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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))

ANNOUNCEMENT

Bank of China Limited Capital Adequacy Ratio Report of 2019

In accordance with the relevant requirements under the *Capital Rules for Commercial Banks (Provisional)* promulgated by the China Banking and Insurance Regulatory Commission, the meeting of the Board of Directors of the Bank held on 27 March 2020 considered and approved *Bank of China Limited Capital Adequacy Ratio Report of 2019*. Set out below is a complete version of the report for reference only.

**The Board of Directors of
Bank of China Limited**

Beijing, PRC
27 March 2020

As at the date of this announcement, the directors of the Bank are: Liu Liange, Wang Jiang, Lin Jingzhen, Zhao Jie, Xiao Lihong*, Wang Xiaoya*, Zhang Jiangang*, Wang Changyun#, Angela Chao#, Jiang Guohua# and Martin Cheung Kong Liao#.*

* *Non-executive Directors*

Independent Non-executive Directors



Bank of China Limited

Capital Adequacy Ratio Report of 2019

Contents

1	Introduction	4
1.1	Bank Profile	4
1.2	Basis of Disclosure	5
1.3	Scope of Consolidation	5
2	Capital and Capital Adequacy Ratio	8
2.1	Internal Capital Adequacy Assessment Method and Process	8
2.2	Capital Planning and Capital Adequacy Ratio Management Plan	8
2.3	Capital Adequacy Ratio	9
2.4	Composition of Capital	10
2.5	Capital Deduction Limits and Excess Loan Loss Provisions	11
2.6	Material Capital Investments	12
2.7	Paid-in Capital	12
3	Risk Management	13
3.1	Risk Management Framework	13
3.2	Significant Changes to Risk Measurement Approaches	15
3.3	Risk-weighted Assets	15
4	Credit Risk	16
4.1	Credit Risk Management	16
4.2	Credit Risk Measurement	16
4.3	Credit Risk Mitigation	22
4.4	Overdue and Non-performing Loans	24
4.5	Allowance for Impairment Losses	25
5	Market Risk	28
5.1	Market Risk Management	28
5.2	Market Risk Measurement	30
6	Operational Risk	31
6.1	Operational Risk Management	31
6.2	Operational Risk Measurement	31
7	Other Risk	32
7.1	Asset Securitization	32
7.2	Counterparty Credit Risk	34
7.3	Interest Rate Risk in the Banking Book	35
8	Remuneration	36
8.1	Composition and Authority of the Remuneration Management Committee	36
8.2	Remuneration Policy	36
8.3	Disclosures of Senior Management Remuneration	37
	Annex 1: Composition of Capital	38
	Annex 2: Financial and Regulatory Consolidated Balance Sheet	45
	Annex 3: Reconciliation and Illustration of Balance Sheet Items	47
	Annex 4: Main Attributes of Capital Instruments	49

1 Introduction

1.1 Bank Profile

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

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

Bank of China has upheld the spirit of "pursuing excellence" throughout its history of over one century. With adoration of the nation in its soul, integrity as its backbone, reform and innovation as its path forward and "people first" as its guiding principle, the Bank has built up an excellent brand image that is widely recognised within the industry and by its customers. In face of the period of historic opportunities for great achievements, as a large state-owned commercial bank, the Bank will follow Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, remain committed to the new development philosophies, activate vital energies, and make agile responses to make breakthroughs in key areas. Forge ahead in the journey of building BOC into a world-class bank in the new era. It will make a greater contribution to developing a modernised economy and to the efforts to realise the Chinese Dream of national rejuvenation and the aspirations of the people to live a better life.

1.2 Basis of Disclosure

China Banking and Insurance Regulatory Commission (hereinafter referred as the “CBIRC”) promulgated the *Capital Rules for Commercial Banks (Provisional)* (hereinafter referred as the “*Capital Rules*”) in June 2012. The Group has started to disclose the report of capital adequacy ratios since 2013 as required by the *Capital Rules*. The CBIRC approved the Group’s implementation of advanced capital measurement approaches in April 2014.

1.3 Scope of Consolidation

The calculation of the unconsolidated capital adequacy ratios covers all the domestic and overseas branches of the Bank (hereinafter referred as “the Bank”). The scope of the calculation of the consolidated capital adequacy ratios includes the Bank and the financial institutions invested by the Bank directly or indirectly (hereinafter referred as “the Group”) in accordance with the requirements of the *Capital Rules*.

1.3.1 Difference in Scope of Consolidation for Financial and Regulatory Capital Purposes

When calculating the consolidated capital adequacy ratios, Bank of China Group Investment Limited, Bank of China Insurance Company Limited, Bank of China Group Insurance Company Limited and Bank of China Group Life Assurance Company Limited, which are consolidated for accounting purpose, are excluded from the scope of capital adequacy ratio.

The equity investments in Bank of China Group Investment Limited are calculated as risk-weighted assets. The equity investments in Bank of China Insurance Company Limited, Bank of China Group Insurance Company Limited and Bank of China Group Life Assurance Company Limited are deducted from the capital of the Group.

1.3.2 Profile of BOC-invested entities

According to the requirements of the *Capital Rules*, the Group applies the following approaches to calculate consolidated capital adequacy ratios based on different types of the invested entities:

- Financial institutions (excluding insurance companies) whereby the Group has a majority or controlling interest are included in the scope of regulatory consolidation.
- Insurance companies, whereby the Group has a majority or controlling interest, are excluded from the scope of regulatory consolidation. The corresponding capital investments are deducted from the capital of the Group.
- Equity investments in commercial entities are calculated as risk-weighted assets, and are not included in the scope of regulatory consolidation.

- Non-significant minority capital investments in financial institutions are not included in the scope of regulatory consolidation. If the Group's aggregated capital investments exceed the prescribed materiality level, i.e. 10% of the Group's common equity tier 1 capital net of regulatory deductions, the portion of investments that exceeds the threshold is deducted from the respective tiers of capital of the Group. If the Group's aggregated investments do not exceed the materiality level as stated above, the investments are calculated as risk-weighted assets.
- Significant minority common equity tier 1 capital investments in financial institutions are not included in the scope of regulatory consolidation. If the Group's common equity tier 1 capital investments exceed the prescribed materiality level, i.e. 10% of the Group's common equity tier 1 capital net of regulatory deductions, the portion of investments that exceeds the threshold is deducted from the Group's common equity tier 1 capital. If the Group's common equity tier 1 capital investments do not exceed the materiality level as stated above, the investments are calculated as risk-weighted assets. Significant minority investments in additional tier 1 capital and tier 2 capital are deducted in full amount from the corresponding tiers of capital of the Group.

Non-significant minority investments refer to the investments in unconsolidated financial institutions (excluding insurance companies) where the Group owns less than 10% (not inclusive) of the paid-in capital (common shares and premiums) of this financial institution. Significant minority investments refer to the investments in unconsolidated financial institutions (excluding insurance companies) where the Group owns more than 10% (inclusive) of the paid-in capital (common shares and premiums) of this financial institution.

Top 10 Invested Institutions Included into the Scope of Consolidated Capital Adequacy Ratio

Unit: RMB Million (except percentages)

S/N	Name of Invested Institution	Investment Balance	Shareholding Ratio	Place of Registration	Industry
1	BOC Hong Kong (Group) Limited	36,915	100%	Hong Kong	Commercial Bank
2	BOC Financial Asset Investment Co., Ltd.	10,000	100%	Beijing	Non-Banking Financial Institution
3	BOC Wealth Management Co., Ltd.	10,000	100%	Beijing	Non-Banking Financial Institution
4	BOC International Holdings Limited	3,753	100%	Hong Kong	Investment Bank
5	Bank of China (UK) Limited	3,223	100%	United Kingdom	Commercial Bank
6	Bank of China (Luxembourg) S.A.	3,194	100%	Luxembourg	Commercial Bank
7	Bank of China Consumer Finance Company Limited	2,859	56.03%	Beijing	Non-Banking Financial Institution
8	Bank of China (Canada)	2,350	100%	Canada	Commercial Bank
9	Bank of China Turkey A.S.	2,084	100%	Turkey	Commercial Bank
10	Bank of China (Australia) Limited	2,005	100%	Australia	Commercial Bank
Total		76,383			

Investments in Invested Institutions Deducted from the Group's Capital

Unit: RMB Million (except percentages)

S/N	Name of Invested Institution	Investment Balance	Shareholding Ratio	Place of Registration	Industry
1	Bank of China Group Insurance Company Limited	4,509	100%	Hong Kong	Insurance
2	Bank of China Insurance Company Limited	3,498	100%	Beijing	Insurance
3	Bank of China Group Life Assurance Company Limited	1,948	51%	Hong Kong	Insurance
Total		9,955			

1.3.3 Capital Shortfall and Intra-Group Capital Transfer

As at the end of 2019, there is no capital shortfall in the financial institutions in which the majority or controlling interests is held by the Bank as measured in accordance with local regulatory requirements. During the reporting period, the Group did not experience any material restrictions on transfer of regulatory capital, such as capital increase, mergers and acquisitions and payment of dividends.

2 Capital and Capital Adequacy Ratio

2.1 Internal Capital Adequacy Assessment Method and Process

The Group's framework for the internal capital adequacy assessment process (hereinafter referred as the "ICAAP") includes the governance structure, policies and systems, major risk assessment, capital planning, stress testing, capital adequacy ratio management plan, and monitoring and reporting system. Pursuant to the CBIRC's latest requirements, the Group established and refined the ICAAP framework and governance structure, defined the roles and responsibilities of the Board of Directors and senior management, as well as departments of all entities on the ICAAP. Aligned with the overall development strategies, the Group aims at developing a package of feasible capital management policies and improving the internal management mechanisms. Policies and rules are primarily focused on capital adequacy ratio management, economic capital management and ICAAP management to standardise all capital management procedures, facilitate business development and respond to the changing regulation. As at the publishing date of this report, the Group has accomplished the design and implementation of the ICAAP scheme. The ICAAP framework meets the core requirements of CBIRC on the ICAAP for commercial banks. It ensures that major risks are identified, measured or assessed, monitored and reported; ensures that the capital level is commensurate with major risk and risk management capacity; ensures that capital planning is in line with the status and trend of the Group's operation and risk profile, as well as the long-term development strategy. In accordance with the regulatory policies and by reference to domestic and overseas industry experience and actual conditions, the Group actively explored the assessment of internal capital adequacy, completed *Internal Capital Adequacy Assessment Report of 2019*, and reported to the CBIRC after obtaining approval from the Board of Directors and management.

2.2 Capital Planning and Capital Adequacy Ratio Management Plan

To implement the strategic plan, further enhance the value creation capability, and meet the regulatory requirements, the Group finished formulating *Bank of China Capital Management Plan for 2017–2020* in pursuant to the Group's business strategies, the *Capital Rules* and other relevant regulations promulgated. The plan has been comprehensively implemented after approval by the general meeting of shareholders.

The Group has continued to enhance its ability to accumulate internally generated capital. Based on the medium- and long-term capital plan, the Group continued to optimize the capital budget management mechanism, improve annual capital adequacy ratio management objectives and the capital budget allocation scheme, establish the compensation system linked to value creation, strengthen the capital return requirement and value creation awareness, and intensify the performance assessment management on capital to stimulate entities to increase the capital efficiency. The Group reinforced its capital management across business lines, continuously improved the business line performance assessment, and strengthened the capital management requirements for integrated management companies, and improved the awareness of value creation and strengthened high-quality development concepts of all business lines and units. At the same time, the Group continued to replenish external capital in a prudent manner. It successfully issued a total of RMB100.0 billion preference shares, RMB40.0 billion undated capital bonds and RMB70.0 billion tier 2 capital bonds, further enhancing its capital strength and improving the capital structure.

In 2019, the Group's management methods were effective. The capital adequacy ratio has greatly improved, reaching the best level since the Bank was listed; the capital efficiency has continued improved, and the weightings of risk-weighted assets (RWA) have remained steady, the attentiveness to capital returns at all units has increased, the level of capital returns at some units has continued to improve.

2.3 Capital Adequacy Ratio

The capital adequacy ratios calculated in accordance with the *Capital Rules* and other related regulations are set forth as follows:

Unit: RMB Million (except percentages)

Item	The Group		The Bank	
	As at 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Calculated in accordance with the <i>Capital Rules</i>				
Net common equity tier 1 capital	1,596,378	1,465,769	1,346,623	1,251,056
Net tier 1 capital	1,806,435	1,575,293	1,546,517	1,350,770
Net capital	2,201,278	1,922,350	1,927,188	1,683,893
Common equity tier 1 capital adequacy ratio	11.30%	11.41%	10.99%	11.08%
Tier 1 capital adequacy ratio	12.79%	12.27%	12.62%	11.96%
Capital adequacy ratio	15.59%	14.97%	15.72%	14.92%

2.4 Composition of Capital

The regulatory capital items calculated on a consolidated basis in accordance with the *Capital Rules* are set forth as follows:

Unit: RMB Million

Item	As at 31 December 2019	As at 31 December 2018
Common equity tier 1 capital	1,620,563	1,488,010
Paid-in capital	294,388	294,388
Capital reserve	134,269	140,422
Surplus reserve	173,832	156,711
General reserve	249,983	231,416
Undistributed profits	721,731	637,609
Eligible portion of minority interests	30,528	28,229
Others	15,832	(765)
Regulatory deductions	24,185	22,241
Of which:		
Goodwill	182	182
Other intangible assets (except land use rights)	12,936	12,078
Direct or indirect investments in own shares	7	68
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	9,955	9,913
Additional tier 1 capital	210,057	109,524
Preference shares and related premium	159,901	99,714
Additional capital instruments and related premium	39,992	–
Eligible portion of minority interests	10,164	9,810
Tier 2 capital	394,843	347,473
Tier 2 capital instruments issued and related premium	280,092	256,189
Excess loan loss provisions	105,127	82,093
Eligible portion of minority interests	9,624	9,191
Regulatory deductions	–	416
Significant minority capital investment in tier 2 capital of financial institutions that are outside of the scope of regulatory consolidation	–	416
Net common equity tier 1 capital	1,596,378	1,465,769
Net tier 1 capital	1,806,435	1,575,293
Net capital	2,201,278	1,922,350

2.5 Capital Deduction Limits and Excess Loan Loss Provisions

As at 31 December 2019, the Group's balance of the capital investments and deferred tax assets did not exceed the limits and were not required to be deducted from the Group capital. The limits are as follows:

Unit: RMB Million

Item	As at 31 December 2019	As at 31 December 2018
Non-significant minority investments to financial institutions that are outside the scope of regulatory consolidation	115,095	89,253
Of which: Common equity tier 1 capital investment	7,336	7,564
Additional tier 1 capital investment	8,138	4,180
Tier 2 capital investment	99,621	77,509
Limit (10% of the Group's net common equity tier 1 capital)	159,638	146,577
Difference	44,543	57,324
Significant minority common equity tier 1 capital investment to financial institutions that are outside the scope of regulatory consolidation	6,699	5,436
Limit (10% of the Group's net common equity tier 1 capital)	159,638	146,577
Difference	152,939	141,141
Deferred tax asset relying on the bank's future profitability	42,863	36,974
Limit (10% of the Group's net common equity tier 1 capital)	159,638	146,577
Difference	116,775	109,603
Significant minority common equity tier 1 capital investment to financial institutions that are outside the scope of regulatory consolidation and deferred tax asset relying on the bank's future profitability (non-deducted portion)	49,562	42,410
Limit (15% of the Group's net common equity tier 1 capital)	239,457	219,865
Difference	189,895	177,455

As at 31 December 2019, the excess loan loss provisions qualifying for inclusion in tier 2 capital was RMB105,127 million, which was calculated in accordance with the CBIRC regulations in the parallel run period. The limits to relevant excess loan loss provisions are as follows:

Unit: RMB Million

Item	As at 31 December 2019	As at 31 December 2018
Parts covered by Internal Ratings-Based Approach		
Excess loan loss provisions under Internal Ratings-Based Approach	87,885	55,748
Limit of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-Based Approach irrespective of adjustment during the parallel run period	47,370	43,608
Amount of excess loan loss provisions attributable to tier 2 capital during the parallel run period	87,885	55,748
Parts not covered by Internal Ratings-Based Approach		
Amount of excess loan loss provisions under the Regulatory Weighting Approach	17,242	26,345
Limit of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	65,177	57,081
Amount of excess loan loss provisions attributable to tier 2 capital	17,242	26,345

2.6 Material Capital Investments

Please refer to the “Significant Matters” of the Bank’s 2019 Annual Report for more details about the material capital investments during the reporting period.

2.7 Paid-in Capital

As at the end of the reporting period, the Bank’s paid-in capital amounted to RMB294,388 million. Please refer to the “Changes in Share Capital and Shareholdings of Substantial Shareholders” of the Bank’s 2019 Annual Report for more details about the changes in the share capital of the Bank.

Disclosures required in Annex 2 — *Notice on Enhancing Disclosure Requirements for Composition of Capital of the CBIRC Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks* issued by the CBIRC are attached in the annex of this report. The information disclosed includes: Composition of Capital, Financial and Regulatory Consolidated Balance Sheet, Reconciliation and Illustration of Balance Sheet Items, as well as Main Attributes of Capital Instruments.

3 Risk Management

3.1 Risk Management Framework

The Group has established a multi-level risk management framework comprising the Board of Directors, Board of Supervisors, senior management and departments.

The Board of Directors, as the highest decision-making body for risk management of the Group, is responsible for approving the high-level risk management strategy and risk appetite, approving or authorizing internal capital adequacy assessment policies, and overseeing the implementation of policies by senior management. The Board has set up a Risk Policy Committee, which is responsible for reviewing risk management strategies, major risk management policies/rules and risk management procedures, supervising the implementation by senior management, and making recommendations to the Board of Directors. The Committee also monitors the status of the Group's risk management, reviews major risk management activities, and exercises veto right over significant transactions. In addition, the Board of Directors has set up Audit Committee, which is responsible for evaluating and supervising the adequacy and effectiveness of the risk management, internal capital adequacy assessment, internal control and governance procedures designed and implemented by senior management.

The Board of Supervisors undertake the responsibility for supervision of comprehensive risk management and is responsible for supervising the establishment and improvement of the comprehensive risk management governance structure. The Board may authorize its Duty Performance and Due Diligence Supervision Committee, the Finance and Internal Control Supervision Committee to perform their overall supervisory duties related to risk management.

Senior management is responsible for approving specific risk management policies, organising the development and operation of capital adequacy assessment procedures, implementing risk management policies and procedures, undertaking and monitoring all risks arising from business operations. The Risk Management and Internal Control Committee, as the specialised committee under senior management, performs comprehensive risk management within the authority on behalf of senior management. Specifically, the Committee is responsible for implementing the overall risk strategy and risk appetite of the Bank as specified by the Board of Directors, establishing and improving risk management systems, guiding and supervising the bank-wide implementation of these systems, and maintaining the overall operation of the internal control system.

Risk management lead departments of the Group are responsible for daily risk management. They formulate risk management policies and rules, develop risk management techniques, take the lead in identifying, assessing, monitoring, reporting and controlling various risks, and perform overall management, inspection and supervision over risk management practices at branches, subsidiaries¹ and business units. Risk Management Department, Credit Approval Department, and Credit Management Department lead the efforts to manage credit risk, market risk, counterparty credit risk (CCR) and concentration risk. And Internal Control and Legal & Compliance Department leads the management of operational risk, compliance risk, money laundering risk and information technology risk. The IT Department, together with the Internal Control and Legal & Compliance Department leads the management of information technology risk. Financial Management Department is responsible for the management of strategic risk, liquidity risk and interest rate risk in the banking book, while the Executive Office takes charge of reputational risk management. The Risk Management Department is responsible for the overall risk management.

¹ Subsidiaries include BOCHK, subsidiary branches and integrated operating companies.

The Group applies vertical, task forces and Board of Directors management modes to branches, business departments and subsidiaries respectively.

(1) *Vertical management mode*

The risk management department of a branch performs risk management work of the branch and reports risk status to the risk management functional departments of the Group. The chief risk officer of a branch, subject to the “dual-line reporting system”, reports to both the head of the branch and the risk management functions of the Group.

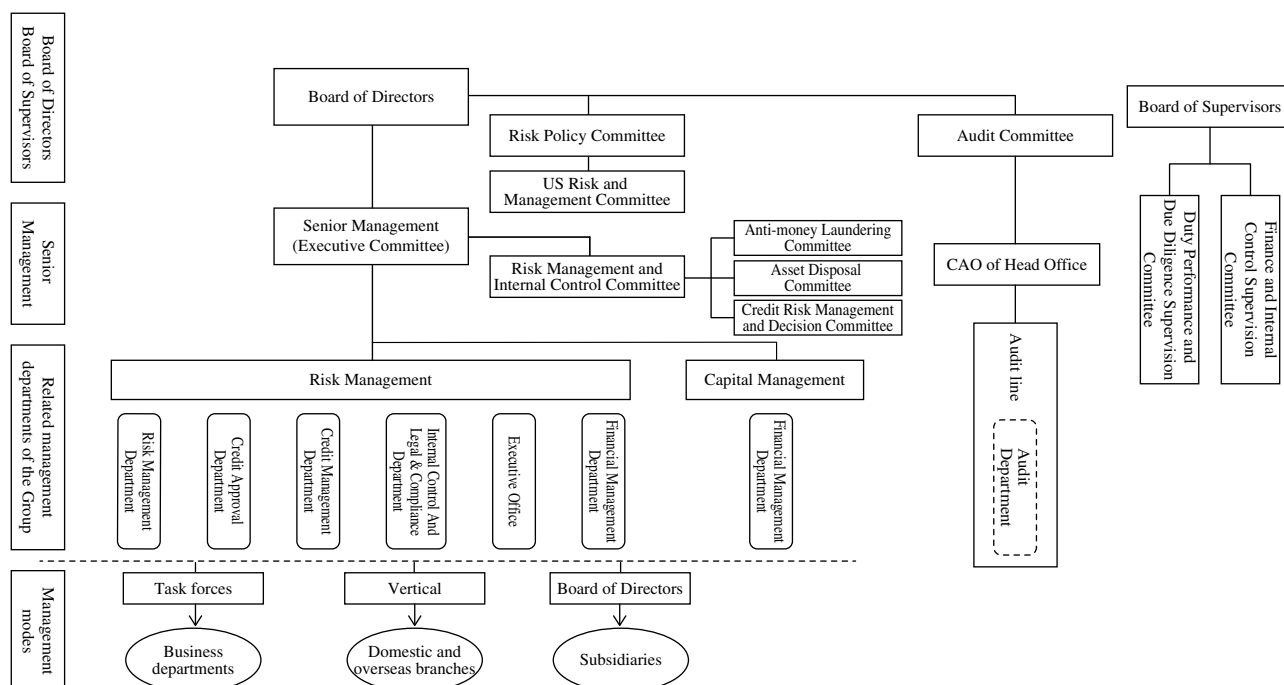
(2) *Task force management mode*

Each business department sets up a risk management team or position to monitor the risk management of business departments down the reporting line. The main business departments put highly professional personnel in charge of risk management and implemented a dual-line reporting system, who report to the heads of their business departments as well as to the lead risk management department of the Group.

(3) *Board of Directors management mode*

The Board of Directors and senior management of each subsidiary are responsible for its risk management. The Group assigns directors to the board or members to the risk management committee in these subsidiaries, to participate in the significant decision-making and articulate the Group’s risk appetite through the board of directors or risk management committee.

The organization of the Group’s risk management system is illustrated below:



3.2 Significant Changes to Risk Measurement Approaches

There were no significant changes to risk measurement approaches of the Bank in 2019.

3.3 Risk-weighted Assets

The Group's risk-weighted assets are as follows:

Unit: RMB Million

Item	As at 31 December 2019	As at 31 December 2018
Credit risk-weighted assets	13,126,382	11,860,829
Market risk-weighted assets	130,173	145,325
Operational risk-weighted assets	867,360	835,372
Risk-weighted assets increment required to reach capital floor	—	—
Total risk-weighted assets	14,123,915	12,841,526

Note: The Group calculates capital requirements and corresponding risk-weighted assets in accordance with capital floor requirement as stipulated by Annex 14 of the *Capital Rules*, when calculating capital adequacy ratio under the advanced capital measurement approaches. The capital floor adjustment coefficient in 2019 was 80%.

4 Credit Risk

4.1 Credit Risk Management

The objective of the Bank's credit risk management is to optimise capital allocation within the acceptable level of risk-taking and to maximise the return for shareholders to meet the requirements of regulators, customers and other stakeholders on the Bank's operation.

The Bank has established the risk management policies and systems by hierarchical management in accordance with the bank-wide risk management strategy and risk appetite to guide and govern credit risk management practices. The Group's credit risk management policies include industrial policy, regional policy, customer policy, product policy and other credit policies.

The Bank's credit risk management covers risk management across all processes, including risk identification, risk assessment, risk monitoring and reporting, and risk control.

4.2 Credit Risk Measurement

4.2.1 Measurement Methods and Internal Rating System

The Group applied the Internal Ratings-Based (IRB) Approach for credit risk in the following entities and used the methods as below:

Entity	Category of risk	Sub-category of risk	Methods
Head Office, domestic branches and BOCHK	Corporate exposures	General corporates	Foundation IRB
		SMEs	
		Specialised lending	Supervisory slotting criteria approach
	Retail exposures	Residential mortgage exposures	IRB
		Qualifying revolving retail exposures	
		Other retail exposures	
	Other exposures		Regulatory Weighting Approach
Other consolidated entities	All risk exposures		Regulatory Weighting Approach

Governance structure of internal rating system

The Board of Directors is responsible for reviewing and approving basic policies on internal rating, regularly receiving the internal rating reports from the senior management and supervising the effective operation of internal rating system. The senior management is responsible for designing, developing, validating and using the internal rating system, formulating internal rating management policy, and submitting internal rating operation reports, validation reports and audit reports to the Board of Directors at least once a year. The risk management departments are responsible for designing, developing and maintaining the smooth operation of the internal rating system, drafting and reporting internal rating policies to the Board of Directors and the senior management for approval, and submitting internal operation reports and validation reports to the Board of Directors and the senior management regularly. The audit departments are responsible for regularly performing comprehensive audit of the development, validation and use of the internal rating system, and submitting internal rating system audit reports to the Board of Directors. The information technology departments are responsible for developing, maintaining and upgrading the information systems supporting internal rating, and ensuring the safe operation of such systems.

The structure of internal rating

The Bank classifies customers into class A, B, C and D by credit rating, and divides credit ratings into 15 grades: AAA, AA, A, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B-, CCC, CC, C and D. Grade D is defined as default, and the others are non-default.

Risk parameter definition, data and basic approaches to risk measurement

The Bank's risk parameters include probability of default (PD), loss given default (LGD), exposure at default (EAD) and maturity. PD refers to the probability that the debtor defaults within a certain period (generally one year); LGD refers to the proportion of the loss on debt default in the exposure to the debt; EAD refers to the total expected amount of risk exposures of the on- and off-balance sheet items when a debtor defaults. With reference to historic experience on default, the Bank adopts the statistical default model technique to estimate risk parameters based on its internal data, in order to ensure the accuracy and prudence of risk parameter estimation. The corporate risk exposure applies the foundation IRB approach and the PD is calculated by the Bank independently. The retail risk exposure applies the IRB approach, and the PD, LGD and EAD are estimated by the Bank independently.

Application of rating results

Since the implementation of New Basel Capital Accord, the Bank has made great efforts to promote the application of internal rating results to its business. Internal rating parameters have been widely applied to areas such as credit approval, risk monitoring, limit setting, credit policy and risk reporting. The Bank also actively promotes the application of internal rating results to economic capital, risk appetite strategy, provision for loss, loan pricing and performance assessment.

4.2.2 Credit Risk Exposures

The Group's EAD distributed by calculation method is as follows:

Unit: RMB Million

	As at 31 December 2019			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by IRB	10,381,661	1,162,380	26,962	11,571,003
Of which: Corporate exposures	6,113,281	952,775	26,962	7,093,018
Retail exposures	4,268,380	209,605	–	4,477,985
Exposures not covered by IRB	11,958,037	561,220	274,582	12,793,839
Total	22,339,698	1,723,600	301,544	24,364,842

	As at 31 December 2018			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by IRB	9,330,516	1,189,441	19,252	10,539,209
Of which: Corporate exposures	5,684,673	975,629	19,252	6,679,554
Retail exposures	3,645,843	213,812	–	3,859,655
Exposures not covered by IRB	11,512,512	445,669	390,117	12,348,298
Total	20,843,028	1,635,110	409,369	22,887,507

4.2.3 Exposures Covered by IRB

4.2.3.1 Corporate exposures (excluding specialised lending and counterparty credit risk)

The Group's EAD of corporate exposures covered by IRB distributed by credit rating is as follows:

Unit: RMB Million (except percentages)

Rating	As at 31 December 2019				
	EAD	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
A	4,103,826	0.73%	42.54%	2,483,305	60.51%
B	2,750,155	3.42%	41.06%	2,737,616	99.54%
C	67,866	29.01%	40.88%	103,815	152.97%
D	143,586	100.00%	43.26%	18,438	12.84%
Total	7,065,433	6.62%	41.96%	5,343,174	75.62%

Rating	As at 31 December 2018				
	EAD	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
A	3,873,001	0.71%	42.77%	2,272,263	58.67%
B	2,566,773	3.12%	41.28%	2,602,538	101.39%
C	81,570	38.40%	39.66%	121,652	149.14%
D	137,242	100.00%	42.80%	11,311	8.24%
Total	6,658,586	7.46%	42.16%	5,007,764	75.21%

Note: The average PD of corporate risk exposures is calculated as the arithmetic mean of each customer's PD (including defaulted customers). The LGD is the weighted average of each customer's LGD weighted by EAD.

4.2.3.2 Specialised Lending Risk Exposure

The EAD of the Group's specialised lending by regulatory rating is as follows:

Unit: RMB Million

Supervisory rating	As at 31 December 2019	As at 31 December 2018
Strong	—	—
Good	623	1,716
Satisfactory	—	—
Weak	—	—
Default	—	—
Total	623	1,716

4.2.3.3 Retail exposures

The Group's EAD of retail exposures covered by IRB distributed by product is as follows:

Unit: RMB Million (except percentages)

Item	As at 31 December 2019				
	EAD	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Residential mortgage exposures	3,838,293	0.87%	25.52%	439,567	11.45%
Qualifying revolving retail exposures	264,547	0.78%	72.38%	58,131	21.97%
Other retail exposures	375,145	4.98%	25.39%	80,562	21.47%
Total	4,477,985	0.96%	28.28%	578,260	12.91%

Item	As at 31 December 2018				
	EAD	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Residential mortgage exposures	3,350,629	1.15%	25.41%	477,169	14.24%
Qualifying revolving retail exposures	271,608	0.82%	72.13%	62,411	22.98%
Other retail exposures	237,418	3.63%	27.95%	46,684	19.66%
Total	3,859,655	1.02%	28.86%	586,264	15.19%

Note: The average PD of retail risk exposures is calculated as the arithmetic mean of PD of each debt (including defaulted debts). The LGD is the weighted average of each debt, weighted by EAD.

4.2.4 Exposures not Covered by IRB

4.2.4.1 Risk weight determination method

The Group determines the risk weights of risk exposure not covered by IRB in strict compliance with the *Capital Rules*; and for the claims covered by eligible mitigation instruments, the Group adopts the risk weights applicable to the corresponding mitigation instruments.

4.2.4.2 Credit risk exposures not covered by IRB (excluding counterparty credit risk)

The Group's credit risk exposures not covered by IRB are distributed by customer as follows:

Unit: RMB Million

	As at 31 December 2019	As at 31 December 2018
Corporate	1,893,297	1,628,904
Sovereign	5,893,467	5,751,785
Financial institutions	2,989,120	3,029,839
Retail	948,404	961,984
Equity	105,815	70,779
Asset securitization	51,007	36,680
Others	638,147	478,210
Total	12,519,257	11,958,181

The Group's credit risk exposures not covered by IRB are distributed by risk weight as follows:

Unit: RMB Million

Risk weight	As at 31 December 2019	As at 31 December 2018
0%	4,616,522	4,814,450
20%	2,488,351	2,107,912
25%	1,184,815	969,054
50%	215,719	196,100
75%	829,743	824,728
100%	3,014,056	2,926,616
150%	4,782	1,451
250%	73,166	54,154
350%	—	—
400%	39,793	15,702
1250%	52,310	48,014
Total	12,519,257	11,958,181

Risk exposures of capital instruments at various tiers issued by other commercial banks held by the Group, equity investments in commercial enterprises and financial institutions as well as non-own-use real estate are disclosed as follows:

Unit: RMB Million

	As at 31 December 2019	As at 31 December 2018
Capital instruments at various tiers issued by other financial institutions held by the Group	84,540	64,209
Of which: Common equity tier 1 capital	4,762	5,466
Additional tier 1 capital	1,052	—
Tier 2 capital	78,726	58,743
Equity investments in commercial enterprises	83,642	53,599
Equity investments in financial institutions	22,173	17,180
Non-own-use real estate	2,338	2,002

4.3 Credit Risk Mitigation

Risk mitigation policies

The Bank transfers or reduces credit risk by utilizing risk mitigation instruments such as eligible collateral, netting, guarantee and derivative. The Bank's credit risk mitigation management mainly includes the management of mitigation instruments and phase on risk measurement and information monitoring associated with risk mitigation. A credit risk mitigation and management policy framework has been established, including basic policies, management measures and implementation rules. Overall principles and internal requirements are specified in the basic policies, and the management measures standardise and unify the management requirements for various risk mitigation instruments, while the implementation rules address the day-to-day management and operation of these mitigation instruments.

Risk mitigation instruments management process

The Bank's Risk Management Department is responsible for formulating the Bank's risk mitigation management policies, review and approval of policies and capital measurements, while the related business departments implement day-to-day management of various mitigation instruments within their respective functions. Risk mitigation instruments management involves pre-lending, lending and post-lending processes. The processes include inspection and review, evaluation/assessment, collateral verification, implementation of legal procedures, collateral guarantee, collateral transfer and custody, inspection and review, risk monitoring, re-evaluation, modification and release, collateral disposal, etc. Various functions involved in collateral management are responsible for various processes in accordance with the Bank's rules and regulations on collateral management.

Main types of collateral

The Bank's collateral primarily includes financial collateral, receivables, commercial and residential property, as well as other collateral. Financial collateral include CDs, deposits, precious metals, bonds and bills. Land use rights and property are classified into commercial and residential property. Construction-in-progress, vehicles, machinery and equipment, inventory, title of goods, resource assets and intellectual property rights belong to the category of other collateral.

Valuation policies and procedures

The Bank values collateral effectively in accordance with policies such as administrative measures on internal assessment of collateral and policies on post-lending revaluation of credit collateral. Collateral valuation management is a dynamic and ongoing process, including evaluation at pre-lending business origination and approval process, credit risk time horizon and collateral re-evaluation at the disposal of assets. At pre-lending phase, the Bank can entrust a professional evaluation agency to evaluate collateral and issue evaluation report. The evaluation conclusion or opinion can be used as reference in credit decision making. During time horizon of credit, the Bank continues to monitor the value of collateral. For the value management of post-lending collateral, the Bank combines regular and irregular re-evaluation. The Bank select evaluation methods, determines evaluation parameters and implements evaluation procedures based on the types and characteristics of collateral. The Bank adjusts the evaluation frequency for collateral with high volatility in market value.

The Bank adheres to the principle of independence, objectivity, rational approach and prudence on the valuation of collateral, and market value is given preferential weighting in the determination of fair value of collateral. Basic asset valuation methods include the market method, cost method and equity method. Based on the valuation object, value type and information collection conditions, one of the above valuation methods will be selected, and other methods will be used to verify valuation results to draw reasonable conclusions.

Main types of guarantors

A guarantor refers to a legal person or other organization, credit guarantee agency or natural person with legal capacity under civil law, which is able to repay debts on behalf of the debtor. The Bank regulates the qualification of guarantor, assessment of guarantee capacity, monitoring and debt recovery by means of related policies and rules including guarantee management measures, to effectively control and reduce credit risk. As required by the Bank, a guarantor's credit rating should meet access to credit customer. For a guarantor without credit rating, the Bank will assess its capability of risk mitigation on a prudential basis.

Capital measurement

By embedding credit risk mitigation instruments' eligibility assessment function and regulatory capital measurement rules in the RWA engine, the Bank has been able to automatically collect risk mitigation information from the front-end systems, perform eligibility assessment, mapping and allocation of mitigation instruments, and finally automatically calculate the risk mitigation for regulatory capital calculation purpose. The Bank has not yet accepted accounts receivables, other collaterals, netting clearance and credit derivatives as qualifying risk mitigation in its capital measurement.

The EAD covered by each category of qualified risk mitigation instruments of the Group under IRB is as follows:

Unit: RMB Million

Exposure type	As at 31 December 2019			As at 31 December 2018		
	Guarantee	Financial collateral	Commercial and residential real estate	Guarantee	Financial collateral	Commercial and residential real estate
Corporate exposures	749,913	248,395	467,689	646,055	279,102	504,256

4.4 Overdue and Non-performing Loans

A loan will be regarded as overdue when the borrower fails to repay it to the lender within the period specified in the loan contract. The total overdue loan at the group level amounted to RMB162,629 million at 2019 year-end.

In accordance with the *Guideline for Loan Credit Risk Classification*, loans are classified into five categories: pass performing, special-mention, substandard, doubtful and loss, among which the last three are regarded as non-performing. Where the borrower of a non-performing loan is not able to repay the principal and interest of the loan in full, certain loss might be incurred even when the security interest is claimed. The total non-performing loan at the group level was RMB178,235 million at 2019 year-end.

4.5 Allowance for Impairment Losses

The Group uses the expected credit loss (ECL) model to measure the impairment of loans. 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 receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value 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 instrument 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 balance sheet date are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used models and assumptions in its expected measurement of 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 adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL, forward-looking information and modification of contractual cash flows.

Reconciliation of allowance for impairment losses in the year of 2019:

(1) Allowance for impairment losses measured at amortised cost:

Unit: RMB Million

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL		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 others	235	523	705	1,463
As at 31 December	109,765	79,051	136,544	325,360

(2) Allowance for impairment losses measured at fair value through other comprehensive income:

Unit: RMB Million

	Year ended 31 December 2019			
	12-month ECL	Lifetime ECL		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 others	2	–	–	2
As at 31 December	547	16	–	563

Reconciliation of allowance for impairment losses in the year of 2018:

(1) Allowance for impairment losses measured at amortised cost:

Unit: RMB Million

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

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

(2) Allowance for impairment losses measured at fair value through other comprehensive income:

Unit: RMB Million

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

5 Market Risk

5.1 Market Risk Management

Market risk is defined as the risk of incurring a loss from on-balance sheet and off-balance sheet operations due to adverse changes in market prices (interest rate, exchange rate, stock price, and bulk commodity prices). Measurement of market risk capital shall capture the interest rate risk and stock risk arising from the Bank's trading book, as well as all exchange rate risk and commodity risk, excluding the exposure to structured exchange rate risk.

The objective of the Bank's market risk management is to effectively manage market risk and improve market risk capital allocation through limit management and other mechanisms in light of the overall risk appetite determined by the Board of Directors, and control the market risk within a reasonable level acceptable to the Bank, and achieve a reasonable balance between risk and return, thereby promoting business development and maximising the shareholders' value.

Under the Bank's market risk governance system, the Board of Directors shall assume the ultimate responsibility for market risk management, including determining overall risk appetite and authorising the Risk Policy Committee to review the matters relating to the group risk responsibilities of the Board, and overseeing the implementation of risk management strategy and policy by the senior management; the Board of Supervisors is responsible for overseeing the performance of market risk management responsibilities by the Board of Directors and the senior management; the senior management is responsible for drafting and overseeing the implementation of market risk management policy and procedures, bearing and managing the Group's market risk within the risk appetite determined by the Board of Directors, and coordinating the matching of aggregate risks to business return targets, and the Risk Management and Internal Control Committee under the senior management shall implement the Bank's overall risk strategy and risk appetite determined by the Board of Directors; Risk Management Department leads the developing and managing the Bank's market risk internal model system, drafting market risk management policies and rules, assuming market risk responsibilities, and conducting valuation model verification and market risk stress testing. The Bank has established and is continuously improving its market risk reporting system. The Audit Department of the Head Office is responsible for performing the internal audit of Internal Model Approach for market risk.

The Bank has developed sound market risk management system and the system of using internal model approach to measure market risk capital. The systems include market risk governance, policy process, internal model measurement, internal model verification and back-testing, internal model information system, stress testing, file management, internal model application for market risk, and internal audit of market risk management. All relevant policies, methodologies and management methods have been directly applied to such fields as market risk monitoring, measurement, management and reporting.

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

The Bank improved the effectiveness of management of market risk by advancing its market risk appetite setting and transmission mechanism, and optimizing its market risk management framework and refining its model for the market risk limit management of the Group. To enhance the initiative and foresight of its risk management, the Bank reinforced risk research and analysis, strengthened and coordinated the risk management and control of derivatives. To improve its risk warning and mitigation capabilities, the Bank increased the flexibility of management and control of CCR. The Bank continuously advanced the building of a market risk system, so as to enhance the accuracy of risk measurement.

The Bank strengthened risk management of bond investment business of the Group by closely tracking changes in market volatility and regulatory policies. According to market and business needs, the Bank improved risk response efficiency, timely adjusted and improved investment policies. In response to the high incidence of default in the bond market, the Bank improved the effectiveness of investigations, moved forward risk threshold, and strengthened risk management and control in key areas.

5.2 Market Risk Measurement

5.2.1 Capital Requirements on Market Risk

The Group adopts Internal Model Approach and Standardized Approach to measure market risk regulatory capital, mainly including interest rate risk, equity risk, foreign exchange risk and commodity risk. The table below lists the major capital requirements on various types of market risk of the Group.

Unit: RMB Million

	As at 31 December 2019	As at 31 December 2018
Covered by Internal Model Approach	7,031	6,430
Not covered by Internal Model Approach	3,383	5,196
Interest rate risk	2,727	4,695
Equity risk	180	146
Foreign exchange risk	–	–
Commodity risk	476	355
Total	10,414	11,626

5.2.2 Value at Risk (VaR)

The following table sets forth the information related to the VaR and stress VaR of market risks calculated under Internal Model Approach.

Unit: RMB Million

	For the year ended 31 December							
	2019				2018			
	Average	Maximum	Minimum	Year-end	Average	Maximum	Minimum	Year-end
VaR	646	1,537	452	681	672	1,215	327	631
Stress VaR	1,462	1,847	1,066	1,274	1,504	2,557	923	1,472

The Group calculates VaR and Stress VaR and conducts back testing according to regulatory requirements. In the reporting period, the Group's market risk measurement model can detect financial market fluctuation timely and reflect the market risks faced by the Group objectively.

6 Operational Risk

6.1 Operational Risk Management

The goal of the Group's operational risk management is to reduce the losses from operational risk to an acceptable level (that is, within the risk preference).

The Group has established an operational management policy regime in three levels, which is composed of, from top to bottom, the policy framework, the management policies and the operational guidelines for operational risk management tools. The policy framework, which refers to *Operational Risk Management Policies of Bank of China Limited* published with the approval of the Risk Policy Committee under the Board of Directors, as the fundamental system, defines the basic principles, requirements and management framework, and sets the keynote and direction for the Group's operational risk management. According to the closed loop of risk identification, assessment, monitoring and control or mitigation, the group developed the management policies and operational guidelines for operational risk management tools in order to define principles, roles and responsibilities, methodologies, procedures and steps relating to the employment of management tools, and clearly address the specific operational issues during the implementation of management processes.

The Group continues to promote the implementation of the Standardized Approach for operational risk and continuously strengthens operational risk management. The Group applies the Operational Risk and Control Assessment and Reinspection Procedures, to assess risk points, analyse failure links of control, and optimize business processes and systems, etc. The Group employs key risk indicators to carry out risk monitoring, improve the Group's risk indicator system, and increase the indicator's business coverage and risk sensitivity. The Group collects the operational risk loss data, and regularly performs collection, analysis and verification for the data to improve its quality. The Group has established a sound Business Continuity Management System. To continuously strengthen business continuity management, the Group conducts emergency drills for third-party service interruption scenarios and business impact analysis, updates important business processes, enriches and perfects risk scenarios, and implements business continuity self-assessments.

To effectively identify, assess, monitor, control or mitigate and report operational risk, the Group has established several main operational risk management processes, such as Risk and Control Assessment Procedures, Operational Risk Loss Data Collection Procedures, Key Risk Indicator Monitoring Procedures, Business Continuity Management Procedures, Internal Control Inspection and Confirmation Procedures, Internal Control Remediation and Status Tracking Procedures, and Operational Risk Reporting Procedures.

The Group employs the Standardized Approach to measure the regulatory capital for operational risk. Pursuant to the Standardized Approach rules set by the New Basel Capital Accord, the operational risk capital should cover the overall business scale and the corresponding operational risk exposures.

6.2 Operational Risk Measurement

During the reporting period, the operational risk capital requirement of the Group on a consolidated basis under the Standardized Approach amounted to RMB69,389 million.

7 Other Risk

7.1 Asset Securitization

7.1.1 Business Objective

The Group develops asset securitization business based on bank-level credit structure adjustment scheme with an aim to optimize asset portfolios, improve asset-liability structure, expand size, enhance capital adequacy ratio, and improve the Bank's asset liquidity structure management.

As the originator, the Group's risk exposure is mainly the potential default risks by the security which the Group retained under the regulations. Besides that, all remaining risks are transferred to other entities through securitization.

7.1.2 Business Overview

Acting as the originating party and loan servicing party of the asset securitization business, the Group participates in the coordination of the overall project design, underlying assets selection, due diligence, transaction structure design, regulatory submission, issuance, and disclosure. The Group is also in charge of managing the asset pool, as well as receiving, transferring and collecting loan principals and interests.

On 28 Jan, 18 Jun, 10 Sep, 17 Oct, 2 Dec and 20 Dec 2019, the Bank successfully issued six credit asset-backed securities in the interbank market. Zhong Ying Wan Jia 2019-1, Zhong Ying Wan Jia 2019-2, Zhong Ying Wan Jia 2019-3, Zhong Ying Wan Jia 2019-4 and Zhong Ying Wan Jia 2019-5 with residential mortgages as underlying assets totalled RMB8,660 million, RMB9,331 million, RMB10,306 million, RMB7,192 million and RMB14,497 million, respectively. Zhong Yu 2019-1 with non-performing loans as underlying assets totalled RMB570 million.

To comply with the regulatory requirements on risk retention, the Bank held 5% of the securities in each of the tranches of the 2019-1 securitization project with non-performing loans as underlying assets, amounting to RMB28 million. In 2019, the Bank held all subordinated tranches of the five RMBS, which was RMB1,310 million, RMB1,191 million, RMB1,091 million, RMB804 million and RMB1,617 million, respectively.

7.1.3 Accounting Policies for Asset Securitization

The Group shall derecognize the credit assets when the Group has transferred substantially all the risks and rewards on the ownership of the assets to the transferee; or the Group has neither transferred nor retained virtually all the risks and rewards on the ownership of the assets, and the Group does not retain control of the credit assets. In determining whether the Group has retained control of the assets or not, the Group focuses on the practical ability of the transferee to sell the credit assets. The Group has not retained control of the assets if the transferee has the practical ability to sell the credit assets in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

If the Group neither transfers nor retains virtually all the risks and rewards of ownership of the credit assets, and retains control of the credit assets, the Group continues to recognize the transferred assets to the extent of its continuing involvement, and also recognizes the associated liability. The transfer of risks and rewards is evaluated by comparing the risk exposure for the Group, with the variability in the amounts and timing of the net cash flows of the transferred asset before and after the transfer.

If the Group retains virtually all the risks and rewards of the ownership of the credit assets, the Group continues to recognize the assets.

Where the Group controls the special purpose entity, the entity should be consolidated in the financial statements. The Group controls an entity (including corporates, divisible portions of associates and joint ventures, and structured entities controlled by corporates) 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, and accordingly the entity is a subsidiary of the Group, and shall be consolidated at Group level. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

7.1.4 External Rating Agencies

Asset securitization products issued in the interbank market are all simultaneously rated by two rating agencies. For the issuances in 2019, Zhong Ying Wan Jia 2019-2 and Zhong Ying Wan Jia 2019-5 were rated by China Lianhe Credit Rating and China Bond Rating; Zhong Ying Wan Jia 2019-3 and Zhong Yu 2019-1 were rated by CCXI and China Bond Rating; Zhong Ying Wan Jia 2019-1 and Zhong Ying Wan Jia 2019-4 were rated by Golden Credit Rating International and China Bond Rating.

7.1.5 Risk Exposure and Capital Requirements

The Group measures asset securitization risk exposure and capital requirements by using Standardized Approach in accordance with the *Capital Rules*, and determines risk weights according to the credit ratings of eligible rating institutions recognized by the Group and the corresponding table of credit ratings and risk weights stipulated in the *Capital Rules*. As at the end of 2019, the Group's exposures to asset securitization were RMB51,007 million, and capital requirements were RMB3,214 million.

Unit: RMB Million

Item	As at 31 December 2019		As at 31 December 2018	
	Traditional asset securitization risk exposures	Synthetic asset securitization risk exposures	Traditional asset securitization risk exposures	Synthetic asset securitization risk exposures
As originating institution				
Asset-backed securities	30	–	15	–
Mortgage-backed securities	18,444	–	7,775	–
As investing institution				
Asset-backed securities	8,044	–	11,484	–
Mortgage-backed securities	24,489	–	17,406	–
Total	51,007	–	36,680	–

7.2 Counterparty Credit Risk

7.2.1 Counterparty credit risks covered by IRB Approach

To achieve group-wide policy coverage at the Group's institutional and operational levels, in recent years, the Group has developed group counterparty credit risk control standards, methods, processes and significant risk early warning mechanisms and reporting requirements which are appropriate to regulatory requirements and business development. In 2019, the Group adapted to business development requirement, furtherly perfected management methods, improved the credit risk management requirements of non-corporate products and overseas central centralized clearing counterparties, and optimized the entry standards for commercial collateral in financial market.

At the end of 2019, the Group's counterparty credit risk exposures covered by IRB Approach amounted to RMB26,962 million, which all arose from transactions with corporates.

7.2.2 Counterparty credit risks not covered by IRB Approach

Unit: RMB Million

Counterparty	As at 31 December 2019	As at 31 December 2018
Central counterparty	16,578	82,908
Others	258,004	307,209
Total	274,582	390,117

7.3 Interest Rate Risk in the Banking Book

7.3.1 Management of interest rate risk in the banking book

Interest rate risk in banking book refers to adverse changes in interest rate level, term structure and other elements leading to losses in economic value and overall profits in banking book. It mainly comes from gaps in re-pricing terms between assets and liabilities in the banking book, and differences in changes in benchmarking interest rates for assets and liabilities. Relative to the trading book, the banking book records the Group's on- and off-balance sheet businesses that are not recorded in trading book, including but not limited to loans, due to customers, non-dealing bond investment, bonds issued, interbank business and placement with the central bank.

The Group adheres to principles of matching, comprehensiveness and prudence in the management of interest rate risk in the banking book. The overall management strategy is to control the changes in interest rates of the banking book within an acceptable range by implementing effective management and taking into account the Group's overall risk appetite, risk profile, macroeconomic and market changes and other factors, so as to achieve a reasonable balance between risk and return, and maximize value for shareholders. The Group measures interest rate risk in the banking book on a monthly basis, and timely adjusts the structure of assets and liabilities or hedge the risk based on market change to control the interest rate risk at an acceptable range.

The Group measures interest rate risk mainly by making gap analysis of interest rate re-pricing, on which the sensitivity analysis is based. See below for the results from 2019 sensitivity analysis. In the above-mentioned sensitivity analysis, it was assumed that all interest rates changed in parallel and structure of assets and liabilities remained unchanged. Re-pricing periods of loans and time deposits are determined by contractual cash flows, and re-pricing periods of demand deposits and other undated deposits are set as overnight.

7.3.2 Interest rate sensitivity analysis

Unit: RMB Million

Interest rate basis points move	(Decrease)/increase in net interest income	
	As at 31 December 2019	As at 31 December 2018
+25 basis points	(4,534)	(4,136)
-25 basis points	4,534	4,136

8 Remuneration

8.1 Composition and Authority of the Remuneration Management Committee

The Personnel and Remuneration Committee comprises five members, including two non-executive directors and three independent non-executive directors. Chairman of the committee is assumed by an independent non-executive director. The committee is mainly responsible for assisting the Board of Directors in reviewing the Bank's human resources and remuneration strategies and overseeing their implementations; reviewing and monitoring the remuneration and incentive policies of the Bank; considering and examining the remuneration plan for directors and senior management members, and making recommendations to the Board of Directors; setting the performance appraisal standards for the senior management of the Bank, evaluating the performance of the directors and members of the senior management, and making recommendations to the Board of Directors, etc.

8.2 Remuneration Policy

Overview

Remuneration policies of the Bank are established according to corporate governance requirements, operation and development strategy, market positioning and talent competition strategy. The Bank adopts "post-driven and performance-based" remuneration distribution mechanism. Basic remuneration level is determined by position value and duty performance ability of the employee, and performance-based remuneration by performance appraisal results of the Group, the employee's institution or department and the employee. Remuneration policies apply to all employees signing employment contract with the Bank. In accordance with relevant national and regulatory guidance, the Bank has not adopted any medium- and long-term incentives including granting equity shares or other equity-related incentives. Remuneration of employees is paid in cash.

Remuneration policies of employees in risk and compliance functions

Remuneration of employees in risk and compliance functions is determined based on their value contribution, duty performance ability, performance, etc., not directly linked to business lines under their supervision and independent from other business areas.

Relation between remuneration policies and present and future risk

Remuneration policies of the Bank are aligned with the risk management system of the Bank and matched with institution size, business nature, complexity, etc.

Total remuneration distribution to branches is linked with completion of comprehensive performance target. The Bank also considers risk factors during remuneration allocation, to create risk-adjusted value orientation across the Bank and promote long-term results.

Remuneration distribution to employees is linked with responsibilities and risks assumed by each position. Different remuneration structures apply to employees taking different roles and responsibilities. Results of comprehensive performance appraisal covering performance, risks, internal control and capability are also considered, in order to prevent risk-taking and short-term behaviours by employees and promote a balanced and healthy risk management culture.

More than 40% of performance-related remuneration of employees assuming major risks and assuming major risk management responsibility is paid in a deferred manner, generally with deferred payment period of no less than 3 years. For employees subject to deferred payment, if extraordinary risk loss exposure occurs during his/her term of office, the Bank can reclaim part or all performance-related remuneration of corresponding periods and stop the payment of the unpaid remuneration.

Relation between remuneration and the Bank's performance

Total remuneration of the Bank is linked with the Group's realization of performance target and total remuneration to branches is allocated based on comprehensive performance and development of key businesses of each branch. Branches are encouraged to increase value contribution. Remuneration of employees is linked with the performance of the Group, the employee's institution or department and the employee according to characteristics of position responsibilities. Remuneration is aligned with performance results to encourage performance improvement and value creation of employees.

8.3 Disclosures of Senior Management Remuneration

For basic information and remuneration of the senior management members of the Bank, members and remuneration of the Personnel and Remuneration Committee of the Board of Directors, please refer to 2019 Annual Report.

Annex 1: Composition of Capital

Unit: RMB Million (except percentages)

		As at 31 December 2019	As at 31 December 2018	Code
Common equity tier 1 capital				
1	Paid-in capital	294,388	294,388	j
2	Retained earnings	1,145,546	1,025,736	
2a	Surplus reserve	173,832	156,711	r
2b	General reserve	249,983	231,416	s
2c	Undistributed profits	721,731	637,609	t
3	Accumulated other comprehensive income (and other reserves)	150,101	139,657	
3a	Capital reserve	134,269	140,422	m
3b	Currency translation differences	(10,111)	(13,502)	q
3c	Others	25,943	12,737	o-q
4	Amount attributable to common equity tier 1 capital in transitional period	–	–	
5	Eligible portion of minority interests	30,528	28,229	u
6	Common equity tier 1 capital before regulatory adjustment	1,620,563	1,488,010	
Common equity tier 1 capital: regulatory adjustment				
7	Prudential valuation adjustment	–	–	
8	Goodwill (net of deferred tax liabilities deduction)	(182)	(182)	-h
9	Other intangible assets (excluding land use rights) (net of deferred tax liabilities deduction)	(12,936)	(12,078)	g-f
10	Net deferred tax assets incurred due to operating losses, relying on the bank's future profitability to be realized	–	–	
11	Reserve relating to cash-flow hedge items not measured at fair value	–	–	-p
12	Shortfall of loan loss provisions	–	–	
13	Gains on sale of securitization	–	–	
14	Unrealized gains and losses that have resulted from changes in the fair value of liabilities due to changes in own credit risk	–	–	
15	Net pension assets with fixed yield (net of deferred tax liabilities deduction)	–	–	

Annex 1: Composition of Capital (Continued)

		As at 31 December 2019	As at 31 December 2018	Code
16	Direct or indirect investments in own shares	(7)	(68)	n
17	Reciprocal cross holdings in common equity of banks or other financial institutions based on agreement	–	–	
18	Non-significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
19	Significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
20	Collateralized loan service rights	Not applicable	Not applicable	
21	Deductible amount of other net deferred tax assets relying on the bank's future profitability	–	–	
22	Deductible amount of non-deducted part of common equity tier 1 capital of significant minority investments in financial institutions that are outside the scope of regulatory consolidation and other net deferred tax assets relying on the bank's future profitability in excess of 15% of common equity tier 1 capital	–	–	
23	Of which: Amount deductible out of significant minority investments in financial institutions	–	–	
24	Of which: Amount deductible out of collateralized loan service rights	Not applicable	Not applicable	
25	Of which: Amount deductible out of other net deferred tax assets relying on the bank's future profitability	–	–	
26a	Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,955)	(9,913)	-e
26b	Gap of common equity tier 1 capital of controlled but unconsolidated financial institutions	–	–	

Annex 1: Composition of Capital (Continued)

		As at 31 December 2019	As at 31 December 2018	Code
26c	Total of other items deductible out of common equity tier 1 capital	(1,105)	–	
27	Non-deducted gap deductible out of additional tier 1 capital and tier 2 capital	–	–	
28	Total regulatory adjustment of common equity tier 1 capital	(24,185)	(22,241)	
29	Net common equity tier 1 capital	1,596,378	1,465,769	
Additional tier 1 capital				
30	Additional tier 1 capital instruments and related premium	199,893	99,714	
31	Of which: Equity part	199,893	99,714	k+l
32	Of which: Liability part	–	–	
33	Instruments non-attributable to additional tier 1 capital after transitional period	–	–	
34	Eligible portion of minority interests	10,164	9,810	v
35	Of which: Part of instruments non-attributable to additional tier 1 capital after transitional period	–	–	
36	Additional tier 1 capital before regulatory adjustment	210,057	109,524	
Additional tier 1 capital: Regulatory adjustment				
37	Direct or indirect investments in additional tier 1 capital of own banks	–	–	
38	Additional tier 1 capital cross-held between banks or between the bank and other financial institutions based on agreement	–	–	
39	Non-significant minority investments in additional tier 1 capital of unconsolidated financial institutions (deductible part)	–	–	
40	Significant minority investments in additional tier 1 capital of financial institutions that are outside the scope of regulatory consolidation	–	–	
41a	Investment in additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	–	–	

Annex 1: Composition of Capital (Continued)

		As at 31 December 2019	As at 31 December 2018	Code
41b	Gap of additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	–	–	
41c	Other deductions from additional tier 1 capital	–	–	
42	Non-deducted gaps deductible from tier 2 capital	–	–	
43	Total regulatory adjustment of additional tier 1 capital	–	–	
44	Net additional tier 1 capital	210,057	109,524	
45	Net tier 1 capital (net common equity tier 1 capital + net additional tier 1 capital)	1,806,435	1,575,293	
Tier 2 capital				
46	Tier 2 capital instruments issued and related premium	280,092	256,189	
47	Of which: Part of instruments non-attributable to tier 2 capital after transitional period	49,367	65,823	i
48	Eligible portion of minority interests	9,624	9,191	
49	Of which: Part of minority interests non-attributable to tier 2 capital after transitional period	–	–	
50	Excess loan loss provisions included in tier 2 capital	105,127	82,093	-b-d
51	Tier 2 capital before regulatory adjustment	394,843	347,473	
Tier 2 capital: Regulatory adjustment				
52	Tier 2 capital of the bank held directly or indirectly	–	–	
53	Tier 2 capital cross-held between banks or between the bank and other financial institutions based on agreement	–	–	
54	Non-significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	

Annex 1: Composition of Capital (Continued)

		As at 31 December 2019	As at 31 December 2018	Code
55	Significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation	–	(416)	
56a	Investment in tier 2 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	–	–	
56b	Gap of tier 2 capital of controlled but unconsolidated financial institutions	–	–	
56c	Other deductions from tier 2 capital	–	–	
57	Total regulatory adjustment of tier 2 capital	–	(416)	
58	Net tier 2 capital	394,843	347,057	
59	Total net capital (net tier 1 capital + net tier 2 capital)	2,201,278	1,922,350	
60	Total risk-weighted assets	14,123,915	12,841,526	
Capital adequacy ratio and reserve capital requirement				
61	Common equity tier 1 capital adequacy ratio	11.30%	11.41%	
62	Tier 1 capital adequacy ratio	12.79%	12.27%	
63	Capital adequacy ratio	15.59%	14.97%	
64	Institution-specific capital requirement	3.50%	3.50%	
65	Of which: Capital reserve requirement	2.50%	2.50%	
66	Of which: Countercyclical reserve requirement	–	–	
67	Of which: Additional capital requirement of G-SIBs	1.50%	1.00%	
68	Ratio of common equity tier 1 capital meeting buffer area to risk-weighted assets	6.30%	6.41%	
Domestic minimum regulatory capital requirement				
69	Common equity tier 1 capital adequacy ratio	5.00%	5.00%	
70	Tier 1 capital adequacy ratio	6.00%	6.00%	
71	Capital adequacy ratio	8.00%	8.00%	

Annex 1: Composition of Capital (Continued)

		As at 31 December 2019	As at 31 December 2018	Code
Non-deducted part of threshold deductibles				
72	Non-significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	115,095	89,253	
73	Significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	6,699	5,436	
74	Collateralized loan service rights (net of deferred tax liabilities deduction)	Not applicable	Not applicable	
75	Other net deferred tax assets relying on the bank's future profitability (net of deferred tax liabilities deduction)	42,863	36,974	
Limit of excess loan loss provisions attributable to tier 2 capital				
76	Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	34,578	41,465	-a
77	Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	17,242	26,345	-b
78	Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	87,885	55,748	-c
79	Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	87,885	55,748	-d
Capital instruments meeting exit arrangement				
80	Amount attributable to common equity tier 1 capital of the current period derived from transitional period arrangement	–	–	
81	Amount non-attributable to common equity tier 1 capital derived from transitional period arrangement	–	–	
82	Amount attributable to additional tier 1 capital of the current period derived from transitional period arrangement	–	–	

Annex 1: Composition of Capital (Continued)

		As at 31 December 2019	As at 31 December 2018	Code
83	Amount non-attributable to additional tier 1 capital derived from transitional period arrangement	–	–	
84	Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	49,367	65,823	i
85	Amount non-attributable to tier 2 capital of the current period derived from transitional period arrangement	25,563	33,107	

Annex 2: Financial and Regulatory Consolidated Balance Sheet

Unit: RMB Million

	As at 31 December 2019		As at 31 December 2018	
	Financial Consolidated	Regulatory Consolidated	Financial Consolidated	Regulatory Consolidated
ASSETS				
Cash and balances with central banks	2,143,716	2,143,715	2,407,808	2,407,807
Due from banks and other financial institutions	500,560	494,853	363,176	357,897
Precious metals	206,210	206,210	181,203	181,203
Placements with and loans to banks and other financial institutions	744,572	743,209	781,761	780,151
Derivative financial assets	93,335	93,226	124,126	123,986
Reverse repurchase transactions	154,387	154,049	260,597	260,207
Loans and advances to customers	12,743,425	12,741,776	11,515,764	11,514,470
Financial investments	5,514,062	5,330,311	5,054,551	4,897,328
— financial assets at fair value through profit or loss	518,250	405,233	370,491	275,470
— financial assets at fair value through other comprehensive income	2,218,129	2,192,578	1,879,759	1,858,107
— financial assets at amortised cost	2,777,683	2,732,500	2,804,301	2,763,751
Long term equity investment	23,210	54,052	23,369	52,048
Investment properties	23,108	16,397	22,086	15,373
Property and equipment	244,540	99,298	227,394	97,623
Right-of-use assets	22,822	24,002	Not applicable	Not applicable
Intangible assets	20,255	18,839	19,452	18,366
Goodwill	2,686	182	2,620	182
Deferred income tax assets	44,029	42,863	38,204	36,974
Other assets	288,827	230,814	245,164	196,762
Total assets	22,769,744	22,393,796	21,267,275	20,940,377

Annex 2: Financial and Regulatory Consolidated Balance Sheet (Continued)

	As at 31 December 2019		As at 31 December 2018	
	Financial Consolidated	Regulatory Consolidated	Financial Consolidated	Regulatory Consolidated
LIABILITIES				
Due to central banks	846,277	846,277	907,521	907,521
Due to banks and other financial institutions	1,668,046	1,668,046	1,731,209	1,731,209
Placements from banks and other financial institutions	462,265	449,705	327,249	316,968
Financial liabilities held for trading	19,475	19,475	14,327	14,327
Derivative financial liabilities	90,060	88,210	99,254	98,284
Repurchase transactions	177,410	177,245	285,018	284,861
Due to customers	15,817,548	15,819,400	14,883,596	14,884,503
Employee benefits payable	35,906	34,417	33,822	32,366
Current tax liabilities	59,102	58,795	27,894	27,451
Contingent liabilities	24,469	24,370	22,010	22,010
Lease liability	21,590	23,157	Not applicable	Not applicable
Bonds issued	1,096,087	1,025,807	782,127	727,493
Deferred income tax liabilities	5,452	976	4,548	367
Other liabilities	469,361	253,352	423,303	230,432
Total liabilities	20,793,048	20,489,232	19,541,878	19,277,792
EQUITY				
Share capital	294,388	294,388	294,388	294,388
Other equity instruments	199,893	199,893	99,714	99,714
Of which: Preference shares	159,901	159,901	99,714	99,714
Undated capital bonds	39,992	39,992	–	–
Capital reserve	136,012	134,269	142,135	140,422
Less: Treasury shares	(7)	(7)	(68)	(68)
Other comprehensive income	19,613	15,832	1,417	(765)
Surplus reserve	174,762	173,832	157,464	156,711
General reserve	250,100	249,983	231,525	231,416
Undistributed profits	776,940	721,731	686,405	637,609
Capital and reserves attributable to equity holders of the Bank	1,851,701	1,789,921	1,612,980	1,559,427
Non-controlling interests	124,995	114,643	112,417	103,158
Total equity	1,976,696	1,904,564	1,725,397	1,662,585
Total equity and liabilities	22,769,744	22,393,796	21,267,275	20,940,377

Annex 3: Reconciliation and Illustration of Balance Sheet Items

Unit: RMB Million

	As at 31 December 2019	As at 31 December 2018	Code
ASSETS			
Cash and balances with central banks	2,143,715	2,407,807	
Due from banks and other financial institutions	494,853	357,897	
Precious metals	206,210	181,203	
Placements with and loans to banks and other financial institutions	743,209	780,151	
Derivative financial assets	93,226	123,986	
Reverse repurchase transactions	154,049	260,207	
Loans and advances to customers	12,741,776	11,514,470	
Of which: Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	(34,578)	(41,465)	a
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	(17,242)	(26,345)	b
Of which: Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	(87,885)	(55,748)	c
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	(87,885)	(55,748)	d
Financial investments	5,330,311	4,897,328	
— financial assets at fair value through profit or loss	405,233	275,470	
— financial assets at fair value through other comprehensive income	2,192,578	1,858,107	
— financial assets at amortised cost	2,732,500	2,763,751	
Long term equity investment	54,052	52,048	
Of which: Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	9,955	9,913	e
Investment properties	16,397	15,373	
Property and equipment	99,298	97,623	
Right-of-use assets	24,002	Not applicable	
Intangible assets	18,839	18,366	f
Of which: Land use rights	5,903	6,288	g
Goodwill	182	182	h
Deferred income tax assets	42,863	36,974	
Other assets	230,814	196,762	
Total assets	22,393,796	20,940,377	

Annex 3: Reconciliation and Illustration of Balance Sheet Items (Continued)

	As at 31 December 2019	As at 31 December 2018	Code
LIABILITIES			
Due to central banks	846,277	907,521	
Due to banks and other financial institutions	1,668,046	1,731,209	
Placements from banks and other financial institutions	449,705	316,968	
Financial liabilities held for trading	19,475	14,327	
Derivative financial liabilities	88,210	98,284	
Repurchase transactions	177,245	284,861	
Due to customers	15,819,400	14,884,503	
Employee benefits payable	34,417	32,366	
Current tax liabilities	58,795	27,451	
Contingent liabilities	24,370	22,010	
Lease liability	23,157	Not applicable	
Bonds issued	1,025,807	727,493	
Of which: Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	49,367	65,823	i
Deferred income tax liabilities	976	367	
Other liabilities	253,352	230,432	
Total liabilities	20,489,232	19,277,792	
EQUITY			
Share capital	294,388	294,388	j
Other equity instruments	199,893	99,714	
Of which: Preference shares	159,901	99,714	k
Of which: Undated capital bonds	39,992	–	l
Capital reserve	134,269	140,422	m
Less: Treasury shares	(7)	(68)	n
Other comprehensive income	15,832	(765)	o
Of which: Reserve relating to cash-flow hedge items not measured at fair value	–	–	p
Of which: Currency translation differences	(10,111)	(13,502)	q
Surplus reserve	173,832	156,711	r
General reserve	249,983	231,416	s
Undistributed profits	721,731	637,609	t
Capital and reserves attributable to equity holders of the Bank	1,789,921	1,559,427	
Non-controlling interests	114,643	103,158	
Of which: Amount attributable to common equity tier 1 capital	30,528	28,229	u
Of which: Amount attributable to additional tier 1 capital	10,164	9,810	v
Total equity	1,904,564	1,662,585	
Total equity and liabilities	22,393,796	20,940,377	

Annex 4: Main Attributes of Capital Instruments

Unit: RMB Million (unless otherwise stated)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	601988.SH	3988.HK	360002.SH	360010.SH	360033.SH	360035.SH	1928001.IB
3	Applicable law	PRC law	Hong Kong SAR law	PRC law	PRC law	PRC law	PRC law	PRC law
Regulatory processing								
4	Of which: Applicable to transitional period rules specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Common equity tier 1 capital	Common equity tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Common equity tier 1 capital	Common equity tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
6	Of which: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Common shares	Common shares	Preference shares	Preference shares	Preference shares	Preference shares	Undated capital bonds
8	Amount attributable to regulatory capital (the last reporting day)	282,501	145,603	31,963	27,969	72,979	26,990	39,992
9	Par value of instrument	210,766	83,622	32,000	28,000	73,000	27,000	40,000
10	Accounting treatment	Share capital and capital reserve	Share capital and capital reserve	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument	Other equity instrument
11	Initial issuing date	2006/6/29	2006/6/1 2006/6/9	2014/11/21	2015/3/13	2019/6/24	2019/8/26	2019/1/25
12	Term (term or perpetual)	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Of which: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer's redemption (subject to regulatory approval)	No	No	Yes	Yes	Yes	Yes	Yes

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
Regulatory processing (Continued)								
15	Of which: Redemption date (or have redemption date) and amount	Not applicable	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds after 5 years from the date of issuance and at every Distribution Payment Date thereafter	Subject to approval by the CBIRC, the Bank may redeem the Bonds in whole or in part on each Distribution Payment Date from and including 5 years after the issuance of the Bonds.
16	Of which: Subsequent redemption date (if any)	Not applicable	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Domestic Preference Shares after 5 years from the date of issuance thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Bonds in the following circumstances: After the Issuance, the Bonds will no longer qualify as Additional Tier 1 Capital of the Issuer as a result of an unforeseeable change or amendment in the relevant provisions of supervisory regulations	The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances: After the Issuance, the Bonds will no longer qualify as Additional Tier 1 Capital of the Issuer as a result of an unforeseeable change or amendment in the relevant provisions of supervisory regulations

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
Dividend or interest payment								
17	Of which: Fixed or floating dividend or interest payment	Floating	Floating	Fixed	Fixed	Adjustable dividend rate	Adjustable dividend rate	Adjustable distribution rate
18	Of which: Coupon rate and relevant indicators	Not applicable	Not applicable	6.00% (dividend yield, before tax)	5.50% (dividend yield, before tax)	4.50% (dividend yield, before tax) for the first five years, is reset based on the benchmark rate plus a fixed interest spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	4.35% (dividend yield, before tax) for the first five years, is reset based on the benchmark rate plus a fixed interest spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	4.50% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable 5 years Chinese government notes plus a fixed spread, with a distribution rate adjustment period every 5 years after the payment date. The distribution rate is fixed during each adjustment period
19	Of which: Existence of dividend brake mechanism	Not applicable	Not applicable	Yes	Yes	Yes	Yes	Yes
20	Of which: Discretion to cancel dividend or interest payment	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion
21	Of which: Existence of redemption incentive mechanism	No	No	No	No	No	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	Not applicable	Not applicable	Yes	Yes	Yes	Yes	No

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
Dividend or interest payment (Continued)								
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET 1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares. “Tier 2 Capital Instrument Trigger Event” means either of the following circumstances (whichever is earlier): (i) the CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET 1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares. “Tier 2 Capital Instrument Trigger Event” means either of the following circumstances (whichever is earlier): (i) the CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET 1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares. “Tier 2 Capital Instrument Trigger Event” means either of the following circumstances (whichever is earlier): (i) the CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET 1 CAR drops to 5.125% or below, the Domestic Preference Shares shall be wholly or partly converted into A Shares so as to restore the CET1 CAR above the trigger point; (2) upon the occurrence of any Tier 2 Capital Instrument Trigger Event, all of the Domestic Preference Shares shall be converted into A Shares. “Tier 2 Capital Instrument Trigger Event” means either of the following circumstances (whichever is earlier): (i) the CBIRC having concluded that a conversion or write-off is necessary without which the Bank would become non-viable; or (ii) the relevant authorities having concluded that a public sector injection of capital or equivalent support is necessary without which the Bank would become non-viable	Not applicable

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
Dividend or interest payment (Continued)								
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Whole/part	Whole/part	Whole/part	Whole/part	Not applicable
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB2.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB2.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB3.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB3.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank	Not applicable

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
Dividend or interest payment (Continued)								
				(e.g., preference shares, convertible bonds etc.), or rights issue for A Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary share	(e.g., preference shares, convertible bonds etc.), or rights issue for A Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary share	(e.g., preference shares, convertible bonds etc.), or rights issue for A Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary share	(e.g., preference shares, convertible bonds etc.), or rights issue for A Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary share	
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Yes	Yes	Yes	Yes	Not applicable
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	A common share	A common share	A common share	A common share	Not applicable
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Not applicable
30	Write-down feature	Not applicable	Not applicable	No	No	No	No	Yes

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
Dividend or interest payment (Continued)								
31	Of which: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	1. An Additional Tier 1 capital trigger event refers to the Issuer's Core Tier 1 capital adequacy ratio falls to 5.125% (or below) 2. A Tier 2 capital trigger event refers to the earlier of the following events: (a) the CBIRC having decided that the Issuer would become non-viable without a write-off; (b) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Write-down in part or in whole
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Perpetual write-down

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Domestic)	Undated capital bonds
Dividend or interest payment (Continued)								
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lowest priority of all claims	The lowest priority of all claims	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, subordinated bond and tier 2 capital bond
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No	No	No
	Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	5828.HK	1728017.IB	1728020.IB	1828006.IB	1828011.IB	1928028.IB	1928033.IB
3	Applicable law	English law (Provisions relating to subordination shall be governed by PRC law)	PRC law	PRC law	PRC law	PRC law	PRC law	PRC law
Regulatory processing								
4	Of which: Applicable to transitional period rules specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Of which: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond
8	Amount attributable to regulatory capital (the last reporting day)	20,852	29,965	29,966	39,983	39,985	29,988	29,990
9	Par value of instrument	USD3.0 billion	30,000	30,000	40,000	40,000	30,000	30,000
10	Accounting treatment	Bonds Issued	Bonds Issued	Bonds Issued	Bonds Issued	Bonds Issued	Bonds Issued	Bonds Issued

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Regulatory processing (Continued)							
11	Initial issuing date	2014/1/1/13	2017/9/26	2017/10/31	2018/9/3	2018/10/9	2019/9/20
12	Term (term or perpetual)	Term	Term	Term	Term	Term	Term
13	Of which: Original maturity date	2024/1/1/13	2027/9/28	2027/11/2	2028/9/5	2028/10/11	2029/9/24
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes	Yes	Yes	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/9/28)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/11/2)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2023/9/5)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2023/10/11)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2024/1/22)

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Regulatory processing (Continued)								
16	Of which: Subsequent redemption date (if any)	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment									
17	Of which: Fixed or floating dividend or interest payment	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	5.00%	4.45%	4.45%	4.86%	4.84%	3.98%	4.34%	4.01%
19	Of which: Existence of dividend brake mechanism	No	No	No	No	No	No	No	No
20	Of which: Discretion to cancel dividend or interest payment	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
21	Of which: Existence of redemption incentive mechanism	No	No	No	No	No	No	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	No	No	No	No	No	No	No	No
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment (Continued)								
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	Of which: Please specify the trigger point of write-down, if allowed	“Non-Viability Event” means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	“Non-Viability Event” means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	“Non-Viability Event” means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	“Non-Viability Event” means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	“Non-Viability Event” means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	“Non-Viability Event” means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	“Non-Viability Event” means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment (Continued)								
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole	Write-down in part or in whole
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No	No	No
	Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable