Defined contribution plans and Defined benefit plans*

In accordance with the policies of relevant state and local governments, employees in Chinese mainland participate in various defined contribution retirement schemes administered by local Labour and Social Security Bureaus. Operations in Chinese mainland contribute to pension and insurance schemes administered by the local pension and insurance agencies using applicable contribution rates stipulated in the relevant local regulations. Upon retirement, the local Labour and Social Security Bureaus are responsible for the payment of the basic retirement benefits to the retired employees. In addition to these basic staff pension schemes, employees in Chinese mainland who retire after 1 January 2004 can also voluntarily participate in a defined contribution plan established by the Bank ("the Annuity Plan"). The Bank contributes to the Annuity Plan based on certain percentages of the employees' gross salaries.

All eligible employees in operations in Hong Kong, Macao, Taiwan and other countries and regions participate in local defined contribution schemes or defined benefit plans.

Contributions made by the Group to the retirement schemes described above are recognised as "Operating expenses" in the income statement as incurred. Forfeited contributions by those employees who leave the schemes prior to the full vesting of their contributions are used to reduce the existing level of contributions or retained in the retirement schemes in accordance with the requirements of the respective defined contribution plans.

The obligations related to the defined benefit plans are calculated by independent actuaries using the projected unit credit method at each financial reporting date. The actuarial gains or losses are recognised in "Other comprehensive income" immediately when they occur, the gains or losses arising from amendments to pension plans are charged or credited to the income statement immediately as "Operating expenses" when they occur.

#### *12.2 Retirement benefit obligations*

The Group pays supplemental retirement benefits to employees in Chinese mainland who retired prior to 31 December 2003 and early retirement benefits to those employees who accepted an early retirement arrangement.

Supplemental retirement benefits include supplemental pension payments and medical expense coverage.

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 12 Employee benefits (Continued)

#### *12.2 Retirement benefit obligations (Continued)*

The liability related to the above supplemental retirement benefit obligations and early retirement obligations existing at each financial reporting date is calculated by independent actuaries using the projected unit credit method and is recorded as a liability under "Retirement benefit obligations" in the statement of financial position. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of supplemental retirement benefit are recognised in "Other comprehensive income" immediately when they occur. The actuarial gains or losses of early retirement benefit obligations and the gains or losses arising from amendments to retirement benefit obligations are charged or credited to the income statement immediately as "Operating expenses" when they occur.

#### *12.3 Housing funds*

Pursuant to local government regulations, all employees in Chinese mainland participate in various local housing funds administered by local governments. Operations in Chinese mainland contribute on a monthly basis to these funds based on certain percentages of the salaries of the employees. These payments are recognised as "Operating expenses" in the income statement as incurred.

#### *12.4 Share-based compensation*

*(1) Equity-settled share-based compensation schemes*

The fair value of the employee services received in exchange for the grant of the options under these schemes is recognised as an expense over the vesting period, with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. The fair value of the equity instruments is measured at the grant date and is not subsequently re-measured. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each financial reporting date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, as "Operating expenses" in the income statement over the remaining vesting period, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to "Share capital" (nominal value) and "Capital reserve" when the options are exercised.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 12 Employee benefits (Continued)

#### *12.4 Share-based compensation (Continued)*

*(2) Cash-settled share-based compensation schemes*

The related cost of services received from the employees and the liability to pay for such services are measured at fair value and recognised over the vesting period as the employees render services. Fair value is established at the grant date, re-measured at each financial reporting date with any changes in fair value recognised as "Operating expenses" in the income statement for the period and derecognised when the liability is settled.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the rights granted, excluding the impact of any non-market vesting conditions. Non-market conditions are included in the assumptions about the number of rights that are expected to vest. At each financial reporting date, the Group revises its estimates of the number of rights that are expected to vest. It recognises the impact of the revision to original estimates, if any, as "Operating expenses" in the income statement, with a corresponding adjustment to liability.

#### *12.5 Bonus plans*

The Group recognises a liability and an expense for bonuses, taking into consideration its business performance and profit attributable to the Bank's equity holders. The Group recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

### 13 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount initially recognised as a provision should be the best estimate of the expenditure required to settle the present obligation.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 14 Insurance contracts

#### *14.1 Insurance contracts classification*

The Group's insurance subsidiaries issue insurance contracts that transfer significant insurance risk. The Group performs a significant insurance risk test at the contract initial recognition date. Insurance risk is significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. The Group issues non-life insurance contracts, which cover casualty and property insurance risk, and life insurance contracts, which insure events associated with human life (for example death, or survival) over a long duration.

The Group does not separately measure embedded derivatives that itself meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

#### *14.2 Insurance contracts recognition and measurement*

*(1) Non-life insurance contracts*

Premiums on non-life insurance contracts are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the financial reporting date is reported as the unearned premium liability in "Other liabilities". Claims and loss adjustment expenses are charged to the income statement as "Operating expenses" when incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the financial reporting date even if they have not yet been reported to the Group.

*(2) Life insurance contracts*

Premiums on life insurance contracts are recognised as revenue when they become payable by the contract holders. Benefits and claims are recorded as an expense when they are incurred. A liability for contractual benefits that are expected to be incurred in the future is recorded when premiums are recognised. For certain long-term insurance contracts (investment-linked long-term insurance contracts) with embedded derivatives linking payments on the contract to units of an investment fund set up by the Group with the consideration received from the contract holders, the liability is adjusted for all changes in the fair value of the underlying assets, and includes a liability for contractual benefits that are expected to be incurred in the future which is recorded when the premiums are recognised.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 14 Insurance contracts (Continued)

#### *14.3 Liability adequacy test*

At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities (including unearned premium in the case of non-life insurance contracts). In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the income statement and reported as “Operating expenses”, with a provision established for losses arising from the liability adequacy test.

### 15 Treasury shares, preference shares and perpetual bonds

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

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

Perpetual bonds issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group; and perpetual bonds issued includes no terms and arrangements that the bonds must or will alternatively be settled in the Group’s own equity instruments. The Group classifies perpetual bonds issued as an equity instrument. Fees, commissions and other transaction costs of perpetual bonds issuance are deducted from equity. The interest on perpetual bonds is recognised as profit distribution at the time of declaration.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 16 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

### 17 Fiduciary activities

The Group acts as a custodian, trustee or in other fiduciary capacities, that result in its holding or placing of assets on behalf of individuals, securities investment funds, social security funds, insurance companies, qualified foreign institutional investors, annuity schemes and other customers. These assets are not included in the statement of financial position of the Group, as they are not assets of the Group.

The Group also administers entrusted loans on behalf of third-party lenders. In this regard, the Group grants loans to borrowers, as an intermediary, at the direction of third-party lenders, who fund these loans. The Group has been contracted by these third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and all terms of the entrusted loans, including their purposes, amounts, interest rates, and repayment schedule. The Group charges a commission related to its activities in connection with the entrusted loans, but the risk of loss is borne by the third-party lenders. Entrusted loans are not recognised in the statement of financial position of the Group.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 18 Interest income and expense

The "Interest income" and "Interest expense" in the Group's income statement are the interest income and expense calculated by using the effective interest method on financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial liabilities at amortised cost, etc.

The effective interest method is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is that exactly discounts estimated future cash flows through the expected life of a financial asset or financial liability to the gross carrying amount of a financial asset or the amortised cost of a financial liability. When calculating the effective interest rate, the Group estimates the expected cash flows by considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

For those purchased or originated credit-impaired financial assets, the Group calculates the interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The credit-adjusted effective interest rate is that exactly discounts the estimated future cash flows through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

For those financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets, the Group calculates the interest income by applying the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 19 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

### 20 Income taxes

Income taxes comprise current income tax and deferred income tax. Tax is recognised in the income statement except to the extent that it relates to items directly recognised in Equity, in which cases, tax is also directly recognised in Equity.

#### *20.1 Current income tax*

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the financial reporting date, and any adjustment to tax payable in respect of previous years.

#### *20.2 Deferred income tax*

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related asset is realised, or the liability is settled.

The principal temporary differences arise from asset impairment allowances, revaluation of certain financial assets and financial liabilities including derivative contracts, revaluation of investment properties, depreciation and amortisation, provisions for pension, retirement benefits and salary payables.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised except the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

## II SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

### 20 Income taxes (Continued)

#### *20.2 Deferred income tax (Continued)*

For deductible temporary differences associated with investment in subsidiaries, associates and joint ventures, a deferred tax asset is recognised to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

Deferred income tax liabilities on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures are recognised, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

### 21 Segment reporting

The Group reviews the internal reporting in order to assess performance and allocate resources. Segment information is presented on the same basis as the Group's management and internal reporting.

### 22 Comparative figures

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

## III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and judgements that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group has taken into consideration the impact of the economic environment on the industries and territories in which the Group operates when determining critical accounting estimates and judgements in applying accounting policies.

Areas susceptible to changes in critical estimates and judgements, which affect the carrying value of assets and liabilities, are set out below. It is possible that actual results may be materially different from the estimates and judgements referred below.

### 1 Impairment losses on loans and advances to customers

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

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

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

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

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

### 1 Impairment losses on loans and advances to customers (Continued)

The estimation of future cash flows is critical for a credit-impaired loan for which expected credit losses are measured on an individual basis. Factors affecting this estimate include, among other things, the granularity of financial information related to specific borrowers, the availability of meaningful information related to industry competitors and the relevance of sector trends to the future performance of individual borrowers and cash flows from the sale of collateral.

### 2 Fair value of derivatives and other financial instruments

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

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

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

### 3 Provisions

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

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

### 4 Employee retirement benefit obligations

As described in Note II.12.2 and Note V.33, the Bank has established liabilities in connection with benefits payable to certain retired and early retired employees. These liabilities are calculated using actuarial assumptions such as discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect other comprehensive income, expenses and employee retirement benefit obligations.

### 5 Taxes

The Group is subject to income, value-added and other taxes in numerous jurisdictions, principally in Chinese mainland and Hong Kong. There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. The Group has made estimates for application of new tax legislation and items of uncertainty taking into account existing tax legislation and past practice, in particular, the treatment of supplementary PRC tax applied to results of overseas operations.

Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax, deferred income tax, and value-added tax in the period during which such a determination is made.

### 6 Impairment of non-financial assets

Non-financial assets are periodically reviewed for impairment and where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

When estimating the value in use of aircraft held by the subsidiary, the Group estimates expected future cash flows from the aircraft and uses a suitable discount rate to calculate present value. The Group obtains valuations of aircraft from independent appraisers for which the principal assumptions underlying aircraft value are based on current market transactions for similar aircraft in the same location and condition. The Group also uses the fair value of aircraft obtained from independent appraisers in its assessment of the recoverable amount of intangible assets and the goodwill arising from the purchase of the Group's aircraft leasing subsidiary.

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

### 7 Judgement in assessing control over structured entities

The Group is involved with structured entities in its normal business course, and the Group determines whether or not to consolidate those structured entities depending on whether the Group has control over them. When assessing control over structured entities, the Group takes consideration of power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and the link between power and returns.

The variable returns the Group is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as investment income, remuneration and exposure to loss from providing credit or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Group not only considers applicable legal or regulatory requirements, and contractual agreements, but also other circumstances where the Group may have obligation to absorb any loss of the structured entity.

The Group reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

## IV TAXATION

The principal income and other taxes to which the Group is subject are listed below:

| Taxes | Tax basis | Statutory rates |
|---|---|---|
| **Chinese mainland** | | |
| Corporate income tax | Taxable income | 25% |
| Value-added tax | Taxable added value | 6% |
| City construction and maintenance tax | Turnover tax paid | 1%–7% |
| Education surcharges | Turnover tax paid | 3% |
| Local education surcharges | Turnover tax paid | 2% |
| **Hong Kong** | | |
| Hong Kong profits tax | Assessable profits | 16.5% |

(Amount in millions of Renminbi, unless otherwise stated)

# V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 Net interest income

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

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 2 Net fee and commission income

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

### 3 Net trading gains

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

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 4 Net gains on transfers of financial asset

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

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

### 5 Other operating income

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 5 Other operating income (Continued)

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

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

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

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

### 6 Operating expenses

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

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

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

(3) Included in the "Operating expenses" are premises and equipment-related expenses (mainly comprised of property management and building maintenance expenses and taxes) of RMB12,810 million (2019: RMB13,644 million).

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 7 Staff costs

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 8 Directors', supervisors' and senior management's emoluments

Details of the directors' and supervisors' emoluments are as follows:

**For the year ended 31 December 2020**

| | Fees | Remuneration paid | Contributions to pension schemes | Benefits in kind | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| ***Executive directors*** | | | | | |
| LIU Liange [4] | –[2] | 619 | 79 | 79 | 777 |
| WANG Wei [4][5] | –[2] | 557 | 75 | 79 | 711 |
| LIN Jingzhen [4] | –[2] | 557 | 75 | 79 | 711 |
| WANG Jiang [4][5][6] | –[2] | 619 | 79 | 79 | 777 |
| WU Fulin [4][6] | –[2] | 47 | 5 | 7 | 59 |
| ***Non-executive directors*** | | | | | |
| ZHAO Jie [1] | – | – | – | – | – |
| XIAO Lihong [1] | – | – | – | – | – |
| WANG Xiaoya [1] | – | – | – | – | – |
| ZHANG Jiangang [1] | – | – | – | – | – |
| CHEN Jianbo [1][5] | – | – | – | – | – |
| LIAO Qiang [1][6] | – | – | – | – | – |
| ***Independent directors*** | | | | | |
| WANG Changyun | 635 | – | – | – | 635 |
| Angela CHAO | 450 | – | – | – | 450 |
| JIANG Guohua | 609 | – | – | – | 609 |
| Martin Cheung Kong LIAO | 450 | – | – | – | 450 |
| CHEN Chunhua [5] | 225 | – | – | – | 225 |
| CHUI Sai Peng Jose [5] | 138 | – | – | – | 138 |
| ***Supervisors*** | | | | | |
| WANG Zhiheng | 50[3] | – | – | – | 50 |
| LI Changlin | 50[3] | – | – | – | 50 |
| LENG Jie | 50[3] | – | – | – | 50 |
| JIA Xiangsen | 260 | – | – | – | 260 |
| ZHENG Zhiguang | 260 | – | – | – | 260 |
| WANG Xiquan [4][6] | – | 619 | 79 | 79 | 777 |
| | 3,177 | 3,018 | 392 | 402 | 6,989 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

**For the year ended 31 December 2019**

| | Fees | Remuneration paid | Contributions to pension schemes | Benefits in kind | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| ***Executive directors*** | | | | | |
| LIU Liange [(4)] | –[(2)] | 807 | 87 | 82 | 976 |
| WANG Wei [(4)(5)] | –[(2)] | 61 | 6 | 7 | 74 |
| LIN Jingzhen [(4)] | –[(2)] | 725 | 83 | 82 | 890 |
| WANG Jiang [(4)(5)(6)] | –[(2)] | – | – | – | – |
| CHEN Siqing [(4)] | –[(2)] | 269 | 31 | 26 | 326 |
| WU Fulin [(4)(6)] | –[(2)] | 726 | 83 | 82 | 891 |
| ***Non-executive directors*** | | | | | |
| ZHAO Jie [(1)] | – | – | – | – | – |
| XIAO Lihong [(1)] | – | – | – | – | – |
| WANG Xiaoya [(1)] | – | – | – | – | – |
| ZHANG Jiangang [(1)] | – | – | – | – | – |
| CHEN Jianbo [(1)(5)] | – | – | – | – | – |
| LI Jucai [(1)] | – | – | – | – | – |
| LIAO Qiang [(1)(6)] | – | – | – | – | – |
| ***Independent directors*** | | | | | |
| WANG Changyun | 621 | – | – | – | 621 |
| Angela CHAO | 450 | – | – | – | 450 |
| JIANG Guohua | 455 | – | – | – | 455 |
| Martin Cheung Kong LIAO | 146 | – | – | – | 146 |
| CHEN Chunhua [(5)] | – | – | – | – | – |
| CHUI Sai Peng Jose [(5)] | – | – | – | – | – |
| LU Zhengfei | 321 | – | – | – | 321 |
| LEUNG Cheuk Yan | 270 | – | – | – | 270 |
| ***Supervisors*** | | | | | |
| WANG Xiquan [(4)(6)] | – | 807 | 87 | 82 | 976 |
| WANG Zhiheng | 50[(3)] | – | – | – | 50 |
| LI Changlin | 50[(3)] | – | – | – | 50 |
| LENG Jie | 50[(3)] | – | – | – | 50 |
| JIA Xiangsen | 145 | – | – | – | 145 |
| ZHENG Zhiguang | 145 | – | – | – | 145 |
| LIU Wanming [(4)] | – | 859 | 35 | 46 | 940 |
| CHEN Yuhua | 98 | – | – | – | 98 |
| | 2,801 | 4,254 | 412 | 407 | 7,874 |

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(1) For the years ended 31 December 2020 and 2019, these non-executive directors of the Bank were not remunerated by the Bank.

(2) For the years ended 31 December 2020 and 2019, these executive directors of the Bank did not receive any fees.

(3) Employee supervisors' above compensation is paid for serving as the supervisors of the Bank.

(4) The total compensation packages for executive directors and supervisors for the year ended 31 December 2020 including discretionary bonus have not yet been finalised in accordance with the relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Group's 2020 financial statements. The final compensation for the year ended 31 December 2020 will be disclosed in a separate announcement when determined.

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

A portion of the discretionary bonus payments for executive directors and the chairman of the board of supervisors are deferred for a minimum of 3 years, which is contingent upon the future performance in accordance with relevant regulations of the PRC authorities.

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

(6) WANG Jiang ceased to serve as Vice-Chairman of the Board of Directors and Executive Director of the Bank as of 5 February 2021. WU Fulin ceased to serve as Executive Director of the Bank as of 27 January 2020. LIAO Qiang ceased to serve as Non-executive Director of the Bank as of 5 March 2020. WANG Xiquan ceased to serve as Chief Supervisor and Shareholder Supervisor of the Bank as of 18 January 2021.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

***Five highest paid individuals***

Of the five individuals with the highest emoluments, none of them are directors or supervisors whose emoluments are disclosed above.

The emoluments payable to the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2020 and 2019 respectively are as follows:

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

Emoluments of the individuals were within the following bands:

| | **Year ended 31 December** | |
|---|---|---|
| Amounts in RMB | **2020** | **2019** |
| 16,000,001–20,000,000 | 4 | – |
| 20,000,001–50,000,000 | 1 | 4 |
| 50,000,001–70,000,000 | – | 1 |

The above five highest paid individuals' emoluments are based on best estimates of discretionary bonuses. Discretionary bonuses include portions of payments that are deferred to future periods.

During the years ended 31 December 2020 and 2019, the Group has not paid any emoluments to the directors, supervisors, or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 9 Impairment losses on assets

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10 Income tax expense

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

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10 Income tax expense (Continued)

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

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

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

(2) Non-deductible items primarily include non-deductible losses resulting from the write-off of certain non-performing loans, and marketing and entertainment expenses in excess of the relevant deductible threshold under the relevant PRC tax regulations.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 11 Earnings per share (basic and diluted)

Basic earnings per share was computed by dividing the profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the reporting period.

Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming the conversion of all potentially dilutive shares for the reporting period by the adjusted weighted average number of ordinary shares in issue. There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the years ended 31 December 2020 and 2019.

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12 Other comprehensive income

Accrual amount of other comprehensive income:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| **Items that will not be reclassified to profit or loss** | | |
| Actuarial gains on defined benefit plans | 101 | 13 |
| Changes in fair value on investments in equity instruments designated at fair value through other comprehensive income | (622) | 2,790 |
| Less: related income tax impact | (29) | (644) |
| Other | 10 | (69) |
| Subtotal | (540) | 2,090 |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Changes in fair value on investments in debt instruments measured at fair value through other comprehensive income | 3,950 | 17,694 |
| Less: related income tax impact | (742) | (3,795) |
| Amount transferred to the income statement | (7,711) | (2,535) |
| Less: related income tax impact | 1,527 | 555 |
| | (2,976) | 11,919 |
| Allowance for credit losses on investments in debt instruments measured at fair value through other comprehensive income | 4,108 | 682 |
| Less: related income tax impact | (1,024) | (167) |
| | 3,084 | 515 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12 Other comprehensive income (Continued)

Accrual amount of other comprehensive income (Continued):

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Share of other comprehensive income of associates and joint ventures accounted for using the equity method | (174) | (587) |
| Less: related income tax impact | 44 | 147 |
| | (130) | (440) |
| Exchange differences from the translation of foreign operations | (21,021) | 7,764 |
| Less: net amount transferred to the income statement from other comprehensive income | (528) | (675) |
| | (21,549) | 7,089 |
| Other | (751) | 602 |
| Subtotal | (22,322) | 19,685 |
| Total | (22,862) | 21,775 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 12 Other comprehensive income (Continued)

Other comprehensive income attributable to equity holders of the Bank in the consolidated statement of financial position:

| | Gains/(losses) on financial assets at fair value through other comprehensive income | Exchange differences from the translation of foreign operations | Other | Total |
|---|---|---|---|---|
| As at 1 January 2019 | 9,395 | (10,959) | 2,981 | 1,417 |
| Changes in amount for the previous year | 13,139 | 4,787 | 270 | 18,196 |
| As at 1 January 2020 | 22,534 | (6,172) | 3,251 | 19,613 |
| Changes in amount for the year | (344) | (14,285) | (675) | (15,304) |
| As at 31 December 2020 | 22,190 | (20,457) | 2,576 | 4,309 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 13 Cash and due from banks and other financial institutions

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

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 14 Balances with central banks

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Mandatory reserves (1) | 1,442,384 | 1,498,666 |
| Surplus reserves (2) | 105,270 | 132,247 |
| Other (3) | 528,491 | 447,048 |
| Subtotal | 2,076,145 | 2,077,961 |
| Accrued interest | 695 | 848 |
| Total | 2,076,840 | 2,078,809 |

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

(2) This primarily represented the funds for clearing purpose.

(3) This primarily represented balances other than mandatory reserves and surplus reserves placed with the central banks in Hong Kong, Macao, Taiwan and other countries and regions.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 15 Placements with and loans to banks and other financial institutions

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

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16 Derivative financial instruments and hedge accounting

The Group enters into foreign currency exchange rate, interest rate, equity, credit or precious metals and other commodity-related derivative financial instruments for trading, hedging, asset and liability management and on behalf of customers.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with the fair values of instruments recognised in the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign currency exchange rates, credit spreads, or equity/commodity prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

### *16.1 Derivative financial instruments*

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16 Derivative financial instruments and hedge accounting (Continued)

### *16.2 Hedge accounting*

*(1) Fair value hedges*

The Group uses cross-currency interest rate swaps and interest rate swaps to hedge against changes in fair value of "Financial investments", "Due to central banks" and "Bonds issued" arising from changes in foreign currency exchange rates and interest rates. Foreign currency exchange rate risk and interest rate risk are usually the primary risks which affect the change in fair value.

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

| | Derivatives designated as hedging instruments in fair value hedges | | | |
|---|---|---|---|---|
| | Contractual/ Notional amount | Fair value Assets | Fair value Liabilities | Line item in the statement of financial position |
| **As at 31 December 2020** | | | | |
| **Interest rate risk** | | | | |
| Interest rate swaps | 100,936 | 240 | (5,216) | Derivative financial assets/liabilities |
| **Foreign exchange and interest rate risk** | | | | |
| Cross-currency interest rate swaps | 1,852 | – | (206) | Derivative liabilities |
| Total | 102,788 | 240 | (5,422) | |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16 Derivative financial instruments and hedge accounting (Continued)

#### *16.2 Hedge accounting (Continued)*

*(1) Fair value hedges (Continued)*

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

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16 Derivative financial instruments and hedge accounting (Continued)

#### *16.2 Hedge accounting (Continued)*

*(1) Fair value hedges (Continued)*

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

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

| | Fair value hedges | | | | | |
|---|---|---|---|---|---|---|
| | **Less than 1 month** | **Between 1 and 3 months** | **Between 3 and 12 months** | **Between 1 and 5 years** | **Over 5 years** | **Total** |
| **As at 31 December 2020** | | | | | | |
| **Interest rate risk** | | | | | | |
| Interest rate swaps | | | | | | |
| Notional amount | 1,578 | 1,693 | 7,054 | 59,013 | 31,598 | 100,936 |
| Average fixed interest rate | 2.87% | 2.12% | 2.37% | 2.90% | 2.99% | N/A |
| **Foreign exchange and interest rate risk** | | | | | | |
| Cross-currency interest rate swaps | | | | | | |
| Notional amount | – | 1,212 | – | 640 | – | 1,852 |
| Average fixed interest rate | – | 5.38% | – | 5.11% | – | N/A |
| Average exchange rate of USD/CNY | – | – | – | 6.1217 | – | N/A |
| Average exchange rate of AUD/USD | – | 0.9294 | – | – | – | N/A |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16 Derivative financial instruments and hedge accounting (Continued)

#### *16.2 Hedge accounting (Continued)*

*(1) Fair value hedges (Continued)*

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

| | Fair value hedges | | | | | |
|---|---|---|---|---|---|---|
| | Less than 1 month | Between 1 and 3 months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | Total |
| **As at 31 December 2019** | | | | | | |
| **Interest rate risk** | | | | | | |
| Interest rate swaps | | | | | | |
| Notional amount | 760 | 2,806 | 11,014 | 63,807 | 35,496 | 113,883 |
| Average fixed interest rate | 2.89% | 3.12% | 2.29% | 3.05% | 3.17% | N/A |
| **Foreign exchange and interest rate risk** | | | | | | |
| Cross-currency interest rate swaps | | | | | | |
| Notional amount | 1,309 | – | 1,062 | 1,980 | – | 4,351 |
| Average fixed interest rate | 5.38% | – | 4.50% | 5.28% | – | N/A |
| Average exchange rate of USD/CNY | – | – | 6.5717 | 6.1217 | – | N/A |
| Average exchange rate of AUD/USD | 0.9381 | – | – | 0.9294 | – | N/A |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16 Derivative financial instruments and hedge accounting (Continued)

#### *16.2 Hedge accounting (Continued)*

*(1) Fair value hedges (Continued)*

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

| | Fair value hedges | | | | |
|---|---|---|---|---|---|
| | Carrying amount of hedged items | | Accumulated amount of fair value adjustments on the hedged items | | Line item in the statement of financial position |
| | Assets | Liabilities | Assets | Liabilities | |
| **As at 31 December 2020** | | | | | |
| **Interest rate risk** | | | | | |
| Financial investments | 100,228 | – | 5,503 | – | Financial investments |
| Due to central banks | – | (2,735) | – | 3 | Due to central banks |
| Bonds issued | – | (4,711) | – | (113) | Bonds issued |
| **Foreign exchange and interest rate risk** | | | | | |
| Bonds issued | – | (1,647) | – | 206 | Bonds issued |
| Total | 100,228 | (9,093) | 5,503 | 96 | |
| **As at 31 December 2019** | | | | | |
| **Interest rate risk** | | | | | |
| Financial investments | 105,905 | – | 2,520 | – | Financial investments |
| Bonds issued | – | (11,962) | – | (75) | Bonds issued |
| **Foreign exchange and interest rate risk** | | | | | |
| Bonds issued | – | (3,640) | – | 711 | Bonds issued |
| Total | 105,905 | (15,602) | 2,520 | 636 | |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16 Derivative financial instruments and hedge accounting (Continued)

#### *16.2 Hedge accounting (Continued)*

*(1) Fair value hedges (Continued)*

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

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

*(2) Net investment hedges*

The Group's consolidated statement of financial position is affected by exchange differences between the functional currencies of the Group and functional currencies of its branches and subsidiaries. The Group hedges such exchange exposures only in limited circumstances. Hedging is undertaken using due to customers, due to central banks and foreign exchange forward and swap contracts in the same or exchange-rate pegged currencies as the functional currencies of the related branches and subsidiaries which are accounted for as hedges of certain net investments in foreign operations. Under the hedging relationships of designating due to customers, due to central banks and foreign exchange forward and swap contracts as hedging instruments, the Group separates the forward element and the spot element of a forward contract and designates as the hedging instrument only the change in the value of the spot element of the forward contract. There was no ineffectiveness in the year ended 31 December 2020 (2019: Nil).

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16 Derivative financial instruments and hedge accounting (Continued)

#### *16.2 Hedge accounting (Continued)*

*(2) Net investment hedges (Continued)*

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

As at 31 December 2020, the carrying value of such due to customers amounted to RMB53,087 million (31 December 2019: RMB104,419 million) and due to central banks amounted to RMB1,060 million (31 December 2019: RMB1,407 million).

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

| | Derivatives designated as net investment hedging instruments | | | |
|---|---|---|---|---|
| | Contractual/ Notional amount | Fair value Assets | Fair value Liabilities | Line item in the statement of financial position |
| **As at 31 December 2020** | | | | |
| Foreign exchange forward and swap contracts | 3,966 | 12 | (360) | Derivative financial assets/liabilities |
| Total | 3,966 | 12 | (360) | |
| **As at 31 December 2019** | | | | |
| Foreign exchange forward and swap contracts | 41,128 | 29 | (308) | Derivative financial assets/liabilities |
| Total | 41,128 | 29 | (308) | |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16 Derivative financial instruments and hedge accounting (Continued)

#### *16.2 Hedge accounting (Continued)*

*(2) Net investment hedges (Continued)*

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

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

| | Net investment hedges | | | | | |
|---|---|---|---|---|---|---|
| | Less than 1 month | Between 1 and 3 months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | Total |
| **As at 31 December 2020** | | | | | | |
| **Foreign exchange risk** | | | | | | |
| Foreign exchange forward and swap contracts | | | | | | |
| Notional amount | – | 1,956 | 2,010 | – | – | 3,966 |
| Average exchange rate of USD/BRL | – | 5.2086 | – | – | – | N/A |
| Average exchange rate of USD/ZAR | – | 17.5600 | 16.9743 | – | – | N/A |
| Average exchange rate of USD/INR | – | – | 79.2094 | – | – | N/A |
| Average exchange rate of USD/MXN | – | – | 21.9108 | – | – | N/A |
| Average exchange rate of NZD/USD | – | 0.5928 | – | – | – | N/A |
| Average exchange rate of USD/CLP | – | – | 778.3973 | – | – | N/A |
| Average exchange rate of USD/PEN | – | 3.5505 | 3.5110 | – | – | N/A |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16 Derivative financial instruments and hedge accounting (Continued)

#### *16.2 Hedge accounting (Continued)*

*(2) Net investment hedges (Continued)*

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

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16 Derivative financial instruments and hedge accounting (Continued)

#### *16.2 Hedge accounting (Continued)*

*(2) Net investment hedges (Continued)*

(iii) The Group's gains or losses from the hedging instruments recognised in "Other comprehensive income" on net investment hedges are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Amounts of fair value changes on hedging instruments recognised in "Other comprehensive income" | 3,841 | (849) |
| Amounts of forward element reclassified from "Other comprehensive income" to profit or loss | 154 | 172 |
| Net amounts of fair value changes on hedging instruments recognised in "Other comprehensive income" | 3,995 | (677) |

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 16 Derivative financial instruments and hedge accounting (Continued)

#### *16.3 IBOR Reform*

The Group has hedge accounting relationships that are exposed to different interbank offered rates ("IBORs"), predominantly US dollar Libor, etc. External progress on the transition to RFRs is being monitored, with the objective of ensuring a smooth transition for the Group's hedge accounting relationships. The specific issues arising will vary with the details of each hedging relationship, but may arise due to the transition of existing products included in the designation, a change in expected volumes of products to be issued, a change in contractual terms of new products issued, or a combination of these factors. Some hedges may need to be de-designated and new relationships entered into, while others may survive IBOR reform.

The hedge items that are affected by the adoption of applicable temporary reliefs in hedge accounting relationships are presented in the statement of financial position as "Financial investments", "Due to central banks" and "Bonds issued", etc.

As at 31 December 2020, the notional amount of interest rate derivatives designated in fair value hedged accounting relationships was RMB93,964 million, which represented the extent of the risk exposure around fair value hedging relationships managed by the Group that was directly affected by IBOR reform and impacted by applicable temporary reliefs.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17 Loans and advances to customers

#### *17.1 Analysis of loans and advances to customers by general condition*

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

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

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17 Loans and advances to customers (Continued)

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

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

*(1) Allowance for loans at amortised cost*

| | Year ended 31 December 2020 | | | |
|---|---|---|---|---|
| | 12-month ECLs | Lifetime ECLs | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| As at 1 January | 109,765 | 79,051 | 136,544 | 325,360 |
| Transfers to Stage 1 | 3,769 | (3,232) | (537) | – |
| Transfers to Stage 2 | (1,274) | 13,913 | (12,639) | – |
| Transfers to Stage 3 | (407) | (30,546) | 30,953 | – |
| Charge for the year [(i)] | 70,933 | 24,190 | 42,114 | 137,237 |
| Reversal | (43,164) | (21,257) | (10,126) | (74,547) |
| Impairment (reversal)/losses due to stage transformation | (3,507) | 9,357 | 35,203 | 41,053 |
| Write-off and transfer out | (66) | – | (64,255) | (64,321) |
| Recovery of loans and advances written off | – | – | 8,405 | 8,405 |
| Unwinding of discount on allowance | – | – | (1,236) | (1,236) |
| Exchange differences and other | (1,483) | (764) | (1,531) | (3,778) |
| As at 31 December | 134,566 | 70,712 | 162,895 | 368,173 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17 Loans and advances to customers (Continued)

*17.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)*

*(1) Allowance for loans at amortised cost (Continued)*

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

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17 Loans and advances to customers (Continued)

*17.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)*

*(2) Allowance for loans at fair value through other comprehensive income*

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

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

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17 Loans and advances to customers (Continued)

#### *17.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)*

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

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

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 17 Loans and advances to customers (Continued)

#### *17.3 Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)*

In 2020, the changes in gross carrying amounts of loans and advances to customers that have a significant impact on the Group's impairment allowance mainly derived from the credit business in the Chinese mainland, including:

- The domestic branches performed regular reviews of the five-category loan classification grading and internal credit ratings on their loans and advances to customers. Loans with a gross carrying amount of RMB69,946 million (2019: RMB69,820 million) were transferred from Stage 1 to Stage 2 and Stage 3, and the impairment allowance increased correspondingly by RMB22,008 million (2019: RMB21,963 million). The gross carrying amount of loans transferred from Stage 2 to Stage 3 was RMB67,364 million (2019: RMB59,760 million), with a corresponding increase in impairment allowance of RMB20,900 million (2019: RMB22,340 million). The gross carrying amount of the loans transferred from Stage 2 to Stage 1 was RMB16,132 million (2019: RMB45,059 million), and the impairment allowance decreased correspondingly by RMB2,677 million (2019: RMB3,273 million). The gross carrying amount of loans transferred from Stage 3 to Stage 2 and Stage 1 was RMB16,720 million (2019: RMB5,857 million), and the impairment allowance decreased correspondingly by RMB6,656 million (2019: RMB1,677 million).

- The write-off and disposal of the non-performing loans by the domestic branches amounted to RMB60,630 million (2019: RMB78,404 million), resulting in a corresponding reduction of RMB56,567 million (2019: RMB69,468 million) in impairment allowance for Stage 3 loans.

- The domestic branches converted loans of RMB3,659 million (2019: RMB12,813 million) into equity through debt-to-equity swaps and other instruments, resulting in a decrease of RMB1,605 million in impairment allowance for Stage 3 loans (2019: RMB10,193 million).

- Through personal loan securitisation, the domestic branches transferred out loans of RMB18,323 million (2019: RMB50,871 million), resulting in a decrease of RMB66 million (2019: RMB269 million) and RMB1,702 million (2019: RMB354 million) in the impairment allowance for Stage 1 and Stage 3 loans respectively.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18 Financial investments

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| **Financial assets at fair value through profit or loss** | | |
| **Financial assets held for trading and other financial assets at fair value through profit or loss** | | |
| Debt securities | | |
| Issuers in Chinese mainland | | |
| — Government | 20,176 | 16,807 |
| — Public sectors and quasi-governments | 302 | 595 |
| — Policy banks | 31,755 | 40,005 |
| — Financial institutions | 188,092 | 169,477 |
| — Corporate | 42,122 | 44,629 |
| Issuers in Hong Kong, Macao, Taiwan and other countries and regions | | |
| — Governments | 18,919 | 23,416 |
| — Public sectors and quasi-governments | 45 | 177 |
| — Financial institutions | 10,106 | 16,617 |
| — Corporate | 9,603 | 10,721 |
| | 321,120 | 322,444 |
| Equity instruments | 88,025 | 79,456 |
| Fund investments and other | 69,183 | 67,562 |
| Total financial assets held for trading and other financial assets at fair value through profit or loss | 478,328 | 469,462 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18 Financial investments (Continued)

| | As at 31 December | |
|---|---|---|
| | 2020 | 2019 |
| **Financial assets at fair value through profit or loss (continued)** | | |
| **Financial assets at fair value through profit or loss (designated)** | | |
| Debt securities [(1)] | | |
| Issuers in Chinese mainland | | |
| — Government | 3,073 | 8,797 |
| — Policy banks | 509 | 2,418 |
| — Financial institutions | 6,640 | 9,592 |
| — Corporate | 1,846 | 1,329 |
| Issuers in Hong Kong, Macao, Taiwan and other countries and regions | | |
| — Governments | 1,295 | 9,712 |
| — Public sectors and quasi-governments | 721 | 1,603 |
| — Financial institutions | 5,525 | 7,159 |
| — Corporate | 6,514 | 8,178 |
| | 26,123 | 48,788 |
| Other | 98 | – |
| Total financial assets at fair value through profit or loss (designated) | 26,221 | 48,788 |
| Total financial assets at fair value through profit or loss | 504,549 | 518,250 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18 Financial investments (Continued)

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18 Financial investments (Continued)

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

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18 Financial investments (Continued)

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Carrying value | Market value | Carrying value | Market value |
| Debt securities at amortised cost | | | | |
| — Listed in Hong Kong | 34,217 | 35,960 | 31,896 | 32,847 |
| — Listed outside Hong Kong [(10)] | 2,618,215 | 2,637,926 | 2,308,222 | 2,670,795 |

(1) In order to eliminate or significantly reduce accounting mismatches, certain debt securities are designated as financial assets at fair value through profit or loss.

(2) The Group exercised its option irrevocably on certain unlisted equity investments, which were classified as financial assets at fair value through other comprehensive income.

The Group's accumulated impairment allowance for the debt securities at fair value through other comprehensive income as at 31 December 2020 amounted to RMB5,479 million (31 December 2019: RMB1,254 million).

(3) On 18 August 1998, a Special Purpose Treasury Bond was issued by the Ministry of Finance ("MOF") with a par value of RMB42,500 million maturing on 18 August 2028. This bond was originally issued with an annual coupon rate of 7.20% and its coupon rate was restructured to 2.25% per annum from 1 December 2004.

(4) The Bank underwrites certain Treasury bonds issued by the MOF and undertakes the role of a distributor of these Treasury bonds through its branch network earning commission income on bonds sold. The investors of these bonds have a right to redeem the bonds at any time prior to maturity and the Bank is committed to redeem these Treasury bonds. The balance of these bonds held by the Bank as at 31 December 2020 amounted to RMB2,337 million (31 December 2019: RMB2,477 million).

(5) The Bank transferred certain non-performing assets to China Orient Asset Management Corporation ("China Orient") in 1999 and 2000. On 1 July 2000, China Orient issued a ten-year bond ("Orient Bond") with a par value of RMB160,000 million and interest rate of 2.25% to the Bank as consideration. During the year ended 31 December 2010, the maturity of this bond was extended to 30 June 2020. In 2020, the Bank reached an agreement with China Orient Asset Management Co., Ltd., on extending the Orient Bond maturity for five years with the maturity date adjusted from 30 June 2020 to 30 June 2025. Pursuant to the requirements of the MOF, as of 1 January 2020, the annual yield of this bond will be determined based on the average yield of the five-year Government Bond calculated for the previous year and the MOF shall continue to provide funding support for the principal and interest of the Orient Bond held by the Bank after the extension of the maturity date. As at 31 December 2020, the Bank had received early repayments amounting to RMB7,567 million cumulatively.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18 Financial investments (Continued)

(6) In 2020 and 2019, the Group did not reclassify any of its debt securities subsequent to their initial recognition.

(7) As at 31 December 2020, the Group held bonds issued by the MOF and bills issued by the PBOC included in financial investments. The carrying value (accrued interest excluded) and the related coupon rate range on such bonds and bills are as follows:

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Carrying value (accrued interest excluded) | 979,089 | 981,662 |
| Coupon rate range | 0.00%–5.31% | 0.00%–5.31% |

(8) Included in the Group's financial investments were certificates of deposit held amounting to RMB130,698 million as at 31 December 2020 (31 December 2019: RMB243,816 million).

(9) As at 31 December 2020, RMB1,467 million of debt securities of the Group was determined to be impaired and was included in Stage 3 (31 December 2019: RMB1,140 million), with the impairment allowance fully accrued (31 December 2019: RMB1,140 million); RMB404 million of debt securities was included in Stage 2 (31 December 2019: RMB479 million), with an impairment allowance of RMB1 million (31 December 2019: RMB5 million); and the remaining debt securities at fair value through other comprehensive income and debt securities at amortised cost were included in Stage 1, with impairment allowance measured based on 12-month expected credit losses.

(10) Debt securities traded in the domestic interbank bond market are included in "Listed outside Hong Kong".

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18 Financial investments (Continued)

Reconciliation of allowance for impairment losses on financial investments at amortised cost:

| | Year ended 31 December 2020 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| As at 1 January | 383 | 1 | 6,402 | 6,786 |
| Impairment losses during the year | 1,165 | – | 707 | 1,872 |
| Write-off and transfer out | – | – | (24) | (24) |
| Exchange differences and other | 359 | – | (70) | 289 |
| As at 31 December | 1,907 | 1 | 7,015 | 8,923 |

| | Year ended 31 December 2019 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| As at 1 January | 328 | 3 | 7,423 | 7,754 |
| Impairment losses/(reversal) during the year | 53 | (2) | (238) | (187) |
| Write-off and transfer out | – | – | (800) | (800) |
| Exchange differences and other | 2 | – | 17 | 19 |
| As at 31 December | 383 | 1 | 6,402 | 6,786 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 18 Financial investments (Continued)

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

| | Year ended 31 December 2020 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| As at 1 January | 1,250 | 4 | – | 1,254 |
| Transfers to Stage 2 | (1) | 1 | – | – |
| Transfers to Stage 3 | (2) | (4) | 6 | – |
| Impairment losses during the year | 3,751 | – | – | 3,751 |
| Impairment (gains)/losses due to stage transformation | – | (1) | 494 | 493 |
| Exchange differences and other | (19) | – | – | (19) |
| As at 31 December | 4,979 | – | 500 | 5,479 |

| | Year ended 31 December 2019 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| As at 1 January | 861 | 1 | – | 862 |
| Impairment losses during the year | 384 | 3 | – | 387 |
| Exchange differences and other | 5 | – | – | 5 |
| As at 31 December | 1,250 | 4 | – | 1,254 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 19 Investment in associates and joint ventures

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| As at 1 January | 23,210 | 23,369 |
| Additions | 12,655 | 2,011 |
| Disposals and transfer out | (1,157) | (1,368) |
| Share of results, net of tax | 158 | 1,057 |
| Dividends received | (402) | (1,302) |
| Exchange differences and other | (956) | (557) |
| As at 31 December | 33,508 | 23,210 |

The carrying amounts of major investments in associates and joint ventures of the Group are as follows. Further details are disclosed in Note V.43.4.

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| China Insurance Investment Fund Co., Ltd. | 11,563 | N/A |
| BOC International (China) Co., Ltd. | 5,022 | 4,733 |
| Ying Kou Port Group CORP. | 4,261 | 4,479 |
| CGN Phase I Private Equity Fund Company Limited | 1,622 | 1,569 |
| Graceful Field Worldwide Limited | 1,386 | 1,438 |
| Sichuan Lutianhua Co., Ltd. | 1,306 | 1,264 |
| Wkland Investments II Limited | 855 | 923 |
| Wuhu Yuanzhong Jiaying Investment Limited Partnership | 767 | 819 |
| Wuhu Yinsheng Special Steel Investment Management Limited Partnership | 755 | 727 |
| Guangdong Small and Medium Enterprises Equity Investment Fund Company Limited | 731 | 745 |
| Other | 5,240 | 6,513 |
| Total | 33,508 | 23,210 |

As at 31 December 2020, the ability of associates and joint ventures to transfer funds to the Group is not restricted.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 20 Property and equipment

| | Year ended 31 December 2020 | | | | |
|---|---|---|---|---|---|
| | Buildings | Equipment and motor vehicles | Construction in progress | Aircraft | Total |
| **Cost** | | | | | |
| As at 1 January | 119,077 | 77,656 | 32,905 | 131,821 | 361,459 |
| Additions | 708 | 5,998 | 11,658 | 17,778 | 36,142 |
| Transfer from/(to) investment properties (Note V.21) | 485 | – | (242) | – | 243 |
| Construction in progress transfer in/(out) | 5,375 | 862 | (9,230) | 2,993 | – |
| Deductions | (1,728) | (10,726) | (2,373) | (2,948) | (17,775) |
| Exchange differences | (1,453) | (453) | (1,437) | (8,619) | (11,962) |
| As at 31 December | 122,464 | 73,337 | 31,281 | 141,025 | 368,107 |
| **Accumulated depreciation** | | | | | |
| As at 1 January | (40,401) | (60,758) | – | (14,762) | (115,921) |
| Additions | (3,967) | (6,623) | – | (4,635) | (15,225) |
| Deductions | 1,143 | 9,178 | – | 883 | 11,204 |
| Transfer to investment properties (Note V.21) | 18 | – | – | – | 18 |
| Exchange differences | 393 | 364 | – | 1,212 | 1,969 |
| As at 31 December | (42,814) | (57,839) | – | (17,302) | (117,955) |
| **Allowance for impairment losses** | | | | | |
| As at 1 January | (767) | – | (227) | (4) | (998) |
| Additions | (1) | – | – | (623) | (624) |
| Deductions | 16 | – | – | 4 | 20 |
| Exchange differences | 6 | – | – | 33 | 39 |
| As at 31 December | (746) | – | (227) | (590) | (1,563) |
| **Net book value** | | | | | |
| As at 1 January | 77,909 | 16,898 | 32,678 | 117,055 | 244,540 |
| As at 31 December | 78,904 | 15,498 | 31,054 | 123,133 | 248,589 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 20 Property and equipment (Continued)

| | Year ended 31 December 2019 | | | | |
|---|---|---|---|---|---|
| | Buildings | Equipment and motor vehicles | Construction in progress | Aircraft | Total |
| **Cost** | | | | | |
| As at 31 December of prior year | 117,948 | 74,319 | 30,233 | 115,153 | 337,653 |
| Additions | 340 | 6,921 | 15,977 | 15,177 | 38,415 |
| Transfer from/(to) investment properties (Note V.21) | 356 | – | (11) | – | 345 |
| Construction in progress transfer in/(out) | 2,238 | 816 | (11,208) | 8,154 | – |
| Deductions | (2,388) | (4,639) | (2,467) | (8,746) | (18,240) |
| Exchange differences | 583 | 239 | 381 | 2,083 | 3,286 |
| As at 31 December | 119,077 | 77,656 | 32,905 | 131,821 | 361,459 |
| **Accumulated depreciation** | | | | | |
| As at 31 December of prior year | (38,041) | (58,752) | – | (12,437) | (109,230) |
| Additions | (3,999) | (6,272) | – | (4,180) | (14,451) |
| Deductions | 1,755 | 4,443 | – | 2,131 | 8,329 |
| Transfer to investment properties (Note V.21) | 9 | – | – | – | 9 |
| Exchange differences | (125) | (177) | – | (276) | (578) |
| As at 31 December | (40,401) | (60,758) | – | (14,762) | (115,921) |
| **Allowance for impairment losses** | | | | | |
| As at 31 December of prior year | (770) | – | (217) | (42) | (1,029) |
| Additions | (7) | – | (10) | – | (17) |
| Deductions | 14 | – | – | 39 | 53 |
| Exchange differences | (4) | – | – | (1) | (5) |
| As at 31 December | (767) | – | (227) | (4) | (998) |
| **Net book value** | | | | | |
| As at 31 December of prior year | 79,137 | 15,567 | 30,016 | 102,674 | 227,394 |
| As at 31 December | 77,909 | 16,898 | 32,678 | 117,055 | 244,540 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 20 Property and equipment (Continued)

As at 31 December 2020, the net book amount of aircraft leased out by BOC Aviation Limited, a subsidiary of the Group, under operating leases was RMB123,133 million (31 December 2019: RMB114,659 million).

As at 31 December 2020, the net book amount of aircraft owned by BOC Aviation Limited, a subsidiary of the Group, that has been pledged for loan facilities was RMB14,893 million (31 December 2019: RMB20,338 million) (Note V.31).

According to the relevant PRC laws and regulations, after conversion into a joint stock limited liability company, the Bank is required to re-register its property and equipment under the name of Bank of China Limited. As at 31 December 2020, the process of re-registration has not been completed. However, this registration process does not affect the rights of Bank of China Limited to these assets.

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

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Held in Hong Kong | | |
| on long-term lease (over 50 years) | 3,749 | 3,694 |
| on medium-term lease (10–50 years) | 7,884 | 8,521 |
| on short-term lease (less than 10 years) | 8 | 10 |
| Subtotal | 11,641 | 12,225 |
| Held outside Hong Kong | | |
| on long-term lease (over 50 years) | 4,507 | 4,353 |
| on medium-term lease (10–50 years) | 55,846 | 54,641 |
| on short-term lease (less than 10 years) | 6,910 | 6,690 |
| Subtotal | 67,263 | 65,684 |
| Total | 78,904 | 77,909 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 21 Investment properties

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| As at 1 January | 23,108 | 22,086 |
| Additions | 1,626 | 468 |
| Transfer to property and equipment, net (Note V.20) | (261) | (354) |
| Deductions | (15) | (11) |
| Fair value changes (Note V.5) | (1,505) | 496 |
| Exchange differences | (888) | 423 |
| As at 31 December | 22,065 | 23,108 |

The Group's investment properties are located in active real estate markets, and external appraisers make reasonable estimation of fair value using market prices of the same or similar properties and other related information from the real estate markets.

Investment properties are mainly held by Bank of China Hong Kong (Holdings) Limited ("BOCHK (Holdings)") and Bank of China Group Investment Limited ("BOCG Investment"), subsidiaries of the Group. The carrying values of investment properties held by BOCHK (Holdings) and BOCG Investment as at 31 December 2020 amounted to RMB12,009 million and RMB7,835 million, respectively (31 December 2019: RMB14,059 million and RMB6,666 million). The valuations of these investment properties as at 31 December 2020 were principally performed by Knight Frank Petty Limited based on the open market price and other related information.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 21 Investment properties (Continued)

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

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Held in Hong Kong | | |
| on long-term lease (over 50 years) | 1,976 | 3,273 |
| on medium-term lease (10–50 years) | 9,836 | 10,556 |
| Subtotal | 11,812 | 13,829 |
| Held outside Hong Kong | | |
| on long-term lease (over 50 years) | 4,288 | 4,002 |
| on medium-term lease (10–50 years) | 5,782 | 5,002 |
| on short-term lease (less than 10 years) | 183 | 275 |
| Subtotal | 10,253 | 9,279 |
| Total | 22,065 | 23,108 |

### 22 Other assets

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Accounts receivable and prepayments (1) | 141,286 | 107,124 |
| Right-of-use assets (2) | 22,855 | 22,822 |
| Intangible assets (3) | 15,614 | 13,352 |
| Land use rights (4) | 6,526 | 6,903 |
| Long-term deferred expense | 3,215 | 3,222 |
| Repossessed assets (5) | 2,120 | 2,400 |
| Goodwill (6) | 2,525 | 2,686 |
| Interest receivable | 1,299 | 1,878 |
| Other | 21,756 | 18,737 |
| Total | 217,196 | 179,124 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 22 Other assets (Continued)

(1) Accounts receivable and prepayments

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Accounts receivable and prepayments | 146,144 | 111,395 |
| Impairment allowance | (4,858) | (4,271) |
| Net value | 141,286 | 107,124 |

Accounts receivable and prepayments mainly include items in the process of clearing and settlement. The analysis of the ageing of accounts receivable and prepayments is as follows:

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2020** | | **2019** | |
| | **Balance** | **Impairment allowance** | **Balance** | **Impairment allowance** |
| Within 1 year | 135,647 | (944) | 101,442 | (491) |
| From 1 year to 3 years | 4,038 | (892) | 5,895 | (900) |
| Over 3 years | 6,459 | (3,022) | 4,058 | (2,880) |
| Total | 146,144 | (4,858) | 111,395 | (4,271) |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 22 Other assets (Continued)

(2) Right-of-use assets

| | As at 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Buildings | Motor vehicles and other | Total | Buildings | Motor vehicles and other | Total |
| **Cost** | | | | | | |
| As at 1 January | 29,500 | 156 | 29,656 | 22,652 | 120 | 22,772 |
| Additions | 7,413 | 44 | 7,457 | 7,341 | 38 | 7,379 |
| Deductions | (1,242) | (21) | (1,263) | (624) | (3) | (627) |
| Exchange differences | (420) | (3) | (423) | 131 | 1 | 132 |
| As at 31 December | 35,251 | 176 | 35,427 | 29,500 | 156 | 29,656 |
| **Accumulated depreciation** | | | | | | |
| As at 1 January | (6,781) | (53) | (6,834) | (209) | – | (209) |
| Additions | (6,841) | (63) | (6,904) | (6,632) | (53) | (6,685) |
| Deductions | 1,030 | 20 | 1,050 | 81 | – | 81 |
| Exchange differences | 115 | 1 | 116 | (21) | – | (21) |
| As at 31 December | (12,477) | (95) | (12,572) | (6,781) | (53) | (6,834) |
| **Net book value** | | | | | | |
| As at 1 January | 22,719 | 103 | 22,822 | 22,443 | 120 | 22,563 |
| As at 31 December | 22,774 | 81 | 22,855 | 22,719 | 103 | 22,822 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 22 Other assets (Continued)

(3) Intangible assets

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| **Cost** | | |
| As at 1 January | 26,573 | 22,946 |
| Additions | 8,712 | 3,712 |
| Deductions | (226) | (120) |
| Exchange differences | (350) | 35 |
| As at 31 December | 34,709 | 26,573 |
| **Accumulated amortisation** | | |
| As at 1 January | (13,221) | (10,479) |
| Additions | (6,323) | (2,775) |
| Deductions | 208 | 60 |
| Exchange differences | 241 | (27) |
| As at 31 December | (19,095) | (13,221) |
| **Net book value** | | |
| As at 1 January | 13,352 | 12,467 |
| As at 31 December | 15,614 | 13,352 |

(4) Land use rights

The carrying value of land use rights is analysed based on the remaining terms of the leases as follows:

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Held outside Hong Kong | | |
| on long-term lease (over 50 years) | 60 | 83 |
| on medium-term lease (10–50 years) | 5,809 | 6,093 |
| on short-term lease (less than 10 years) | 657 | 727 |
| Total | 6,526 | 6,903 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 22 Other assets (Continued)

(5) Repossessed assets

The Group obtained repossessed assets by taking possession of collateral held as security due to default. Such repossessed assets are as follows:

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Commercial properties | 2,347 | 2,596 |
| Residential properties | 514 | 615 |
| Other | 161 | 159 |
| Subtotal | 3,022 | 3,370 |
| Less: allowance for impairment losses | (902) | (970) |
| Repossessed assets, net | 2,120 | 2,400 |

The total book value of repossessed assets disposed of during the year ended 31 December 2020 amounted to RMB602 million (2019: RMB276 million). The Group plans to dispose of the repossessed assets held at 31 December 2020 by auction, bidding or transfer.

(6) Goodwill

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| As at 1 January | 2,686 | 2,620 |
| Addition through acquisition of subsidiaries | – | 27 |
| Decrease resulting from disposal of subsidiaries | (25) | – |
| Exchange differences | (136) | 39 |
| As at 31 December | 2,525 | 2,686 |

The goodwill mainly arose from the acquisition of BOC Aviation Limited in 2006 amounting to USD241 million (equivalent to RMB1,571 million).

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 23 Impairment allowance

| | As at 1 January 2020 | Additions/ (reversal), net | Write-off and transfer out | Exchange differences and other | As at 31 December 2020 |
|---|---|---|---|---|---|
| Impairment allowance | | | | | |
| Loans and advances to customers | | | | | |
| — at amortised cost | 325,360 | 103,743 | (57,152) | (3,778) | 368,173 |
| — at fair value through other comprehensive income | 563 | (113) | – | (4) | 446 |
| Financial investments | | | | | |
| — at amortised cost | 6,786 | 1,872 | (24) | 289 | 8,923 |
| — at fair value through other comprehensive income | 1,254 | 4,244 | – | (19) | 5,479 |
| Credit commitments | 23,597 | 5,454 | – | (284) | 28,767 |
| Property and equipment | 998 | 624 | (20) | (39) | 1,563 |
| Land use rights | 10 | – | – | – | 10 |
| Repossessed assets | 970 | 53 | (120) | (1) | 902 |
| Other | 6,524 | 3,139 | (522) | (25) | 9,116 |
| Total | 366,062 | 119,016 | (57,838) | (3,861) | 423,379 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 23 Impairment allowance (Continued)

| | As at 1 January 2019 | Additions/ (reversal), net | Write-off and transfer out | Exchange differences and other | As at 31 December 2019 |
|---|---|---|---|---|---|
| Impairment allowance | | | | | |
| Loans and advances to customers | | | | | |
| — at amortised cost | 303,508 | 98,483 | (78,094) | 1,463 | 325,360 |
| — at fair value through other comprehensive income | 273 | 288 | – | 2 | 563 |
| Financial investments | | | | | |
| — at amortised cost | 7,754 | (187) | (800) | 19 | 6,786 |
| — at fair value through other comprehensive income | 862 | 387 | – | 5 | 1,254 |
| Credit commitments | 21,354 | 2,117 | – | 126 | 23,597 |
| Property and equipment | 1,029 | 17 | (53) | 5 | 998 |
| Land use rights | 10 | – | – | – | 10 |
| Repossessed assets | 837 | 152 | (23) | 4 | 970 |
| Other | 5,935 | 896 | (300) | (7) | 6,524 |
| Total | 341,562 | 102,153 | (79,270) | 1,617 | 366,062 |

### 24 Due to banks and other financial institutions

| | As at 31 December | |
|---|---|---|
| | 2020 | 2019 |
| Due to: | | |
| Banks in Chinese mainland | 515,162 | 372,692 |
| Other financial institutions in Chinese mainland | 1,077,841 | 1,050,961 |
| Banks in Hong Kong, Macao, Taiwan and other countries and regions | 177,717 | 167,352 |
| Other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions | 142,379 | 71,913 |
| Subtotal | 1,913,099 | 1,662,918 |
| Accrued interest | 3,904 | 5,128 |
| Total | 1,917,003 | 1,668,046 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 25 Due to central banks

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Foreign exchange deposits | 251,533 | 218,364 |
| Other | 630,092 | 619,298 |
| Subtotal | 881,625 | 837,662 |
| Accrued interest | 6,186 | 8,615 |
| Total | 887,811 | 846,277 |

### 26 Government certificates of indebtedness for bank notes issued and bank notes in circulation

Bank of China (Hong Kong) Limited ("BOCHK") and Bank of China Macao Branch are note issuing banks for Hong Kong Dollar and Macao Pataca notes in Hong Kong and Macao, respectively. Under local regulations, these two entities are required to place deposits with the Hong Kong and Macao governments, respectively, to secure the currency notes in circulation.

Bank notes in circulation represent the liabilities in respect of Hong Kong Dollar notes and Macao Pataca notes in circulation, issued respectively by BOCHK and Bank of China Macao Branch.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 27 Placements from banks and other financial institutions

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Placements from: | | |
| Banks in Chinese mainland | 258,240 | 339,802 |
| Other financial institutions in Chinese mainland | 27,933 | 52,278 |
| Banks in Hong Kong, Macao, Taiwan and other countries and regions | 115,308 | 229,337 |
| Other financial institutions in Hong Kong, Macao, Taiwan and other countries and regions | 9,497 | 16,434 |
| Subtotal | 410,978 | 637,851 |
| Accrued interest | 971 | 1,824 |
| Total (1)(2) | 411,949 | 639,675 |

(1) In order to eliminate or significantly reduce an accounting mismatch, certain placements from banks and other financial institutions were designated as financial liabilities at FVPL by the Group in 2020. The corresponding total carrying amount of the above-mentioned financial liabilities was RMB3,831 million as at 31 December 2020 (31 December 2019: RMB14,767 million), of which the fair value was approximately the same as the amount that the Group would be contractually required to pay to the holders.

(2) Included in "Placements from banks and other financial institutions" are amounts received from counterparties under repurchase agreements and collateral agreements as follows:

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Repurchase debt securities (i) | 127,202 | 177,410 |

(i) Debt securities used as collateral under repurchase agreements were principally government bonds and were included in the amount disclosed under Note V.41.2.

### 28 Financial liabilities held for trading

As at 31 December 2020 and 2019, financial liabilities held for trading mainly included short position in debt securities.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 29 Due to customers

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Demand deposits | | |
| — Corporate deposits | 4,956,751 | 4,434,051 |
| — Personal deposits | 3,355,893 | 3,147,889 |
| Subtotal | 8,312,644 | 7,581,940 |
| Time deposits | | |
| — Corporate deposits | 3,621,775 | 3,619,512 |
| — Personal deposits | 3,854,531 | 3,416,862 |
| Subtotal | 7,476,306 | 7,036,374 |
| Structured deposits (1) | | |
| — Corporate deposits | 254,553 | 247,906 |
| — Personal deposits | 379,680 | 424,897 |
| Subtotal | 634,233 | 672,803 |
| Certificates of deposit | 206,146 | 283,193 |
| Other deposits (2) | 64,042 | 75,063 |
| Subtotal due to customers | 16,693,371 | 15,649,373 |
| Accrued interest | 185,800 | 168,175 |
| Total due to customers (3) | 16,879,171 | 15,817,548 |

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 29 Due to customers (Continued)

(1) According to the risk management policy, in order to match derivatives and reduce market risk, the Group designates some structured deposits as financial liabilities at fair value through profit or loss in the current period. As at 31 December 2020, the carrying amount of the above-mentioned financial liabilities was RMB25,742 million (31 December 2019: RMB17,969 million). At the financial reporting date, the fair value of the above-mentioned financial liabilities was approximately the same as the amount that the Group would be contractually required to pay to the holders. In the years of 2020 and 2019, there was no significant change in the Group's own credit risk for the above structured deposits, therefore, the amount of change in fair value due to the change in the Group's own credit risk is not significant.

(2) Included in other deposits is special purpose funding, which represents long-term funding provided in multiple currencies by foreign governments and/or entities in the form of export credit, foreign government and other subsidised credit. The special purpose funding is normally used to finance projects with a special commercial purpose in the PRC as determined by the foreign governments or entities and the Group is obliged to repay the funding when it falls due.

As at 31 December 2020, the remaining maturity of special purpose funding ranges from 5 days to 33 years. The interest-bearing special purpose funding bears interest at floating and fixed rates ranging from 0.15% to 7.92% (31 December 2019: 0.15% to 7.92%). These terms are consistent with the related development loans granted to customers.

(3) Due to customers included margin deposits for security received by the Group as at 31 December 2020 of RMB304,314 million (31 December 2019: RMB290,076 million).

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30 Bonds issued

| | Issue date | Maturity date | Annual interest rate | As at 31 December 2020 | As at 31 December 2019 |
|---|---|---|---|---|---|
| **Bonds issued at amortised cost** | | | | | |
| **Subordinated bonds issued** | | | | | |
| 2010 RMB Debt Securities (1) | 9 March 2010 | 11 March 2025 | 4.68% | – | 24,930 |
| 2011 RMB Debt Securities (2) | 17 May 2011 | 19 May 2026 | 5.30% | 32,000 | 32,000 |
| 2012 RMB Debt Securities Second Tranche (3) | 27 November 2012 | 29 November 2027 | 4.99% | 18,000 | 18,000 |
| Subtotal (14) | | | | 50,000 | 74,930 |
| **Tier 2 capital bonds issued** | | | | | |
| 2014 US Dollar Debt Securities (4) | 13 November 2014 | 13 November 2024 | 5.00% | 19,518 | 20,852 |
| 2017 RMB Debt Securities First Tranche (5) | 26 September 2017 | 28 September 2027 | 4.45% | 29,970 | 29,965 |
| 2017 RMB Debt Securities Second Tranche (6) | 31 October 2017 | 2 November 2027 | 4.45% | 29,972 | 29,966 |
| 2018 RMB Debt Securities First Tranche (7) | 3 September 2018 | 5 September 2028 | 4.86% | 39,983 | 39,983 |
| 2018 RMB Debt Securities Second Tranche (8) | 9 October 2018 | 11 October 2028 | 4.84% | 39,985 | 39,985 |
| 2019 RMB Debt Securities First Tranche 01 (9) | 20 September 2019 | 24 September 2029 | 3.98% | 29,988 | 29,988 |
| 2019 RMB Debt Securities First Tranche 02 (10) | 20 September 2019 | 24 September 2034 | 4.34% | 9,996 | 9,996 |
| 2019 RMB Debt Securities Second Tranche (11) | 20 November 2019 | 22 November 2029 | 4.01% | 29,991 | 29,990 |
| 2020 RMB Debt Securities First Tranche 01 (12) | 17 September 2020 | 21 September 2030 | 4.20% | 59,976 | – |
| 2020 RMB Debt Securities First Tranche 02 (13) | 17 September 2020 | 21 September 2035 | 4.47% | 14,994 | – |
| Subtotal (14) | | | | 304,373 | 230,725 |
| **Other bonds issued (15)** | | | | | |
| US Dollar Debt Securities | | | | 198,317 | 223,192 |
| RMB Debt Securities | | | | 73,165 | 52,788 |
| Other | | | | 51,555 | 58,500 |
| Subtotal | | | | 323,037 | 334,480 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30 Bonds issued (Continued)

| | As at 31 December | |
|---|---|---|
| | 2020 | 2019 |
| **Negotiable certificates of deposit** (16) | 554,801 | 423,658 |
| Subtotal bonds issued at amortised cost | 1,232,211 | 1,063,793 |
| **Bonds issued at fair value** (17) | 6,162 | 26,113 |
| Subtotal bonds issued | 1,238,373 | 1,089,906 |
| **Accrued interest** | 6,030 | 6,181 |
| Total bonds issued (18) | 1,244,403 | 1,096,087 |

(1) The subordinated bonds issued on 9 March 2010, have a maturity of 15 years, with a fixed coupon rate of 4.68%, paid annually. The Bank is entitled to early redeem all of the bonds at face value at the end of the tenth year. If the Bank does not exercise this option, the coupon rate of the bonds for the third 5-year period shall be the original coupon rate plus 3.00%, and shall remain fixed until the maturity date. The bank has redeemed all the bonds in advance at face value on 11 March 2020.

(2) The subordinated bonds issued on 17 May 2011, have a maturity of 15 years, with a fixed coupon rate of 5.30%, paid annually. The Bank is entitled to early redeem all the subordinated bonds at the end of the tenth year. If the Bank does not exercise this option, the coupon rate of the bonds for the remaining 5-year period shall remain fixed at 5.30%.

(3) The second subordinated bonds issued on 27 November 2012 have a maturity of 15 years, with a fixed coupon rate of 4.99%, paid annually. The Bank is entitled to early redeem all these bonds at the end of the tenth year. If the Bank does not exercise this option, the coupon rate of the bonds for the remaining 5-year period shall remain fixed at 4.99%.

(4) The Bank issued tier 2 capital bonds in an amount of USD3 billion on 13 November 2014. The bonds have a maturity of 10 years, with a fixed coupon rate of 5.00%.

(5) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 26 September 2017. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.45%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(6) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 31 October 2017. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.45%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(7) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 3 September 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.86%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(8) The Bank issued tier 2 capital bonds in an amount of RMB40 billion on 9 October 2018. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.84%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(9) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 September 2019. The bonds have a maturity of 10 years, with a fixed coupon rate of 3.98%. The Bank is entitled to redeem the bonds at the end of the fifth year.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 30 Bonds issued (Continued)

(10) The Bank issued tier 2 capital bonds in an amount of RMB10 billion on 20 September 2019. The bonds have a maturity of 15 years, with a fixed coupon rate of 4.34%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(11) The Bank issued tier 2 capital bonds in an amount of RMB30 billion on 20 November 2019. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.01%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(12) The Bank issued tier 2 capital bonds in an amount of RMB60 billion on 17 September 2020. The bonds have a maturity of 10 years, with a fixed coupon rate of 4.20%. The Bank is entitled to redeem the bonds at the end of the fifth year.

(13) The Bank issued tier 2 capital bonds in an amount of RMB15 billion on 17 September 2020. The bonds have a maturity of 15 years, with a fixed coupon rate of 4.47%. The Bank is entitled to redeem the bonds at the end of the tenth year.

(14) The claims of the holders of subordinated bonds and tier 2 capital bonds will be subordinated to the claims of depositors and general creditors.

(15) US Dollar Debt Securities, RMB Debt Securities and other Debt Securities were issued in Chinese mainland, Hong Kong, Macao, Taiwan and other countries and regions between 2013 and 2020 by the Group, with dates of maturity ranging from 2021 to 2030.

(16) The RMB negotiable certificates of deposit issued by the Bank in 2019 matured in 2020. The outstanding balance will mature in 2021.

(17) According to risk management policy, in order to match derivatives and reduce market risk, the Group designates some bonds issued as financial liabilities at fair value through profit or loss in the current period. As at 31 December 2020, the carrying amount of the above-mentioned bonds issued by the Group is RMB6,162 million (31 December 2019: RMB26,113 million), and the difference between the fair value and the amount that the Group would be contractually required to pay to the holders is not significant (31 December 2019: not significant). In the years of 2020 and 2019, there is no significant change in the Group's credit risk as well as the fair value caused by credit risk of the above financial liabilities.

(18) During the years ended 31 December 2020 and 2019, the Group did not default on any principal, interest or redemption amounts with respect to its bonds issued.

### 31 Other borrowings

These other borrowings relate to the financing of the aircraft leasing business of BOC Aviation Limited, a subsidiary of the Group. These other borrowings are secured by its aircraft (Note V.20).

As at 31 December 2020, these other borrowings had a maturity ranging from 75 days to 5 years and bore floating and fixed interest rates ranging from 0.45% to 1.55% (31 December 2019: 2.14% to 3.26%).

During the years ended 31 December 2020 and 2019, the Group did not default on any principal, interest or redemption amounts with respect to its other borrowings.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 32 Current tax liabilities

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Corporate income tax | 47,337 | 51,787 |
| Value-added tax | 6,742 | 6,039 |
| City construction and maintenance tax | 492 | 427 |
| Education surcharges | 326 | 297 |
| Other | 768 | 552 |
| Total | 55,665 | 59,102 |

### 33 Retirement benefit obligations

As at 31 December 2020, the actuarial liabilities existing in relation to the retirement benefit obligations for employees who retired prior to 31 December 2003 and the early retirement obligations for employees who early-retired were RMB1,896 million (31 December 2019: RMB2,095 million) and RMB303 million (31 December 2019: RMB438 million), respectively, using the projected unit credit method.

The movements of the net liabilities recognised are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| As at 1 January | 2,533 | 2,825 |
| Interest cost | 74 | 85 |
| Net actuarial gains recognised | (125) | (38) |
| Benefits paid | (283) | (339) |
| As at 31 December | 2,199 | 2,533 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 33 Retirement benefit obligations (Continued)

Primary assumptions used:

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Discount rate | | |
| — Normal retiree | 3.25% | 3.25% |
| — Early retiree | 2.75% | 2.50% |
| Pension benefit inflation rate | | |
| — Normal retiree | 3.0% | 3.0% |
| — Early retiree | 3.0% | 4.0%–3.0% |
| Medical benefit inflation rate | 8.0% | 8.0% |
| Retiring age | | |
| — Male | 60 | 60 |
| — Female | 50/55 | 50/55 |

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (published historical statistics in China).

As at 31 December 2020 and 2019, there was no significant change in employee retirement benefit obligations that was attributable to changes in actuarial assumptions.

### 34 Share appreciation rights plan

In November 2005, the Bank's Board of Directors and equity holders approved and adopted a Share Appreciation Rights Plan under which eligible participants, including directors, supervisors, management and other personnel designated by the Board, will be granted share appreciation rights, up to 25% of which will be exercisable each year beginning on the third anniversary date from the date of grant. The share appreciation rights will be valid for seven years from the date of grant. Eligible participants will be entitled to receive an amount equal to the difference, if any, between the average closing market price of the Bank's H shares in the ten days prior to the date of grant and the average closing market price of the Bank's H shares in the 12 months prior to the date of exercise as adjusted for any change in the Bank's equity. The plan provides cash-settled share-based payment only and accordingly, no shares will be issued under the share appreciation rights plan.

No share appreciation rights were granted since the inception of the plan.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35 Deferred income taxes

*35.1* Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes are related to the same fiscal authority. The table below includes the deferred income tax assets and liabilities of the Group after offsetting qualifying amounts and the related temporary differences.

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Temporary differences | Deferred tax assets/ (liabilities) | Temporary differences | Deferred tax assets/ (liabilities) |
| Deferred income tax assets | 234,905 | 58,916 | 166,707 | 44,029 |
| Deferred income tax liabilities | (45,934) | (6,499) | (30,773) | (5,452) |
| Net | 188,971 | 52,417 | 135,934 | 38,577 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35 Deferred income taxes (Continued)

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

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Temporary differences | Deferred tax assets/ (liabilities) | Temporary differences | Deferred tax assets/ (liabilities) |
| **Deferred income tax assets** | | | | |
| Asset impairment allowances | 253,785 | 63,242 | 205,264 | 51,052 |
| Pension, retirement benefits and salary payables | 17,952 | 4,470 | 18,137 | 4,510 |
| Financial instruments at fair value through profit or loss and derivative financial instruments | 174,011 | 43,224 | 90,507 | 22,511 |
| Financial assets at fair value through other comprehensive income | 809 | 202 | 835 | 209 |
| Other temporary differences | 41,355 | 9,599 | 34,320 | 7,931 |
| Subtotal | 487,912 | 120,737 | 349,063 | 86,213 |
| **Deferred income tax liabilities** | | | | |
| Financial instruments at fair value through profit or loss and derivative financial instruments | (174,976) | (42,853) | (93,862) | (23,336) |
| Financial assets at fair value through other comprehensive income | (30,836) | (7,445) | (29,403) | (7,228) |
| Depreciation and amortisation | (24,104) | (4,193) | (20,629) | (3,521) |
| Revaluation of property and investment properties | (8,845) | (1,722) | (8,986) | (1,712) |
| Other temporary differences | (60,180) | (12,107) | (60,249) | (11,839) |
| Subtotal | (298,941) | (68,320) | (213,129) | (47,636) |
| Net | 188,971 | 52,417 | 135,934 | 38,577 |

As at 31 December 2020, deferred tax liabilities relating to temporary differences of RMB164,299 million associated with the Group's investments in subsidiaries had not been recognised (31 December 2019: RMB156,105 million). Refer to Note II.20.2.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 35 Deferred income taxes (Continued)

*35.3* The movements of the deferred income tax account are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| As at 1 January | 38,577 | 33,656 |
| Credited to the income statement (Note V.10) | 14,268 | 8,824 |
| Charged to other comprehensive income | (62) | (4,180) |
| Other | (366) | 277 |
| As at 31 December | 52,417 | 38,577 |

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

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Asset impairment allowances | 12,190 | 5,059 |
| Financial instruments at fair value through profit or loss and derivative financial instruments | 1,196 | 4,962 |
| Pension, retirement benefits and salary payables | (40) | (72) |
| Other temporary differences | 922 | (1,125) |
| Total | 14,268 | 8,824 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 36 Other liabilities

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Insurance liabilities | | |
| — Life insurance contracts | 132,431 | 113,742 |
| — Non-life insurance contracts | 9,670 | 10,169 |
| Items in the process of clearance and settlement | 78,940 | 66,628 |
| Salary and welfare payables (1) | 34,179 | 33,373 |
| Lease liabilities (2) | 21,893 | 21,590 |
| Provision (3) | 29,492 | 24,469 |
| Deferred income | 11,532 | 10,476 |
| Other | 92,236 | 84,726 |
| Total | 410,373 | 365,173 |

(1) Salary and welfare payables

| | As at 1 January 2020 | Accrual | Payment | As at 31 December 2020 |
|---|---|---|---|---|
| Salary, bonus and subsidy | 23,665 | 62,377 | (62,133) | 23,909 |
| Staff welfare | – | 4,218 | (4,218) | – |
| Social insurance | | | | |
| — Medical | 1,595 | 3,109 | (3,228) | 1,476 |
| — Pension | 159 | 4,607 | (4,562) | 204 |
| — Annuity | 2,141 | 3,440 | (3,495) | 2,086 |
| — Unemployment | 6 | 150 | (151) | 5 |
| — Injury at work | 2 | 59 | (60) | 1 |
| — Maternity insurance | 3 | 136 | (136) | 3 |
| Housing funds | 39 | 4,774 | (4,777) | 36 |
| Labour union fee and staff education fee | 5,136 | 2,082 | (1,436) | 5,782 |
| Reimbursement for cancellation of labour contract | 19 | 28 | (23) | 24 |
| Other | 608 | 4,304 | (4,259) | 653 |
| Total (i) | 33,373 | 89,284 | (88,478) | 34,179 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 36 Other liabilities (Continued)

(1) Salary and welfare payables (Continued)

| | As at 1 January 2019 | Accrual | Payment | As at 31 December 2019 |
|---|---|---|---|---|
| Salary, bonus and subsidy | 23,929 | 61,095 | (61,359) | 23,665 |
| Staff welfare | – | 3,896 | (3,896) | – |
| Social insurance | | | | |
| — Medical | 1,136 | 4,085 | (3,626) | 1,595 |
| — Pension | 181 | 6,249 | (6,271) | 159 |
| — Annuity | 310 | 4,178 | (2,347) | 2,141 |
| — Unemployment | 7 | 207 | (208) | 6 |
| — Injury at work | 2 | 76 | (76) | 2 |
| — Maternity insurance | 3 | 256 | (256) | 3 |
| Housing funds | 56 | 4,595 | (4,612) | 39 |
| Labour union fee and staff education fee | 4,792 | 2,032 | (1,688) | 5,136 |
| Reimbursement for cancellation of labour contract | 17 | 15 | (13) | 19 |
| Other | 564 | 4,018 | (3,974) | 608 |
| Total [i] | 30,997 | 90,702 | (88,326) | 33,373 |

(i) There was no overdue payment for staff salary and welfare payables as at 31 December 2020 and 2019.

(2) Lease liabilities

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

| | As at 31 December 2020 | As at 31 December 2019 |
|---|---|---|
| Less than 1 year | 6,369 | 6,307 |
| Between 1 to 5 years | 12,487 | 12,965 |
| Over 5 years | 9,161 | 8,860 |
| Undiscounted lease liabilities | 28,017 | 28,132 |
| Lease liabilities | 21,893 | 21,590 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 36 Other liabilities (Continued)

(3) Provision

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Allowance for credit commitments | 28,767 | 23,597 |
| Allowance for litigation losses (Note V. 41.1) | 725 | 872 |
| Total | 29,492 | 24,469 |

The movement of the provision was as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| As at 1 January | 24,469 | 22,010 |
| Losses for the year | 5,589 | 2,423 |
| Utilised during the year | (281) | (90) |
| Exchange differences and other | (285) | 126 |
| As at 31 December | 29,492 | 24,469 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 37 Share capital, capital reserve, treasury shares and other equity instruments

#### *37.1 Share capital*

The Bank's share capital is as follows:

Unit: Share

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Domestic listed A shares, par value of RMB1.00 per share | 210,765,514,846 | 210,765,514,846 |
| Overseas listed H shares, par value of RMB1.00 per share | 83,622,276,395 | 83,622,276,395 |
| Total | 294,387,791,241 | 294,387,791,241 |

All A and H shares rank pari passu with the same rights and benefits.

#### *37.2 Capital reserve*

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Share premium | 133,679 | 133,716 |
| Other capital reserve | 2,294 | 2,296 |
| Total | 135,973 | 136,012 |

#### *37.3 Treasury shares*

A wholly-owned subsidiary of the Group holds certain listed shares of the Bank in relation to its derivative business. These shares are treated as treasury shares, a deduction from equity. Gains and losses on sale or redemption of the treasury shares are credited or charged to equity. The total number of treasury shares as at 31 December 2020 was approximately 3.53 million (31 December 2019: approximately 2.34 million).

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 37 Share capital, capital reserve, treasury shares and other equity instruments (Continued)

### *37.4 Other equity instruments*

For the year ended 31 December 2020, the movements in the Bank's other equity instruments were as follows:

| | As at 1 January 2020 | | Increase/(Decrease) | | As at 31 December 2020 | |
|---|---|---|---|---|---|---|
| | Quantity (million shares) | Carrying amount | Quantity (million shares) | Carrying amount | Quantity (million shares) | Carrying amount |
| **Preference Shares** | | | | | | |
| Domestic Preference Shares (First Tranche) (1) | 320.0 | 31,963 | (320.0) | (31,963) | – | – |
| Domestic Preference Shares (Second Tranche) (2) | 280.0 | 27,969 | – | – | 280.0 | 27,969 |
| Domestic Preference Shares (Third Tranche) (3) | 730.0 | 72,979 | – | – | 730.0 | 72,979 |
| Domestic Preference Shares (Fourth Tranche) (4) | 270.0 | 26,990 | – | – | 270.0 | 26,990 |
| Offshore Preference Shares (Second Tranche) (5) | – | – | 197.9 | 19,581 | 197.9 | 19,581 |
| Subtotal | 1,600.0 | 159,901 | (122.1) | (12,382) | 1,477.9 | 147,519 |
| **Perpetual Bonds** | | | | | | |
| 2019 Undated Capital Bonds (Series 1) (6) | – | 39,992 | – | – | – | 39,992 |
| 2020 Undated Capital Bonds (Series 1) (7) | – | – | – | 39,990 | – | 39,990 |
| 2020 Undated Capital Bonds (Series 2) (8) | – | – | – | 29,994 | – | 29,994 |
| 2020 Undated Capital Bonds (Series 3) (9) | – | – | – | 19,995 | – | 19,995 |
| Subtotal | – | 39,992 | – | 89,979 | – | 129,971 |
| Total | | 199,893 | | 77,597 | | 277,490 |

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 37 Share capital, capital reserve, treasury shares and other equity instruments (Continued)

#### *37.4 Other equity instruments (Continued)*

(1) With the approvals of the relevant regulatory authorities in China, the Bank redeemed all 320 million Domestic Preference Shares (First Tranche) on 23 November 2020. The Bank fully paid the nominal value of the Domestic Preference Shares and the dividends declared but not yet distributed, totalling RMB33.92 billion.

(2) With the approvals of the relevant regulatory authorities in China, the Bank issued 5.5% non-cumulative Domestic Preference Shares on 13 March 2015, in the aggregate par value of RMB28 billion. Each Domestic Preference Share has a par value of RMB100 and a total number of 280 million Domestic Preference Shares were issued.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may at its discretion redeem all or part of the Domestic Preference Shares on 13 March 2020 or any dividend payment date thereafter at the redemption price which is the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

(3) With the approvals of the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares on 24 June 2019, in the aggregate par value of RMB73 billion. Each Domestic Preference Share has a par value of RMB100 and a total number of 730 million Domestic Preference Shares were issued. The dividend rate of the Preference Shares for the first five years is 4.50%, which is reset every 5 years.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may at its discretion redeem all or part of the Domestic Preference Shares after 27 June 2024 at the redemption price which is the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

(4) With the approvals of the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares on 26 August 2019, in the aggregate par value of RMB27 billion. Each Domestic Preference Share has a par value of RMB100 and a total number of 270 million Domestic Preference Shares were issued. The dividend rate of the Preference Shares for the first five years is 4.35%, which is reset every 5 years.

The Domestic Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may at its discretion redeem all or part of the Domestic Preference Shares after 29 August 2024 at the redemption price which is the sum of the par value of the Domestic Preference Share and the dividends declared but not yet distributed.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 37 Share capital, capital reserve, treasury shares and other equity instruments (Continued)

#### *37.4 Other equity instruments (Continued)*

(5) With the approvals of the relevant regulatory authorities in China, the Bank issued the US Dollar settled non-cumulative Offshore Preference Shares on 4 March 2020. Each Offshore Preference Share has a par value of RMB100 and 197,865,300 Offshore Preference Shares were issued in total. The aggregate par value of the Offshore Preference Shares is USD2.820 billion as converted into USD using the fixed exchange rate (USD1.00 to RMB7.0168). The initial annual dividend rate is 3.60% and is subsequently subject to reset per agreement, but in no case shall exceed 12.15%. The dividends are calculated and paid in US Dollars.

The Offshore Preference Shares have no maturity date. However, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may at its discretion redeem all or part of the Offshore Preference Shares on 4 March 2025 or any dividend payment date thereafter at the redemption price which is the sum of the par value of the Offshore Preference Shares and the dividends declared but not yet distributed, as calculated and paid in US Dollars.

Save for such dividend at the agreed dividend payout ratio, the holders of the above preference shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The above preference shares are paid with non-cumulative dividends. The Bank shall be entitled to cancel any dividend on the preference shares, and such cancellation shall not constitute a default. However, the Bank shall not distribute profits to ordinary shareholders until resumption of the full payment of dividends on the preference shares. Upon the occurrence of a trigger event for the compulsory conversion of preference shares into ordinary shares per agreement, the Bank shall convert the preference shares into ordinary shares in whole or in part after reporting to the CBIRC for its examination and approval decision.

Capital raised from the issuance of the above preference shares, after deduction of transaction costs, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

(6) With the approvals of the relevant regulatory authorities in China, the Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 25 January 2019 and completed the issuance on 29 January 2019. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first five years is 4.50%, which is reset every 5 years.

(7) With the approvals of the relevant regulatory authorities in China, the Bank issued RMB40 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 28 April 2020 and completed the issuance on 30 April 2020. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first five years is 3.40%, which is reset every 5 years.

(8) With the approvals of the relevant regulatory authorities in China, the Bank issued RMB30 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 13 November 2020 and completed the issuance on 17 November 2020. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first five years is 4.55%, which is reset every 5 years.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 37 Share capital, capital reserve, treasury shares and other equity instruments (Continued)

#### *37.4 Other equity instruments (Continued)*

(9) With the approvals of the relevant regulatory authorities in China, the Bank issued RMB20 billion write-down undated capital bonds (the "Bonds") in the domestic interbank bond market on 10 December 2020 and completed the issuance on 14 December 2020. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first five years is 4.70%, which is reset every 5 years.

The duration of the above bonds is the same as the period of continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the above bonds in whole or in part on each distribution payment date 5 years after the issuance date of the above bonds. Upon the occurrence of a trigger event for the write-downs, with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above bonds issued and existing at that time in accordance with the total par value. The claims of the holders of the above bonds will be subordinated to the claims of depositors, general creditors and subordinated creditors; and shall rank in priority to the claims of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Bank that rank pari passu with the above bonds.

The above bonds are paid with non-cumulative interest. The Bank shall have the right to cancel distributions on the above bonds in whole or in part and such cancellation shall not constitute a default. The Bank may at its discretion utilise the proceeds from the cancelled distributions to meet other obligations of maturing debts. But the Bank shall not distribute profits to ordinary shareholders until the resumption of full interest payment.

Capital raised from the issuance of the above bonds, after deduction of transaction costs, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratio.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 38 Statutory reserves, general and regulatory reserves and undistributed profits

#### *38.1 Statutory reserves*

Under relevant PRC laws, the Bank is required to appropriate 10% of its net profit to non-distributable statutory surplus reserves. The appropriation to the statutory surplus reserves may cease when such reserves has reached 50% of the share capital. Subject to the approval of the equity holders, the statutory surplus reserves can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserves amount used to increase the share capital is limited to a level where the statutory surplus reserves after such capitalisation is not less than 25% of the share capital.

In accordance with a resolution of the Board of Directors dated 30 March 2021, the Bank appropriated 10% of the net profit for the year ended 31 December 2020 to the statutory surplus reserves, amounting to RMB17,720 million (2019: RMB16,576 million).

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

#### *38.2 General and regulatory reserves*

According to Caijin [2012] No. 20 *Requirements on Impairment Allowance for Financial Institutions* (the "Requirement"), issued by the MOF, in addition to the impairment allowance, the Bank establishes a general reserve to address unidentified potential impairment losses. The general reserve as a distribution of profits, being part of the equity, should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement, and the minimum threshold can be accumulated over a period of no more than five years.

In accordance with a resolution dated 30 March 2021, the Board of Directors of the Bank approved the appropriation of RMB20,822 million to the general reserve for the year ended 31 December 2020 (2019: RMB17,863 million).

The regulatory reserve mainly refers to the reserve amount set aside by BOC Hong Kong (Group) Limited ("BOCHK Group"), a subsidiary of the Group, for general banking risks, including future losses or other unforeseeable risks. As at 31 December 2020 and 2019, the reserve amounts set aside by BOCHK Group were RMB3,105 million and RMB6,773 million, respectively.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

#### *38.3 Dividends*

***Dividends for Ordinary Shares***

An ordinary share dividend of RMB56,228 million (before tax) in respect of the profit for the year ended 31 December 2019 was approved by the shareholders of the Bank at the Annual General Meeting held on 30 June 2020 and was distributed during the year.

An ordinary share dividend of RMB1.97 per ten shares (before tax) in respect of the profit for the year ended 31 December 2020 (2019: RMB1.91 per ten shares), amounting to a total dividend of RMB57,994 million (before tax), based on the number of shares issued as at 31 December 2020 will be proposed for approval at the Annual General Meeting to be held on 20 May 2021. The dividend payable is not reflected in the liabilities of the financial statements.

***Dividends for Preference Shares***

The dividend distribution of Domestic Preference Shares (Second Tranche) amounting to RMB1,540 million (before tax) was approved by the Board of Directors of the Bank at the Board Meeting held on 13 January 2020 and the dividend of Domestic Preference Shares (Second Tranche) was distributed on 13 March 2020.

The dividend distribution of Domestic Preference Shares (Third Tranche and Fourth Tranche) was approved by the Board of Directors of the Bank at the Board Meeting held on 29 April 2020. The dividend of Domestic Preference Shares (Third Tranche) amounting to RMB3,285 million (before tax) was distributed on 29 June 2020. The dividend of Domestic Preference Shares (Fourth Tranche) amounting to RMB1,174.5 million (before tax) was distributed on 31 August 2020.

The dividend distribution of Domestic Preference Shares (First Tranche and Second Tranche) was approved by the Board of Directors of the Bank on 30 August 2020. The dividend of Domestic Preference Shares (First Tranche) amounting to RMB1,920 million (before tax) was distributed on 23 November 2020. The dividend of Domestic Preference Shares (Second Tranche) amounting to RMB1,540 million (before tax) was distributed on 15 March 2021.

The dividend distribution of Offshore Preference Shares (Second Tranche) was approved by the Board of Directors of the Bank at the Board Meeting held on 30 October 2020. The dividend of Offshore Preference Shares (Second Tranche) amounting to USD102 million (after tax) was distributed on 4 March 2021.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

*38.3 Dividends (Continued)*

***Others***

The Bank distributed the interest on the 2019 Undated Capital Bonds (Series 1) amounting to RMB1,800 million on 3 February 2020.

### 39 Non-controlling interests

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

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| BOC Hong Kong (Group) Limited | 94,489 | 96,257 |
| Bank of China Group Investment Limited | 11,069 | 10,531 |
| Tai Fung Bank Limited | 9,878 | 10,180 |
| Other | 8,982 | 8,027 |
| Total | 124,418 | 124,995 |

### 40 Changes in consolidation

On 18 June 2020, the Bank set up a majority-owned subsidiary, BOC Financial Leasing Co., Ltd. ("BOCL"), which mainly engages in the financial leasing business. As at 31 December 2020, the Bank held 92.59% of the total capital of BOCL.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 41 Contingent liabilities and commitments

#### *41.1 Legal proceedings and arbitrations*

As at 31 December 2020, the Group was involved in certain litigation and arbitration cases in the regular course of its business. In addition, in terms of the range and scale of its international operations, the Group may face a variety of legal proceedings within different jurisdictions. As at 31 December 2020, provisions of RMB725 million (31 December 2019: RMB872 million) were made based on court judgements or the advice of counsel (Note V.36). After consulting legal professionals, the senior management of the Group believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

#### *41.2 Assets pledged*

Assets pledged by the Group as collateral mainly for placement, repurchase, short positions, derivative transactions with other banks and financial institutions and for local statutory requirements are set forth in the table below. These transactions are conducted under standard and normal business terms.

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Debt securities | 666,236 | 787,929 |
| Bills | 2,127 | 387 |
| Total | 668,363 | 788,316 |

#### *41.3 Collateral accepted*

The Group accepts securities as collateral that are permitted to be sold or re-pledged in connection with reverse repurchase and derivative agreements with banks and other financial institutions. As at 31 December 2020, the fair value of collateral received from banks and other financial institutions accepted by the Group amounted to RMB151,204 million (31 December 2019: RMB22,067 million). As at 31 December 2020, the fair value of the collateral that the Group had sold or re-pledged, but was obligated to return, was RMB797 million (31 December 2019: RMB2,271 million). These transactions are conducted under standard terms in the normal course of business.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 41 Contingent liabilities and commitments (Continued)

#### *41.4 Capital commitments*

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Property and equipment | | |
| — Contracted but not provided for | 46,723 | 53,752 |
| — Authorised but not contracted for | 3,468 | 1,215 |
| Intangible assets | | |
| — Contracted but not provided for | 1,242 | 1,048 |
| — Authorised but not contracted for | 199 | 66 |
| Investment properties | | |
| — Contracted but not provided for | 1,252 | 1,231 |
| Total | 52,884 | 57,312 |

#### *41.5 Operating leases*

The Group acts as lessor in operating leases principally through aircraft leasing undertaken by its subsidiary BOC Aviation Limited. Under irrevocable operating lease contracts, as at 31 December 2020, the minimum lease payments which will be received by the Group under the operating leases for existing aircraft and aircraft yet to be delivered amounted to RMB13,132 million not later than one year (31 December 2019: RMB12,763 million), RMB54,622 million later than one year and not later than five years (31 December 2019: RMB51,384 million) and RMB55,771 million later than five years (31 December 2019: RMB50,746 million).

#### *41.6 Treasury bonds redemption commitments*

The Bank is entrusted by the MOF to underwrite certain Treasury bonds. The investors of these Treasury bonds have a right to redeem the bonds at any time prior to maturity and the Bank is committed to redeem these Treasury bonds. The MOF will not provide funding for the early redemption of these Treasury bonds on a back-to-back basis but will pay interest and repay the principal at maturity. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement.

As at 31 December 2020, the outstanding principal value of the Treasury bonds sold by the Bank under obligation to redeem prior to maturity amounted to RMB55,597 million (31 December 2019: RMB59,746 million). The original maturities of these Treasury bonds vary from 3 to 5 years and management expects the amount of redemption through the Bank prior to the maturity dates of these bonds will not be material.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 41 Contingent liabilities and commitments (Continued)

*41.7 Credit commitments*

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Loan commitments (1) | | |
| — with an original maturity of less than 1 year | 262,001 | 244,733 |
| — with an original maturity of 1 year or above | 1,417,031 | 1,360,065 |
| Undrawn credit card limits | 1,060,580 | 1,010,283 |
| Letters of guarantee issued (2) | 1,035,517 | 1,049,629 |
| Bank bill acceptance | 301,602 | 259,373 |
| Letters of credit issued | 154,181 | 133,571 |
| Accepted bills of exchange under letters of credit | 81,817 | 92,440 |
| Other | 178,944 | 192,476 |
| Total (3) | 4,491,673 | 4,342,570 |

(1) Loan commitments mainly represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at 31 December 2020, the unconditionally revocable loan commitments of the Group amounted to RMB334,384 million (31 December 2019: RMB299,556 million).

(2) Letters of guarantee issued mainly include financial guarantees and performance guarantees. The obligations on the Group to make payments are dependent on the outcome of a future event.

(3) Risk-weighted assets for credit risk of credit commitments

The risk-weighted assets for credit risk of the Group are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations under the advanced capital measurement approaches. The amounts are determined by the creditworthiness of the counterparties, the maturity characteristics of each type of contract and other factors.

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Credit commitments | 1,186,895 | 1,206,469 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 41 Contingent liabilities and commitments (Continued)

#### *41.8 Underwriting obligations*

As at 31 December 2020, there was no firm commitment in underwriting securities of the Group (31 December 2019: Nil).

### 42 Note to the consolidated statement of cash flows

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with an original maturity of less than three months:

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Cash and due from banks and other financial institutions | 453,505 | 347,724 |
| Balances with central banks | 587,113 | 541,837 |
| Placements with and loans to banks and other financial institutions | 361,872 | 393,674 |
| Financial investments | 92,378 | 62,657 |
| Total | 1,494,868 | 1,345,892 |

### 43 Related party transactions

***43.1*** CIC was established on 29 September 2007 with registered capital of RMB1,550 billion. CIC is a wholly State-owned company engaging in foreign currency investment management. The Group is subject to the control of the State Council of the PRC government through CIC and its wholly owned subsidiary, Huijin.

The Group enters into banking transactions with CIC in the normal course of its business on commercial terms.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43 Related party transactions (Continued)

#### *43.2 Transactions with Huijin and companies under Huijin*

*(1) General information of Huijin*

Central Huijin Investment Ltd.

| | |
|---|---|
| Legal representative | PENG Chun |
| Registered capital | RMB828,209 million |
| Location of registration | Beijing |
| Capital shares in the Bank | 64.02% |
| Voting rights in the Bank | 64.02% |
| Nature | Wholly State-owned company |
| Principal activities | Investment in major State-owned financial institutions on behalf of the State Council; other related businesses approved by the State Council |
| Unified social credit code | 911000007109329615 |

*(2) Transactions with Huijin*

The Group enters into banking transactions with Huijin in the normal course of its business on commercial terms. Purchase of the bonds issued by Huijin was in the ordinary course of business and in compliance with the requirements of the related regulations and corporate governance.

**Transaction balances**

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Debt securities | 43,659 | 24,963 |
| Due to Huijin | (18,047) | (2,913) |

**Transaction amounts**

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Interest income | 1,028 | 987 |
| Interest expense | (229) | (320) |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43 Related party transactions (Continued)

#### *43.2 Transactions with Huijin and companies under Huijin (Continued)*

*(3) Transactions with companies under Huijin*

Companies under Huijin include its equity interests in subsidiaries, associates and joint ventures in certain other bank and non-bank entities in the PRC. The Group enters into banking transactions with these companies in the normal course of business on commercial terms which include mainly the purchase and sale of debt securities, money market transactions and derivative transactions.

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

**Transaction balances**

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Due from banks and other financial institutions | 126,104 | 59,332 |
| Placements with and loans to banks and other financial institutions | 144,640 | 115,781 |
| Financial investments | 390,508 | 395,205 |
| Derivative financial assets | 18,863 | 7,655 |
| Loans and advances to customers | 85,650 | 45,646 |
| Due to customers, banks and other financial institutions | (256,582) | (185,610) |
| Placements from banks and other financial institutions | (137,131) | (244,059) |
| Derivative financial liabilities | (21,294) | (5,459) |
| Credit commitments | 32,177 | 14,502 |

**Transaction amounts**

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Interest income | 12,561 | 17,021 |
| Interest expense | (4,313) | (9,679) |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43 Related party transactions (Continued)

#### *43.2 Transactions with Huijin and companies under Huijin (Continued)*

*(3) Transactions with companies under Huijin (Continued)*

**Interest rate ranges**

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Due from banks and other financial institutions | 0.00%–5.20% | 0.00%–5.00% |
| Placements with and loans to banks and other financial institutions | -0.21%–27.00% | -0.20%–4.50% |
| Financial investments | -0.05%–5.98% | 0.00%–5.98% |
| Loans and advances to customers | 0.18%–9.91% | 1.44%–6.05% |
| Due to customers, banks and other financial institutions | -0.50%–6.00% | 0.00%–3.58% |
| Placements from banks and other financial institutions | -0.50%–4.80% | -0.55%–9.50% |

#### *43.3 Transactions with government authorities, agencies, affiliates and other State-controlled entities*

The State Council of the PRC government directly and indirectly controls a significant number of entities through its government authorities, agencies, affiliates and other State-controlled entities. The Group enters into extensive banking transactions with these entities in the normal course of business on commercial terms.

Transactions conducted with government authorities, agencies, affiliates and other State-controlled entities include the purchase and redemption of investment securities issued by government agencies, underwriting and distribution of treasury bonds issued by government agencies through the Group's branch network, foreign exchange transactions and derivative transactions, lending, provision of credit and guarantees and deposit placing and taking.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43 Related party transactions (Continued)

#### *43.4 Transactions with associates and joint ventures*

The Group enters into banking transactions with associates and joint ventures in the normal course of business on commercial terms. These include loans and advances, deposit taking and other normal banking businesses. In the ordinary course of business, the main transactions that the Group entered into with associates and joint ventures are as follows:

**Transaction balances**

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Loans and advances to customers | 18,502 | 1,373 |
| Due to customers, banks and other financial institutions | (10,641) | (6,046) |
| Credit commitments | 23,144 | 76 |

**Transaction amounts**

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Interest income | 772 | 41 |
| Interest expense | (316) | (220) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43 Related party transactions (Continued)

### *43.4 Transactions with associates and joint ventures (Continued)*

The general information of principal associates and joint ventures is as follows:

| Name | Place of incorporation/ establishment | Unified Social Credit Code | Effective equity held (%) | Voting right (%) | Paid-in capital (in millions) | Principal business |
|---|---|---|---|---|---|---|
| China Insurance Investment Fund CO., Ltd. | PRC | 91110102MA01W7X36U | 25.70 | 25.70 | RMB45,000 | Investment in non-securities business; equity investment; investment management and consulting |
| BOC International (China) Co., Ltd. | PRC | 91310000736650364G | 33.42 | 33.42 | RMB2,778 | Securities brokerage; securities investment consulting; financial advisory services related to securities trading and securities investment activities; securities underwriting and sponsorship; securities proprietary business; securities asset management; securities investment fund sales agency; margin financing and securities lending; distribution of financial products; management of publicly raised securities investment funds |
| Ying Kou Port Group CORP. | PRC | 91210800121119657C | 8.86 | Note (1) | RMB20,000 | Terminals and other port facilities services, cargo handling, warehousing services, ship and port services, leasing and maintenance services of port facilities and equipment and port machinery, etc. |
| CGN Phase I Private Equity Fund Company Limited | PRC | 91110000717827478Q | 20.00 | 20.00 | RMB100 | Investment in nuclear power projects and related industries; asset management; investment consulting |
| Graceful Field Worldwide Limited | BVI | N/A | 80.00 | Note (1) | USD0.0025 | Investment |
| Sichuan Lutianhua Co., Ltd. | PRC | 91510500711880825C | 16.44 | Note (1) | RMB1,568 | Chemical industry, mainly produces and sells all kinds of fertilizers and chemical products |
| Wkland Investments II Limited | BVI | N/A | 50.00 | 50.00 | USD0.00002 | Investment holding |
| Wuhu Yuanzhong Jiaying Investment Limited Partnership | PRC | 91340202MA2TBMDD6Q | 70.00 | Note (1) | N/A | Investment consulting; equity investment |
| Wuhu Yinsheng Special Steel Investment Management Limited Partnership | PRC | 91340202MA2RENJEX9 | 21.20 | 28.57 | N/A | Equity investment; industrial investment |
| Guangdong Small and Medium Enterprises Equity Investment Fund Company Limited | PRC | 91440000564568961E | 40.00 | 40.00 | RMB1,578 | Investment |

(1) In accordance with the respective articles of association, the Group has significant influence or joint control over these companies.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43 Related party transactions (Continued)

#### *43.5 Transactions with the Annuity Plan*

Apart from the obligations for defined contributions to the Annuity Fund and normal banking transactions, no other transactions were conducted between the Group and the Annuity Fund for the years ended 31 December 2020 and 2019.

#### *43.6 Transactions with key management personnel*

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and Executive Officers.

The Group enters into banking transactions with key management personnel in the normal course of business. During the years ended 31 December 2020 and 2019, there were no material transactions and balances with key management personnel on an individual basis.

The key management compensation for the years ended 31 December 2020 and 2019 comprises:

| | Year ended 31 December | |
|---|---|---|
| | 2020 | 2019 |
| Compensation for short-term employment benefits (1) | 11 | 14 |
| Compensation for post-employment benefits | 1 | 1 |
| Total | 12 | 15 |

(1) The total compensation package for the key management personnel for the year ended 31 December 2020 has not yet been finalised in accordance with the regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's 2020 financial statements. The final compensation will be disclosed in a separate announcement when determined.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43 Related party transactions (Continued)

#### *43.7 Transactions with Connected Natural Persons*

As at 31 December 2020, the Bank's balances of loans to the connected natural persons as defined in the *Administration of Connected Transactions between Commercial Banks and Their Insiders and Shareholders* and *the Administrative Measures for the Disclosure of Information of Listed Companies* totalled approximately RMB365 million (31 December 2019: RMB410 million) and RMB20 million (31 December 2019: RMB23 million) respectively.

#### *43.8 Transactions with subsidiaries*

The main transactions with subsidiaries are as follows:

**Transaction balances**

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Due from banks and other financial institutions | 31,487 | 21,908 |
| Placements with and loans to banks and other financial institutions | 184,792 | 152,839 |
| Due to banks and other financial institutions | (190,167) | (88,195) |
| Placements from banks and other financial institutions | (28,057) | (52,285) |

**Transaction amounts**

| | Year ended 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Interest income | 2,304 | 1,569 |
| Interest expense | (1,209) | (2,165) |

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 43 Related party transactions (Continued)

### *43.8 Transactions with subsidiaries (Continued)*

The general information of the principal subsidiaries is as follows:

| Name | Place of incorporation and operation | Date of incorporation/ establishment | Paid-in capital (in millions) | Effective equity held (%) | Voting right (%) | Principal business |
|---|---|---|---|---|---|---|
| **Directly held** [1] | | | | | | |
| BOC Hong Kong (Group) Limited | Hong Kong | 12 September 2001 | HKD34,806 | 100.00 | 100.00 | Holding company |
| BOC International Holdings Limited [3] | Hong Kong | 10 July 1998 | HKD3,539 | 100.00 | 100.00 | Investment banking |
| Bank of China Group Insurance Company Limited | Hong Kong | 23 July 1992 | HKD3,749 | 100.00 | 100.00 | Insurance services |
| Bank of China Group Investment Limited | Hong Kong | 18 May 1993 | HKD34,052 | 100.00 | 100.00 | Investment holding |
| Tai Fung Bank Limited | Macao | 1942 | MOP1,000 | 50.31 | 50.31 | Commercial banking |
| Bank of China (UK) Limited | United Kingdom | 24 September 2007 | GBP250 | 100.00 | 100.00 | Commercial banking |
| BOC Insurance Company Limited | Beijing | 5 January 2005 | RMB4,535 | 100.00 | 100.00 | Insurance services |
| BOC Financial Asset Investment Company Limited | Beijing | 16 November 2017 | RMB10,000 | 100.00 | 100.00 | Debt-to-equity swaps and other supporting businesses, etc. |
| BOC Wealth Management Co., Ltd. | Beijing | 1 July 2019 | RMB10,000 | 100.00 | 100.00 | Issuance of wealth management products, investment and management of entrusted assets for investors |
| BOC Financial Leasing Co., Ltd. | Chongqing | 18 June 2020 | RMB10,800 | 92.59 | 92.59 | Financial leasing |
| **Indirectly held** | | | | | | |
| BOC Hong Kong (Holdings) Limited [2] | Hong Kong | 12 September 2001 | HKD52,864 | 66.06 | 66.06 | Holding company |
| Bank of China (Hong Kong) Limited [3] | Hong Kong | 16 October 1964 | HKD43,043 | 66.06 | 100.00 | Commercial banking |
| BOC Credit Card (International) Limited | Hong Kong | 9 September 1980 | HKD565 | 66.06 | 100.00 | Credit card services |
| BOC Group Trustee Company Limited [3] | Hong Kong | 1 December 1997 | HKD200 | 77.60 | 100.00 | Provision of trustee services |
| BOC Aviation Limited [2] | Singapore | 25 November 1993 | USD1,158 | 70.00 | 70.00 | Aircraft leasing |

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 43 Related party transactions (Continued)

### *43.8 Transactions with subsidiaries (Continued)*

(1) These directly held principal subsidiaries are unlisted companies. All holdings are in the ordinary share capital of the undertaking concerned, and the ability of the subsidiaries to transfer funds to the Group and the Bank is not restricted.

(2) BOCHK (Holdings) and BOC Aviation Limited are listed on the Stock Exchange of Hong Kong Limited.

(3) BOCHK and BOC International Holdings Limited ("BOCI"), in which the Group holds 66.06% and 100% of their equity interests, respectively, hold 66% and 34% equity interests of BOC Group Trustee Company Limited, respectively.

For certain subsidiaries listed above, the discrepancy between the percentage of voting rights and the percentage of effective equity holding is mainly due to the impact of indirect holdings.

## 44 Segment reporting

The Group manages the business from both geographic and business perspectives. From the geographic perspective, the Group operates in three principal regions: Chinese mainland; Hong Kong, Macao and Taiwan; and other countries and regions. From the business perspective, the Group provides services through six main business segments: corporate banking, personal banking, treasury operations, investment banking, insurance and other operations.

The measurement of segment assets, liabilities, income, expenses, results and capital expenditure is based on the Group's accounting policies. The segment information presented includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Funding is provided to and from individual business segments through treasury operations as part of the asset and liability management process. The pricing of these transactions is based on market rates. The transfer price takes into account the specific features and maturities of the product. Internal transactions are eliminated on consolidation. The Group regularly examines the transfer price and adjusts the price to reflect the current situation.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 44 Segment reporting (Continued)

***Geographical segments***

Chinese mainland — Corporate banking, personal banking, treasury operations, insurance services, etc. are performed in the Chinese mainland.

Hong Kong, Macao and Taiwan — Corporate banking, personal banking, treasury operations, investment banking and insurance services are performed in Hong Kong, Macao and Taiwan. The business of this segment is centralised in BOCHK Group.

Other countries and regions — Corporate and personal banking services are provided in other countries and regions. Significant locations include New York, London, Singapore and Tokyo.

***Business segments***

Corporate banking — Services to corporate customers, government authorities and financial institutions, including current accounts, deposits, overdrafts, loans, trade-related products and other credit facilities, foreign exchange, derivative products and wealth management products.

Personal banking — Services to retail customers including savings deposits, personal loans, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

Treasury operations — Consisting of foreign exchange transactions, customer-based interest rate and foreign exchange derivative transactions, money market transactions, proprietary trading and asset and liability management. The results of this segment include the inter-segment funding income and expenses, results from interest-bearing assets and liabilities; and foreign currency translation gains and losses.

Investment banking — Consisting of debt and equity underwriting and financial advisory, sales and trading of securities, stock brokerage, investment research and asset management services, and private equity investment services.

Insurance — Underwriting of general and life insurance business and insurance agency services.

Other — Other operations of the Group comprise investment holding and other miscellaneous activities, none of which constitutes a separately reportable segment.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 44 Segment reporting (Continued)

#### As at and for the year ended 31 December 2020

| | Chinese mainland | Hong Kong, Macao and Taiwan | | | Other countries and regions | Elimination | Total |
|---|---|---|---|---|---|---|---|
| | | BOCHK Group | Other | Subtotal | | | |
| Interest income | 673,082 | 44,499 | 29,847 | 74,346 | 32,125 | (19,483) | 760,070 |
| Interest expense | (310,089) | (13,312) | (23,474) | (36,786) | (16,760) | 19,483 | (344,152) |
| **Net interest income** | 362,993 | 31,187 | 6,373 | 37,560 | 15,365 | – | 415,918 |
| Fee and commission income | 67,187 | 11,355 | 7,846 | 19,201 | 6,085 | (3,833) | 88,640 |
| Fee and commission expense | (9,030) | (2,413) | (2,126) | (4,539) | (1,950) | 2,401 | (13,118) |
| **Net fee and commission income** | 58,157 | 8,942 | 5,720 | 14,662 | 4,135 | (1,432) | 75,522 |
| Net trading (losses)/gains | (4,208) | 5,793 | 5,293 | 11,086 | 1,177 | – | 8,055 |
| Net gains on transfers of financial asset | 4,965 | 4,063 | 142 | 4,205 | 377 | – | 9,547 |
| Other operating income (1) | 14,727 | 16,999 | 26,855 | 43,854 | 948 | (924) | 58,605 |
| **Operating income** | 436,634 | 66,984 | 44,383 | 111,367 | 22,002 | (2,356) | 567,647 |
| Operating expenses (1) | (140,087) | (33,468) | (23,011) | (56,479) | (8,201) | 2,356 | (202,411) |
| Impairment losses on assets | (107,622) | (2,407) | (2,574) | (4,981) | (6,413) | – | (119,016) |
| **Operating profit** | 188,925 | 31,109 | 18,798 | 49,907 | 7,388 | – | 246,220 |
| Share of results of associates and joint ventures | (185) | (164) | 507 | 343 | – | – | 158 |
| **Profit before income tax** | 188,740 | 30,945 | 19,305 | 50,250 | 7,388 | – | 246,378 |
| Income tax expense | | | | | | | (41,282) |
| **Profit for the year** | | | | | | | 205,096 |
| Segment assets | 19,434,557 | 2,762,985 | 1,529,898 | 4,292,883 | 2,090,165 | (1,448,454) | 24,369,151 |
| Investments in associates and joint ventures | 19,712 | 858 | 12,938 | 13,796 | – | – | 33,508 |
| Total assets | 19,454,269 | 2,763,843 | 1,542,836 | 4,306,679 | 2,090,165 | (1,448,454) | 24,402,659 |
| Including: non-current assets (2) | 119,001 | 27,626 | 170,894 | 198,520 | 9,939 | (2,980) | 324,480 |
| Segment liabilities | 17,753,122 | 2,520,219 | 1,396,881 | 3,917,100 | 2,017,915 | (1,448,315) | 22,239,822 |
| Other segment items: | | | | | | | |
| Intersegment net interest (expense)/income | (4,886) | 775 | 6,771 | 7,546 | (2,660) | – | – |
| Intersegment net fee and commission income/(expense) | 487 | 395 | 692 | 1,087 | (142) | (1,432) | – |
| Capital expenditure | 12,133 | 1,593 | 26,472 | 28,065 | 309 | – | 40,507 |
| Depreciation and amortisation | 19,056 | 1,972 | 6,097 | 8,069 | 838 | (457) | 27,506 |
| Credit commitments | 3,753,654 | 310,620 | 145,806 | 456,426 | 507,083 | (225,490) | 4,491,673 |

(Amount in millions of Renminbi, unless otherwise stated)

# V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 44 Segment reporting (Continued)

### As at and for the year ended 31 December 2019

| | | Hong Kong, Macao and Taiwan | | | | | |
|---|---|---|---|---|---|---|---|
| | Chinese mainland | BOCHK Group | Other | Subtotal | Other countries and regions | Elimination | Total |
| Interest income | 645,251 | 57,763 | 38,874 | 96,637 | 50,527 | (34,408) | 758,007 |
| Interest expense | (310,586) | (23,679) | (33,123) | (56,802) | (35,042) | 34,473 | (367,957) |
| **Net interest income** | 334,665 | 34,084 | 5,751 | 39,835 | 15,485 | 65 | 390,050 |
| Fee and commission income | 65,244 | 12,745 | 7,401 | 20,146 | 6,599 | (3,890) | 88,099 |
| Fee and commission expense | (8,860) | (3,703) | (2,135) | (5,838) | (2,125) | 2,536 | (14,287) |
| **Net fee and commission income** | 56,384 | 9,042 | 5,266 | 14,308 | 4,474 | (1,354) | 73,812 |
| Net trading gains | 13,405 | 7,564 | 4,720 | 12,284 | 2,874 | – | 28,563 |
| Net gains on transfers of financial asset | 2,541 | 725 | 83 | 808 | 128 | – | 3,477 |
| Other operating income [(1)] | 13,274 | 18,870 | 22,497 | 41,367 | 204 | (737) | 54,108 |
| **Operating income** | 420,269 | 70,285 | 38,317 | 108,602 | 23,165 | (2,026) | 550,010 |
| Operating expenses [(1)] | (140,920) | (32,586) | (18,802) | (51,388) | (7,686) | 1,725 | (198,269) |
| Impairment losses on assets | (101,010) | (1,780) | 351 | (1,429) | 286 | – | (102,153) |
| **Operating profit** | 178,339 | 35,919 | 19,866 | 55,785 | 15,765 | (301) | 249,588 |
| Share of results of associates and joint ventures | (1) | (78) | 1,136 | 1,058 | – | – | 1,057 |
| **Profit before income tax** | 178,338 | 35,841 | 21,002 | 56,843 | 15,765 | (301) | 250,645 |
| Income tax expense | | | | | | | (48,754) |
| **Profit for the year** | | | | | | | 201,891 |
| Segment assets | 17,915,544 | 2,673,071 | 1,528,724 | 4,201,795 | 2,062,659 | (1,433,464) | 22,746,534 |
| Investments in associates and joint ventures | 7,992 | 1,076 | 14,142 | 15,218 | – | – | 23,210 |
| Total assets | 17,923,536 | 2,674,147 | 1,542,866 | 4,217,013 | 2,062,659 | (1,433,464) | 22,769,744 |
| Including: non-current assets [(2)] | 119,684 | 30,670 | 162,255 | 192,925 | 9,788 | (2,851) | 319,546 |
| Segment liabilities | 16,413,115 | 2,428,157 | 1,397,456 | 3,825,613 | 1,987,643 | (1,433,323) | 20,793,048 |
| Other segment items: | | | | | | | |
| Intersegment net interest (expense)/income | (6,817) | 1,401 | 11,164 | 12,565 | (5,813) | 65 | – |
| Intersegment net fee and commission income/(expense) | 592 | 180 | 1,106 | 1,286 | (523) | (1,355) | – |
| Capital expenditure | 13,231 | 2,123 | 27,977 | 30,100 | 613 | – | 43,944 |
| Depreciation and amortisation | 17,295 | 1,768 | 5,688 | 7,456 | 785 | (181) | 25,355 |
| Credit commitments | 3,675,635 | 313,084 | 131,772 | 444,856 | 528,004 | (305,925) | 4,342,570 |

(1) Other operating income includes insurance premium income earned, and operating expenses include insurance benefits and claims.

(2) Non-current assets include property and equipment, investment properties, right-of-use assets and other long-term assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020
(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 44 Segment reporting (Continued)

#### As at and for the year ended 31 December 2020

| | Corporate banking | Personal banking | Treasury operations | Investment banking | Insurance | Other | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| Interest income | 340,794 | 294,134 | 190,422 | 1,888 | 3,525 | 4,053 | (74,746) | 760,070 |
| Interest expense | (156,596) | (111,965) | (142,905) | (403) | (105) | (7,116) | 74,938 | (344,152) |
| **Net interest income/(expense)** | 184,198 | 182,169 | 47,517 | 1,485 | 3,420 | (3,063) | 192 | 415,918 |
| Fee and commission income | 30,304 | 37,241 | 15,935 | 5,871 | 1 | 2,340 | (3,052) | 88,640 |
| Fee and commission expense | (1,284) | (6,259) | (2,631) | (1,800) | (3,514) | (131) | 2,501 | (13,118) |
| **Net fee and commission income/(expense)** | 29,020 | 30,982 | 13,304 | 4,071 | (3,513) | 2,209 | (551) | 75,522 |
| Net trading gains/(losses) | 2,326 | 1,097 | (1,954) | 268 | 2,793 | 3,571 | (46) | 8,055 |
| Net gains on transfers of financial asset | 1,215 | 102 | 7,980 | 1 | 243 | 6 | – | 9,547 |
| Other operating income | 831 | 7,284 | 1,039 | 287 | 31,962 | 20,402 | (3,200) | 58,605 |
| **Operating income** | 217,590 | 221,634 | 67,886 | 6,112 | 34,905 | 23,125 | (3,605) | 567,647 |
| Operating expenses | (63,314) | (78,897) | (17,445) | (2,996) | (33,270) | (10,157) | 3,668 | (202,411) |
| Impairment losses on assets | (79,872) | (29,136) | (8,223) | (12) | (49) | (1,789) | 65 | (119,016) |
| **Operating profit** | 74,404 | 113,601 | 42,218 | 3,104 | 1,586 | 11,179 | 128 | 246,220 |
| Share of results of associates and joint ventures | – | – | – | 342 | – | (119) | (65) | 158 |
| **Profit before income tax** | 74,404 | 113,601 | 42,218 | 3,446 | 1,586 | 11,060 | 63 | 246,378 |
| Income tax expense | | | | | | | | (41,282) |
| **Profit for the year** | | | | | | | | 205,096 |
| Segment assets | 9,251,427 | 5,641,051 | 8,684,296 | 99,425 | 204,290 | 593,454 | (104,792) | 24,369,151 |
| Investments in associates and joint ventures | – | – | – | 5,585 | – | 27,989 | (66) | 33,508 |
| Total assets | 9,251,427 | 5,641,051 | 8,684,296 | 105,010 | 204,290 | 621,443 | (104,858) | 24,402,659 |
| Segment liabilities | 10,376,544 | 7,461,553 | 3,915,554 | 72,597 | 185,310 | 332,963 | (104,699) | 22,239,822 |
| Other segment items: | | | | | | | | |
| Intersegment net interest income/(expense) | 20,712 | 52,337 | (72,651) | 310 | 14 | (914) | 192 | – |
| Intersegment net fee and commission income/(expense) | 627 | 1,759 | 114 | (598) | (1,769) | 417 | (550) | – |
| Capital expenditure | 3,620 | 4,137 | 192 | 179 | 116 | 32,263 | – | 40,507 |
| Depreciation and amortisation | 8,665 | 10,630 | 2,532 | 404 | 277 | 5,712 | (714) | 27,506 |
| Credit commitments | 3,242,275 | 1,249,398 | – | – | – | – | – | 4,491,673 |

(Amount in millions of Renminbi, unless otherwise stated)

# V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 44 Segment reporting (Continued)

### As at and for the year ended 31 December 2019

| | Corporate banking | Personal banking | Treasury operations | Investment banking | Insurance | Other | Elimination | Total |
|---|---|---|---|---|---|---|---|---|
| Interest income | 357,678 | 265,845 | 204,435 | 2,096 | 3,009 | 4,036 | (79,092) | 758,007 |
| Interest expense | (173,036) | (116,514) | (149,510) | (599) | (65) | (7,427) | 79,194 | (367,957) |
| **Net interest income/(expense)** | 184,642 | 149,331 | 54,925 | 1,497 | 2,944 | (3,391) | 102 | 390,050 |
| Fee and commission income | 32,753 | 37,654 | 14,190 | 3,997 | 2 | 2,085 | (2,582) | 88,099 |
| Fee and commission expense | (1,307) | (7,747) | (2,068) | (1,086) | (3,988) | (317) | 2,226 | (14,287) |
| **Net fee and commission income/(expense)** | 31,446 | 29,907 | 12,122 | 2,911 | (3,986) | 1,768 | (356) | 73,812 |
| Net trading gains | 3,177 | 1,048 | 19,360 | 231 | 2,492 | 2,219 | 36 | 28,563 |
| Net gains on transfers of financial asset | 1,346 | 237 | 1,791 | – | 101 | 2 | – | 3,477 |
| Other operating income | 512 | 6,221 | 1,359 | 198 | 28,838 | 19,792 | (2,812) | 54,108 |
| **Operating income** | 221,123 | 186,744 | 89,557 | 4,837 | 30,389 | 20,390 | (3,030) | 550,010 |
| Operating expenses | (64,142) | (76,833) | (19,210) | (2,487) | (29,209) | (9,429) | 3,041 | (198,269) |
| Impairment losses on assets | (84,109) | (16,824) | (736) | – | (10) | (474) | – | (102,153) |
| **Operating profit** | 72,872 | 93,087 | 69,611 | 2,350 | 1,170 | 10,487 | 11 | 249,588 |
| Share of results of associates and joint ventures | – | – | – | 280 | (12) | 822 | (33) | 1,057 |
| **Profit before income tax** | 72,872 | 93,087 | 69,611 | 2,630 | 1,158 | 11,309 | (22) | 250,645 |
| Income tax expense | | | | | | | | (48,754) |
| **Profit for the year** | | | | | | | | 201,891 |
| Segment assets | 8,415,724 | 5,064,429 | 8,587,356 | 83,987 | 180,054 | 527,396 | (112,412) | 22,746,534 |
| Investments in associates and joint ventures | – | – | – | 4,870 | – | 18,406 | (66) | 23,210 |
| Total assets | 8,415,724 | 5,064,429 | 8,587,356 | 88,857 | 180,054 | 545,802 | (112,478) | 22,769,744 |
| Segment liabilities | 9,922,845 | 6,726,766 | 3,705,818 | 57,582 | 162,958 | 329,341 | (112,262) | 20,793,048 |
| Other segment items: | | | | | | | | |
| Intersegment net interest income/(expense) | 27,877 | 48,737 | (75,339) | 419 | 30 | (1,826) | 102 | – |
| Intersegment net fee and commission income/(expense) | 698 | 1,521 | 48 | (320) | (1,871) | 278 | (354) | – |
| Capital expenditure | 4,120 | 4,631 | 219 | 193 | 122 | 34,659 | – | 43,944 |
| Depreciation and amortisation | 7,800 | 9,622 | 2,394 | 284 | 237 | 5,304 | (286) | 25,355 |
| Credit commitments | 3,157,694 | 1,184,876 | – | – | – | – | – | 4,342,570 |

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45 Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

***Repurchase agreements***

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or re-pledge those securities in the absence of default by the Group, but have an obligation to return the securities upon maturity of the contract. If the value of securities increases or decreases, the Group may in certain circumstances, require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognises a financial liability for cash received as collateral.

The following table analyses the carrying amount of the above-mentioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

| | As at 31 December 2020 | | As at 31 December 2019 | |
|---|---|---|---|---|
| | Carrying amount of transferred assets | Carrying amount of associated liabilities | Carrying amount of transferred assets | Carrying amount of associated liabilities |
| Repurchase agreements | 13,248 | 13,550 | 528 | 503 |

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 45 Transfers of financial assets (Continued)

***Credit assets transfers***

The Group enters into credit asset transfers in the normal course of business during which it transfers credit assets to special purpose entities which in turn issue asset-backed securities or fund shares to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level, and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB760 million as at 31 December 2020 (31 December 2019: RMB956 million), which also approximates the Group's maximum exposure to loss.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised in the statement of financial position to the extent of the Group's continuing involvement. The carrying amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB15,365 million for this year (2019: RMB49,985 million) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB15,244 million as at 31 December 2020 (31 December 2019: RMB15,250 million).

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46 Interests in structured entities

The Group is principally involved with structured entities through financial investments, asset management and credit assets transfers. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

#### *46.1 Interests in unconsolidated structured entities*

The interests held by the Group in unconsolidated structured entities are set out as below:

***Structured entities sponsored by the Group***

In conducting the asset management business in Chinese mainland, the Group established various structured entities to provide customers specialised investment opportunities within narrow and well-defined objectives, including non-principal guaranteed wealth management products, publicly offered funds and asset management plans, and earned management fee, commission and custodian fees in return.

As at 31 December 2020, the balance of unconsolidated wealth management products sponsored by the Group amounted to RMB1,388,904 million (31 December 2019: RMB1,231,861 million). The balance of unconsolidated publicly offered funds and asset management plans sponsored by the Group amounted to RMB486,880 million (31 December 2019: RMB638,865 million).

For the year ended 31 December 2020, the above-mentioned management fee, commission and custodian fee amounted to RMB8,499 million (2019: RMB6,904 million).

As at 31 December 2020, the balance of interest and commission receivable held by the Group in the above-mentioned structured entities is not material. For the purpose of asset-liability management, wealth management products may require short-term financing from the Group and other banks. The Group is not contractually obliged to provide financing. After internal risk assessment, the Group may enter into repurchase and placement transactions with these wealth management products in accordance with market principles. For the year ended 31 December 2020, the maximum balance of such financing provided by the Group to the unconsolidated wealth management products was RMB132,205 million (2019: RMB180,050 million). Such financing provided by the Group was included in "Placements with and loans to banks and other financial institutions". As at 31 December 2020, the balance of the above transactions was RMB18,580 million (31 December 2019: RMB170,797 million). The maximum exposure to loss of those placements approximated to their carrying amount.

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46 Interests in structured entities (Continued)

#### *46.1 Interests in unconsolidated structured entities (Continued)*

***Structured entities sponsored by the Group (Continued)***

In July 2020, the regulatory authorities made a decision on extending the transition period for *the Guiding Opinions on Regulating Asset Management Business of Financial Institutions* to the end of 2021 and encouraged orderly disposal of legacy investments in a variety of ways. According to the regulatory requirements, the Group has promoted the disposal of the legacy investments in a pragmatic, efficient, actively and orderly way in order to achieve a smooth transition and stable development of the wealth management business.

In addition, the total carrying amount as at the transfer date of credit assets transferred by the Group into the unconsolidated structured entities was RMB1,230 million for the year ended 31 December 2020 (2019: RMB570 million). For the description of the portion of asset-backed securities issued by the above structured entities and held by the Group, refer to Note V.45.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 46 Interests in structured entities (Continued)

#### *46.1 Interests in unconsolidated structured entities (Continued)*

***Structured entities sponsored by other financial institutions***

The interests held by the Group in the structured entities sponsored by other financial institutions through direct investments are set out as below:

| Structured entity type | Financial assets at fair value through profit or loss | Financial assets at fair value through other comprehensive income | Financial assets at amortised cost | Total | Maximum exposure to loss |
|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | |
| Fund investments | 57,099 | – | – | 57,099 | 57,099 |
| Investment trusts and asset management plans | 2,914 | – | 8,407 | 11,321 | 11,321 |
| Asset-backed securitisations | 5,538 | 40,633 | 58,195 | 104,366 | 104,366 |
| **As at 31 December 2019** | | | | | |
| Fund investments | 53,349 | – | – | 53,349 | 53,349 |
| Investment trusts and asset management plans | 2,396 | – | 8,163 | 10,559 | 10,559 |
| Asset-backed securitisations | 905 | 68,192 | 44,008 | 113,105 | 113,105 |

#### *46.2 Consolidated structured entities*

The Group's consolidated structured entities mainly consist of open-end funds, private equity funds, trusts for asset-backed securities, and special-purpose companies. The Group controls these entities because the Group has power over, is exposed to, or has rights to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns. Except for providing financial guarantees for the companies established solely for financing purposes, the Group does not provide financial or other support to the other consolidated structured entities.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47 Offsetting financial assets and financial liabilities

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

| | Gross amounts of recognised financial assets | Gross amounts offset in the statement of financial position | Amounts presented in the statement of financial position | Amounts not set off in the statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments* | Cash collateral received | |
| **As at 31 December 2020** | | | | | | |
| Derivatives | 52,457 | – | 52,457 | (37,206) | (2,843) | 12,408 |
| Reverse repo agreements | 3,858 | – | 3,858 | (3,858) | – | – |
| Other assets | 16,611 | (12,035) | 4,576 | – | – | 4,576 |
| Total | 72,926 | (12,035) | 60,891 | (41,064) | (2,843) | 16,984 |
| **As at 31 December 2019** | | | | | | |
| Derivatives | 37,020 | – | 37,020 | (27,391) | (2,034) | 7,595 |
| Reverse repo agreements | 5,408 | – | 5,408 | (5,408) | – | – |
| Other assets | 11,307 | (10,344) | 963 | – | – | 963 |
| Total | 53,735 | (10,344) | 43,391 | (32,799) | (2,034) | 8,558 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47 Offsetting financial assets and financial liabilities (Continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are analysed as below:

| | Gross amounts of recognised financial liabilities | Gross amounts offset in the statement of financial position | Amounts presented in the statement of financial position | Amounts not set off in the statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments* | Cash collateral pledged | |
| **As at 31 December 2020** | | | | | | |
| Derivatives | 62,412 | – | 62,412 | (37,220) | (14,196) | 10,996 |
| Repurchase agreements | 176 | – | 176 | (176) | – | – |
| Other liabilities | 13,006 | (12,035) | 971 | – | – | 971 |
| Total | 75,594 | (12,035) | 63,559 | (37,396) | (14,196) | 11,967 |
| **As at 31 December 2019** | | | | | | |
| Derivatives | 43,204 | – | 43,204 | (27,904) | (6,433) | 8,867 |
| Repurchase agreements | 503 | – | 503 | (503) | – | – |
| Other liabilities | 12,028 | (10,344) | 1,684 | – | – | 1,684 |
| Total | 55,735 | (10,344) | 45,391 | (28,407) | (6,433) | 10,551 |

* Including non-cash collateral.

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

Derivatives and reverse repo/repurchase agreements included in the amounts are not set off in the statement of financial position where:

- the counterparty has an offsetting exposure with the Group and a master netting or similar arrangement (including ISDA master agreement and Global Master Netting Agreement) is in place with a right of setting off only in the event of default, insolvency or bankruptcy, or the offset criteria are otherwise not satisfied; and
- cash and non-cash collateral have been received/pledged in respect of the transactions described above.

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 48 The Bank's statement of financial position and changes in equity

#### *48.1 The Bank's statement of financial position*

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| **ASSETS** | | |
| Cash and due from banks and other financial institutions | 735,856 | 520,638 |
| Balances with central banks | 1,895,772 | 1,913,236 |
| Placements with and loans to banks and other financial institutions | 1,065,541 | 961,732 |
| Government certificates of indebtedness for bank notes issued | 9,083 | 8,698 |
| Precious metals | 214,310 | 197,914 |
| Derivative financial assets | 132,878 | 68,731 |
| Loans and advances to customers, net | 12,286,706 | 11,204,197 |
| Financial investments | 4,422,013 | 4,343,595 |
| — financial assets at fair value through profit or loss | 264,746 | 281,703 |
| — financial assets at fair value through other comprehensive income | 1,315,891 | 1,422,035 |
| — financial assets at amortised cost | 2,841,376 | 2,639,857 |
| Investments in subsidiaries | 135,553 | 123,658 |
| Investments in associates and joint ventures | 7,731 | 7,998 |
| Consolidated structured entities | 202,275 | 209,092 |
| Property and equipment | 81,661 | 83,403 |
| Investment properties | 2,185 | 2,338 |
| Deferred income tax assets | 59,767 | 45,284 |
| Other assets | 112,152 | 83,331 |
| **Total assets** | 21,363,483 | 19,773,845 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 48 The Bank's statement of financial position and changes in equity (Continued)

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

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| **LIABILITIES** | | |
| Due to banks and other financial institutions | 1,960,349 | 1,672,571 |
| Due to central banks | 838,054 | 791,046 |
| Bank notes in circulation | 9,226 | 8,842 |
| Placements from banks and other financial institutions | 393,521 | 587,735 |
| Financial liabilities held for trading | 571 | 2,158 |
| Derivative financial liabilities | 164,604 | 61,919 |
| Due to customers | 14,787,841 | 13,788,093 |
| Bonds issued | 1,140,777 | 1,004,095 |
| Current tax liabilities | 50,980 | 50,851 |
| Retirement benefit obligations | 2,199 | 2,537 |
| Deferred income tax liabilities | 567 | 308 |
| Other liabilities | 176,000 | 149,809 |
| **Total liabilities** | 19,524,689 | 18,119,964 |
| **EQUITY** | | |
| Share capital | 294,388 | 294,388 |
| Other equity instruments | 277,490 | 199,893 |
| Capital reserve | 132,590 | 132,627 |
| Other comprehensive income | 17,712 | 19,292 |
| Statutory reserves | 188,832 | 171,003 |
| General and regulatory reserves | 261,170 | 240,279 |
| Undistributed profits | 666,612 | 596,399 |
| **Total equity** | 1,838,794 | 1,653,881 |
| **Total equity and liabilities** | 21,363,483 | 19,773,845 |

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

| | |
|---|---|
| **LIU Liange** | **WANG Wei** |
| *Director* | *Director* |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2020**
(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 48 The Bank's statement of financial position and changes in equity (Continued)

#### *48.2 The Bank's statement of changes in equity*

| | Share capital | Other equity instruments | Capital reserve | Other comprehensive income | Statutory reserves | General and regulatory reserves | Undistributed profits | Total |
|---|---|---|---|---|---|---|---|---|
| As at 1 January 2020 | 294,388 | 199,893 | 132,627 | 19,292 | 171,003 | 240,279 | 596,399 | 1,653,881 |
| Total comprehensive income | – | – | – | (1,590) | – | – | 177,200 | 175,610 |
| Appropriation to statutory reserves | – | – | – | – | 17,829 | – | (17,829) | – |
| Appropriation to general and regulatory reserves | – | – | – | – | – | 20,891 | (20,891) | – |
| Dividends | – | – | – | – | – | – | (68,257) | (68,257) |
| Capital contribution and reduction by other equity instruments holders | – | 77,597 | (37) | – | – | – | – | 77,560 |
| Other comprehensive income transferred to retained earnings | – | – | – | 10 | – | – | (10) | – |
| As at 31 December 2020 | 294,388 | 277,490 | 132,590 | 17,712 | 188,832 | 261,170 | 666,612 | 1,838,794 |

(Amount in millions of Renminbi, unless otherwise stated)

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 48 The Bank's statement of financial position and changes in equity (Continued)

### *48.2 The Bank's statement of changes in equity (Continued)*

| | Share capital | Other equity instruments | Capital reserve | Other comprehensive income | Statutory reserves | General and regulatory reserves | Undistributed profits | Total |
|---|---|---|---|---|---|---|---|---|
| As at 1 January 2019 | 294,388 | 99,714 | 138,832 | 8,596 | 154,313 | 222,462 | 526,127 | 1,444,432 |
| Total comprehensive income | – | – | – | 10,704 | – | – | 165,764 | 176,468 |
| Appropriation to statutory reserves | – | – | – | – | 16,690 | – | (16,690) | – |
| Appropriation to general and regulatory reserves | – | – | – | – | – | 17,817 | (17,817) | – |
| Dividends | – | – | – | – | – | – | (60,993) | (60,993) |
| Capital contribution and reduction by other equity instruments holders | – | 100,179 | (6,205) | – | – | – | – | 93,974 |
| Other comprehensive income transferred to retained earnings | – | – | – | (8) | – | – | 8 | – |
| As at 31 December 2019 | 294,388 | 199,893 | 132,627 | 19,292 | 171,003 | 240,279 | 596,399 | 1,653,881 |

## V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 49 Events after the financial reporting date

***Redemption of Domestic Preference Shares (Second Tranche)***

With the approvals of the relevant regulatory authorities in China, the Bank redeemed all 280 million Domestic Preference Shares (Second Tranche) on 15 March 2021. The Bank fully paid the nominal value of the Domestic Preference Shares and the dividends declared but not yet distributed, totalling RMB29.54 billion.

***Issuance of Tier 2 Capital Bonds***

On 17 March 2021, the Bank issued fixed-rate Tier 2 capital bonds with a maturity of 10 years amounting 15 billion and fixed-rate Tier 2 capital bonds with a maturity of 15 years amounting 10 billion and completed the issuance on 19 March 2021. The issuance details have been set out in the Bank's announcement dated 19 March 2021.

## VI FINANCIAL RISK MANAGEMENT

### 1 Overview

The Group's primary risk management objectives are to maximise value for equity holders while maintaining risk within acceptable parameters, optimising capital allocation and satisfying the requirements of the regulatory authorities, the Group's depositors and other stakeholders for the Group's prudent and stable development.

The Group has designed a series of risk management policies and has set up appropriate risk limits and controls to analyse, identify, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk and other price risk.

### 2 Financial risk management framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies.

Within this framework, the Group's senior management has the overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures related to risk management. The Risk Management Department, the Credit Management Department, the Financial Management Department and other relevant functional departments are responsible for monitoring financial risks.

The Group manages the risks at the branch level through direct reporting from the branches to the relevant departments responsible for risk management at the Head Office. Business line related risks are monitored through establishing specific risk management teams within the business departments. The Group monitors and controls risk management at subsidiaries by appointing members of their boards of directors and risk management committees as appropriate.

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk

The Group takes on exposure to credit risk, which is the risk that a customer or counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is one of the most significant risks for the Group's business.

Credit risk exposures arise principally in lending activities and debt securities investment activities. There is also credit risk in off-balance sheet financial instruments, such as derivatives, loan commitments, bill acceptance, letters of guarantee and letters of credit.

### *3.1 Credit risk measurement*

*(1) Loans and advances to customers and off-balance sheet commitments*

The Credit Management Department is responsible for centrally monitoring and evaluating the credit risk of granting loans and advances to customers and off-balance sheet credit commitments, and reporting to senior management and the Board of Directors on a regular basis.

The Group mainly measures the credit risk of corporate loans and advances based on the PD and financial status of customers' agreed obligations, and considering the current credit exposure and possible future development trends. For individual customers, the Group uses a standard credit approval process to assess the credit risk of individual loans, and uses a scorecard model based on historical LGD to measure the credit risk of credit cards.

For credit risk arising from off-balance sheet commitments, the Group manages the risks according to the characteristics of the products. These mainly include loan commitments, guarantees, bill acceptances and letters of credit. Loan commitments, guarantees, bill acceptances and letters of credit carry similar credit risk to loans. Documentary and commercial letters of credit are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions and are collateralised by the underlying shipment documents of goods to which they relate or deposits and are therefore assessed to have less credit risk than a direct loan. Besides, the Group monitors the term to maturity of off-balance sheet commitments and those with longer-terms are assessed to have greater credit risk than shorter-term commitments.

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.1 Credit risk measurement (Continued)*

*(1) Loans and advances to customers and off-balance sheet commitments (Continued)*

The Group measures and manages the credit quality of loans and advances to corporate and personal customers based on the *Guideline for Loan Credit Risk Classification* (the "Guideline"), which requires commercial banks to classify their corporate and personal loans into five categories: pass, special-mention, substandard, doubtful and loss, among which loans classified in the substandard, doubtful and loss categories are regarded as non-performing loans. Off-balance sheet commitments with credit exposures are also assessed and categorised with reference to the Guideline. For operations in Hong Kong, Macao, Taiwan and other countries and regions, where local regulations and requirements are more prudent than the Guideline, the credit assets are classified according to local regulations and requirements.

The five categories are defined as follows:

Pass: loans for which borrowers can honour the terms of the contracts, and there is no reason to doubt their ability to repay the principal and interest of loans in full and on a timely basis.

Special-mention: loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.

Substandard: loans for which borrowers' ability to service loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.

Doubtful: loans for which borrowers cannot pay back the principal and interest of loans in full and significant losses will be incurred by the Group even when guarantees are executed.

Loss: principal and interest of loans cannot be recovered or only a small portion can be recovered after taking all possible measures and resorting to necessary legal procedures.

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.1 Credit risk measurement (Continued)*

*(1) Loans and advances to customers and off-balance sheet commitments (Continued)*

The Bank implemented a customer credit rating system based on the PD model. The PD model uses the principle of logistic regression to predict the PD for customers in the coming year. According to the calculated PD value, the risk rating of the customer is obtained through the relevant mapping relationship table. The Group conducts back-testing of the model according to the customer's actual default each year, so that the model calculation results are closer to the objective facts.

The customer credit ratings in the internal model are based on four categories of A, B, C and D which are further classified into fifteen grades as AAA, AA, A, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B-, CCC, CC, C, and D. Credit grading D equates to defaulted customers while the others are assigned to performing customers.

Five-category loan classifications and customer credit ratings are determined by the Head Office and tier 1 branch management under approved delegated authorities. The Bank performs centralised review on customer credit ratings and five-category loan classifications on an annual basis. Further, five-category loan classifications are re-examined on a quarterly basis. Adjustments are made to these classifications and ratings as necessary according to customers' operational and financial position.

The Group identifies credit risk collectively based on industry, geography and customer type. This information is monitored regularly by management.

Management periodically reviews various elements of the Group's credit risk management process, in the context of loan portfolio growth, the changing mix and concentration of assets, and the evolving risk profile of the credit portfolio. From time to time, in this regard, refinements are made to the Group's credit risk management processes to most effectively manage the effects of these changes on the Group's credit risk. These refinements include, among other things, adjustments to portfolio level controls, such as revisions to lists of approved borrowers, industry quotas and underwriting criteria. Where circumstances related to specific loans or a group of loans increase the Bank's credit risk, actions are taken, to the extent possible, to strengthen the Group's security position. The actions may include obtaining additional guarantors or collateral.

*(2) Due from, placements with and loans to banks and other financial institutions*

The Group manages the credit quality of due from, placements with and loans to banks and other financial institutions considering the size, financial position and the internal and external credit rating of banks and financial institutions. In response to adverse credit market conditions, various initiatives were implemented since 2008 to better manage and report credit risk, including establishing a special committee which meets periodically and on an ad hoc basis to discuss actions in response to market changes impacting the Group's exposure to credit risk, and formulating a watch list process over counterparty names at risk.

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.1 Credit risk measurement (Continued)*

*(3) Debt securities and derivatives*

Credit risk within debt securities arises from exposure to movements in credit spreads, default rates and loss given default, as well as changes in the credit of underlying assets.

The Group manages the credit risk within debt securities by monitoring the external credit rating, such as Standard & Poor's ratings or their equivalents, of the security, the internal credit rating of the issuers of debt securities, and the credit quality of underlying assets of securitisation products (including review of default rates, prepayment rates), industry and sector performance, loss coverage ratios and counterparty risk, to identify exposure to credit risk.

The Group has established policies in managing the net open derivative positions by amounts and by maturity dates. At any time, the current credit exposure equals to the fair value of those derivatives where the fair value changes are favorable to the Group (i.e. positive Mark-to-Market amounts). Credit risk exposures for derivatives are included as part of the aggregated credit risk limit management for financial institutions and customers. Collaterals or other pledges of assets are not typically sought for these exposures.

#### *3.2 Credit risk limit control and mitigation policies*

The Group manages limits and controls concentrations of credit risk in particular, to individual customers and to industries.

*(1) Credit risk limits and controls*

(i) Loans and advances and off-balance sheet commitments

In order to manage the exposure to credit risk, the Group has adopted credit policies and procedures that are reviewed and updated by the Credit Management Department and the Credit Approval Department at the Head Office. The credit approval process for both corporate loans and personal loans can be broadly divided into three stages: (1) credit origination and assessment; (2) credit review and approval; and (3) fund disbursement and post-disbursement management.

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.2 Credit risk limit control and mitigation policies (Continued)*

*(1) Credit risk limits and controls (Continued)*

(i) Loans and advances and off-balance sheet commitments (Continued)

Credit to corporate customers in the Chinese mainland is originated by the Corporate Banking Department at the Head Office and the Corporate Banking Department at branch level and submitted to the Credit Approval Department for due diligence and approval. All credit applications for corporate customers must be approved by the authorised credit application approvers at the Head Office and tier 1 branch level in the Chinese mainland, except for the low risk credit applications which are in accordance with the rules. The exposure to any one borrower, including banks, is restricted by credit limits covering on and off-balance sheet exposures.

Personal loans in the Chinese mainland are originated by the Personal Banking Departments at branch level and must be approved by authorised approvers at tier 1 branch level in the Chinese mainland, except for individual pledged loans and government-sponsored student loans, which may be approved by authorised approvers at sub-branches below tier 1 level. High risk personal loans such as personal loans for business purposes in excess of certain limits must also be reviewed by the Risk Management Department.

The Head Office also oversees the risk management of the branches in Hong Kong, Macao, Taiwan and other countries and regions. In particular, any credit application at these branches exceeding the authorisation limits is required to be submitted to the Head Office for approval.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.2 Credit risk limit control and mitigation policies (Continued)*

*(1) Credit risk limits and controls (Continued)*

(ii) Debt securities and derivatives

The Group is also exposed to credit risk through investment activities and trading activities. Credit limits are established based on type of instruments and the credit quality of counterparties, securities issuers and the securities, and set limits are actively monitored.

*(2) Credit risk mitigation policies*

(i) Collateral and guarantees

The Group has a range of policies and practices intended to mitigate credit risk. The most prevalent of these is the taking of security for funds advances, collaterals and guarantees. The Group implements guidelines on the acceptability of specific classes of collateral and mortgage rate upper limit. The amount of acceptable collateral at the time of loan origination is determined by the Credit Management Department and is subject to mortgage rate upper limit based on type and the value of collateral is monitored on an ongoing. The mortgage rate upper limit based on principal collateral types for corporate loans and advances are:

| **Main collateral** | **Mortgage rate upper limit*** |
|---|---|
| Deposit receipt | Full coverage of principal and interest |
| PRC Treasury bonds | 90% |
| Financial institution bonds | 50%–90% |
| Publicly traded stocks | 60% |
| Land use rights | 50%–70% |
| Real estate | 50%–70% |
| Automobiles | 70% |

* The upper limit of the collateral rate is applied for the collateral under the business with non-risk exposure, the collateral of the business with risk exposure and non-credit business is not limited by the upper limit of the collateral rate, and the upper limit of the collateral rate shall not be the basis for the verification and approval of the total credit amount.

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.2 Credit risk limit control and mitigation policies (Continued)*

*(2) Credit risk mitigation policies (Continued)*

(i) Collateral and guarantees (Continued)

Mortgages to retail customers are generally collateralised by mortgages over residential properties. Other loans are collateralised depending on the nature of the loan.

For loans guaranteed by a third party guarantor, the Group will assess the guarantor's credit rating, financial condition, credit history and ability to meet obligations.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of certain asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Collateral is also held as part of reverse repurchase agreements. Under such agreements, the Group is permitted to sell or repledge collateral in the absence of default by the owner of the collateral. Details of collateral accepted and which the Group is obligated to return are disclosed in Note V.41.3.

(ii) Master netting arrangements

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in the offsetting of assets and liabilities in the statement of financial position, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the customer are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.3 Impairment measurement for losses on assets*

Refer to Note II.4.6 for relevant policies.

#### *3.4 Maximum exposure to credit risk before collateral held or other credit enhancements*

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Credit risk exposures relating to on-balance sheet financial assets are as follows: | | |
| Due from banks and other financial institutions | 724,320 | 500,560 |
| Balances with central banks | 2,076,840 | 2,078,809 |
| Placements with and loans to banks and other financial institutions | 939,320 | 898,959 |
| Government certificates of indebtedness for bank notes issued | 168,608 | 155,466 |
| Derivative financial assets | 171,738 | 93,335 |
| Loans and advances to customers, net | 13,848,304 | 12,743,425 |
| Financial investments | | |
| — financial assets at fair value through profit or loss | 353,064 | 378,131 |
| — financial assets at fair value through other comprehensive income | 2,086,362 | 2,196,352 |
| — financial assets at amortised cost | 2,978,778 | 2,777,683 |
| Other assets | 134,116 | 115,941 |
| Subtotal | 23,481,450 | 21,938,661 |
| Credit risk exposures relating to off-balance sheet items are as follows: | | |
| Letters of guarantee issued | 1,035,517 | 1,049,629 |
| Loan commitments and other credit commitments | 3,456,156 | 3,292,941 |
| Subtotal | 4,491,673 | 4,342,570 |
| Total | 27,973,123 | 26,281,231 |

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.4 Maximum exposure to credit risk before collateral held or other credit enhancements (Continued)*

The table above represents a worst case scenario of credit risk exposure of the Group as at 31 December 2020 and 2019, without taking into account any collateral held, master netting agreements or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As at 31 December 2020, 49.51% of the Group's total maximum credit exposure is derived from loans and advances to customers (31 December 2019: 48.49%) and 19.32% represents investments in debt securities (31 December 2019: 20.31%).

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

### *3.5 Loans and advances*

Analysis of loans and advances to customers (accrued interest excluded) by geographical area, customer type, industry, collateral type and analysis of impaired and overdue loans and advances to customers are presented below:

*(1) Concentrations of risk for loans and advances to customers*

(i) Analysis of loans and advances to customers by geographical area

| **Group** | **As at 31 December** | | | |
|---|---|---|---|---|
| | **2020** | | **2019** | |
| | **Amount** | **% of total** | **Amount** | **% of total** |
| Chinese mainland | 11,501,791 | 81.09% | 10,302,408 | 79.04% |
| Hong Kong, Macao and Taiwan | 1,697,934 | 11.97% | 1,697,434 | 13.02% |
| Other countries and regions | 983,660 | 6.94% | 1,034,347 | 7.94% |
| Total | 14,183,385 | 100.00% | 13,034,189 | 100.00% |

| **Chinese mainland** | **As at 31 December** | | | |
|---|---|---|---|---|
| | **2020** | | **2019** | |
| | **Amount** | **% of total** | **Amount** | **% of total** |
| Northern China | 1,695,932 | 14.74% | 1,573,127 | 15.27% |
| Northeastern China | 502,186 | 4.37% | 494,186 | 4.80% |
| Eastern China | 4,505,204 | 39.17% | 4,016,742 | 38.99% |
| Central and Southern China | 3,266,619 | 28.40% | 2,875,436 | 27.91% |
| Western China | 1,531,850 | 13.32% | 1,342,917 | 13.03% |
| Total | 11,501,791 | 100.00% | 10,302,408 | 100.00% |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

### *3.5 Loans and advances (Continued)*

*(1) Concentrations of risk for loans and advances to customers (Continued)*

(ii) Analysis of loans and advances to customers by customer type

| | Chinese mainland | Hong Kong, Macao and Taiwan | Other countries and regions | Total |
|---|---|---|---|---|
| **As at 31 December 2020** | | | | |
| Corporate loans and advances | | | | |
| — Trade bills | 970,413 | 83,276 | 101,869 | 1,155,558 |
| — Other | 5,551,519 | 1,071,321 | 821,692 | 7,444,532 |
| Personal loans | 4,979,859 | 543,337 | 60,099 | 5,583,295 |
| Total | 11,501,791 | 1,697,934 | 983,660 | 14,183,385 |
| **As at 31 December 2019** | | | | |
| Corporate loans and advances | | | | |
| — Trade bills | 996,845 | 108,177 | 127,170 | 1,232,192 |
| — Other | 4,853,846 | 1,051,188 | 849,154 | 6,754,188 |
| Personal loans | 4,451,717 | 538,069 | 58,023 | 5,047,809 |
| Total | 10,302,408 | 1,697,434 | 1,034,347 | 13,034,189 |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.5 Loans and advances (Continued)*

*(1) Concentrations of risk for loans and advances to customers (Continued)*

(iii) Analysis of loans and advances to customers by industry

| Group | As at 31 December | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Amount | % of total | Amount | % of total |
| **Corporate loans and advances** | | | | |
| Commerce and services | 1,764,213 | 12.44% | 1,706,650 | 13.09% |
| Manufacturing | 1,692,261 | 11.93% | 1,679,202 | 12.88% |
| Transportation, storage and postal services | 1,493,828 | 10.53% | 1,294,922 | 9.93% |
| Real estate | 1,137,469 | 8.02% | 1,042,664 | 8.00% |
| Production and supply of electricity, heating, gas and water | 726,824 | 5.13% | 649,289 | 4.98% |
| Financial services | 646,979 | 4.56% | 565,333 | 4.34% |
| Mining | 282,394 | 1.99% | 293,375 | 2.25% |
| Construction | 268,676 | 1.89% | 255,160 | 1.96% |
| Water, environment and public utility management | 250,551 | 1.77% | 199,376 | 1.53% |
| Public utilities | 161,402 | 1.14% | 149,855 | 1.15% |
| Other | 175,493 | 1.24% | 150,554 | 1.16% |
| Subtotal | 8,600,090 | 60.64% | 7,986,380 | 61.27% |
| **Personal loans** | | | | |
| Mortgages | 4,418,761 | 31.15% | 3,993,271 | 30.64% |
| Credit cards | 498,435 | 3.51% | 476,743 | 3.66% |
| Other | 666,099 | 4.70% | 577,795 | 4.43% |
| Subtotal | 5,583,295 | 39.36% | 5,047,809 | 38.73% |
| Total | 14,183,385 | 100.00% | 13,034,189 | 100.00% |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.5 Loans and advances (Continued)*

*(1) Concentrations of risk for loans and advances to customers (Continued)*

(iii) Analysis of loans and advances to customers by industry (Continued)

| **Chinese mainland** | **As at 31 December** | | | |
|---|---|---|---|---|
| | **2020** | | **2019** | |
| | **Amount** | **% of total** | **Amount** | **% of total** |
| **Corporate loans and advances** | | | | |
| Commerce and services | 1,395,690 | 12.13% | 1,269,121 | 12.32% |
| Manufacturing | 1,329,778 | 11.56% | 1,285,438 | 12.48% |
| Transportation, storage and postal services | 1,313,457 | 11.42% | 1,129,091 | 10.96% |
| Real estate | 639,777 | 5.56% | 553,951 | 5.38% |
| Production and supply of electricity, heating, gas and water | 554,626 | 4.82% | 489,086 | 4.75% |
| Financial services | 487,488 | 4.24% | 398,095 | 3.86% |
| Mining | 163,193 | 1.42% | 165,218 | 1.60% |
| Construction | 218,541 | 1.90% | 214,351 | 2.08% |
| Water, environment and public utility management | 243,268 | 2.12% | 188,387 | 1.83% |
| Public utilities | 136,444 | 1.19% | 120,595 | 1.17% |
| Other | 39,670 | 0.34% | 37,358 | 0.36% |
| Subtotal | 6,521,932 | 56.70% | 5,850,691 | 56.79% |
| **Personal loans** | | | | |
| Mortgages | 3,991,540 | 34.71% | 3,582,138 | 34.77% |
| Credit cards | 488,086 | 4.24% | 462,150 | 4.49% |
| Other | 500,233 | 4.35% | 407,429 | 3.95% |
| Subtotal | 4,979,859 | 43.30% | 4,451,717 | 43.21% |
| Total | 11,501,791 | 100.00% | 10,302,408 | 100.00% |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

### *3.5 Loans and advances (Continued)*

*(1) Concentrations of risk for loans and advances to customers (Continued)*

(iv) Analysis of loans and advances to customers by collateral type

| Group | As at 31 December | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Amount | % of total | Amount | % of total |
| Unsecured loans | 4,533,495 | 31.96% | 4,151,941 | 31.86% |
| Guaranteed loans | 1,737,379 | 12.25% | 1,572,146 | 12.06% |
| Collateralised and other secured loans | 7,912,511 | 55.79% | 7,310,102 | 56.08% |
| Total | 14,183,385 | 100.00% | 13,034,189 | 100.00% |

| Chinese mainland | As at 31 December | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Amount | % of total | Amount | % of total |
| Unsecured loans | 3,311,387 | 28.79% | 2,923,150 | 28.37% |
| Guaranteed loans | 1,379,925 | 12.00% | 1,211,994 | 11.77% |
| Collateralised and other secured loans | 6,810,479 | 59.21% | 6,167,264 | 59.86% |
| Total | 11,501,791 | 100.00% | 10,302,408 | 100.00% |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

## 3 Credit risk (Continued)

### *3.5 Loans and advances (Continued)*

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

(i) Impaired loans and advances by geographical area

| **Group** | **As at 31 December** | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | | **2019** | | |
| | **Amount** | **% of total** | **Impaired loan ratio** | **Amount** | **% of total** | **Impaired loan ratio** |
| Chinese mainland | 189,985 | 91.66% | 1.65% | 169,951 | 95.35% | 1.65% |
| Hong Kong, Macao and Taiwan | 4,674 | 2.25% | 0.28% | 3,842 | 2.16% | 0.23% |
| Other countries and regions | 12,614 | 6.09% | 1.28% | 4,442 | 2.49% | 0.43% |
| Total | 207,273 | 100.00% | 1.46% | 178,235 | 100.00% | 1.37% |

| **Chinese mainland** | **As at 31 December** | | | | | |
|---|---|---|---|---|---|---|
| | **2020** | | | **2019** | | |
| | **Amount** | **% of total** | **Impaired loan ratio** | **Amount** | **% of total** | **Impaired loan ratio** |
| Northern China | 27,699 | 14.58% | 1.63% | 31,762 | 18.69% | 2.02% |
| Northeastern China | 15,229 | 8.02% | 3.03% | 22,123 | 13.02% | 4.48% |
| Eastern China | 52,199 | 27.47% | 1.16% | 59,764 | 35.17% | 1.49% |
| Central and Southern China | 81,201 | 42.74% | 2.49% | 39,060 | 22.98% | 1.36% |
| Western China | 13,657 | 7.19% | 0.89% | 17,242 | 10.14% | 1.28% |
| Total | 189,985 | 100.00% | 1.65% | 169,951 | 100.00% | 1.65% |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

## 3 Credit risk (Continued)

### *3.5 Loans and advances (Continued)*

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

(ii) Impaired loans and advances by customer type

| Group | As at 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Amount | % of total | Impaired loan ratio | Amount | % of total | Impaired loan ratio |
| Corporate loans and advances | 174,012 | 83.95% | 2.02% | 149,427 | 83.84% | 1.87% |
| Personal loans | 33,261 | 16.05% | 0.60% | 28,808 | 16.16% | 0.57% |
| Total | 207,273 | 100.00% | 1.46% | 178,235 | 100.00% | 1.37% |

| Chinese mainland | As at 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Amount | % of total | Impaired loan ratio | Amount | % of total | Impaired loan ratio |
| Corporate loans and advances | 157,767 | 83.04% | 2.42% | 141,978 | 83.54% | 2.43% |
| Personal loans | 32,218 | 16.96% | 0.65% | 27,973 | 16.46% | 0.63% |
| Total | 189,985 | 100.00% | 1.65% | 169,951 | 100.00% | 1.65% |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.5 Loans and advances (Continued)*

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

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

| | As at 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Amount | % of total | Impaired loan ratio | Amount | % of total | Impaired loan ratio |
| **Chinese mainland** | | | | | | |
| Corporate loans and advances | | | | | | |
| Commerce and services | 42,010 | 20.27% | 3.01% | 45,104 | 25.31% | 3.55% |
| Manufacturing | 56,696 | 27.35% | 4.26% | 59,646 | 33.46% | 4.64% |
| Transportation, storage and postal services | 14,276 | 6.89% | 1.09% | 8,276 | 4.64% | 0.73% |
| Real estate | 29,952 | 14.45% | 4.68% | 2,936 | 1.65% | 0.53% |
| Production and supply of electricity, heating, gas and water | 2,374 | 1.14% | 0.43% | 10,954 | 6.15% | 2.24% |
| Financial services | 42 | 0.02% | 0.01% | 225 | 0.13% | 0.06% |
| Mining | 4,537 | 2.19% | 2.78% | 4,946 | 2.77% | 2.99% |
| Construction | 3,806 | 1.84% | 1.74% | 3,561 | 2.00% | 1.66% |
| Water, environment and public utility management | 2,319 | 1.12% | 0.95% | 1,594 | 0.89% | 0.85% |
| Public utilities | 894 | 0.43% | 0.66% | 877 | 0.49% | 0.73% |
| Other | 861 | 0.42% | 2.17% | 3,859 | 2.17% | 10.33% |
| Subtotal | 157,767 | 76.12% | 2.42% | 141,978 | 79.66% | 2.43% |
| Personal loans | | | | | | |
| Mortgages | 12,680 | 6.12% | 0.32% | 10,463 | 5.87% | 0.29% |
| Credit cards | 12,199 | 5.88% | 2.50% | 10,269 | 5.76% | 2.22% |
| Other | 7,339 | 3.54% | 1.47% | 7,241 | 4.06% | 1.78% |
| Subtotal | 32,218 | 15.54% | 0.65% | 27,973 | 15.69% | 0.63% |
| Total for Chinese mainland | 189,985 | 91.66% | 1.65% | 169,951 | 95.35% | 1.65% |
| **Hong Kong, Macao, Taiwan and other countries and regions** | 17,288 | 8.34% | 0.64% | 8,284 | 4.65% | 0.30% |
| Total | 207,273 | 100.00% | 1.46% | 178,235 | 100.00% | 1.37% |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.5 Loans and advances (Continued)*

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

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

| | Impaired loans | Allowance for impairment losses | Net |
|---|---|---|---|
| **As at 31 December 2020** | | | |
| Chinese mainland | 189,985 | (151,489) | 38,496 |
| Hong Kong, Macao and Taiwan | 4,674 | (2,463) | 2,211 |
| Other countries and regions | 12,614 | (8,943) | 3,671 |
| Total | 207,273 | (162,895) | 44,378 |
| **As at 31 December 2019** | | | |
| Chinese mainland | 169,951 | (131,307) | 38,644 |
| Hong Kong, Macao and Taiwan | 3,842 | (2,462) | 1,380 |
| Other countries and regions | 4,442 | (2,775) | 1,667 |
| Total | 178,235 | (136,544) | 41,691 |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.5 Loans and advances (Continued)*

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

(v) Within the impaired corporate loans and advances, the portions covered and not covered by collateral held are as follows:

| | Group | | Chinese mainland | |
|---|---|---|---|---|
| | As at 31 December 2020 | As at 31 December 2019 | As at 31 December 2020 | As at 31 December 2019 |
| Portion covered | 95,896 | 94,007 | 89,692 | 92,737 |
| Portion not covered | 78,116 | 55,420 | 68,075 | 49,241 |
| Total | 174,012 | 149,427 | 157,767 | 141,978 |
| Fair value of collateral held | 33,859 | 49,054 | 31,483 | 46,939 |

Collateral of impaired corporate loans and advances includes land, buildings, equipment and others. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted for recent experience in disposal of collateral as well as the market conditions.

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.5 Loans and advances (Continued)*

*(3) Loans and advances rescheduled*

Rescheduling is a voluntary or, to a limited extent, court-supervised procedure, through which the Group and a borrower and/or its guarantor, if any, rescheduled credit terms as a result of deterioration in the borrower's financial condition or of the borrower's inability to make payments when due. The Group reschedules a non-performing loan only if the borrower has good prospects. In addition, prior to approving the rescheduling of loans, the Group typically requires additional guarantees, pledges and/or collateral, or the assumption of the loan by a borrower with better repayment ability.

Rescheduled loans are subject to a surveillance period of six months. During the surveillance period, rescheduled loans remain as non-performing loans and the Group monitors the borrower's business operations and loan repayment patterns. After the surveillance period, rescheduled loans may be upgraded to "Special-mention" upon review if certain criteria are met. If the rescheduled loans fall due or if the borrower is unable to demonstrate its repayment ability, these loans will be reclassified to "Doubtful" or below. All rescheduled loans within the surveillance period were determined to be impaired as at 31 December 2020 and 2019.

As at 31 December 2020 and 2019, within impaired loans and advances, rescheduled loans and advances that were overdue for 90 days or less were insignificant.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

### *3.5 Loans and advances (Continued)*

*(4) Overdue loans and advances to customers*

(i) Analysis of overdue loans and advances to customers by collateral type and overdue days

**Group**

| | Past due up to 90 days | Past due 91 to 360 days | Past due 361 Days to 3 years | Past due over 3 years | Total |
|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | |
| Unsecured loans | 8,040 | 15,841 | 7,122 | 2,314 | 33,317 |
| Guaranteed loans | 5,160 | 11,622 | 9,952 | 1,507 | 28,241 |
| Collateralised and other secured loans | 41,142 | 43,635 | 27,192 | 5,857 | 117,826 |
| Total | 54,342 | 71,098 | 44,266 | 9,678 | 179,384 |
| **As at 31 December 2019** | | | | | |
| Unsecured loans | 8,937 | 12,236 | 7,591 | 2,086 | 30,850 |
| Guaranteed loans | 8,956 | 11,150 | 12,747 | 1,949 | 34,802 |
| Collateralised and other secured loans | 44,945 | 22,056 | 23,917 | 6,059 | 96,977 |
| Total | 62,838 | 45,442 | 44,255 | 10,094 | 162,629 |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

### *3.5 Loans and advances (Continued)*

*(4) Overdue loans and advances to customers (Continued)*

(i) Analysis of overdue loans and advances to customers by collateral type and overdue days (Continued)

**Chinese mainland**

| | Past due up to 90 days | Past due 91 to 360 days | Past due 361 Days to 3 years | Past due over 3 years | Total |
|---|---|---|---|---|---|
| **As at 31 December 2020** | | | | | |
| Unsecured loans | 6,626 | 11,785 | 5,262 | 2,284 | 25,957 |
| Guaranteed loans | 4,740 | 9,299 | 9,670 | 1,239 | 24,948 |
| Collateralised and other secured loans | 37,284 | 39,780 | 26,692 | 5,604 | 109,360 |
| Total | 48,650 | 60,864 | 41,624 | 9,127 | 160,265 |
| **As at 31 December 2019** | | | | | |
| Unsecured loans | 7,141 | 10,611 | 6,835 | 2,071 | 26,658 |
| Guaranteed loans | 8,650 | 10,927 | 12,673 | 1,661 | 33,911 |
| Collateralised and other secured loans | 40,651 | 19,291 | 23,650 | 5,817 | 89,409 |
| Total | 56,442 | 40,829 | 43,158 | 9,549 | 149,978 |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

### *3.5 Loans and advances (Continued)*

*(4) Overdue loans and advances to customers (Continued)*

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

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Chinese mainland | 160,265 | 149,978 |
| Hong Kong, Macao and Taiwan | 6,850 | 7,171 |
| Other countries and regions | 12,269 | 5,480 |
| Subtotal | 179,384 | 162,629 |
| Percentage | 1.26% | 1.25% |
| Less: total loans and advances to customers which have been overdue for less than 3 months | (54,342) | (62,838) |
| Total loans and advances to customers which have been overdue for more than 3 months | 125,042 | 99,791 |

*(5) Loans and advances three-staging classification*

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

| | As at 31 December 2020 | | | |
|---|---|---|---|---|
| | **12-month ECLs** | **Lifetime ECLs** | | **Total** |
| | **Stage 1** | **Stage 2** | **Stage 3** | |
| Pass | 13,642,318 | 66,181 | – | 13,708,499 |
| Special-mention | – | 263,952 | – | 263,952 |
| Substandard | – | – | 125,118 | 125,118 |
| Doubtful | – | – | 33,823 | 33,823 |
| Loss | – | – | 48,332 | 48,332 |
| Total | 13,642,318 | 330,133 | 207,273 | 14,179,724 |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

### *3.5 Loans and advances (Continued)*

*(5) Loans and advances three-staging classification (Continued)*

| | As at 31 December 2019 | | | |
|---|---|---|---|---|
| | 12-month ECLs | Lifetime ECLs | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| Pass | 12,514,948 | 47,588 | – | 12,562,536 |
| Special-mention | – | 289,314 | – | 289,314 |
| Substandard | – | – | 77,459 | 77,459 |
| Doubtful | – | – | 51,804 | 51,804 |
| Loss | – | – | 48,972 | 48,972 |
| Total | 12,514,948 | 336,902 | 178,235 | 13,030,085 |

As at 31 December 2020 and 2019, loans and advances by five-category loan classification and three-staging classification did not include loans and advances to customers measured at fair value through profit or loss.

### *3.6 Due from and placements with and loans to banks and other financial institutions*

Banks and other financial institutions comprise those institutions in the Chinese mainland, Hong Kong, Macao, Taiwan and other countries and regions.

The Group monitors the credit risk of counterparties by collecting and analysing counterparty information and establishing credit limits taking into account the nature, size and credit rating of counterparties.

As at 31 December 2020, the majority of the balances of due from and placements with and loans to banks and other financial institutions were banks and other financial institutions in the Chinese mainland (Note V.13 and Note V.15), the majority of the internal credit ratings of these banks and other financial institutions were above A.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.7 Debt securities*

The Group adopted a credit rating approach to manage the credit risk of the debt securities by referring to both internal and external credit rating. The carrying amounts (accrued interest excluded) of the debt investments analysed by external credit ratings at the financial reporting dates are as follows:

| | Unrated | A to AAA | Lower than A | Total |
|---|---|---|---|---|
| **As at 31 December 2020** | | | | |
| Issuers in Chinese mainland | | | | |
| — Government | 6,461 | 3,026,650 | – | 3,033,111 |
| — Public sectors and quasi-governments | 130,695 | – | – | 130,695 |
| — Policy banks | 149 | 446,888 | – | 447,037 |
| — Financial institutions | 31,229 | 269,487 | 123,956 | 424,672 |
| — Corporate | 67,834 | 109,443 | 39,474 | 216,751 |
| — China Orient | 152,433 | – | – | 152,433 |
| Subtotal | 388,801 | 3,852,468 | 163,430 | 4,404,699 |
| Issuers in Hong Kong, Macao, Taiwan and other countries and regions | | | | |
| — Governments | 36,393 | 503,881 | 16,338 | 556,612 |
| — Public sectors and quasi-governments | 34,077 | 31,748 | – | 65,825 |
| — Financial institutions | 10,015 | 127,643 | 34,449 | 172,107 |
| — Corporate | 13,453 | 89,307 | 38,716 | 141,476 |
| Subtotal | 93,938 | 752,579 | 89,503 | 936,020 |
| Total | 482,739 | 4,605,047 | 252,933 | 5,340,719 |
| **As at 31 December 2019** | | | | |
| Issuers in Chinese mainland | | | | |
| — Government | 12,997 | 2,848,409 | 350 | 2,861,756 |
| — Public sectors and quasi-governments | 109,923 | – | – | 109,923 |
| — Policy banks | – | 435,212 | – | 435,212 |
| — Financial institutions | 86,765 | 219,640 | 214,672 | 521,077 |
| — Corporate | 64,457 | 121,200 | 26,852 | 212,509 |
| — China Orient | 152,433 | – | – | 152,433 |
| Subtotal | 426,575 | 3,624,461 | 241,874 | 4,292,910 |
| Issuers in Hong Kong, Macao, Taiwan and other countries and regions | | | | |
| — Governments | 2,364 | 506,421 | 16,089 | 524,874 |
| — Public sectors and quasi-governments | 60,332 | 58,889 | – | 119,221 |
| — Financial institutions | 5,675 | 123,249 | 31,916 | 160,840 |
| — Corporate | 11,957 | 127,515 | 34,663 | 174,135 |
| Subtotal | 80,328 | 816,074 | 82,668 | 979,070 |
| Total | 506,903 | 4,440,535 | 324,542 | 5,271,980 |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.7 Debt securities (Continued)*

The carrying amounts (accrued interest excluded) of debt investments analysed by external credit ratings and expected credit losses are as follows:

| | As at 31 December 2020 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| Unrated | 452,851 | 281 | 392 | 453,524 |
| A to AAA | 4,360,353 | – | – | 4,360,353 |
| Lower than A | 182,704 | 123 | – | 182,827 |
| Total | 4,995,908 | 404 | 392 | 4,996,704 |

| | As at 31 December 2019 | | | |
|---|---|---|---|---|
| | 12-month ECL | Lifetime ECL | | Total |
| | Stage 1 | Stage 2 | Stage 3 | |
| Unrated | 467,979 | 239 | – | 468,218 |
| A to AAA | 4,199,036 | 59 | – | 4,199,095 |
| Lower than A | 236,749 | 180 | – | 236,929 |
| Total | 4,903,764 | 478 | – | 4,904,242 |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 3 Credit risk (Continued)

#### *3.8 Derivatives*

The risk-weighted assets for counterparty credit risk ("CCR") of derivatives of the Group are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations under the advanced capital measurement approaches. For derivative transactions, risk-weighted assets for CCR include the risk-weighted assets for default risk, the risk-weighted assets for credit valuation adjustment ("CVA") and the risk-weighted assets for central counterparties ("CCPs").

The risk-weighted assets for default risk of derivatives of the Group are calculated in accordance with the *Assets Measurement Rules for Counterparty Default Risks of Derivatives* since 1 January 2019.

The risk-weighted assets for the CCR of derivatives are as follows:

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Risk-weighted assets for default risk | | |
| Currency derivatives | 76,313 | 62,076 |
| Interest rate derivatives | 16,082 | 10,442 |
| Equity derivatives | 844 | 338 |
| Commodity derivatives and other | 18,487 | 12,135 |
| | 111,726 | 84,991 |
| Risk-weighted assets for CVA | 110,319 | 79,954 |
| Risk-weighted assets for CCPs | 6,330 | 6,095 |
| Total | 228,375 | 171,040 |

#### *3.9 Repossessed assets*

The Group obtained assets by taking possession of collateral held as security. Detailed information of such repossessed assets of the Group is disclosed in Note V.22.

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 4 Market risk

#### *4.1 Overview*

The Group is exposed to market risks from on-balance and off-balance businesses, that may cause losses to the Group as a result of adverse changes in market prices of interest rate, exchange rate, equities and commodities. Market risk arises from open positions in the trading and banking books. The trading book consists of positions in financial instruments and commodities that are held with trading intent or in order to hedge other elements of the trading book. The banking book consists of financial instruments not included in the trading book.

The Board of Directors of the Group takes the ultimate responsibility for the oversight of market risk management, including the approval of market risk management policies and procedures and the determination of market risk tolerance. Senior management is responsible for the execution of such policies and ensuring that the level of market risk is within the risk appetite determined by the Board, while meeting the Group's business objectives.

Market risk management departments are responsible for the identification, measurement, monitoring, control and reporting of market risks on a Group basis. Business units are responsible for the monitoring and reporting of market risk within their respective business lines.

#### *4.2 Market risk measurement techniques and limits*

*(1) Trading book*

For the purpose of market risk management in the trading book, the Group monitors trading book Value at Risk (VaR) limits, stress testing results and exposure limits and tracks each trading desk and dealer's observance of each limit on a daily basis.

VaR is used to estimate the largest potential loss arising from adverse market movements in a specific holding period and within a certain confidence level.

VaR is performed separately by the Bank and its major subsidiaries that are exposed to market risk, BOCHK (Holdings) and BOCI. The Bank, BOCHK (Holdings) and BOCI used a 99% level of confidence (therefore, statistical probability of 1% that actual losses could be greater than the VaR estimate) and a historical simulation model to calculate the VaR estimate. The holding period of the VaR calculations is one day. To enhance the Group's market risk management, the Group has established the market risk data mart, which enabled a group level trading book VaR calculation on a daily basis.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 4 Market risk (Continued)

#### *4.2 Market risk measurement techniques and limits (Continued)*

*(1) Trading book (Continued)*

The accuracy and reliability of the VaR model is verified by daily back-testing of the VaR results in the trading book. The back-testing results are regularly reported to senior management.

The Group utilises stress testing as an effective supplement to the trading book VaR analysis. Stress testing scenarios are performed based on the characteristics of trading transactions to simulate and estimate losses in adverse and exceptional market conditions. To address changes in the financial markets, the Group enhances its market risk identification capabilities by continuously modifying and improving the trading book stress testing scenarios and measurement methodologies in order to capture the potential impact to transaction market prices stemming from changes in market prices and volatility.

The table below shows the VaR of the trading book by type of risk during the years ended 31 December 2020 and 2019:

Unit: USD million

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Average | High | Low | Average | High | Low |
| **The Bank's trading VaR** | | | | | | |
| Interest rate risk | 13.45 | 17.87 | 9.17 | 18.70 | 23.50 | 13.24 |
| Foreign exchange risk | 26.61 | 39.35 | 11.83 | 18.00 | 26.69 | 9.80 |
| Volatility risk | 2.18 | 6.45 | 0.18 | 0.44 | 2.27 | 0.17 |
| Commodity risk | 6.35 | 13.76 | 3.04 | 1.77 | 6.26 | 0.75 |
| **Total of the Bank's trading VaR** | 29.56 | 38.72 | 16.18 | 23.03 | 29.56 | 17.11 |

The reporting of risk in relation to bullion is included in foreign exchange risk above.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 4 Market risk (Continued)

#### *4.2 Market risk measurement techniques and limits (Continued)*

*(1) Trading book (Continued)*

Unit: USD million

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Average | High | Low | Average | High | Low |
| **BOCHK (Holdings)'s trading VaR** | | | | | | |
| Interest rate risk | 2.38 | 4.58 | 0.75 | 2.72 | 5.30 | 1.26 |
| Foreign exchange risk | 2.72 | 3.98 | 0.84 | 1.63 | 2.69 | 0.93 |
| Equity risk | 0.13 | 0.38 | 0.03 | 0.10 | 0.32 | 0.03 |
| Commodity risk | 0.23 | 1.44 | 0.00 | 2.06 | 5.59 | 0.03 |
| **Total BOCHK (Holdings)'s trading VaR** | 4.01 | 6.47 | 2.25 | 3.95 | 6.70 | 2.24 |
| **BOCI's trading VaR** (i) | | | | | | |
| Equity derivatives unit | 0.94 | 2.28 | 0.23 | 0.76 | 1.96 | 0.34 |
| Fixed income unit | 1.10 | 2.15 | 0.41 | 0.66 | 0.97 | 0.51 |
| Global commodity unit | 0.20 | 0.30 | 0.15 | 0.20 | 0.36 | 0.10 |
| **Total BOCI's trading VaR** | 2.24 | 4.30 | 1.37 | 1.61 | 2.95 | 1.17 |

(i) BOCI monitors its trading VaR for equity derivatives unit, fixed income unit and global commodity unit separately, which include equity risk, interest rate risk, foreign exchange risk and commodity risk.

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and within a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs was not added up to the total VaR as there was a diversification effect due to correlation amongst the risk factors.

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 4 Market risk (Continued)

#### *4.2 Market risk measurement techniques and limits (Continued)*

*(2) Banking book*

Interest rate risk in the banking book ("IRRBB") refers to the risk of losses to a bank's economic value and to its overall earnings of banking book, arising from adverse movements in interest rates level or term structure. IRRBB mainly comes from repricing gaps between assets and liabilities in the banking book, and differences in changes in benchmarking interest rates for assets and liabilities. The Group is exposed to interest rate risk and fluctuations in market interest rates that will impact the Group's financial position.

The Group assesses IRRBB primarily through an interest rate repricing gap analysis. Interest rate repricing gap analysis measures the difference between the amount of interest-earning assets and interest-bearing liabilities that must be repriced within certain periods. The Group employs the interest rate repricing gap analysis and takes the impact of the off-balance sheet business into consideration when calculating the indications of sensitivity of earnings to changing interest rates. The interest rate gap analysis is set out in Note VI.4.3 and also covers the trading book.

**Sensitivity analysis on net interest income**

Sensitivity analysis on net interest income assumes that yield curves change in parallel while the structure of assets and liabilities remains unchanged, and does not take into consideration changes in customer behaviour, basis risk, etc. The Group made timely adjustments to the structure of its assets and liabilities, optimised the internal and external pricing strategy or implemented risk hedging based on changes in the market situation, and controlled the fluctuation of net interest income within an acceptable level.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 4 Market risk (Continued)

#### *4.2 Market risk measurement techniques and limits (Continued)*

*(2) Banking book (Continued)*

The table below illustrates the potential impact of a 25 basis points interest rate move on the net interest income of the Group. The actual situation may be different from the assumptions used and it is possible that actual outcomes could differ from the estimated impact on net interest income of the Group.

| | (Decrease)/increase in net interest income | |
|---|---|---|
| | As at 31 December | |
| | 2020 | 2019 |
| + 25 basis points | (4,107) | (4,534) |
| – 25 basis points | 4,107 | 4,534 |

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products. Had the impact of yield curves movement on interest expenses related to demand deposits been excluded, the net interest income for the next twelve months from the reporting date would have increased or decreased by RMB16,716 million (2019: RMB14,591 million) for 25 basis points upward or downward parallel movements, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 4 Market risk (Continued)

### *4.3 GAP analysis*

The tables below summarise the Group's exposure to interest rate risk. It includes the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

| | As at 31 December 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Less than 1 month** | **Between 1 and 3 months** | **Between 3 and 12 months** | **Between 1 and 5 years** | **Over 5 years** | **Non-interest bearing** | **Total** |
| **Assets** | | | | | | | |
| Cash and due from banks and other financial institutions | 470,557 | 92,375 | 152,489 | 3,117 | – | 84,607 | 803,145 |
| Balances with central banks | 1,883,236 | 2,990 | 489 | 651 | – | 189,474 | 2,076,840 |
| Placements with and loans to banks and other financial institutions | 405,802 | 167,138 | 278,759 | 82,515 | – | 5,106 | 939,320 |
| Derivative financial assets | – | – | – | – | – | 171,738 | 171,738 |
| Loans and advances to customers, net | 3,696,907 | 2,476,327 | 6,603,223 | 297,793 | 268,035 | 506,019 | 13,848,304 |
| Financial investments | | | | | | | |
| — financial assets at fair value through profit or loss | 10,968 | 48,105 | 76,626 | 42,983 | 169,896 | 155,971 | 504,549 |
| — financial assets at fair value through other comprehensive income | 176,317 | 249,957 | 253,926 | 925,422 | 461,527 | 40,641 | 2,107,790 |
| — financial assets at amortised cost | 229,352 | 71,072 | 336,105 | 1,283,662 | 1,019,905 | 38,682 | 2,978,778 |
| Other | 2,698 | – | – | – | 14,328 | 955,169 | 972,195 |
| **Total assets** | 6,875,837 | 3,107,964 | 7,701,617 | 2,636,143 | 1,933,691 | 2,147,407 | 24,402,659 |
| **Liabilities** | | | | | | | |
| Due to banks and other financial institutions | 1,150,797 | 250,707 | 192,966 | 5,518 | – | 317,015 | 1,917,003 |
| Due to central banks | 309,560 | 114,713 | 428,370 | 28,230 | – | 6,938 | 887,811 |
| Placements from banks and other financial institutions | 247,076 | 102,269 | 61,627 | 6 | – | 971 | 411,949 |
| Derivative financial liabilities | – | – | – | – | – | 212,052 | 212,052 |
| Due to customers | 9,697,626 | 1,333,837 | 2,582,012 | 2,817,528 | 1,698 | 446,470 | 16,879,171 |
| Bonds issued | 75,317 | 201,662 | 450,653 | 461,129 | 49,612 | 6,030 | 1,244,403 |
| Other | 28,026 | 17,655 | 5,385 | 8,566 | 22,808 | 604,993 | 687,433 |
| **Total liabilities** | 11,508,402 | 2,020,843 | 3,721,013 | 3,320,977 | 74,118 | 1,594,469 | 22,239,822 |
| **Total interest repricing gap** | (4,632,565) | 1,087,121 | 3,980,604 | (684,834) | 1,859,573 | 552,938 | 2,162,837 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 4 Market risk (Continued)

### *4.3 GAP analysis (Continued)*

| | As at 31 December 2019 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Less than 1 month | Between 1 and 3 months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | Non-interest bearing | Total |
| **Assets** | | | | | | | |
| Cash and due from banks and other financial institutions | 326,312 | 52,603 | 116,321 | 2,845 | 129 | 67,257 | 565,467 |
| Balances with central banks | 1,848,825 | 2,289 | 594 | – | – | 227,101 | 2,078,809 |
| Placements with and loans to banks and other financial institutions | 427,786 | 195,628 | 230,922 | 40,489 | – | 4,134 | 898,959 |
| Derivative financial assets | – | – | – | – | – | 93,335 | 93,335 |
| Loans and advances to customers, net | 3,317,026 | 2,369,401 | 6,291,477 | 207,511 | 82,221 | 475,789 | 12,743,425 |
| Financial investments | | | | | | | |
| — financial assets at fair value through profit or loss | 17,516 | 53,982 | 97,306 | 54,269 | 148,855 | 146,322 | 518,250 |
| — financial assets at fair value through other comprehensive income | 188,302 | 287,412 | 366,595 | 837,429 | 492,120 | 46,271 | 2,218,129 |
| — financial assets at amortised cost | 33,368 | 45,578 | 487,744 | 1,331,541 | 841,101 | 38,351 | 2,777,683 |
| Other | 4,897 | – | – | – | 12,737 | 858,053 | 875,687 |
| **Total assets** | 6,164,032 | 3,006,893 | 7,590,959 | 2,474,084 | 1,577,163 | 1,956,613 | 22,769,744 |
| **Liabilities** | | | | | | | |
| Due to banks and other financial institutions | 988,433 | 371,241 | 130,006 | 3,617 | – | 174,749 | 1,668,046 |
| Due to central banks | 251,446 | 72,048 | 510,594 | 3,570 | – | 8,619 | 846,277 |
| Placements from banks and other financial institutions | 495,927 | 71,468 | 69,079 | 1,363 | 14 | 1,824 | 639,675 |
| Derivative financial liabilities | – | – | – | – | – | 90,060 | 90,060 |
| Due to customers | 9,117,294 | 1,540,251 | 2,488,155 | 2,296,955 | 339 | 374,554 | 15,817,548 |
| Bonds issued | 57,441 | 192,462 | 404,780 | 402,772 | 32,451 | 6,181 | 1,096,087 |
| Other | 23,693 | 19,255 | 10,006 | 10,847 | 20,832 | 550,722 | 635,355 |
| **Total liabilities** | 10,934,234 | 2,266,725 | 3,612,620 | 2,719,124 | 53,636 | 1,206,709 | 20,793,048 |
| **Total interest repricing gap** | (4,770,202) | 740,168 | 3,978,339 | (245,040) | 1,523,527 | 749,904 | 1,976,696 |

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 4 Market risk (Continued)

#### *4.4 Foreign currency risk*

The Group conducts a substantial portion of its business in RMB, with certain transactions denominated in USD, HKD and, to a much lesser extent, other currencies. The major subsidiary, BOCHK Group, conducts the majority of its business in HKD, RMB and USD. The Group endeavours to manage its sources and uses of foreign currencies to minimise potential mismatches in accordance with management directives.

The Group manages its exposure to currency exchange risk through the management of its net foreign currency position and monitors its foreign currency risk on trading books using VaR (Note VI.4.2). Meanwhile, the Group performs currency risk sensitivity analysis to estimate the effect of potential exchange rate changes of foreign currencies against RMB on profit before tax and equity.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. Such analysis does not take into account the correlation effect of changes in different foreign currencies, any further actions that may have been or could be taken by management after the financial reporting date to mitigate the effect of exchange differences, nor any consequential changes in the foreign currency positions.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 4 Market risk (Continued)

#### *4.4 Foreign currency risk (Continued)*

| | | Effect on profit before tax | | Effect on equity* | |
|---|---|---|---|---|---|
| **Currency** | **Change in currency rate** | **As at 31 December 2020** | **As at 31 December 2019** | **As at 31 December 2020** | **As at 31 December 2019** |
| USD | +1% | 450 | 354 | 620 | 522 |
| HKD | +1% | (181) | (262) | 2,340 | 2,079 |

* Effect on other comprehensive income (irrespective of income tax effect).

While the table above indicates the effect on profit before tax and equity of the 1% appreciation of USD and HKD, there will be an opposite effect with the same amounts if the currencies depreciate by the same percentage.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 4 Market risk (Continued)

#### *4.4 Foreign currency risk (Continued)*

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 31 December 2020 and 2019. The Group's exposure to RMB is provided in the tables below for comparison purposes. Included in the table are the carrying amounts of the assets and liabilities of the Group along with off-balance sheet positions and credit commitments in RMB equivalent, categorised by the original currencies. Derivative financial instruments are included in the net off-balance sheet position using notional amounts.

| | As at 31 December 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | RMB | USD | HKD | EURO | JPY | GBP | Other | Total |
| **Assets** | | | | | | | | |
| Cash and due from banks and other financial institutions | 548,932 | 132,751 | 20,782 | 61,642 | 7,101 | 4,215 | 27,722 | 803,145 |
| Balances with central banks | 1,500,346 | 316,938 | 61,418 | 81,789 | 30,084 | 44,252 | 42,013 | 2,076,840 |
| Placements with and loans to banks and other financial institutions | 555,349 | 298,944 | 22,861 | 18,663 | 478 | 940 | 42,085 | 939,320 |
| Derivative financial assets | 97,475 | 44,134 | 3,479 | 738 | 987 | 9,344 | 15,581 | 171,738 |
| Loans and advances to customers, net | 11,024,110 | 1,106,377 | 1,010,120 | 258,468 | 11,076 | 62,829 | 375,324 | 13,848,304 |
| Financial investments | | | | | | | | |
| — financial assets at fair value through profit or loss | 363,018 | 51,870 | 82,795 | 6,476 | 316 | 23 | 51 | 504,549 |
| — financial assets at fair value through other comprehensive income | 1,280,223 | 449,963 | 127,357 | 31,950 | 130,392 | 2,851 | 85,054 | 2,107,790 |
| — financial assets at amortised cost | 2,723,069 | 199,575 | 2,370 | 9,628 | 6,065 | 3,993 | 34,078 | 2,978,778 |
| Other | 317,767 | 183,732 | 219,734 | 2,466 | 1,417 | 2,346 | 244,733 | 972,195 |
| **Total assets** | 18,410,289 | 2,784,284 | 1,550,916 | 471,820 | 187,916 | 130,793 | 866,641 | 24,402,659 |
| **Liabilities** | | | | | | | | |
| Due to banks and other financial institutions | 1,035,286 | 539,174 | 43,097 | 43,770 | 14,301 | 10,988 | 230,387 | 1,917,003 |
| Due to central banks | 576,601 | 277,062 | 12,918 | 13,487 | – | 341 | 7,402 | 887,811 |
| Placements from banks and other financial institutions | 137,784 | 215,247 | 13,729 | 28,757 | 12,204 | 2,247 | 1,981 | 411,949 |
| Derivative financial liabilities | 139,398 | 46,493 | 4,474 | 947 | 874 | 9,720 | 10,146 | 212,052 |
| Due to customers | 13,003,027 | 1,651,454 | 1,318,279 | 306,229 | 50,656 | 72,230 | 477,296 | 16,879,171 |
| Bonds issued | 968,665 | 218,950 | 8,617 | 31,980 | 1,896 | 311 | 13,984 | 1,244,403 |
| Other | 293,844 | 105,317 | 267,904 | 3,207 | 300 | 1,109 | 15,752 | 687,433 |
| **Total liabilities** | 16,154,605 | 3,053,697 | 1,669,018 | 428,377 | 80,231 | 96,946 | 756,948 | 22,239,822 |
| Net on-balance sheet position | 2,255,684 | (269,413) | (118,102) | 43,443 | 107,685 | 33,847 | 109,693 | 2,162,837 |
| Net off-balance sheet position | (541,681) | 392,537 | 347,658 | (31,366) | (107,293) | (32,709) | (50,662) | (23,516) |
| Credit commitments | 3,160,861 | 761,848 | 255,166 | 142,505 | 10,679 | 52,715 | 107,899 | 4,491,673 |

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## FOR THE YEAR ENDED 31 DECEMBER 2020
(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 4 Market risk (Continued)

### *4.4 Foreign currency risk (Continued)*

| | As at 31 December 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | RMB | USD | HKD | EURO | JPY | GBP | Other | Total |
| **Assets** | | | | | | | | |
| Cash and due from banks and other financial institutions | 370,569 | 140,513 | 18,368 | 10,977 | 7,833 | 1,691 | 15,516 | 565,467 |
| Balances with central banks | 1,583,469 | 265,682 | 57,599 | 59,456 | 49,422 | 34,133 | 29,048 | 2,078,809 |
| Placements with and loans to banks and other financial institutions | 652,817 | 149,463 | 33,441 | 6,050 | 141 | 2,435 | 54,612 | 898,959 |
| Derivative financial assets | 42,558 | 13,694 | 26,586 | 446 | 20 | 6,348 | 3,683 | 93,335 |
| Loans and advances to customers, net | 9,870,244 | 1,170,630 | 1,027,104 | 250,730 | 11,194 | 69,423 | 344,100 | 12,743,425 |
| Financial investments | | | | | | | | |
| — financial assets at fair value through profit or loss | 346,644 | 78,848 | 83,199 | 2,540 | 6,925 | 16 | 78 | 518,250 |
| — financial assets at fair value through other comprehensive income | 1,354,391 | 489,432 | 150,486 | 32,292 | 103,797 | 2,610 | 85,121 | 2,218,129 |
| — financial assets at amortised cost | 2,525,349 | 219,495 | 3,319 | 4,802 | 770 | 954 | 22,994 | 2,777,683 |
| Other | 268,436 | 162,203 | 198,398 | 1,357 | 1,465 | 2,691 | 241,137 | 875,687 |
| **Total assets** | 17,014,477 | 2,689,960 | 1,598,500 | 368,650 | 181,567 | 120,301 | 796,289 | 22,769,744 |
| **Liabilities** | | | | | | | | |
| Due to banks and other financial institutions | 1,009,086 | 391,869 | 27,167 | 43,826 | 21,193 | 7,374 | 167,531 | 1,668,046 |
| Due to central banks | 570,675 | 247,096 | 19,979 | 5,920 | – | 258 | 2,349 | 846,277 |
| Placements from banks and other financial institutions | 298,497 | 213,662 | 76,294 | 17,161 | 25,330 | 3,745 | 4,986 | 639,675 |
| Derivative financial liabilities | 36,135 | 19,811 | 22,813 | 707 | 52 | 6,112 | 4,430 | 90,060 |
| Due to customers | 11,925,923 | 1,836,997 | 1,255,663 | 254,485 | 56,683 | 55,672 | 432,125 | 15,817,548 |
| Bonds issued | 766,816 | 258,893 | 11,868 | 38,794 | 1,920 | 2,744 | 15,052 | 1,096,087 |
| Other | 254,949 | 91,825 | 267,607 | 3,131 | 351 | 1,863 | 15,629 | 635,355 |
| **Total liabilities** | 14,862,081 | 3,060,153 | 1,681,391 | 364,024 | 105,529 | 77,768 | 642,102 | 20,793,048 |
| Net on-balance sheet position | 2,152,396 | (370,193) | (82,891) | 4,626 | 76,038 | 42,533 | 154,187 | 1,976,696 |
| Net off-balance sheet position | (463,297) | 378,515 | 283,483 | 5,828 | (75,754) | (40,620) | (74,643) | 13,512 |
| Credit commitments | 2,959,323 | 836,835 | 257,229 | 124,696 | 9,841 | 49,401 | 105,245 | 4,342,570 |

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 5 Liquidity risk

The liquidity risk refers to the risk that a commercial bank fails to acquire adequate funds in a timely manner and at a reasonable cost to deal with repayment of debts at maturity, perform other payment obligations and meet other fund needs for normal business operation.

### *5.1 Liquidity risk management policy and process*

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

The Group considers liquidity risk management a significant component of asset-liability management, and determines the size, structure and duration of assets and liabilities consistent with the principle of overall balance between assets and liabilities. The Group establishes its liquidity portfolio to mitigate liquidity risk, and to minimise the gaps in the amount and duration between the funding sources and the uses of funds. The Group refines its financing strategy, taking into consideration various factors including customer risk sensitivity, financing cost and concentration of funding sources. In addition, the Group prioritises the development of customer deposits, dynamically adjusts the structure of fund sources by market-oriented financing modes, including due to banks and other financial institutions, inter-bank borrowings and improves the diversity and stability of financing sources.

Assets available to meet all of the liabilities and to cover outstanding loan commitments include "Cash and due from banks and other financial institutions", "Balances with central banks", "Placements with and loans to banks and other financial institutions", "Loans and advances to customers, net", etc. In the normal course of business, a proportion of short-term loans contractually repayable will be extended and a portion of short-term customer deposits will not be withdrawn upon maturity. The Group would also be able to meet unexpected net cash outflows by entering into repurchase transactions, and by selling securities and accessing additional funding sources.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 5 Liquidity risk (Continued)

### 5.2 *Maturity analysis*

The tables below analyse the Group's assets and liabilities into relevant maturity groupings based on the remaining period at the financial reporting date to the contractual maturity date. For purposes of the tables set forth, "Loans and advances to customers, net" are considered overdue only if principal payments are overdue. In addition, for loans and advances to customers that are repayable by instalments, only the portion of the loan that is actually overdue is reported as overdue. Any part of the loan that is not due is reported according to residual maturity.

| | As at 31 December 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Overdue/ Undated | On demand | Less than 1 month | Between 1 and 3 months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | Total |
| **Assets** | | | | | | | | |
| Cash and due from banks and other financial institutions | 21 | 286,447 | 265,996 | 93,556 | 154,008 | 3,117 | – | 803,145 |
| Balances with central banks | 1,452,254 | 549,551 | 39,355 | 5,709 | 28,669 | 1,302 | – | 2,076,840 |
| Placements with and loans to banks and other financial institutions | 377 | – | 397,698 | 154,029 | 286,481 | 100,735 | – | 939,320 |
| Derivative financial assets | – | 13,312 | 22,621 | 31,423 | 62,752 | 31,551 | 10,079 | 171,738 |
| Loans and advances to customers, net | 46,580 | 191,481 | 435,364 | 1,288,350 | 2,778,252 | 3,744,008 | 5,364,269 | 13,848,304 |
| Financial investments | | | | | | | | |
| — financial assets at fair value through profit or loss | 154,836 | – | 10,521 | 47,105 | 77,423 | 44,679 | 169,985 | 504,549 |
| — financial assets at fair value through other comprehensive income | 23,481 | – | 137,987 | 217,198 | 284,963 | 973,389 | 470,772 | 2,107,790 |
| — financial assets at amortised cost | 2,805 | – | 50,431 | 80,052 | 358,189 | 1,443,948 | 1,043,353 | 2,978,778 |
| Other | 356,200 | 454,701 | 19,792 | 17,044 | 19,930 | 75,503 | 29,025 | 972,195 |
| **Total assets** | 2,036,554 | 1,495,492 | 1,379,765 | 1,934,466 | 4,050,667 | 6,418,232 | 7,087,483 | 24,402,659 |
| **Liabilities** | | | | | | | | |
| Due to banks and other financial institutions | – | 1,351,541 | 70,855 | 271,019 | 217,441 | 6,056 | 91 | 1,917,003 |
| Due to central banks | – | 216,844 | 79,518 | 117,114 | 434,833 | 39,502 | – | 887,811 |
| Placements from banks and other financial institutions | – | – | 244,199 | 100,330 | 62,324 | 4,940 | 156 | 411,949 |
| Derivative financial liabilities | – | 9,479 | 24,395 | 34,122 | 95,255 | 35,127 | 13,674 | 212,052 |
| Due to customers | – | 8,521,036 | 1,528,697 | 1,354,270 | 2,596,276 | 2,871,178 | 7,714 | 16,879,171 |
| Bonds issued | – | – | 67,004 | 186,305 | 461,388 | 470,415 | 59,291 | 1,244,403 |
| Other | – | 329,254 | 58,677 | 15,215 | 112,493 | 95,681 | 76,113 | 687,433 |
| **Total liabilities** | – | 10,428,154 | 2,073,345 | 2,078,375 | 3,980,010 | 3,522,899 | 157,039 | 22,239,822 |
| **Net liquidity gap** | 2,036,554 | (8,932,662) | (693,580) | (143,909) | 70,657 | 2,895,333 | 6,930,444 | 2,162,837 |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
## FOR THE YEAR ENDED 31 DECEMBER 2020
(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 5 Liquidity risk (Continued)

### *5.2 Maturity analysis (Continued)*

| | As at 31 December 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Overdue/ Undated | On demand | Less than 1 month | Between 1 and 3 months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | Total |
| **Assets** | | | | | | | | |
| Cash and due from banks and other financial institutions | 21 | 204,121 | 183,170 | 55,805 | 119,376 | 2,845 | 129 | 565,467 |
| Balances with central banks | 1,513,473 | 527,657 | 16,242 | 8,293 | 12,441 | 703 | – | 2,078,809 |
| Placements with and loans to banks and other financial institutions | 44 | – | 417,352 | 185,843 | 241,024 | 54,696 | – | 898,959 |
| Derivative financial assets | – | 10,697 | 14,983 | 20,855 | 24,869 | 16,610 | 5,321 | 93,335 |
| Loans and advances to customers, net | 51,073 | 188,916 | 458,233 | 1,216,882 | 2,716,777 | 3,221,650 | 4,889,894 | 12,743,425 |
| Financial investments | | | | | | | | |
| — financial assets at fair value through profit or loss | 143,255 | – | 16,394 | 49,949 | 98,245 | 58,537 | 151,870 | 518,250 |
| — financial assets at fair value through other comprehensive income | 22,067 | – | 142,122 | 234,297 | 396,998 | 912,932 | 509,713 | 2,218,129 |
| — financial assets at amortised cost | 1,767 | – | 35,141 | 53,375 | 506,346 | 1,337,456 | 843,598 | 2,777,683 |
| Other | 345,309 | 381,978 | 24,301 | 12,827 | 23,308 | 60,436 | 27,528 | 875,687 |
| **Total assets** | 2,077,009 | 1,313,369 | 1,307,938 | 1,838,126 | 4,139,384 | 5,665,865 | 6,428,053 | 22,769,744 |
| **Liabilities** | | | | | | | | |
| Due to banks and other financial institutions | – | 1,036,810 | 125,011 | 324,062 | 175,301 | 6,779 | 83 | 1,668,046 |
| Due to central banks | – | 180,113 | 70,832 | 72,898 | 518,864 | 3,570 | – | 846,277 |
| Placements from banks and other financial institutions | – | – | 492,657 | 70,924 | 69,694 | 6,386 | 14 | 639,675 |
| Derivative financial liabilities | – | 8,780 | 11,165 | 15,936 | 26,652 | 20,482 | 7,045 | 90,060 |
| Due to customers | – | 7,843,084 | 1,541,342 | 1,540,159 | 2,541,528 | 2,343,527 | 7,908 | 15,817,548 |
| Bonds issued | – | – | 23,985 | 150,073 | 416,192 | 470,942 | 34,895 | 1,096,087 |
| Other | – | 280,526 | 53,662 | 12,895 | 121,693 | 92,907 | 73,672 | 635,355 |
| **Total liabilities** | – | 9,349,313 | 2,318,654 | 2,186,947 | 3,869,924 | 2,944,593 | 123,617 | 20,793,048 |
| **Net liquidity gap** | 2,077,009 | (8,035,944) | (1,010,716) | (348,821) | 269,460 | 2,721,272 | 6,304,436 | 1,976,696 |

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 5 Liquidity risk (Continued)

#### *5.3 Undiscounted cash flows by contractual maturities*

The tables below present the cash flows of the Group of non-derivative financial assets and financial liabilities and derivative financial instruments that will be settled on a net basis and on a gross basis by the remaining contractual maturities at the financial reporting date. The amounts disclosed in the tables are the contractual undiscounted cash flows, except for certain derivatives which are disclosed at fair value (i.e. discounted cash flows basis). The Group also manages its inherent short-term liquidity risk based on expected undiscounted cash flows.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

## 5 Liquidity risk (Continued)

### *5.3 Undiscounted cash flows by contractual maturities (Continued)*

| | As at 31 December 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Overdue/ Undated | On demand | Less than 1 month | Between 1 and 3 months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | Total |
| **Non-derivative cash flow** | | | | | | | | |
| Cash and due from banks and other financial institutions | 21 | 286,457 | 266,397 | 93,837 | 154,977 | 3,288 | – | 804,977 |
| Balances with central banks | 1,452,254 | 549,550 | 39,359 | 5,717 | 28,717 | 1,501 | – | 2,077,098 |
| Placements with and loans to banks and other financial institutions | 377 | – | 397,904 | 157,799 | 292,606 | 103,768 | – | 952,454 |
| Loans and advances to customers, net | 48,824 | 191,668 | 460,253 | 1,366,761 | 3,268,668 | 4,948,258 | 7,546,587 | 17,831,019 |
| Financial investments | | | | | | | | |
| — financial assets at fair value through profit or loss | 154,788 | – | 11,227 | 48,200 | 82,092 | 72,271 | 186,921 | 555,499 |
| — financial assets at fair value through other comprehensive income | 23,454 | – | 140,321 | 221,633 | 310,952 | 1,055,733 | 496,895 | 2,248,988 |
| — financial assets at amortised cost | 2,848 | – | 54,838 | 95,601 | 431,641 | 1,686,591 | 1,254,753 | 3,526,272 |
| Other financial assets | 478 | 209,038 | 16,621 | 3,870 | 7,694 | 1,304 | 15,546 | 254,551 |
| **Total financial assets** | 1,683,044 | 1,236,713 | 1,386,920 | 1,993,418 | 4,577,347 | 7,872,714 | 9,500,702 | 28,250,858 |
| Due to banks and other financial institutions | – | 1,351,587 | 70,933 | 271,618 | 218,500 | 6,297 | 92 | 1,919,027 |
| Due to central banks | – | 216,855 | 79,668 | 117,556 | 439,242 | 42,181 | – | 895,502 |
| Placements from banks and other financial institutions | – | – | 244,338 | 100,902 | 62,781 | 5,020 | 217 | 413,258 |
| Due to customers | – | 8,521,187 | 1,531,786 | 1,363,503 | 2,622,000 | 3,055,634 | 8,337 | 17,102,447 |
| Bonds issued | – | – | 67,194 | 187,282 | 466,814 | 515,009 | 61,165 | 1,297,464 |
| Other financial liabilities | – | 258,397 | 43,428 | 11,667 | 13,519 | 45,160 | 26,416 | 398,587 |
| **Total financial liabilities** | – | 10,348,026 | 2,037,347 | 2,052,528 | 3,822,856 | 3,669,301 | 96,227 | 22,026,285 |
| **Derivative cash flow** | | | | | | | | |
| Derivative financial instruments settled on a net basis | – | 3,588 | (468) | 93 | (2,122) | (7,056) | (992) | (6,957) |
| Derivative financial instruments settled on a gross basis | | | | | | | | |
| Total inflow | – | 67,900 | 1,980,710 | 1,476,508 | 3,001,639 | 399,425 | 16,953 | 6,943,135 |
| Total outflow | – | (67,840) | (1,980,277) | (1,478,891) | (3,032,559) | (395,345) | (16,949) | (6,971,861) |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

## 5 Liquidity risk (Continued)

### *5.3 Undiscounted cash flows by contractual maturities (Continued)*

| | As at 31 December 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Overdue/ Undated | On demand | Less than 1 month | Between 1 and 3 months | Between 3 and 12 months | Between 1 and 5 years | Over 5 years | Total |
| **Non-derivative cash flow** | | | | | | | | |
| Cash and due from banks and other financial institutions | 21 | 204,130 | 183,615 | 56,074 | 120,765 | 3,096 | 133 | 567,834 |
| Balances with central banks | 1,513,473 | 527,657 | 16,249 | 8,302 | 12,450 | 722 | – | 2,078,853 |
| Placements with and loans to banks and other financial institutions | 44 | – | 417,635 | 189,233 | 244,950 | 56,154 | – | 908,016 |
| Loans and advances to customers, net | 52,895 | 195,546 | 484,426 | 1,298,683 | 3,086,083 | 4,534,837 | 7,151,130 | 16,803,600 |
| Financial investments | | | | | | | | |
| — financial assets at fair value through profit or loss | 143,237 | – | 16,420 | 50,340 | 103,259 | 84,649 | 186,039 | 583,944 |
| — financial assets at fair value through other comprehensive income | 22,067 | – | 142,329 | 235,681 | 427,288 | 1,030,193 | 561,203 | 2,418,761 |
| — financial assets at amortised cost | 1,798 | – | 35,530 | 56,946 | 554,364 | 1,543,565 | 974,147 | 3,166,350 |
| Other financial assets | 1,026 | 167,792 | 20,967 | 1,935 | 4,506 | 1,424 | 14,091 | 211,741 |
| **Total financial assets** | 1,734,561 | 1,095,125 | 1,317,171 | 1,897,194 | 4,553,665 | 7,254,640 | 8,886,743 | 26,739,099 |
| Due to banks and other financial institutions | – | 1,036,859 | 125,501 | 325,279 | 176,849 | 7,047 | 84 | 1,671,619 |
| Due to central banks | – | 180,123 | 71,548 | 74,724 | 526,257 | 3,787 | – | 856,439 |
| Placements from banks and other financial institutions | – | – | 492,804 | 71,641 | 70,322 | 6,616 | 14 | 641,397 |
| Due to customers | – | 7,843,233 | 1,544,280 | 1,547,409 | 2,570,184 | 2,527,791 | 8,124 | 16,041,021 |
| Bonds issued | – | – | 24,056 | 150,929 | 423,073 | 521,722 | 36,162 | 1,155,942 |
| Other financial liabilities | – | 220,323 | 38,040 | 9,993 | 20,569 | 48,656 | 24,912 | 362,493 |
| **Total financial liabilities** | – | 9,280,538 | 2,296,229 | 2,179,975 | 3,787,254 | 3,115,619 | 69,296 | 20,728,911 |
| **Derivative cash flow** | | | | | | | | |
| Derivative financial instruments settled on a net basis | – | 1,873 | 2,324 | 5,086 | (993) | (3,966) | (791) | 3,533 |
| Derivative financial instruments settled on a gross basis | | | | | | | | |
| Total inflow | – | 104,485 | 1,790,517 | 1,514,328 | 2,672,728 | 409,405 | 18,919 | 6,510,382 |
| Total outflow | – | (103,878) | (1,787,934) | (1,510,528) | (2,673,807) | (409,542) | (18,915) | (6,504,604) |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 5 Liquidity risk (Continued)

### *5.4 Off-balance sheet items*

The Group's off-balance sheet items are summarised in the table below at the remaining period to the contractual maturity date. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

| | Less than 1 year | Between 1 and 5 years | Over 5 years | Total |
|---|---|---|---|---|
| **As at 31 December 2020** | | | | |
| Loan commitments [(1)] | 1,874,449 | 623,766 | 241,397 | 2,739,612 |
| Guarantees, acceptances and other financial facilities | 1,183,873 | 307,349 | 260,839 | 1,752,061 |
| Subtotal | 3,058,322 | 931,115 | 502,236 | 4,491,673 |
| Capital commitments | 25,717 | 27,162 | 5 | 52,884 |
| Total | 3,084,039 | 958,277 | 502,241 | 4,544,557 |
| **As at 31 December 2019** | | | | |
| Loan commitments [(1)] | 1,859,147 | 587,973 | 167,961 | 2,615,081 |
| Guarantees, acceptances and other financial facilities | 1,146,111 | 297,015 | 284,363 | 1,727,489 |
| Subtotal | 3,005,258 | 884,988 | 452,324 | 4,342,570 |
| Capital commitments | 38,814 | 18,498 | – | 57,312 |
| Total | 3,044,072 | 903,486 | 452,324 | 4,399,882 |

(1) Included within "Loan commitments" are amounts relating to loan commitments and undrawn credit card limits. Refer to Note V.41.7.

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 6 Fair value

#### *6.1 Assets and liabilities measured at fair value*

Assets and liabilities measured at fair value are classified into the following three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, including equity securities listed on exchanges or debt instruments issued by certain governments and certain exchange-traded derivative contracts.

- Level 2: Valuation technique for which all inputs that have a significant effect on the recorded fair value other than quoted prices included within Level 1 are observable for the asset or liability, either directly or indirectly. This level includes the majority of the over-the-counter ("OTC") derivative contracts, debt securities for which quotations are available from pricing service providers, discounted bills, etc.

- Level 3: Valuation technique using inputs which have a significant effect on the recorded fair value for the asset or liability are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the financial reporting date.

The Group uses valuation techniques or counterparty quotations to determine the fair value when it is unable to obtain open market quotation in active markets.

The main parameters used in valuation techniques include bond prices, interest rates, foreign exchange rates, equity and stock prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are all observable and obtainable from the open market.

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 6 Fair value (Continued)

#### *6.1 Assets and liabilities measured at fair value (Continued)*

For certain illiquid debt securities (mainly asset-backed securities), unlisted equity (private equity), OTC structured derivative transactions and unlisted funds held by the Group, management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including the discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. Management determines whether to make necessary adjustments to the fair value for the Group's Level 3 financial instruments by assessing the impact of changes in macro-economic factors, valuations by external valuation agencies and other inputs, including loss coverage ratios. The Group has established internal control procedures to control the Group's exposure to such financial instruments.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 6 Fair value (Continued)

#### *6.1 Assets and liabilities measured at fair value (Continued)*

| | As at 31 December 2020 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets measured at fair value** | | | | |
| Derivative financial assets | 3,083 | 168,655 | – | 171,738 |
| Loans and advances to customers at fair value | – | 362,658 | – | 362,658 |
| Financial assets at fair value through profit or loss | | | | |
| — Debt securities | 2,960 | 323,402 | 20,881 | 347,243 |
| — Equity instruments | 7,570 | 12,901 | 67,554 | 88,025 |
| — Fund investments and other | 20,961 | 5,362 | 42,958 | 69,281 |
| Financial assets at fair value through other comprehensive income | | | | |
| — Debt securities | 296,234 | 1,788,755 | 1,373 | 2,086,362 |
| — Equity instruments and other | 7,005 | 9,692 | 4,731 | 21,428 |
| Investment properties | – | 1,441 | 20,624 | 22,065 |
| **Liabilities measured at fair value** | | | | |
| Due to and placements from banks and other financial institutions at fair value | – | (3,831) | – | (3,831) |
| Due to customers at fair value | – | (25,742) | – | (25,742) |
| Bonds issued at fair value | – | (6,162) | – | (6,162) |
| Short position in debt securities | (576) | (17,336) | – | (17,912) |
| Derivative financial liabilities | (3,539) | (208,513) | – | (212,052) |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 6 Fair value (Continued)

### *6.1 Assets and liabilities measured at fair value (Continued)*

| | As at 31 December 2019 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Assets measured at fair value** | | | | |
| Derivative financial assets | 11,635 | 81,690 | 10 | 93,335 |
| Loans and advances to customers at fair value | – | 339,687 | – | 339,687 |
| Financial assets at fair value through profit or loss | | | | |
| — Debt securities | 9,988 | 345,296 | 15,948 | 371,232 |
| — Equity instruments | 6,586 | 1,154 | 71,716 | 79,456 |
| — Fund investments and other | 21,747 | 6,879 | 38,936 | 67,562 |
| Financial assets at fair value through other comprehensive income | | | | |
| — Debt securities | 230,606 | 1,964,070 | 1,676 | 2,196,352 |
| — Equity instruments and other | 7,425 | 9,077 | 5,275 | 21,777 |
| Investment properties | – | 2,330 | 20,778 | 23,108 |
| **Liabilities measured at fair value** | | | | |
| Due to and placements from banks and other financial institutions at fair value | – | (14,767) | – | (14,767) |
| Due to customers at fair value | – | (17,969) | – | (17,969) |
| Bonds issued at fair value | – | (26,113) | – | (26,113) |
| Short position in debt securities | (2,158) | (17,317) | – | (19,475) |
| Derivative financial liabilities | (9,762) | (80,298) | – | (90,060) |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

## 6 Fair value (Continued)

### *6.1 Assets and liabilities measured at fair value (Continued)*

Reconciliation of Level 3 items

| | Derivative financial assets | Financial assets at fair value through profit or loss | | | Financial assets at fair value through other comprehensive income | | Investment properties |
|---|---|---|---|---|---|---|---|
| | | Debt Securities | Equity Instruments | Fund investments and other | Debt securities | Equity instruments and other | |
| As at 1 January 2020 | 10 | 15,948 | 71,716 | 38,936 | 1,676 | 5,275 | 20,778 |
| Total gains and losses | | | | | | | |
| — profit/(loss) | 122 | (698) | 754 | (1,598) | – | – | (1,426) |
| — other comprehensive income | – | – | – | – | 161 | 289 | – |
| Sales | – | (1,534) | (6,515) | (3,301) | (359) | – | (15) |
| Purchases | – | 6,074 | 14,292 | 9,043 | – | 750 | 1,398 |
| Settlements | – | (1) | – | – | – | – | – |
| Transfers (out)/in of Level 3, net | (132) | – | (12,693) | – | – | (1,467) | 674 |
| Other changes | – | 1,092 | – | (122) | (105) | (116) | (785) |
| As at 31 December 2020 | – | 20,881 | 67,554 | 42,958 | 1,373 | 4,731 | 20,624 |
| Total (losses)/gains for the period included in the income statement for assets/liabilities held as at 31 December 2020 | – | (844) | 756 | (1,676) | – | – | (1,427) |

| | Derivative financial assets | Financial assets at fair value through profit or loss | | | Financial assets at fair value through other comprehensive income | | Investment properties |
|---|---|---|---|---|---|---|---|
| | | Debt Securities | Equity instruments | Fund investments and other | Debt securities | Equity instruments and other | |
| As at 1 January 2019 | 6 | 8,417 | 43,089 | 34,512 | 1,422 | 5,364 | 19,838 |
| Total gains and losses | | | | | | | |
| — profit/(loss) | 10 | 1,510 | (689) | 3,245 | – | – | 355 |
| — other comprehensive income | – | – | – | – | 223 | (849) | – |
| Sales | – | (175) | (1,002) | (3,649) | (2) | (2) | (14) |
| Purchases | – | 6,159 | 30,318 | 4,708 | – | 762 | 2 |
| Settlements | – | – | – | – | – | – | – |
| Transfers (out)/in of Level 3, net | (6) | – | – | 60 | – | – | (120) |
| Other changes | – | 37 | – | 60 | 33 | – | 717 |
| As at 31 December 2019 | 10 | 15,948 | 71,716 | 38,936 | 1,676 | 5,275 | 20,778 |
| Total gains/(losses) for the period included in the income statement for assets/liabilities held as at 31 December 2019 | 10 | 1,510 | (630) | 3,235 | – | – | 345 |

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 6 Fair value (Continued)

#### *6.1 Assets and liabilities measured at fair value (Continued)*

Total gains or losses for the years ended 31 December 2020 and 2019 included in the income statement as well as total gains or losses included in the income statement relating to financial instruments held as at 31 December 2020 and 2019 are presented in "Net trading gains", "Net gains on transfers of financial asset" or "Impairment losses on assets" depending on the nature or category of the related financial instruments.

Gains or losses on Level 3 assets and liabilities included in the income statement for the year comprise:

| | Year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| | Realised | Unrealised | Total | Realised | Unrealised | Total |
| Total gains for the year | 223 | (3,069) | (2,846) | (39) | 4,470 | 4,431 |

There were no significant transfers for the financial instruments measured at fair value between Level 1 and Level 2 during the year ended 31 December 2020.

#### *6.2 Financial assets and liabilities not measured at fair value*

Financial assets and liabilities not presented at fair value in the statement of financial position mainly represent "Balances with central banks", "Due from banks and other financial institutions", "Placements with and loans to banks and other financial institutions", "Due to central banks", "Due to banks and other financial institutions", "Loans and advances to customers measured at amortised cost", "Financial investments measured at amortised cost", "Placements from banks and other financial institutions at amortised cost", "Due to customers at amortised cost", "Bonds issued at amortised cost" and "Lease liability".

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 6 Fair value (Continued)

### *6.2 Financial assets and liabilities not measured at fair value (Continued)*

The tables below summarise the carrying amounts and fair values of "Debt securities at amortised cost" and "Bonds issued" not presented at fair value at the financial reporting date.

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Carrying value | Fair value | Carrying value | Fair value |
| **Financial assets** | | | | |
| Debt securities at amortised cost[1] | 2,970,277 | 2,989,266 | 2,769,400 | 2,774,641 |
| **Financial liabilities** | | | | |
| Bonds issued[2] | 1,238,241 | 1,144,440 | 1,069,974 | 1,069,309 |

(1) Debt securities at amortised cost

The China Orient Bond and Special Purpose Treasury Bond held by the Bank are non-negotiable. As there are no observable market prices or yields reflecting arm's length transactions of a comparable size and tenor, the fair value is determined based on the stated interest rate of the instruments.

Fair values of other debt securities are based on market prices or broker/dealer price quotations. Where this information is not available, the Bank will perform valuation by referring to prices from valuation service providers or on the basis of discounted cash flow models. Valuation parameters include market interest rates, expected future default rates, prepayment rates and market liquidity. The fair values of RMB bonds are mainly determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd.

(2) Bonds issued

The aggregate fair values are calculated based on quoted market prices. For those bonds where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 6 Fair value (Continued)

### *6.2 Financial assets and liabilities not measured at fair value (Continued)*

The tables below summarise the fair values of three levels of "Debt securities at amortised cost" (excluding the China Orient Asset Management Corporation Bond and Special Purpose Treasury Bond), and "Bonds issued" not presented at fair value on the statement of financial reporting date.

| | As at 31 December 2020 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets** | | | | |
| Debt securities at amortised cost | 96,766 | 2,694,018 | 3,055 | 2,793,839 |
| **Financial liabilities** | | | | |
| Bonds issued | – | 1,144,440 | – | 1,144,440 |

| | As at 31 December 2019 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets** | | | | |
| Debt securities at amortised cost | 71,966 | 2,505,680 | 2,062 | 2,579,708 |
| **Financial liabilities** | | | | |
| Bonds issued | – | 1,069,309 | – | 1,069,309 |

Other than the above, the difference between the carrying amounts and fair values of those financial assets and liabilities not presented at their fair value in the statement of financial position is insignificant. Fair value is measured using a discounted cash flow model.

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 7 Capital management

The Group follows the principles below with regard to capital management:

- Adequate capital and sustainable development. Follow the lead of the strategic planning of the Group's development; and maintain the high quality and adequacy of capital so as to meet regulatory requirements, support business growth, and advance the sustainable development of the scale, quality and performance of the business in the Group.

- Allocation optimisation and benefit augmentation. Allocate capital properly by prioritising the asset businesses with low capital occupancy and high comprehensive income, and steadily improve the efficiency and return of capital, to achieve the reciprocal matchup and dynamic equilibrium among risks, assets and returns.

- Refined management and capital level improvement. Optimise the capital management system by sufficiently identifying, calculating, monitoring, mitigating, and controlling various types of risks; incorporate capital restraints into the whole process of product pricing, resource allocation, structural adjustments, performance evaluation, etc., ensuring that the capital employed is commensurate with the related risks and the level of risk management.

Capital adequacy and regulatory capital are monitored by the Group's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis.

The Group's capital adequacy ratios are calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations. With the approval of the CBIRC, the Group adopts the advanced capital measurement approaches, which include Foundation Internal Ratings-based Approach for corporate exposures, Internal Ratings-based Approach for retail exposures, Internal Models Approach for market risk and Standardised Approach for operational risk. For risk exposures not covered by the advanced approaches, the corresponding portion shall be calculated adopting non-advanced approaches.

As a Systemically Important Bank, the Group's capital adequacy ratios are required to meet the lowest requirements of the CBIRC, that is, the common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should be no less than 9.00%, 10.00% and 12.00%, respectively.

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 7 Capital management (Continued)

The Group's regulatory capital is managed by its capital management related departments and consists of the following:

- Common equity tier 1 capital, including common shares, capital reserve, surplus reserve, general reserve, undistributed profits, eligible portion of minority interests and others;

- Additional tier 1 capital, including additional tier 1 capital instruments issued and related premium and eligible portion of minority interests;

- Tier 2 capital, including tier 2 capital instruments issued and related premium, excess loan loss provisions and eligible portion of minority interests.

Goodwill, other intangible assets (except land use rights), investments in common equity tier 1 capital of financial institutions with controlling interests but outside of the scope of regulatory consolidation, significant minority capital investment in tier 2 capital of financial institutions that are outside of the scope of regulatory consolidation and other deductible items are deducted from common equity tier 1 and tier 2 capital to derive at the regulatory capital.

(Amount in millions of Renminbi, unless otherwise stated)

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 7 Capital management (Continued)

The table below summarises the Group's common equity tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio[(1)] calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)* and other relevant regulations:

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| **Common equity tier 1 capital adequacy ratio** | 11.28% | 11.30% |
| **Tier 1 capital adequacy ratio** | 13.19% | 12.79% |
| **Capital adequacy ratio** | 16.22% | 15.59% |
| **Composition of the Group's capital base** | | |
| **Common equity tier 1 capital** | 1,730,401 | 1,620,563 |
| Common shares | 294,388 | 294,388 |
| Capital reserve | 134,221 | 134,269 |
| Surplus reserve | 192,251 | 173,832 |
| General reserve | 267,856 | 249,983 |
| Undistributed profits | 803,823 | 721,731 |
| Eligible portion of minority interests | 32,567 | 30,528 |
| Other[(2)] | 5,295 | 15,832 |
| **Regulatory deductions** | (25,623) | (24,185) |
| Of which: | | |
| Goodwill | (182) | (182) |
| Other intangible assets (except land use rights) | (15,140) | (12,936) |
| Direct or indirect investments in own shares | (8) | (7) |
| Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation | (9,838) | (9,955) |
| **Net common equity tier 1 capital** | 1,704,778 | 1,596,378 |
| **Additional tier 1 capital** | 287,843 | 210,057 |
| Preference shares and related premium | 147,519 | 159,901 |
| Other instruments and related premium | 129,971 | 39,992 |
| Eligible portion of minority interests | 10,353 | 10,164 |
| **Net tier 1 capital** | 1,992,621 | 1,806,435 |
| **Tier 2 capital** | 458,434 | 394,843 |
| Tier 2 capital instruments issued and related premium | 333,381 | 280,092 |
| Excess loan loss provisions | 115,627 | 105,127 |
| Eligible portion of minority interests | 9,426 | 9,624 |
| **Regulatory deductions** | – | – |
| Significant minority capital investment in tier 2 capital of financial institutions that are outside of the scope of regulatory consolidation | – | – |
| **Net capital** | 2,451,055 | 2,201,278 |
| **Risk-weighted assets** | 15,109,085 | 14,123,915 |

## VI FINANCIAL RISK MANAGEMENT (Continued)

### 7 Capital management (Continued)

(1) When calculating the capital adequacy ratios, BOCG Investment, Bank of China Insurance Company Limited ("BOC Insurance"), Bank of China Group Insurance Company Limited ("BOCG Insurance") and Bank of China Group Life Assurance Company Limited ("BOCG Life") were excluded from the scope of consolidation in accordance with the requirements of the CBIRC.

(2) This mainly represented exchange differences from the translation of foreign operations and gains/(losses) on financial assets at fair value through other comprehensive income.

### 8 Insurance risk

Insurance contracts are mainly sold in the Chinese mainland and Hong Kong denominated in RMB and HKD. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. This risk is inherently random and, therefore, unpredictable. The Group manages its portfolio of insurance risks through its underwriting strategy and policies, portfolio management techniques, adequate reinsurance arrangements and proactive claims handling and processing. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk and industry.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of the claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. In order to assess the uncertainty due to the mortality assumption and lapse assumption, the Group conducted mortality rate studies and policy lapse studies in order to determine the appropriate assumptions.

## SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

## I DIFFERENCES BETWEEN IFRS AND CAS CONSOLIDATED FINANCIAL STATEMENTS

There are no differences in the Group's operating results for the years ended 31 December 2020 and 2019 or total equity as at 31 December 2020 and 2019 presented in the Group's consolidated financial statements prepared under IFRS and those prepared under CAS.

## II UNAUDITED SUPPLEMENTARY INFORMATION

### 1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| RMB current assets to RMB current liabilities | 54.50% | 54.56% |
| Foreign currency current assets to foreign currency current liabilities | 58.57% | 60.38% |

The liquidity ratios are calculated in accordance with the relevant provisions of the CBIRC.

***Liquidity coverage ratio***

According to the *Disclosure Rules on Liquidity Coverage Ratio of Commercial Banks*, the Group disclosed the information of liquidity coverage ratio ("LCR")(1) as follows.

***Regulatory requirements of liquidity coverage ratio***

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks* issued by CBIRC, the minimum regulatory requirement of LCR is 100%.

***The Group's liquidity coverage ratio***

Since 2017, the Group measured the LCR on a day-to-day consolidated basis(2). In the fourth quarter of 2020, the Group measured 92-day LCR on this basis, with average ratio(3) standing at 139.79%, representing an increase of 2.43 percentage points over the previous quarter, which was primarily due to the increase in the high-quality liquid assets ("HQLA").

## SUPPLEMENTARY INFORMATION
(Amount in millions of Renminbi, unless otherwise stated)

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

***The Group's liquidity coverage ratio (Continued)***

| | 2020 | | | |
|---|---|---|---|---|
| | **Quarter ended 31 December** | **Quarter ended 30 September** | **Quarter ended 30 June** | **Quarter ended 31 March** |
| Average value of LCR | 139.79% | 137.36% | 140.71% | 141.32% |

(Amount in millions of Renminbi, unless otherwise stated)

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

***The Group's liquidity coverage ratio (Continued)***

The Group's average values[(3)] of consolidated LCR individual line items in the fourth quarter of 2020 are as follows:

| No. | | Total unweighted value | Total weighted value |
|---|---|---|---|
| | **High-quality liquid assets** | | |
| 1 | Total high-quality liquid assets (HQLA) | | 4,519,319 |
| | **Cash outflows** | | |
| 2 | Retail deposits and deposits from small business customers, of which: | 7,926,016 | 580,381 |
| 3 | Stable deposits | 4,103,190 | 198,099 |
| 4 | Less stable deposits | 3,822,826 | 382,282 |
| 5 | Unsecured wholesale funding, of which: | 9,729,241 | 3,627,975 |
| 6 | Operational deposits (excluding those generated from correspondent banking activities) | 5,458,396 | 1,338,809 |
| 7 | Non-operational deposits (all counterparties) | 4,170,395 | 2,188,716 |
| 8 | Unsecured debts | 100,450 | 100,450 |
| 9 | Secured funding | | 1,478 |
| 10 | Additional requirements, of which: | 3,022,759 | 1,782,525 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 1,677,186 | 1,677,186 |
| 12 | Outflows related to loss of funding on debt products | – | – |
| 13 | Credit and liquidity facilities | 1,345,573 | 105,339 |
| 14 | Other contractual funding obligations | 75,640 | 75,640 |
| 15 | Other contingent funding obligations | 2,979,474 | 85,094 |
| **16** | **Total cash outflows** | | 6,153,093 |
| | **Cash inflows** | | |
| 17 | Secured lending (including reverse repos and securities borrowing) | 259,693 | 130,615 |
| 18 | Inflows from fully performing exposures | 1,667,025 | 1,007,484 |
| 19 | Other cash inflows | 1,871,578 | 1,772,360 |
| **20** | **Total cash inflows** | 3,798,296 | 2,910,459 |
| | | | **Total adjusted value** |
| **21** | **Total HQLA** | | 4,519,319 |
| **22** | **Total net cash outflows** | | 3,242,634 |
| **23** | **Liquidity coverage ratio** | | 139.79% |

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

***The Group's liquidity coverage ratio (Continued)***

(1) The LCR aims to ensure that commercial banks have sufficient HQLA that can be converted into cash to meet the liquidity requirements for at least thirty days under stress scenarios determined by the CBIRC.

(2) When calculating the consolidated LCR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the requirements of the CBIRC.

(3) The average of LCR and the averages of all related individual items are the day-end simple arithmetic averages of figures over each quarter.

***Net stable funding ratio***

In accordance with the *Disclosure Rules on Net Stable Funding Ratio of Commercial Banks*, the Group disclosed the information of net stable funding ratio ("NSFR")(1) as follows.

***Regulatory requirements of net stable funding ratio***

As stipulated by the *Rules on Liquidity Risk Management of Commercial Banks* issued by CBIRC, the minimum regulatory requirement of NSFR is 100%.

***The Group's net stable funding ratio***

As stipulated by the *Disclosure Rules on Net Stable Funding Ratio of Commercial Banks* issued by CBIRC, banks approved to implement the advanced approaches of capital measurement by CBIRC in accordance with *Capital Rules for Commercial Banks (Provisional)* shall disclose the information of net stable funding ratio for the preceding two consecutive quarters at least semi-annually.

As at 31 December 2020, the Group's NSFR was 123.50% on a consolidated basis(2), representing an increase of 0.21 percentage point over the previous quarter. As at 30 September 2020, the Group's NSFR was 123.29%, representing a decrease of 1.29 percentage points over the previous quarter. The Group's NSFR remained stable, and met the regulatory requirement.

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

***The Group's net stable funding ratio (Continued)***

| | 2020 | | | |
|---|---|---|---|---|
| | Quarter ended 31 December | Quarter ended 30 September | Quarter ended 30 June | Quarter ended 31 March |
| Ending value of NSFR(3) | 123.50% | 123.29% | 124.58% | 124.72% |

(1) NSFR is introduced to ensure commercial banks have sufficient stable funding to meet the requirements of assets and off-balance sheet exposures.

(2) When calculating the consolidated NSFR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the requirements of the CBIRC.

(3) NSFR are the ending values of each quarter.

(Amount in millions of Renminbi, unless otherwise stated)

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

***The Group's net stable funding ratio (Continued)***

The Group's consolidated NSFR individual line items at the end of the fourth quarter of 2020 are as follows:

| | | Unweighted value | | | | |
|---|---|---|---|---|---|---|
| **No.** | **Items** | **No maturity** | **<6 months** | **6–12 months** | **≥1 year** | **Weighted value** |
| **Available Stable Funding (ASF) Item** | | | | | | |
| 1 | Capital | – | – | – | 2,376,563 | 2,376,563 |
| 2 | Regulatory capital | – | – | – | 2,326,563 | 2,326,563 |
| 3 | Other capital instruments | – | – | – | 50,000 | 50,000 |
| 4 | Retail deposits and deposits from small business customers | 4,160,580 | 4,429,482 | 51,427 | 23,008 | 8,016,873 |
| 5 | Stable deposits | 1,840,110 | 2,475,206 | 15,169 | 8,909 | 4,122,870 |
| 6 | Less stable deposits | 2,320,470 | 1,954,276 | 36,258 | 14,099 | 3,894,003 |
| 7 | Wholesale funding | 5,491,837 | 5,416,872 | 840,239 | 508,262 | 5,418,260 |
| 8 | Operational deposits | 4,967,425 | 333,516 | – | – | 2,650,470 |
| 9 | Other wholesale funding | 524,412 | 5,083,356 | 840,239 | 508,262 | 2,767,790 |
| 10 | Liabilities with matching interdependent assets | – | – | – | – | – |
| 11 | Other liabilities | 59,755 | 215,086 | 4,656 | 530,037 | 303,740 |
| 12 | NSFR derivatives liabilities | | | | 228,625 | |
| 13 | All other liabilities and equity not included in the above categories | 59,755 | 215,086 | 4,656 | 301,412 | 303,740 |
| **14** | **Total ASF** | | | | | 16,115,436 |
| **Required Stable Funding (RSF) Item** | | | | | | |
| 15 | Total NSFR high-quality liquid assets | | | | | 656,960 |
| 16 | Deposits held at other financial institutions for operational purposes | 150,126 | 1,565 | – | – | 75,846 |
| 17 | Loans and securities | 42,809 | 4,377,337 | 2,081,267 | 9,658,315 | 10,831,615 |
| 18 | Loans to financial institutions secured by Level 1 assets | – | 144,801 | – | – | 14,480 |
| 19 | Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions | 42,809 | 1,263,313 | 374,159 | 99,167 | 482,165 |

(Amount in millions of Renminbi, unless otherwise stated)

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

***The Group's net stable funding ratio (Continued)***

The Group's consolidated NSFR individual line items at the end of the fourth quarter of 2020 are as follows (Continued):

| | | Unweighted value | | | | |
|---|---|---|---|---|---|---|
| No. | Items | No maturity | <6 months | 6–12 months | ≥1 year | Weighted value |
| | **Required Stable Funding (RSF) Item (Continued)** | | | | | |
| 20 | Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which: | – | 2,535,741 | 1,506,960 | 4,795,063 | 6,021,096 |
| 21 | With a risk weight of less than or equal to 35% | – | 226,232 | 15,685 | 1,944 | 48,258 |
| 22 | Residential mortgages of which: | – | 106,581 | 96,347 | 4,242,902 | 3,654,983 |
| 23 | With a risk weight of less than or equal to 35% | – | 6,267 | 6,405 | 264,738 | 178,416 |
| 24 | Securities that are not in default and do not qualify as HQLA, including exchange-traded equities | – | 326,901 | 103,801 | 521,183 | 658,891 |
| 25 | Assets with matching interdependent liabilities | – | – | – | – | – |
| 26 | Other assets | 707,814 | 89,272 | 8,979 | 636,959 | 1,231,642 |
| 27 | Physical traded commodities, including gold | 248,374 | | | | 211,118 |
| 28 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | | | | 253 | 215 |
| 29 | NSFR derivatives assets | | | | 187,128 | – |
| 30 | NSFR derivatives liabilities with additional requirements | | | | 45,725* | 45,725 |
| 31 | All other assets not included in the above categories | 459,440 | 89,272 | 8,979 | 449,578 | 974,584 |
| 32 | Off-balance sheet items | | | | 6,358,448 | 253,134 |
| **33** | **Total RSF** | | | | | 13,049,197 |
| **34** | **NSFR** | | | | | 123.50% |

* Report derivative liabilities before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted value should be excluded from the total value of item No. 26 "Other assets".

## SUPPLEMENTARY INFORMATION

(Amount in millions of Renminbi, unless otherwise stated)

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

***The Group's net stable funding ratio (Continued)***

The Group's consolidated NSFR individual line items at the end of the third quarter of 2020 are as follows:

| | | Unweighted value | | | | |
|---|---|---|---|---|---|---|
| **No.** | **Items** | **No maturity** | **<6 months** | **6–12 months** | **≥1 year** | **Weighted value** |
| | **Available Stable Funding (ASF) Item** | | | | | |
| 1 | Capital | – | – | – | 2,330,873 | 2,330,873 |
| 2 | Regulatory capital | – | – | – | 2,280,873 | 2,280,873 |
| 3 | Other capital instruments | – | – | – | 50,000 | 50,000 |
| 4 | Retail deposits and deposits from small business customers | 4,047,200 | 4,488,180 | 80,361 | 22,866 | 7,990,842 |
| 5 | Stable deposits | 1,778,063 | 2,467,941 | 30,194 | 9,088 | 4,071,476 |
| 6 | Less stable deposits | 2,269,137 | 2,020,239 | 50,167 | 13,778 | 3,919,366 |
| 7 | Wholesale funding | 5,818,537 | 5,689,034 | 662,938 | 537,422 | 5,300,389 |
| 8 | Operational deposits | 4,938,804 | 233,839 | – | – | 2,586,321 |
| 9 | Other wholesale funding | 879,733 | 5,455,195 | 662,938 | 537,422 | 2,714,068 |
| 10 | Liabilities with matching interdependent assets | – | – | – | – | – |
| 11 | Other liabilities | 45,413 | 215,330 | 4,404 | 498,669 | 332,102 |
| 12 | NSFR derivatives liabilities | | | | 168,769 | |
| 13 | All other liabilities and equity not included in the above categories | 45,413 | 215,330 | 4,404 | 329,900 | 332,102 |
| **14** | **Total ASF** | | | | | 15,954,206 |
| | **Required Stable Funding (RSF) Item** | | | | | |
| 15 | Total NSFR high-quality liquid assets | | | | | 578,910 |
| 16 | Deposits held at other financial institutions for operational purposes | 217,062 | 12,953 | – | – | 115,008 |
| 17 | Loans and securities | 67,474 | 4,933,359 | 2,116,178 | 9,462,892 | 10,765,285 |
| 18 | Loans to financial institutions secured by Level 1 assets | – | 116,181 | – | 104 | 11,722 |
| 19 | Loans to financial institutions secured by non-Level 1 assets and unsecured loans to financial institutions | 67,474 | 1,579,692 | 373,652 | 105,644 | 539,545 |

(Amount in millions of Renminbi, unless otherwise stated)

# II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

## 1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

### *The Group's net stable funding ratio (Continued)*

The Group's consolidated NSFR individual line items at the end of the third quarter of 2020 are as follows (Continued):

| | | Unweighted value | | | | |
|---|---|---|---|---|---|---|
| No. | Items | No maturity | <6 months | 6–12 months | ≥1 year | Weighted value |
| | **Required Stable Funding (RSF) Item (Continued)** | | | | | |
| 20 | Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and public sector entities (PSEs) of which: | – | 2,777,945 | 1,524,586 | 4,760,203 | 6,020,447 |
| 21 | With a risk weight of less than or equal to 35% | – | 400,668 | 13,850 | 2,897 | 34,473 |
| 22 | Residential mortgages of which: | – | 153,521 | 95,740 | 4,133,769 | 3,585,248 |
| 23 | With a risk weight of less than or equal to 35% | – | 6,284 | 6,341 | 265,429 | 178,841 |
| 24 | Securities that are not in default and do not qualify as HQLA, including exchange-traded equities | – | 306,020 | 122,200 | 463,172 | 608,323 |
| 25 | Assets with matching interdependent liabilities | – | – | – | – | – |
| 26 | Other assets | 689,418 | 93,151 | 646 | 620,273 | 1,233,157 |
| 27 | Physical traded commodities, including gold | 247,673 | | | | 210,522 |
| 28 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | | | | 384 | 326 |
| 29 | NSFR derivatives assets | | | | 150,063 | – |
| 30 | NSFR derivatives liabilities with additional requirements | | | | 33,754* | 33,754 |
| 31 | All other assets not included in the above categories | 441,745 | 93,151 | 646 | 469,826 | 988,555 |
| 32 | Off-balance sheet items | | | | 6,247,471 | 248,042 |
| **33** | **Total RSF** | | | | | 12,940,402 |
| **34** | **NSFR** | | | | | 123.29% |

* Report derivative liabilities before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted value should be excluded from the total value of item No. 26 "Other assets".

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 2 Currency concentrations

The following information is computed in accordance with the provisions of the CBIRC.

| | Equivalent in millions of RMB | | | |
|---|---|---|---|---|
| | USD | HKD | Other | Total |
| **As at 31 December 2020** | | | | |
| Spot assets | 3,695,294 | 1,607,291 | 1,945,381 | 7,247,966 |
| Spot liabilities | (4,029,848) | (1,964,590) | (1,736,612) | (7,731,050) |
| Forward purchases | 4,944,883 | 760,105 | 1,313,088 | 7,018,076 |
| Forward sales | (4,546,040) | (420,572) | (1,536,300) | (6,502,912) |
| Net options position* | (19,306) | (364) | (6,615) | (26,285) |
| Net long/(short) position | 44,983 | (18,130) | (21,058) | 5,795 |
| Structural position | 61,978 | 233,953 | 79,913 | 375,844 |
| **As at 31 December 2019** | | | | |
| Spot assets | 3,784,665 | 1,633,488 | 1,693,247 | 7,111,400 |
| Spot liabilities | (4,215,368) | (1,916,106) | (1,510,286) | (7,641,760) |
| Forward purchases | 5,535,200 | 764,557 | 1,300,956 | 7,600,713 |
| Forward sales | (5,025,682) | (508,295) | (1,486,820) | (7,020,797) |
| Net options position* | (43,404) | 193 | (1,455) | (44,666) |
| Net long/(short) position | 35,411 | (26,163) | (4,358) | 4,890 |
| Structural position | 52,219 | 207,904 | 72,658 | 332,781 |

* The net option position is calculated in accordance with the relevant provisions of the CBIRC.

(Amount in millions of Renminbi, unless otherwise stated)

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 3 International claims

The Group discloses international claims according to *Banking (Disclosure) Rules* (L.N. 160 of 2014). International claims are risk exposures generated from the countries or geographical areas where the counterparties take the ultimate risk while considering the transfer of the risk, exclude local claims on local residents in local currency. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a counterparty whose head office is located in another country.

International claims include "Balances with central banks", "Due from and placements with and loans to banks and other financial institutions", "Government certificates of indebtedness for bank notes issued", "Loans and advances to customers" and "Financial investments", etc.

International claims have been disclosed by major countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers.

| | Banks | Official sector | Non-bank private sector | Total |
|---|---|---|---|---|
| **As at 31 December 2020** | | | | |
| Asia Pacific | | | | |
| Chinese mainland | 675,133 | 236,529 | 702,641 | 1,614,303 |
| Hong Kong | 40,671 | 214 | 442,402 | 483,287 |
| Other Asia Pacific locations | 97,249 | 166,292 | 417,733 | 681,274 |
| Subtotal | 813,053 | 403,035 | 1,562,776 | 2,778,864 |
| North and South America | 81,312 | 233,162 | 173,112 | 487,586 |
| Other | 201,540 | 63,838 | 283,718 | 549,096 |
| Total | 1,095,905 | 700,035 | 2,019,606 | 3,815,546 |

(Amount in millions of Renminbi, unless otherwise stated)

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 3 International claims (Continued)

| | Banks | Official sector | Non-bank private sector | Total |
|---|---|---|---|---|
| **As at 31 December 2019** | | | | |
| Asia Pacific | | | | |
| Chinese mainland | 609,837 | 224,384 | 695,975 | 1,530,196 |
| Hong Kong | 21,328 | 116 | 511,403 | 532,847 |
| Other Asia Pacific locations | 91,641 | 144,997 | 419,521 | 656,159 |
| Subtotal | 722,806 | 369,497 | 1,626,899 | 2,719,202 |
| North and South America | 99,213 | 255,953 | 152,444 | 507,610 |
| Other | 72,504 | 72,533 | 252,889 | 397,926 |
| Total | 894,523 | 697,983 | 2,032,232 | 3,624,738 |

(Amount in millions of Renminbi, unless otherwise stated)

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 4 Overdue assets

For the purpose of the table below, the entire outstanding balance of "Loans and advances to customers" and "Placements with and loans to banks and other financial institutions" are considered overdue if either principal or interest payment is overdue.

### *4.1 Total amount of overdue loans and advances to customers*

| | As at 31 December | |
|---|---|---|
| | **2020** | **2019** |
| Total loans and advances to customers which have been overdue | | |
| within 3 months | 54,342 | 62,838 |
| between 3 and 6 months | 24,001 | 22,789 |
| between 6 and 12 months | 47,097 | 22,653 |
| over 12 months | 53,944 | 54,349 |
| Total | 179,384 | 162,629 |
| Percentage | | |
| within 3 months | 0.38% | 0.48% |
| between 3 and 6 months | 0.17% | 0.17% |
| between 6 and 12 months | 0.33% | 0.18% |
| over 12 months | 0.38% | 0.42% |
| Total | 1.26% | 1.25% |

### *4.2 Total amount of overdue Placements with and loans to banks and other financial institutions*

The total amount of overdue "Placements with and loans to banks and other financial institutions" as at 31 December 2020 and 2019 is not considered material.

(Amount in millions of Renminbi, unless otherwise stated)

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 5 Leverage ratio

The leverage ratios of the Group calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* are as follows[(1)]:

| | 2020 | | | |
|---|---|---|---|---|
| | **As at 31 December** | **As at 30 September** | **As at 30 June** | **As at 31 March** |
| Net tier 1 capital | 1,992,621 | 1,940,169 | 1,910,664 | 1,886,811 |
| Adjusted on- and off-balance sheet assets | 25,880,515 | 26,136,582 | 25,687,399 | 25,579,088 |
| Leverage ratio | 7.70% | 7.42% | 7.44% | 7.38% |

| **No.** | **Items** | **As at 31 December 2020** |
|---|---|---|
| 1 | Total consolidated assets | 24,402,659 |
| 2 | Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation | (9,838) |
| 3 | Adjustments for fiduciary assets | – |
| 4 | Adjustments for derivative financial instruments | 148,018 |
| 5 | Adjustments for securities financing transactions | 69,433 |
| 6 | Adjustments for off-balance sheet exposures | 1,700,588 |
| 7 | Other adjustments | (430,345) |
| 8 | Adjusted on- and off-balance sheet assets | 25,880,515 |

(Amount in millions of Renminbi, unless otherwise stated)

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 5 Leverage ratio (Continued)

| No. | Items | As at 31 December 2020 |
|---|---|---|
| 1 | On-balance sheet assets (excluding derivatives and securities financing transactions) | 23,586,305 |
| 2 | Less: Tier 1 capital deductions | (25,623) |
| **3** | **Total on-balance sheet exposures (excluding derivatives and SFTs)** | 23,560,682 |
| 4 | Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin) | 171,619 |
| 5 | Add-on amounts for potential future exposure associated with all derivative transactions | 147,966 |
| 6 | Gross-up for derivative collateral provided where deducted from the balance sheet assets | – |
| 7 | Less: Deductions of receivable assets for cash variation margin provided in derivative transactions | – |
| 8 | Less: Exempted CCP leg of client-cleared trade exposures | – |
| 9 | Adjusted effective notional amount of written credit derivatives | 181 |
| 10 | Less: Deductible amounts for written credit derivatives | (11) |
| **11** | **Total derivative exposures** | 319,755 |
| 12 | Accounting balance for securities financing transaction assets | 229,894 |
| 13 | Less: Deducted amounts for securities financing transaction assets | – |
| 14 | Counterparty credit risk exposure for securities financing transaction assets | 69,596 |
| 15 | Agent transaction exposures | – |
| **16** | **Balance of assets in securities financing transactions** | 299,490 |
| 17 | Off-balance sheet items | 4,949,484 |
| 18 | Less: Adjustments for conversion to credit equivalent amounts | (3,248,896) |
| **19** | **Adjusted off-balance sheet exposures** | 1,700,588 |
| 20 | Net tier 1 capital | 1,992,621 |
| 21 | Adjusted on- and off-balance sheet exposures | 25,880,515 |
| **22** | **Leverage ratio** | 7.70% |

(1) When calculating the consolidated leverage ratio, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

(Amount in millions of Renminbi, unless otherwise stated)

## II UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

### 6 Global systemic importance assessment indicators of commercial banks

The Group calculated the global systemically important banks assessment indicators by using the *Notice on Issuing the Guidelines for the Disclosure of the Indicators for Assessing Global Systemic Importance of Commercial Banks* (Yin Jian Fa, [2014] No.1) as a reference basis, and based on the *Instructions for G-SIB assessment exercise* by the Basel Committee on Banking Supervision. The indicators are disclosed as follows.

| No. | Indicators[1] | 2020 value |
|---|---|---|
| 1 | Adjusted on-balance and off-balance sheet assets | **25,906,168** |
| 2 | Intra-financial system assets | **2,369,000** |
| 3 | Intra-financial system liabilities | **2,205,257** |
| 4 | Securities and other financing instruments | **3,640,065** |
| 5 | Payments settled via payment systems or correspondent banks | **618,018,673** |
| 6 | Assets under custody | **11,786,042** |
| 7 | Underwritten transactions in debt and equity markets | **2,246,361** |
| 8 | Notional amount of over-the-counter derivatives | **11,011,046** |
| 9 | Trading and available for sale securities | **847,023** |
| 10 | Level 3 assets | **72,190** |
| 11 | Cross-jurisdictional claims | **4,084,894** |
| 12 | Cross-jurisdictional liabilities | **4,646,015** |

(1) The above indicators are calculated and disclosed in accordance with the *Guidelines for the Disclosure of Global Systemic Importance Assessment Indicators of Commercial Banks*, which are unaudited and inconsistent with the disclosures in the financial report.

# Reference for Shareholders

## Financial Calendar for 2021

| | |
|---|---|
| 2020 Annual Results | To be announced on 30 March 2021 |
| 2020 Annual Report | To be printed and dispatched to H-Share Holders in late April 2021 |
| 2020 Annual General Meeting | To be held on 20 May 2021 |
| 2021 Interim Results | To be announced no later than 30 August 2021 |

## Annual General Meeting

The Bank's 2020 Annual General Meeting is scheduled to be held on Thursday, 20 May 2021.

## Dividends on Ordinary Shares

The Board of Directors recommended a final dividend on ordinary shares for 2020 of RMB1.97 per ten shares (before tax), subject to the approval of shareholders at the 2020 Annual General Meeting.

## Securities Information

### Listing and Trading

The Bank's ordinary shares were listed on the Hong Kong Stock Exchange and SSE on 1 June and 5 July 2006 respectively.

The Domestic Preference Shares (Third Tranche) were traded on the Comprehensive Business Platform of SSE on 17 July 2019. The Domestic Preference Shares (Fourth Tranche) were traded on the Comprehensive Business Platform of SSE on 17 September 2019. The Offshore Preference Shares (Second Tranche) were listed on the Hong Kong Stock Exchange on 5 March 2020.

### Ordinary Shares

| | | |
|---|---|---|
| Issued shares: | 294,387,791,241 | shares |
| Including: | | |
| A Share: | 210,765,514,846 | shares |
| H Share: | 83,622,276,395 | shares |

### Preference Shares

| | | |
|---|---|---|
| Issued shares: | 1,197,865,300 | shares |
| Including: | | |
| Domestic Preference Share: | 1,000,000,000 | shares |
| Offshore Preference Share: | 197,865,300 | shares |

## Market Capitalisation

As at the last trading day of 2020 (31 December), the Bank's market capitalisation was RMB856.741 billion (based on the closing price of A Shares and H Shares on 31 December 2020, and the exchange rate of HKD100 = RMB84.164 as published by the SAFE on 31 December 2020).

## Securities Price

| | Closing price on 31 December 2020 | Highest trading price in the year | Lowest trading price in the year |
|---|---|---|---|
| A Share | RMB3.18 | RMB3.96 | RMB3.16 |

| | Closing price on 31 December 2020 | Highest trading price in the year | Lowest trading price in the year |
|---|---|---|---|
| H Share | HKD2.65 | HKD3.39 | HKD2.33 |

## Securities Code

**A Share**

| | |
|---|---|
| Stock Name | 中國銀行 |
| Shanghai Stock Exchange | 601988 |
| Reuters | 601988.SS |
| Bloomberg | 601988 CH |

**H Share**

| | |
|---|---|
| Stock Name | Bank of China |
| Hong Kong Stock Exchange | 3988 |
| Reuters | 3988.HK |
| Bloomberg | 3988 HK |

**Domestic Preference Share (Third Tranche)**

| | |
|---|---|
| Stock Name | 中行優3 |
| Shanghai Stock Exchange | 360033 |
| Bloomberg | AZ8714182 |

**Domestic Preference Share (Fourth Tranche)**

| | |
|---|---|
| Stock Name | 中行優4 |
| Shanghai Stock Exchange | 360035 |
| Bloomberg | ZQ0362264 |

**Offshore Preference Share (Second Tranche)**

| | |
|---|---|
| Stock Name | BOC 20USDPREF |
| Hong Kong Stock Exchange | 4619 |
| Reuters | 4619.HK |
| Bloomberg | BG2289661 |

## Shareholder Enquiry

If a shareholder wishes to enquire about share transfers, changes of name or address, or loss of share certificates, or to receive other information concerning the shares held, please write to the following address:

**A Share**
Shanghai Branch of China Securities Depository and Clearing Corporation Limited
188 South Yanggao Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-4008 058 058

**H Share**
Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong, China
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990

**Domestic Preference Share**
Shanghai Branch of China Securities Depository and Clearing Corporation Limited
188 South Yanggao Road,
Pudong New Area, Shanghai, China
Telephone: (86) 21-4008 058 058

## Credit Rating (Long Term, Foreign Currency)

| | |
|---|---|
| S&P Global Ratings: | A |
| Moody's Investors Service: | A1 |
| Fitch Ratings: | A |
| Rating and Investment Information, Inc.: | A+ |

## Investor Enquiry

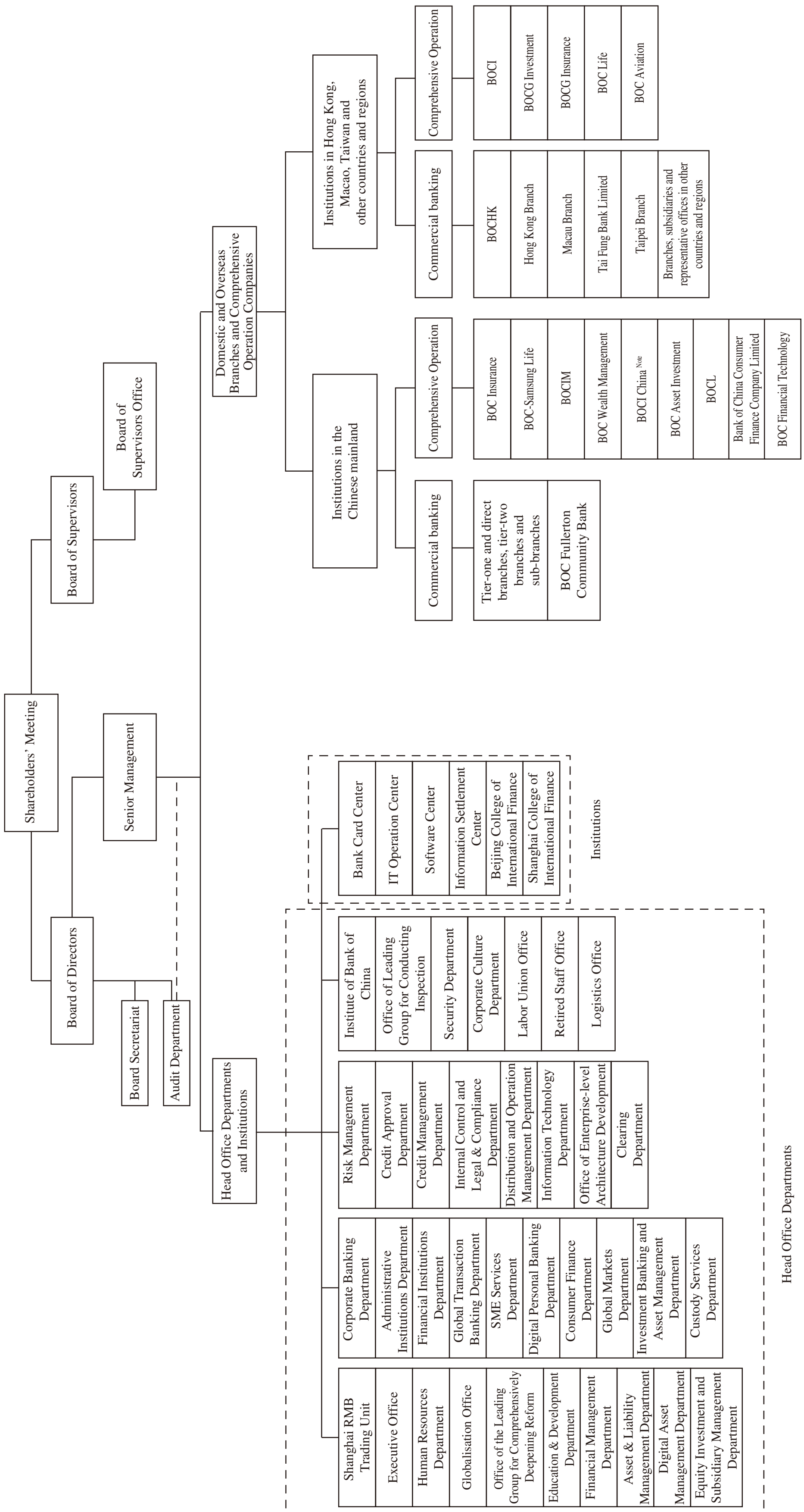
Investor Relations Team, Board Secretariat, Bank of China Limited
8/F, Bank of China Building, No. 1 Fuxingmen Nei Dajie, Xicheng District, Beijing, China
Telephone: (86) 10-6659 2638
Facsimile: (86) 10-6659 4568
E-mail: ir@bankofchina.com

## Other Information

You may write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, China) to request the annual report prepared under IFRS or visit the Bank's office address for copies prepared under CAS. The Chinese and/or English versions of the annual report are also available on the following websites: www.boc.cn, www.sse.com.cn and www.hkexnews.hk.

Should you have any queries about how to obtain copies of this annual report or access the document on the Bank's website, please call the Bank's H-Share Registrar at (852) 2862 8688 or the Bank's hotlines at (86) 10-6659 2638.

# Organisational Chart




Note: The Bank holds 33.42% of the equity interest of BOCI China through its wholly-owned subsidiary BOCI.

# List of Major Branches and Subsidiaries

## Major Branches and Subsidiaries in the Chinese Mainland

**HEAD OFFICE**

1 FUXINGMEN NEI DAJIE,
BEIJING,
CHINA
SWIFT: BKCHCNBJ
TEL: (86) 010-66596688
FAX: (86) 010-66016871
POST CODE: 100818
WEBSITE: www.boc.cn

**BEIJING BRANCH**

A, C, E KAIHENG CENTER,
2 CHAOYANGMEN NEI DAJIE,
DONGCHENG DISTRICT,
BEIJING,
CHINA
SWIFT: BKCHCNBJ110
TEL: (86) 010-85121491
FAX: (86) 010-85121739
POST CODE: 100010

**TIANJIN BRANCH**

8 YOUYI NORTH ROAD,
HEXI DISTRICT,
TIANJIN,
CHINA
SWIFT: BKCHCNBJ200
TEL: (86) 022-27108002
FAX: (86) 022-23312805
POST CODE: 300204

**HEBEI BRANCH**

28 ZIQIANG ROAD,
SHIJIAZHUANG,
HEBEI PROV.,
CHINA
SWIFT: BKCHCNBJ220
TEL: (86) 0311-69696681
FAX: (86) 0311-69696692
POST CODE: 050000

**SHANXI BRANCH**

186 PINGYANG ROAD,
XIAODIAN DISTRICT,
TAIYUAN,
SHANXI PROV.,
CHINA
SWIFT: BKCHCNBJ680
TEL: (86) 0351-8266016
FAX: (86) 0351-8266021
POST CODE: 030006

**INNER MONGOLIA BRANCH**

12 XINHUA DAJIE,
XIN CHENG DISTRICT,
HUHHOT,
INNER MONGOLIA
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ880
TEL: (86) 0471-4690128
FAX: (86) 0471-4690001
POST CODE: 010010

**LIAONING BRANCH**

253 SHIFU ROAD,
SHENHE DISTRICT,
SHENYANG,
LIAONING PROV.,
CHINA
SWIFT: BKCHCNBJ810
TEL: (86) 024-22810916
FAX: (86) 024-22857333
POST CODE: 110013

**JILIN BRANCH**

699 XI AN DA LU,
CHANGCHUN,
JILIN PROV.,
CHINA
SWIFT: BKCHCNBJ840
TEL: (86) 0431-88408888
FAX: (86) 0431-88408901
POST CODE: 130061

**HEILONGJIANG BRANCH**

19 HONGJUN STREET,
NANGANG DISTRICT,
HARBIN,
HEILONGJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ860
TEL: (86) 0451-53636890
FAX: (86) 0451-53624147
POST CODE: 150001

**SHANGHAI BRANCH**

200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
SWIFT: BKCHCNBJ300
TEL: (86) 021-50375566
FAX: (86) 021-50372911
POST CODE: 200120

**JIANGSU BRANCH**

148 ZHONG SHAN NAN LU,
NANJING,
JIANGSU PROV.,
CHINA
SWIFT: BKCHCNBJ940
TEL: (86) 025-84207888
FAX: (86) 025-84200407
POST CODE: 210005

**ZHEJIANG BRANCH**

321 FENG QI ROAD,
HANGZHOU,
ZHEJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ910
TEL: (86) 0571-85011888
FAX: (86) 0571-87074837
POST CODE: 310003

**ANHUI BRANCH**

NO. 1688, YUNGU ROAD,
BINHU NEW DISTRICT,
HEFEI,
ANHUI PROV.,
CHINA
SWIFT: BKCHCNBJ780
TEL: (86) 0551-62926995
FAX: (86) 0551-62926993
POST CODE: 230091

**FUJIAN BRANCH**

BOC BLDG., 136 WUSI ROAD,
FUZHOU,
FUJIAN PROV.,
CHINA
SWIFT: BKCHCNBJ720
TEL: (86) 0591-87090999
FAX: (86) 0591-87090111
POST CODE: 350003

**JIANGXI BRANCH**

10, LVYIN ROAD,
HONGGUTAN NEW DISTRICT,
NANCHANG,
JIANGXI PROV.,
CHINA
SWIFT: BKCHCNBJ550
TEL: (86) 0791-86471503
FAX: (86) 0791-86471505
POST CODE: 330038

**SHANDONG BRANCH**

22 LUOYUAN STREET,
JINAN,
SHANDONG PROV.,
CHINA
SWIFT: BKCHCNBJ500
TEL: (86) 0531-58522001
FAX: (86) 0531-58522000
POST CODE: 250000

**HENAN BRANCH**

3-1 BUSINESS OUTER RING ROAD,
ZHENGDONG NEW DISTRICT,
ZHENGZHOU,
HENAN PROV.,
CHINA
SWIFT: BKCHCNBJ530
TEL: (86) 0371-87008888
FAX: (86) 0371-87007888
POST CODE: 450018

**HUBEI BRANCH**

251 XINHUA ROAD,
JIANGHAN DISTRICT,
WUHAN,
HUBEI PROV.,
CHINA
SWIFT: BKCHCNBJ600
TEL: (86) 027-85569726
FAX: (86) 027-85562955
POST CODE: 430022

**HUNAN BRANCH**

593 MID. FURONG ROAD
(1 DUAN),
CHANGSHA,
HUNAN PROV.,
CHINA
SWIFT: BKCHCNBJ970
TEL: (86) 0731-82580703
FAX: (86) 0731-82580707
POST CODE: 410005

**GUANGDONG BRANCH**

1–19TH FLOOR NO.197 &
1–11TH FLOOR, 14–19TH FLOOR
NO. 199 DONGFENG XI ROAD
YUEXIU DISTRICT,
GUANGZHOU,
GUANGDONG PROV.,
CHINA
SWIFT: BKCHCNBJ400
TEL: (86) 020-83338080
FAX: (86) 020-83344066
POST CODE: 510180

**GUANGXI BRANCH**

39 GUCHENG ROAD,
NANNING,
GUANGXI ZHUANG
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ480
TEL: (86) 0771-2879602
FAX: (86) 0771-2813844
POST CODE: 530022

**HAINAN BRANCH**

29, 31 DATONG ROAD,
LONGHUA DISTRICT,
HAIKOU,
HAINAN PROV.,
CHINA
SWIFT: BKCHCNBJ740
TEL: (86) 0898-66778001
FAX: (86) 0898-66562040
POST CODE: 570102

**SICHUAN BRANCH**

35 MID. RENMIN ROAD
(2 DUAN),
CHENGDU,
SICHUAN PROV.,
CHINA
SWIFT: BKCHCNBJ570
TEL: (86) 028-86741950
FAX: (86) 028-86403346
POST CODE: 610031

**GUIZHOU BRANCH**

BOC BLDG., 347 RUIJIN
SOUTH ROAD,
GUIYANG,
GUIZHOU PROV.,
CHINA
SWIFT: BKCHCNBJ240
TEL: (86) 0851-85822419
FAX: (86) 0851-85863981
POST CODE: 550002

**YUNNAN BRANCH**

515 BEIJING ROAD,
KUNMING,
YUNNAN PROV.,
CHINA
SWIFT: BKCHCNBJ640
TEL: (86) 0871-63191216
FAX: (86) 0871-63175573
POST CODE: 650051

**TIBET BRANCH**

113 JINZHU XI LU,
LHASA,
TIBET AUTONOMOUS
REGION,
CHINA
SWIFT: BKCHCNBJ900
TEL: (86) 0891-6835311
FAX: (86) 0891-6835311
POST CODE: 850000

**SHAANXI BRANCH**

18 TANGYAN ROAD BEIDUAN,
LIANHU DISTRICT,
XI'AN,
SHAANXI PROV.,
CHINA
SWIFT: BKCHCNBJ620
TEL: (86) 029-89593900
FAX: (86) 029-89592999
POST CODE: 710077

**GANSU BRANCH**

525 TIANSHUI SOUTH ROAD,
CHENGGUAN DISTRICT
LANZHOU,
GANSU PROV.,
CHINA
SWIFT: BKCHCNBJ660
TEL: (86) 0931-7825004
FAX: (86) 0931-7825004
POST CODE: 730000

**QINGHAI BRANCH**

218 DONGGUAN STREET,
CHENG DONG DISTRICT,
XINING,
QINGHAI PROV.,
CHINA
SWIFT: BKCHCNBJ280
TEL: (86) 0971-8178888
FAX: (86) 0971-8174971
POST CODE: 810000

**NINGXIA BRANCH**

39 XINCHANG EAST ROAD,
JINFENG DISTRICT,
YINCHUAN,
NINGXIA HUI
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ260
TEL: (86) 0951-5681505
FAX: (86) 0951-5681509
POST CODE: 750002

**XINJIANG BRANCH**

1 DONGFENG ROAD,
URUMQI,
XINJIANG UYGUR
AUTONOMOUS REGION,
CHINA
SWIFT: BKCHCNBJ760
TEL: (86) 0991-2328888
FAX: (86) 0991-2825095
POST CODE: 830002

**CHONGQING BRANCH**

218 ZHONG SHAN YI ROAD,
YU ZHONG DISTRICT,
CHONGQING,
CHINA
SWIFT: BKCHCNBJ59A
TEL: (86) 023-63889234
FAX: (86) 023-63889217
POST CODE: 400013

**SHENZHEN BRANCH**

INTERNATIONAL FINANCE
BUILDING,
2022 JIANSHE ROAD,
LUOHU DISTRICT,
SHENZHEN,
GUANGDONG PROV.,
CHINA
SWIFT: BKCHCNBJ45A
TEL: (86) 0755-22331155
FAX: (86) 0755-82259209
POST CODE: 518001

**SUZHOU BRANCH**

128 WANGDUN ROAD,
SUZHOU INDUSTRIAL PARK,
SUZHOU,
JIANGSU PROV.,
CHINA
SWIFT: BKCHCNBJ95B
TEL: (86) 0512-67555898
FAX: (86) 0512-65112719
POST CODE: 215028

**NINGBO BRANCH**

3–18/F, 48–49/F, 318 HEYUAN
ROAD AND 255 DINGTAI
ROAD, NINGBO CITY,
ZHEJIANG PROV.,
CHINA
SWIFT: BKCHCNBJ92A
TEL: (86) 0574-55555099
POST CODE: 315100

**QINGDAO BRANCH**

59 HONGKONG
MIDDLE ROAD,
QINGDAO,
SHANDONG PROV.,
CHINA
SWIFT: BKCHCNBJ50A
TEL: (86) 0532-85979700
FAX: (86) 0532-67755601
POST CODE: 266071

**DALIAN BRANCH**

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ZHONGSHAN DISTRICT,
DALIAN,
LIAONING PROV.,
CHINA
SWIFT: BKCHCNBJ81A
TEL: (86) 0411-82586666
FAX: (86) 0411-82637098
POST CODE: 116001

**XIAMEN BRANCH**

INTERNATIONAL FINANCE
BUILDING
NORTH HUBIN ROAD,
XIAMEN,
CHINA
SWIFT: BKCHCNBJ73A
TEL: (86) 0592-5317519
FAX: (86) 0592-5095130
POST CODE: 361012

**HEBEI XIONGAN BRANCH**

149 LUOSA STREET,
RONGCHENG,
HEBEI PROV.,
CHINA
SWIFT: BKCHCNBJ220
TEL: (86) 0312-5988023
FAX: (86) 0312-5988023
POST CODE: 071700

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NO. 110 XIDAN NORTH
STREET,
XICHENG DISTRICT,
BEIJING,
CHINA
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FAX: (86) 010-83260006
POST CODE: 100032
WEBSITE: www.bocins.com

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FAX: (86) 021-68873488
POST CODE: 200120
WEBSITE: www.bocim.com

**BANK OF CHINA CONSUMER FINANCE CO., LTD.**

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200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-63291680
FAX: (86) 021-63291789
POST CODE: 200120
EMAIL: zyxf@boccfc.cn
WEBSITE: www.boccfc.cn

**BOC INTERNATIONAL (CHINA) CO., LTD.**

39/F, BOC BUILDING
200 MID. YINCHENG ROAD,
PUDONG NEW DISTRICT,
SHANGHAI,
CHINA
TEL: (86) 021-20328000
FAX: (86) 021-58883554
POST CODE: 200120
EMAIL:
admindiv.china@bocichina.com
WEBSITE:
www.bocichina.com

**BOC FULLERTON COMMUNITY BANK CO., LTD.**

9/F,
NO. 110 XIDAN NORTH STREET,
XICHENG DISTRICT,
BEIJING,
CHINA
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FAX: (86) 010-57765550
POST CODE: 100032
WEBSITE:
www.bocfullertonbank.com

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STREET,
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BEIJING,
CHINA
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FAX: (86) 010-83262777
POST CODE: 100032
WEBSITE:
www.boc-samsunglife.cn

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8/F, NO. 110 XIDAN NORTH
STREET,
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BEIJING,
CHINA
TEL: (86) 010-83262479
FAX: (86) 010-83262478
POST CODE: 100032
EMAIL: bocfi@bocfi.com

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BEIJING,
CHINA
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FAX: (86) 010-83937555
POST CODE: 100033

**BOC FINANCIAL TECHNOLOGY CO., LTD.**

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PUDONG NEW DISTRICT,
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CHINA
TEL: (86) 021-20408162
FAX: (86) 021-38973713
POST CODE: 201201

**BOC FINANCIAL LEASING CO., LTD.**

NO. 131 ZOURONG ROAD,
YUZHONG DISTRICT,
CHONGQING
CHINA
TEL: (86) 023-63031966
FAX: (86) 023-63031966
POST CODE: 400010
EMAIL: bocfl@bankofchina.com

## Major Branches and Subsidiaries in Hong Kong, Macao and Taiwan

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1 GARDEN ROAD,
HONG KONG, CHINA
TEL: (852) 28462700
FAX: (852) 28105830
WEBSITE: www.bochk.com

**BOC INTERNATIONAL HOLDINGS LIMITED**

26/F, BANK OF CHINA TOWER,
1 GARDEN ROAD,
HONG KONG, CHINA
TEL: (852) 39886000
FAX: (852) 21479065
EMAIL: info@bocigroup.com
WEBSITE: www.bocigroup.com

**HONG KONG BRANCH**

7/F, BANK OF CHINA TOWER,
1 GARDEN ROAD,
HONG KONG, CHINA
TEL: (852) 28101203
FAX: (852) 25377609

**BANK OF CHINA GROUP INSURANCE COMPANY LIMITED**

9/F, WING ON HOUSE,
71 DES VOEUX ROAD CENTRAL,
HONG KONG, CHINA
TEL: (852) 28670888
FAX: (852) 25221705
EMAIL: info_ins@bocgroup.com
WEBSITE: www.bocgins.com

**BANK OF CHINA GROUP INVESTMENT LIMITED**

23/F, BANK OF CHINA TOWER,
1 GARDEN ROAD,
HONG KONG, CHINA
TEL: (852) 22007500
FAX: (852) 28772629
EMAIL: bocginv_bgi@bocgroup.com
WEBSITE: www.bocgi.com

**BOC GROUP LIFE ASSURANCE CO., LTD.**

13/F, CITYPLAZA ONE,
1111 KING'S ROAD,
TAIKOO SHING,
HONG KONG, CHINA
TEL: (852) 21608800
FAX: (852) 28660938
EMAIL: enquiry@boclife.com.hk
WEBSITE: www.boclife.com.hk

**MACAU BRANCH**

BANK OF CHINA BUILDING,
AVENIDA DOUTOR MARIO SOARES,
MACAO, CHINA
SWIFT: BKCHMOMX
TEL: (853) 88895566
FAX: (853) 28781833
EMAIL: bocmo@bocmacau.com
WEBSITE: www.bankofchina.com/mo

**TAI FUNG BANK LIMITED**

418, ALAMEDA DR. CARLOS, d'ASSUMPCAO,
MACAO, CHINA
TEL: (853) 28322323
FAX: (853) 28570737
EMAIL: tfbsecr@taifungbank.com
WEBSITE: www.taifungbank.com

**TAIPEI BRANCH**

1–5/F, NO. 105, SONGREN ROAD,
XINYI DIST., TAIPEI CITY,
TAIWAN, CHINA
SWIFT: BKCHTWTP
TEL: (886) 227585600
FAX: (886) 227581598
EMAIL: service.tw@bankofchina.com
WEBSITE: www.bankofchina.com/tw

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SINGAPORE
SWIFT: BKCHSGSGXXX
TEL: (65) 67795566
FAX: (65) 65343401
EMAIL:
service.sg@bankofchina.com
WEBSITE:
www.bankofchina.com/sg

**TOKYO BRANCH**

BOC BLDG. 3-4-1 AKASAKA
MINATO-KU,
TOKYO 107-0052
JAPAN
SWIFT: BKCHJPJT
TEL: (81) 335058818
FAX: (81) 335058868
EMAIL:
service.jp@boctokyo.co.jp
WEBSITE:
www.bankofchina.com/jp

**SEOUL BRANCH**

1/2/3F YOUNG POONG BLDG.
41, CHEONG GYE CHEON-RO,
JONGNO-GU,
SEOUL 03188
KOREA
SWIFT: BKCHKRSEXXX
TEL: (82) 16705566
FAX: (82) 23996265
WEBSITE:
www.bankofchina.com/kr

**BANK OF CHINA (MALAYSIA) BERHAD**

GROUND, MEZZANINE, &
1ST FLOOR PLAZA OSK,
25 JALAN AMPANG
50450 KUALA LUMPUR,
MALAYSIA
SWIFT: BKCHMYKL
TEL: (60) 323878888
FAX: (60) 321615150
EMAIL: service.my@bankofchina.com
WEBSITE: www.bankofchina.com/my

**BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED**

179/4 BANGKOK CITY TOWER,
SOUTH SATHORN ROAD,
TUNGMAHAMEK
SATHORN DISTRICT,
BANGKOK 10120,
THAILAND
SWIFT: BKCHTHBK
TEL: (66) 22861010
FAX: (66) 22861020
CUSTOMER SERVICE CENTRE:
(66) 26795566
EMAIL: service.th@bankofchina.com
WEBSITE: www.bankofchina.com/th

**BANK OF CHINA (HONGKONG) LIMITED JAKARTA BRANCH**

TAMARA CENTER
11TH FLOOR,
Jl. JENDRAL
SUDIRMAN KAV. 24,
JAKARTA SELATAN, 12920,
INDONESIA
SWIFT: BKCHIDJA
TEL: (62) 215205502
FAX: (62) 215201113/215207552
EMAIL: cs@bankofchina.co.id
WEBSITE: www.bankofchina.co.id

**BANK OF CHINA (HONGKONG) LIMITED PHNOM PENH BRANCH**

CANADIA TOWER,
1ST & 2ND FLOOR,
#315 ANG DOUNG ST.
P.O. BOX 110, PHNOM PENH,
CAMBODIA
SWIFT: BKCHKHPP
TEL: (855) 23988886
FAX: (855) 23988880
EMAIL: service.kh@bankofchina.com
WEBSITE: www.bankofchina.com/kh

**BANK OF CHINA (HONGKONG) LIMITED HOCHIMINH CITY BRANCH**

GROUND & 11TH FL,
TIMES SQUARE BUILDING,
22–36 NGUYEN HUE STREET,
DISTRICT 1,
HOCHIMINH CITY,
VIETNAM
SWIFT: BKCHVNVX
TEL: (84) 2838219949
FAX: (84) 2838219948
EMAIL: service.vn@bankofchina.com
WEBSITE: www.bankofchina.com.vn

**BANK OF CHINA (HONGKONG) LIMITED — MANILA BRANCH**

28/F. THE FINANCE CENTER
26th STR. Cor. 9th AVE., BGC
TAGUIG CITY, METRO
MANILA PHILIPPINES
SWIFT: BKCHPHMM
TEL: (63) 282977888
FAX: (63) 288850532
EMAIL: customerservice_ph@bank-of-china.com

**BANK OF CHINA (HONGKONG) LIMITED VIENTIANE BRANCH**

NO. A1003-A2003,
VIENTIANE CENTER,
KHOUVIENG ROAD,
NONGCHAN VILLAGE,
SISATTANAK DISTRICT,
VIENTIANE CAPITAL,
LAO P.D.R.
SWIFT: BKCHLALAXXX
TEL: (856) 21228888
FAX: (856) 21228880
EMAIL: service.la@bankofchina.com
WEBSITE: www.bankofchina.com.la

**BANK OF CHINA (HONGKONG) LIMITED BRUNEI BRANCH**

KIARONG JAYA KOMPLEK,
LOT NO. 56244,
SIMPANG 22,
JALAN DATO
RATNA,
KAMPONG KIARONG,
BANDAR SERI
BEGAWAN BE1318,
BRUNEI
DARUSSALAM
SWIFT: BKCHBNBB
TEL: (673) 2459888
FAX: (673) 2459878

**BANK OF CHINA (HONGKONG) LIMITED YANGON BRANCH**

ZONE B, 1ST FLOOR,
GOLDEN CITY
BUSINESS CENTER,
YANKIN ROAD,
YANKIN TOWNSHIP,
YANGON REGION,
MYANMAR
SWIFT: BKCHMMMY
TEL: (95) 19376130
EMAIL: bocyangon@bochk.com

**SYDNEY BRANCH**

GROUND FLOOR,
140 SUSSEX STREET,
SYDNEY NSW 2000,
AUSTRALIA
SWIFT: BKCHAU2S
TEL: (61) 282355888
FAX: (61) 292621794
EMAIL: banking.au@bankofchina.com
WEBSITE: www.bankofchina.com/au

**BANK OF CHINA (AUSTRALIA) LIMITED**

GROUND FLOOR,
140 SUSSEX STREET,
SYDNEY NSW 2000,
AUSTRALIA
SWIFT: BKCHAU2A
TEL: (61) 282355888
FAX: (61) 292621794
EMAIL: banking.au@bankofchina.com
WEBSITE: www.bankofchina.com/au

**BANK OF CHINA (NEW ZEALAND) LIMITED**

LEVEL 17, TOWER 1,
205 QUEEN STREET,
AUCKLAND, 1010,
NEW ZEALAND
SWIFT: BKCHNZ22
TEL: (64) 99809000
FAX: (64) 99809088
EMAIL: service.nz@bankofchina.com
WEBSITE: www.bankofchina.com/nz

**AUCKLAND BRANCH**

LEVEL 17, TOWER 1,
205 QUEEN STREET,
AUCKLAND, 1010,
NEW ZEALAND
SWIFT: BKCHNZ2A
TEL: (64) 99809000
FAX: (64) 99809088
EMAIL: service.nz@bankofchina.com
WEBSITE: www.bankofchina.com/nz

**JSC AB (BANK OF CHINA KAZAKHSTAN)**

71B, MICRODISTRICT
ZHETYSU-2,
AUEZOV DISTRICT, 050063,
ALMATY,
REPUBLIC OF KAZAKHSTAN
SWIFT: BKCHKZKA
TEL: (7727) 2585510
FAX: (7727) 2585514
EMAIL: boc@bankofchina.kz

**KARACHI BRANCH**

5TH FLOOR, CORPORATE
OFFICE BLOCK,
DOLMEN CITY, HC-3, BLOCK 4,
SCHEME 5, CLIFTON,
KARACHI,
PAKISTAN
SWIFT: BKCHPKKA
TEL: (92) 2133110688
FAX: (92) 2133110600
EMAIL: services.pk@bankofchina.com
WEBSITE: www.bankofchina.com/pk

**COLOMBO BRANCH**

NO. 40, YORK STREET
COLOMBO 001
SRI LANKA
SWIFT: BKCHLKLX
TEL: (94) 0112195566
FAX: (94) 0112118800
EMAIL: service.lk@bankofchina.com

**MUMBAI BRANCH**

41-B,4TH FLOOR,
4 NORTH AVENUE,
MAKER MAXITY,
BANDRA KURLA COMPLEX,
BANDRA EAST,
MUMBAI,
INDIA
SWIFT: BKCHINBB
TEL: (91) 2268246666
FAX: (91) 2268246667
EMAIL: ocmumbai@bankofchina.com

**DUBAI BRANCH**

LEVEL 11 TOWER 2,
AL FATTAN CURRENCY HOUSE
DUBAI INTERNATIONAL
FINANCIAL CENTRE
P.O. BOX 118842,
DUBAI, U.A.E
SWIFT: BKCHAEADXXX
TEL: (971) 43819100
FAX: (971) 43880778
EMAIL: service.ae@bankofchina.com

**ABU DHABI BRANCH**

UNIT 8–11, 46F,
ADDAX COMMERCIAL TOWER,
AL REEM ISLAND,
P.O. BOX 73098,
ABU DHABI, U.A.E.
SWIFT: BKCHAEAA
TEL: (971) 24180999
FAX: (971) 24180996
EMAIL: abudhabi.ae@bankofchina.com

**QATAR FINANCIAL CENTRE BRANCH**

24TH FLOOR, ALFARDAN
TOWERS-OFFICE TOWER,
BUILDING NO.12, ZONE 61,
AL FUNDUQ, STREET NO.814,
DOHA,
QATAR
P.O. BOX: 5768
SWIFT: BKCHQAQA
TEL: (974) 44473681/44473682
FAX: (974) 44473696
EMAIL: service.qa@bankofchina.com

**BANK OF CHINA TURKEY A.S.**

BUYUKDERE CAD.NO: 209,
TEKFEN TOWER K.21,
343944. LEVENT/SISLI/
ISTANBUL
TURKEY
SWIFT: BKCHTRIS
TEL: (90) 2122608888
FAX: (90) 2122798866
EMAIL: contact@bankofchina.com.tr
WEBSITE: www.bankofchina.com.tr

**ULAANBAATAR REPRESENTATIVE OFFICE**

11TH FLOOR CENTRAL TOWER,
SUKHBAATAR SQUARE-2,
SBD-8,
ULAANBAATAR 14200,
MONGOLIA
TEL: (976) 77095566
FAX: (976) 77195566
EMAIL: service.mn1@bankofchina.com

**YANGON REPRESENTATIVE OFFICE**

08-06, LEVEL 8, UNION
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CORNER OF MAHABANDOOLA
ROAD & THEIN PHYU ROAD
45TH STREET, BOTATUNG
TOWNSHIP, YANGON,
MYANMAR
TEL: (95) 18610408
EMAIL: bocyangon@bochk.com

**BAHRAIN REPRESENTATIVE OFFICE**

OFFICE 1502,
AL JASRAH TOWER,
DIPLOMATIC AREA
BUILDING 95,
ROAD 1702, BLOCK 317,
MANAMA
KINGDOM OF BAHRAIN
TEL: (973) 17531119
FAX: (973) 17531009
EMAIL:
bldbcbgs@mail.notes.bank-of-china.com

**BOC AVIATION LIMITED**

8 SHENTON WAY #18-01
SINGAPORE 068811
TEL: (65) 63235559
FAX: (65) 63236962
EMAIL: information@bocaviation.com
WEBSITE: www.bocaviation.com

**EUROPE**

**LONDON BRANCH**

1 LOTHBURY,
LONDON EC2R 7DB,
U.K.
SWIFT: BKCHGB2L
TEL: (44) 2072828888
FAX: (44) 2076263892
EMAIL:
service.uk@bankofchina.com
WEBSITE:
www.bankofchina.com/uk

**BANK OF CHINA (UK) LIMITED**

1 LOTHBURY,
LONDON EC2R 7DB,
U.K.
SWIFT: BKCHGB2U
TEL: (44) 2072828888
FAX: (44) 2076263892
EMAIL:
service.uk@bankofchina.com
WEBSITE:
www.bankofchina.com/uk

**BANK OF CHINA (UK) LIMITED DUBLIN BRANCH**

5TH FLOOR, STYNE HOUSE,
UPPER HATCH STREET,
DUBLIN 2,
IRELAND
SWIFT: BKCHIE2D
TEL: (353) 14767888
FAX: (353) 14767868
EMAIL: dublinbranch@mail.notes.
bank-of-china.com

**BOC AVIATION (IRELAND) LIMITED**

SUITE 202, SOBO WORKS,
WINDMILL LANE,
DUBLIN D02 K156
REPUBLIC OF IRELAND

**PARIS BRANCH**

23–25 AVENUE DE LA
GRANDE ARMEE
75116 PARIS,
FRANCE
SWIFT: BKCHFRPP
TLX: 281 090 BDCSP
TEL: (33) 149701370
FAX: (33) 149701372
WEBSITE:
www.bankofchina.com/fr

**FRANKFURT BRANCH**

BOCKENHEIMER LANDSTR.
24 60323 FRANKFURT AM MAIN,
GERMANY
SWIFT: BKCHDEFF
TEL: (49) 691700900
FAX: (49) 69170090500
EMAIL:
service.de@bankofchina.com
WEBSITE:
www.bankofchina.com/de

**MILAN BRANCH**

VIA SANTA MARGHERITA,
14/16-20121 MILAN,
ITALY
SWIFT: BKCHITMM
TEL: (39) 02864731
FAX: (39) 0289013411
WEBSITE:
www.bankofchina.com/it

**LUXEMBOURG BRANCH**

37/39 BOULEVARD
PRINCE HENRI L-1724
LUXEMBOURG
P.O. BOX 114 L-2011,
LUXEMBOURG
SWIFT: BKCHLULL
TEL: (352) 268688
FAX: (352) 221795
EMAIL:
service.lu@bankofchina.com
WEBSITE:
www.bankofchina.com/lu

**BANK OF CHINA (LUXEMBOURG) S.A.**

37/39 BOULEVARD
PRINCE HENRI L-1724
LUXEMBOURG
P.O. BOX 721 L-2017,
LUXEMBOURG
SWIFT: BKCHLULA
TEL: (352) 268688
FAX: (352) 221795
EMAIL:
service.lu@bankofchina.com
WEBSITE:
www.bankofchina.com/lu

**BANK OF CHINA (LUXEMBOURG) S.A. ROTTERDAM BRANCH**

COOLSINGEL 63,
3012AB ROTTERDAM,
THE NETHERLANDS
SWIFT: BKCHNL2R
TEL: (31) 102175888
FAX: (31) 102175899
EMAIL:
service.nl@bankofchina.com
WEBSITE:
www.bankofchina.com/nl

**BANK OF CHINA (LUXEMBOURG) S.A. BRUSSELS BRANCH**

BOULEVARD DU REGENT 35,
1000, BRUSSELS,
BELGIUM
SWIFT: BKCHBEBB
TEL: (32) 24056688
FAX: (32) 22302892
EMAIL:
service.be@bankofchina.com
WEBSITE:
www.bankofchina.com/be

**BANK OF CHINA (LUXEMBOURG) S.A. POLAND BRANCH**

UL. ZIELNA 41/43,
00-108 WARSAW,
POLAND
SWIFT: BKCHPLPX
TEL: (48) 224178888
FAX: (48) 224178887
EMAIL:
service.pl@bankofchina.com
WEBSITE:
www.bankofchina.com/pl

**BANK OF CHINA (LUXEMBOURG) S.A. STOCKHOLM BRANCH**

BIRGER JARLSGATAN 28,
114 34 STOCKHOLM,
SWEDEN
SWIFT: BKCHSESS
TEL: (46) 107888888
FAX: (46) 107888801
EMAIL:
service.se@bankofchina.com
WEBSITE:
www.bankofchina.com/se

**BANK OF CHINA (LUXEMBOURG) S.A. LISBON BRANCH**

RUA DUQUE DE PALMELA
NO. 35, 35A E 37;
1250-097 LISBOA,
PORTUGAL
SWIFT: BKCHPTPL
TEL: (351) 210495710
FAX: (351) 210495738
EMAIL:
service.pt@bankofchina.com
WEBSITE:
www.bankofchina.com/pt

**BANK OF CHINA (LUXEMBOURG) S.A. ATHENS BRANCH**

14TH FLOOR, ATHENS
TOWERS, MESOGEION AV.2,
115 27, ATHENS, GREECE
SWIFT: BKCHGRAA
TEL: (30) 2111906688
EMAIL: info.gr@bankofchina.com

**BANK OF CHINA (CENTRAL AND EASTERN EUROPE) LIMITED**

7 JOZSEF NADOR TER,
1051 BUDAPEST,
HUNGARY
SWIFT: BKCHHUHB
TEL: (36) 14299200
FAX: (36) 14299202
EMAIL:
service.hu@bankofchina.com
WEBSITE:
www.bankofchina.com/hu

**HUNGARIAN BRANCH**

7 JOZSEF NADOR TER,
1051 BUDAPEST,
HUNGARY
SWIFT: BKCHHUHH
TEL: (36) 14299200
FAX: (36) 14299202
EMAIL:
service.hu@bankofchina.com
WEBSITE:
www.bankofchina.com/hu

**BANK OF CHINA (CENTRAL AND EASTERN EUROPE) LIMITED PRAGUE BRANCH**

NA FLORENCI 2116/15,
NOVE MESTO, 11000 PRAHA 1,
CZECH REPUBLIC
SWIFT: BKCHCZPPXXX
TEL: (42) 0225986666
FAX: (42) 0225986699
EMAIL:
service.cz@bankofchina.com

**BANK OF CHINA (CENTRAL AND EASTERN EUROPE) LIMITED VIENNA BRANCH**

SCHOTTENRING 18,
1010 VIENNA,
AUSTRIA
SWIFT: BKCHATWWXXX
TEL: (43) 153666800
FAX: (43) 153666888
EMAIL:
service.at@bankofchina.com
WEBSITE:
www.bankofchina.com/at

**BANK OF CHINA (CENTRAL AND EASTERN EUROPE) LIMITED BUCHAREST BRANCH**

SECTORUL 1,
PIATA PRESEI LIBERE,
NR. 3-5, TURNUL DE SUD
AL CLADIRII CITY GATE,
ETAJ11, BUCHAREST,
ROMANIA
SWIFT: BKCHROBUXXX
TEL:(40) 318029888
FAX: (40) 318029889
EMAIL:
service.ro@bankofchina.com

**BANK OF CHINA SRBIJA A.D. BEOGRAD**

BULEVAR ZORANA
DINDICA 2A,
11070 BELGRADE,
SERBIA
SWIFT: BKCHRSBGXXX
TEL: (381) 116351000
FAX: (381) 112280777
EMAIL:
service.rs@bankofchina.com
WEBSITE:
www.bankofchina.com/rs

**BANK OF CHINA (RUSSIA)**

72, PROSPEKT MIRA,
MOSCOW, 129110
RUSSIA
SWIFT: BKCHRUMM
TEL: (7495) 2585301
FAX: (7495) 7950454
EMAIL: iboc@boc.ru
WEBSITE: www.boc.ru

**AMERICA**

**NEW YORK BRANCH**

1045 AVENUE OF THE AMERICAS,
NEW YORK, NY 10018,
U.S.A.
SWIFT: BKCHUS33
TEL: (1212) 9353101
FAX: (1212) 5931831
WEBSITE: www.bocusa.com

**BANK OF CHINA (CANADA)**

SUITE 600,
50 MINTHORN BOULEVARD
MARKHAM, ONTARIO,
CANADA, L3T 7X8
SWIFT: BKCHCATT
TEL: (1905) 7716886
FAX: (1905) 7718555
EMAIL:
service.ca@bankofchina.com
WEBSITE:
www.bankofchina.com/ca

**TORONTO BRANCH**

6108 ONE FIRST CANADIAN PLACE,
100 KING STREET WEST,
P.O. BOX 241,
TORONTO, ONTARIO,
CANADA, M5X 1C8
SWIFT: BKCHCAT2
TEL: (1416) 9559788
FAX: (1416) 9559880
EMAIL:
service.ca@bankofchina.com

**GRAND CAYMAN BRANCH**

GRAND PAVILION
COMMERCIAL CENTER
802 WEST BAY ROAD,
P.O. BOX 30995,
GRAND CAYMAN KY1-1204
CAYMAN ISLANDS
SWIFT: BKCHKYKY
TEL: (1345) 9452000
FAX: (1345) 9452200
EMAIL:
gcb@mail.notes.bank-of-china.com

**PANAMA BRANCH**

P.O. BOX 0823-01030
PUNTA PACIFICA
P.H. OCEANIA BUSINESS PLAZA
TORRE 2000 PISO 36
PANAMA CITY,
REPUBLIC OF PANAMA
SWIFT: BKCHPAPA
TEL: (507) 2169400
FAX: (507) 2239960
EMAIL:
bocpanama@cwpanama.net

**BANCO DA CHINA BRASIL S.A.**

AVENIDA PAULISTA,
901-14 ANDAR BELA VISTA
CEP: 01311-100,
SAO PAULO, SP,
BRASIL
SWIFT: BKCHBRSP
TEL: (55) 1135083200
FAX: (55) 1135083299
EMAIL:
ouvidoria@boc-brazil.com
WEBSITE:
www.bankofchina.com/br

**CHILE BRANCH**

ANDRÉSBELLO 2457,
PISO 16, PROVIDENCIA,
SANTIAGO,
CHILE
SWIFT: BKCHCLRM
TEL: (56) 227157800
FAX: (56) 227157898
EMAIL: servicios@cl.bocusa.com
WEBSITE: www.bankofchina.com/cl

**BANK OF CHINA MÉXICO, S.A. INSTITUCIóN DE BANCA MúLTIPLE**

PASEO DE LA REFORMA 243,
PISO 24, COLONIA
CUAUHTÉMOC, CIUDAD
DE MÉXICO,
MEXICO
SWIFT: BKCHMXMX
TEL: (52) 5541705800
FAX: (52) 5552078705
EMAIL: servicios@mx.bocusa.com
WEBSITE:
www.bankofchina.com/mx

**BUENOS AIRES BRANCH**

JUANA MANSO 999,
PISO 5, CABA,
ARGENTINA
SWIFT: BKCHARBAXXX
TEL:(54) 1154395566
EMAIL: service.ar@bankofchina.com

**BANK OF CHINA (PERU) S.A.**

AV. REPULICA DE PANAMA
3461,
INT. 2901, SAN ISIDRO, LIMA,
PERU
SWIFT: BKCHPEPL
TEL: (51) 17037700
EMAIL: servicios@pe.bocusa.com
WEBSITE:
www.bankofchina.com/pe

**PERU REPRESENTATIVE OFFICE**

AV. REPULICA DE PANAMA
3461,
PISO 28, SAN ISIDRO, LIMA,
PERU
TEL: (51) 920137238
EMAIL:
service.pe@bankofchina.com

**AFRICA**

**BANK OF CHINA (ZAMBIA) LIMITED**

PLOT NO. 2339,
KABELENGA ROAD,
P.O. BOX 34550, LUSAKA,
ZAMBIA
SWIFT: BKCHZMLU
TEL: (260) 211233271
FAX: (260) 211236782
EMAIL: executive.zm@mail.notes.
bank-of-china.com
WEBSITE:
www.bankofchina.com/zm

**JOHANNESBURG BRANCH**

14TH–16TH FLOORS,
ALICE LANE TOWERS,
15 ALICE LANE, SANDTON,
JOHANNESBURG,
SOUTH AFRICA
SWIFT: BKCHZAJJ
TEL: (27) 115209600
FAX: (27) 117832336
EMAIL: bocjhb@
mail.notes.bank-of-china.com
WEBSITE:
www.bankofchina.com/za

**BANK OF CHINA (MAURITIUS) LIMITED**

4TH–5TH FLOOR,
DIAS PIER BUILDING,
CAUDAN WATERFRONT,
PORT LOUIS,
MAURITIUS
SWIFT: BKCHMUMU
TEL: (230) 2034878
FAX: (230) 2034879
EMAIL:
services.mu@bankofchina.com
WEBSITE:
www.bankofchina.com/mu

**LUANDA BRANCH**

VIA S10 No. 701,
CONDOMINIO BELAS
BUSSINESS PARK,
TORRE CUANZA SUL 8
ANDAR,
LUANDA,
REPUBLIC OF ANGOLA
SWIFT: BKCHAOLU
TEL: (244) 923165700
FAX: (244) 923165717
EMAIL:
service.ao@bankofchina.com
WEBSITE:
www.bankofchina.com/ao

**BANQUE DE CHINE (DJIBOUTI) S.A.**

ZONE INDUSTRIELLE SUD,
LOT NUMERO 219B,
B.P. 2119,
DJIBOUTI
SWIFT: BKCHDJJD
TEL: (253) 21336666
FAX: (253) 21336699

**NAIROBI REPRESENTATIVE OFFICE**

MORNING SIDE OFFICE PARK,
NGONG ROAD,
P.O. BOX 21357-00505,
NAIROBI,
KENYA
TEL: (254) 203862811
FAX: (254) 203862812
EMAIL:
service.ke@bankofchina.com

**MOROCCO REPRESENTATIVE OFFICE**

NO. 71, ANFA CENTER, 128,
BD D'ANFA & ANGLE
RUE LAHCEN BASRI,
CASABLANCA, MAROC
TEL: (212) 522203779
FAX: (212) 522273083
EMAIL:
service.ma@bankofchina.com

**TANZANIA REPRESENTATIVE OFFICE**

8TH FLOOR, AMANI PLACE,
OHIO STREET, P.O. BOX 13602,
DAR ES SALAAM,
TANZANIA
TEL: (225) 222112973
FAX: (225) 222112974
EMAIL:
repoffice.tz@bankofchina.com

**The Board of Directors of**
**Bank of China Limited**

Beijing, PRC
30 March 2021

*As at the date of this announcement, the directors of the Bank are: Liu Liange, Wang Wei, Lin Jingzhen, Zhao Jie*, Xiao Lihong*, Wang Xiaoya*, Zhang Jiangang*, Chen Jianbo*, Wang Changyun#, Angela Chao#, Jiang Guohua#, Martin Cheung Kong Liao#, Chen Chunhua# and Chui Sai Peng Jose#.*

* *Non-executive Directors*
\# *Independent Non-executive Directors*