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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 2020

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 30 March 2021 considered and approved *Bank of China Limited Capital Adequacy Ratio Report of 2020*. Set out below is a complete version of the report for reference only.

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

Beijing, PRC
30 March 2021

As at the date of this announcement, the directors of the Bank are: Liu Liange, Wang Wei, Lin Jingzhen, Zhao Jie, Xiao Lihong*, Wang Xiaoya*, Zhang Jiangang*, Chen Jianbo*, Wang Changyun[#], Angela Chao[#], Jiang Guohua[#], Martin Cheung Kong Liao[#], Chen Chunhua[#] and Chui Sai Peng Jose[#].*

* *Non-executive Directors*

[#] *Independent Non-executive Directors*



Bank of China Limited

Capital Adequacy Ratio Report of 2020

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1 Introduction

1.1 Bank Profile

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

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

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

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 Financial Leasing Co., Ltd.	10,000	92.59%	Chongqing	Non-Banking Financial Institution
5	BOC International Holdings Limited	3,753	100%	Hong Kong	Investment Bank
6	Bank of China (UK) Limited	3,223	100%	United Kingdom	Commercial Bank
7	Bank of China (Luxembourg) S.A.	3,194	100%	Luxembourg	Commercial Bank
8	Bank of China Consumer Finance Company Limited	2,859	56.03%	Beijing	Non-Banking Financial Institution
9	Bank of China (Canada)	2,350	100%	Canada	Commercial Bank
10	Bank of China Turkey A.S.	2,084	100%	Turkey	Commercial Bank
Total		84,378			

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	1,831	51%	Hong Kong	Insurance
Total		9,838			

1.3.3 Capital Shortfall and Intra-Group Capital Transfer

As at the end of 2020, 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 2020*, 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 replenished external capital in a prudent manner. It successfully issued a total of USD2.82 billion preference shares, RMB90.0 billion undated capital bonds and RMB75.0 billion tier 2 capital bonds, further enhancing its capital strength. And the Group continued to strengthen the management of capital instruments, redeemed RMB32.0 billion of domestic preference shares, effectively reduced the cost of capital, and improved the capital structure.

In 2020, the Group's management methods were effective. The capital adequacy ratio has greatly improved, reaching the best level since the Bank was listed; 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 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Calculated in accordance with the <i>Capital Rules</i>				
Net common equity tier 1 capital	1,704,778	1,596,378	1,441,977	1,346,623
Net tier 1 capital	1,992,621	1,806,435	1,719,467	1,546,517
Net capital	2,451,055	2,201,278	2,162,054	1,927,188
Common equity tier 1 capital adequacy ratio	11.28%	11.30%	10.99%	10.99%
Tier 1 capital adequacy ratio	13.19%	12.79%	13.10%	12.62%
Capital adequacy ratio	16.22%	15.59%	16.47%	15.72%

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 2020	As at 31 December 2019
Common equity tier 1 capital	1,730,401	1,620,563
Paid-in capital	294,388	294,388
Capital reserve	134,221	134,269
Surplus reserve	192,251	173,832
General reserve	267,856	249,983
Undistributed profits	803,823	721,731
Eligible portion of minority interests	32,567	30,528
Others	5,295	15,832
Regulatory deductions	(25,623)	(24,185)
Of which:		
Goodwill	(182)	(182)
Other intangible assets (except land use rights)	(15,140)	(12,936)
Direct or indirect investments in own shares	(8)	(7)
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,838)	(9,955)
Additional tier 1 capital	287,843	210,057
Preference shares and related premium	147,519	159,901
Other instruments and related premium	129,971	39,992
Eligible portion of minority interests	10,353	10,164
Tier 2 capital	458,434	394,843
Tier 2 capital instruments issued and related premium	333,381	280,092
Excess loan loss provisions	115,627	105,127
Eligible portion of minority interests	9,426	9,624
Regulatory deductions	—	—
Significant minority capital investment in tier 2 capital of financial institutions that are outside of the scope of regulatory consolidation	—	—
Net common equity tier 1 capital	1,704,778	1,596,378
Net tier 1 capital	1,992,621	1,806,435
Net capital	2,451,055	2,201,278

2.5 Capital Deduction Limits and Excess Loan Loss Provisions

As at 31 December 2020, 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 2020	As at 31 December 2019
Non-significant minority investments to financial institutions that are outside the scope of regulatory consolidation	145,761	115,095
Of which: Common equity tier 1 capital investment	9,524	7,336
Additional tier 1 capital investment	8,361	8,138
Tier 2 capital investment	127,876	99,621
Limit (10% of the Group's net common equity tier 1 capital)	170,478	159,638
Difference	24,717	44,543
Significant minority common equity tier 1 capital investment to financial institutions that are outside the scope of regulatory consolidation	7,150	6,699
Limit (10% of the Group's net common equity tier 1 capital)	170,478	159,638
Difference	163,328	152,939
Deferred tax asset relying on the bank's future profitability	57,407	42,863
Limit (10% of the Group's net common equity tier 1 capital)	170,478	159,638
Difference	113,071	116,775
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)	64,557	49,562
Limit (15% of the Group's net common equity tier 1 capital)	255,717	239,457
Difference	191,160	189,895

As at 31 December 2020, the excess loan loss provisions qualifying for inclusion in tier 2 capital was RMB115,627 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 2020	As at 31 December 2019
Parts covered by Internal Ratings-Based Approach		
Excess loan loss provisions under Internal Ratings-Based Approach	86,028	87,885
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	51,791	47,370
Amount of excess loan loss provisions attributable to tier 2 capital during the parallel run period	86,028	87,885
Parts not covered by Internal Ratings-Based Approach		
Amount of excess loan loss provisions under the Regulatory Weighting Approach	29,599	17,242
Limit of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	67,639	65,177
Amount of excess loan loss provisions attributable to tier 2 capital	29,599	17,242

2.6 Material Capital Investments

Please refer to the “Significant Matters” of the Bank’s 2020 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 2020 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 *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-tier risk management framework comprising the Board of Directors, Board of Supervisors, the senior management and departments.

The Board of Directors, as the highest decision-making body for comprehensive risk management of the Group, is responsible for approving the high-level risk management strategy and risk appetite, approving or authorising internal capital adequacy assessment policies, and overseeing the implementation of policies by the senior management. The Board has set up a Risk Policy Committee, which is responsible for reviewing risk management strategies, approving major risk management policies/rules and risk management procedures, supervising the implementation by the 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 the 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 authorise its Duty Performance and Due Diligence Supervision Committee, and Finance and Internal Control Supervision Committee to perform their overall supervisory duties related to risk management.

The 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 the senior management, performs comprehensive risk management within the authority on behalf of the 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 departments. The 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. The 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. The Asset and Liability 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 leading the comprehensive risk management.

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

The Group applies vertical, task forces and other differentiated management modes as well as 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 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.

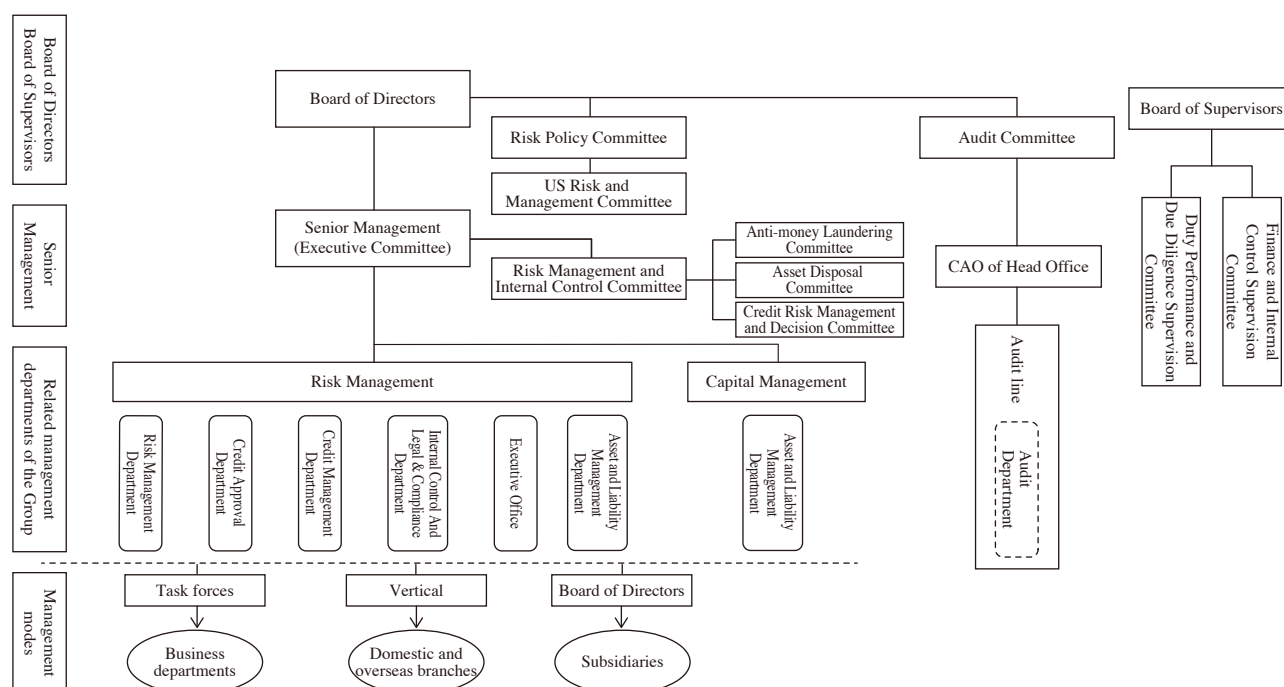
(2) *Task force management mode*

Each main business department of the Group sets up a chief risk officer to monitor and implement the comprehensive risk management of respective business line under the Group’s unified risk appetite and policy system. A dual-line reporting system is applied to the chief risk officers, who shall report to the heads of their business departments as well as to the risk management functional departments of the Group, and regularly report risk management of respective business line to the Risk Management and Internal Control Committee.

(3) *Board of Directors management mode*

The Board of Directors and the 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 organisation 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 2020.

3.3 Risk-weighted Assets

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

Unit: RMB Million

Item	As at 31 December 2020	As at 31 December 2019
Credit risk-weighted assets	14,072,655	13,126,382
Market risk-weighted assets	130,789	130,173
Operational risk-weighted assets	905,641	867,360
Risk-weighted assets increment required to reach capital floor	—	—
Total risk-weighted assets	15,109,085	14,123,915

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 2020 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

Measurement methods

The Internal Rating-Based (IRB) foundation approach is adopted for general corporates and small-sized enterprises credit risk exposures in the Bank's Head Office, domestic branches and BOCHK, while the IRB approach is adopted for residential mortgage loans, eligible qualifying revolving retail and bank card credit risk exposures as well as other retail risk exposures. The Regulatory Weighting approach is adopted for other types of credit risk exposures and all credit risk exposures of other consolidated institutions.

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 results 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 2020			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by IRB	11,482,248	1,179,310	36,662	12,698,220
Of which: Corporate exposures	6,730,799	977,411	36,662	7,744,872
Retail exposures	4,751,449	201,899	–	4,953,348
Exposures not covered by IRB	12,369,857	541,600	441,827	13,353,284
Total	23,852,105	1,720,910	478,489	26,051,504

	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

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 2020				
	EAD	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
A	4,678,988	0.73%	40.62%	2,869,944	61.34%
B	2,818,677	3.40%	39.35%	2,741,038	97.25%
C	41,562	28.47%	43.19%	67,445	162.28%
D	168,110	100.00%	44.16%	15,893	9.45%
Total	7,707,337	5.20%	40.25%	5,694,320	73.88%

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%

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 2020	As at 31 December 2019
Strong	—	—
Good	584	623
Satisfactory	289	—
Weak	—	—
Default	—	—
Total	873	623

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 2020				
	EAD	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Residential mortgage exposures	4,261,911	0.92%	25.56%	489,685	11.49%
Qualifying revolving retail exposures	246,254	0.74%	71.59%	52,721	21.41%
Other retail exposures	445,183	6.91%	23.31%	104,037	23.37%
Total	4,953,348	1.02%	27.65%	646,443	13.05%

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%

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 2020	As at 31 December 2019
Corporate	1,870,311	1,893,297
Sovereign	6,085,536	5,893,467
Financial institutions	3,097,959	2,989,120
Retail	1,043,164	948,404
Equity	123,948	105,815
Asset securitisation	77,468	51,007
Others	613,071	638,147
Total	12,911,457	12,519,257

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 2020	As at 31 December 2019
0%	4,847,703	4,616,522
20%	2,666,149	2,488,351
25%	1,491,715	1,184,815
50%	207,699	215,719
75%	878,164	829,743
100%	2,610,766	3,014,056
150%	4,743	4,782
250%	95,429	73,166
350%	—	—
400%	54,668	39,793
1250%	54,421	52,310
Total	12,911,457	12,519,257

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 2020	As at 31 December 2019
Capital instruments at various tiers issued by other financial institutions held by the Group	107,273	84,540
Of which: Common equity tier 1 capital	6,427	4,762
Additional tier 1 capital	1,039	1,052
Tier 2 capital	99,807	78,726
Equity investments in commercial enterprises	98,913	83,642
Equity investments in financial institutions	25,035	22,173
Non-own-use real estate	3,956	2,338

4.3 Credit Risk Mitigation

Risk mitigation policies

The Bank transfers or reduces credit risk by utilising 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 phases of 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 measurement, 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, residential property and 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 so on. 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 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 organisation, 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 collateral, 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 2020			As at 31 December 2019		
	Guarantee	Financial collateral	Commercial and residential real estate	Guarantee	Financial collateral	Commercial and residential real estate
Corporate exposures	1,110,177	277,002	500,722	749,913	248,395	467,689

4.4 Counterparty Credit Risk

4.4.1 Management of counterparty credit risk

In order to cope with the negative impact of market volatilities on counterparty credit risk in 2020, the Bank innovated the counterparty risk management mechanism under the premise of ensuring risk controllability, strengthened the implementation of policies and rules, and re-examined the risk weights of corporate customers. At the same time, the Bank intensively applied stress testing and scenario analysis into management so as to improve the foresight, quality and efficiency of the management.

4.4.2 Counterparty credit risks covered by IRB Approach

As at the end of 2020, the Group's counterparty credit risk exposures covered by IRB Approach amounted to RMB36,662 million, which all arose from transactions with corporates.

4.4.3 Counterparty credit risks not covered by IRB Approach

Unit: RMB Million

Counterparty	As at 31 December 2020	As at 31 December 2019
Central counterparty	12,509	16,578
Others	429,318	258,004
Total	441,827	274,582

4.5 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 RMB179,384 million at 2020 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 RMB207,273 million at 2020 year-end.

4.6 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 an amount equivalent to the ECL over 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 a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group uses judgements, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for determining significant increases in credit risk, Definition of default and credit-impaired financial assets, Parameters for measuring ECL, Forward-looking information, Modification of contractual cash flows, Grouping of financial instruments for losses measured on a collective basis.

Reconciliation of allowance for impairment losses in the year of 2020:

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

Unit: RMB Million

	Year ended 31 December 2020			
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	109,765	79,051	136,544	325,360
Transfers to Stage 1	3,769	(3,232)	(537)	–
Transfers to Stage 2	(1,274)	13,913	(12,639)	–
Transfers to Stage 3	(407)	(30,546)	30,953	–
Charge for the year ⁽ⁱ⁾	70,933	24,190	42,114	137,237
Reversal	(43,164)	(21,257)	(10,126)	(74,547)
Impairment (reversal)/losses due to stage transformation	(3,507)	9,357	35,203	41,053
Write-off and transfer out	(66)	–	(64,255)	(64,321)
Recovery of loans and advances written off	–	–	8,405	8,405
Unwinding of discount on allowance	–	–	(1,236)	(1,236)
Exchange differences and other	(1,483)	(764)	(1,531)	(3,778)
As at 31 December	134,566	70,712	162,895	368,173

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

Unit: RMB Million

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

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

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

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

Unit: RMB Million

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

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, 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; the Risk Management Department takes the lead in 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 a 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 measures 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 its market risk. The Bank enhanced the quality and efficiency of its market risk management by improving its market risk appetite transmission mechanism and optimising the Group's market risk limit management model. It strengthened market judgment and analysis, and made risk management more flexible, proactive and forward-looking. It effectively implemented regulatory requirements, intensified and coordinated derivative risk management and control, conducted more forward-looking management and control of counterparty credit risk, and enhanced risk warning and mitigation capacity. It continuously promoted the building of the market risk system, optimised risk measurement models and refined risk management.

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 Standardised 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 2020	As at 31 December 2019
Covered by Internal Model Approach	7,148	7,031
Not covered by Internal Model Approach	3,315	3,383
Interest rate risk	2,600	2,727
Equity risk	220	180
Foreign exchange risk	–	–
Commodity risk	495	476
Total	10,463	10,414

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							
	2020				2019			
	Average	Maximum	Minimum	Year-end	Average	Maximum	Minimum	Year-end
VaR	917	2,211	463	596	646	1,537	452	681
Stress VaR	1,226	2,211	703	1,104	1,462	1,847	1,066	1,274

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, control or mitigation, monitoring and reporting, 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. It applies the Operational Risk and Control Assessment Procedures, to review business processes, assess risk points, analyse failure links of control, and optimize business processes and systems, etc. It also 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. What's more, the Group collects the operational risk loss data, and regularly performs collection, analysis and verification for the data to improve its quality. It has established a sound Business Continuity Management System. To continuously strengthen business continuity management, the Group conducts emergency drills for system service interruption scenarios, re-inspects business impact analysis, updates important business processes, enriches and perfects risk scenarios, and implements business continuity self-assessments.

To effectively identify, assess, control or mitigate, monitor and report operational risk, the Group has established several main operational risk management processes, such as Operational 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 RMB72,451 million.

7 Other Risk

7.1 Asset Securitisation

7.1.1 Business Objective

The Group develops asset securitisation 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 securitisation.

7.1.2 Business Overview

Acting as the originating party and loan servicing party of the asset securitisation 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 23 Nov, 24 Nov, 7 Dec and 10 Dec 2020, the Bank successfully issued four credit asset-backed securities in the interbank market. Zhong Ying Wan Jia 2020-1, Zhong Ying Wan Jia 2020-2 with residential mortgages as underlying assets totalled RMB8,098 million and RMB7,267 million, respectively. Zhong Yu 2020-1, Zhong Yu 2020-2 with non-performing loans as underlying assets totalled RMB61 million and RMB1,169 million.

To comply with the regulatory requirements on risk retention, the Bank held 5% of the securities in each of the tranches of the Zhong Yu 2020-1 and Zhong Yu 2020-2 securitisation project with non-performing loans as underlying assets, amounting to RMB3 million and RMB58 million. In 2020, the Bank held all subordinated tranches of the two RMBS, which was RMB924 million and RMB667 million, respectively.

7.1.3 Accounting Policies for Asset Securitisation

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 securitisation products issued in the interbank market are all simultaneously rated by two rating agencies. For the issuances in 2020, Zhong Ying Wan Jia 2020-2 and Zhong Yu 2020-1 were rated by China Lianhe Credit Rating Co., Ltd and China Bond Rating Co., Ltd; Zhong Ying Wan Jia 2020-1 and Zhong Yu 2020-2 were rated by China Chengxin International Credit Rating Co., Ltd and China Bond Rating Co., Ltd.

7.1.5 Risk Exposure and Capital Requirements

The Group measures asset securitisation risk exposure and capital requirements by using Standardised Approach in accordance with the *Capital Rules*, and determines risk weights according to the credit ratings of eligible rating institutions recognised by the Group and the corresponding table of credit ratings and risk weights stipulated in the *Capital Rules*. As at the end of 2020, the Group's exposures to asset securitisation were RMB77,468 million, and capital requirements were RMB4,034 million.

Unit: RMB Million

Item	As at 31 December 2020		As at 31 December 2019	
	Traditional asset securitisation risk exposures	Synthetic asset securitisation risk exposures	Traditional asset securitisation risk exposures	Synthetic asset securitisation risk exposures
As originating institution				
Asset-backed securities	141	–	30	–
Mortgage-backed securities	21,344	–	18,444	–
As investing institution				
Asset-backed securities	9,465	–	8,044	–
Mortgage-backed securities	46,518	–	24,489	–
Total	77,468	–	51,007	–

7.2 Interest Rate Risk in the Banking Book

7.2.1 Management of interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) refers to the risk of losses to a bank's economic value and to its overall earnings of banking book, arising from adverse movements in interest rates level or term structure. IRRBB mainly comes from repricing gaps between assets and liabilities in the banking book, and differences in changes in benchmarking interest rates for assets and liabilities. Relative to the trading book, the banking book records the Group's assets, liabilities and off-balance sheets instruments that are not recorded in trading book, including but not limited to loans, due to customers, non-trading bond investment, bonds issued, interbank business and placement with the central bank.

Based on the principles of “matching, comprehensiveness and prudence”, the Group's IRRBB management strategy is to control risks within an acceptable level by considering factors such as the Group's risk appetite and risk profile, as well as macro-economic and market conditions, so as to achieve a reasonable balance between risk and return and thus maximise shareholder value.

The Group assessed the IRRBB mainly through the analysis of interest rate repricing gaps, and made timely adjustments to the structure of its assets and liabilities, optimised the internal and external pricing strategy or implemented risk hedging based on changes in the market situations, so as to maintain the IRRBB in a reasonable level. In the sensitivity analysis, it was assumed that all interest rates changed in parallel and structure of assets and liabilities remained unchanged. Repricing periods of loans and time deposits are determined by contractual cash flows, and repricing periods of demand deposits and other undated deposits are set as overnight. See below for the results from 2020 sensitivity analysis.

7.2.2 Interest rate sensitivity analysis

Unit: RMB Million

Interest rate basis points move	(Decrease)/increase in net interest income	
	As at 31 December 2020	As at 31 December 2019
+25 basis points	(4,107)	(4,534)
- 25 basis points	4,107	4,534

8 Remuneration

8.1 Composition and Authority of the Remuneration Management Committee

The Personnel and Remuneration Committee comprises seven members, including two non-executive directors and five 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 2020 Annual Report.

Annex 1: Composition of Capital

Unit: RMB Million (except percentages)

		As at 31 December 2020	As at 31 December 2019	Code
Common equity tier 1 capital				
1	Paid-in capital	294,388	294,388	j
2	Retained earnings	1,263,930	1,145,546	
2a	Surplus reserve	192,251	173,832	r
2b	General reserve	267,856	249,983	s
2c	Undistributed profits	803,823	721,731	t
3	Accumulated other comprehensive income (and other reserves)	139,516	150,101	
3a	Capital reserve	134,221	134,269	m
3b	Currency translation differences	(19,496)	(10,111)	q
3c	Others	24,791	25,943	o-q
4	Amount attributable to common equity tier 1 capital in transitional period	–	–	
5	Eligible portion of minority interests	32,567	30,528	u
6	Common equity tier 1 capital before regulatory adjustment	1,730,401	1,620,563	
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)	(15,140)	(12,936)	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 securitisation	–	–	
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 2020	As at 31 December 2019	Code
16	Direct or indirect investments in own shares	(8)	(7)	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	(9,838)	(9,955)	-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 2020	As at 31 December 2019	Code
26c	Total of other items deductible out of common equity tier 1 capital	(455)	(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	(25,623)	(24,185)	
29	Net common equity tier 1 capital	1,704,778	1,596,378	
Additional tier 1 capital				
30	Additional tier 1 capital instruments and related premium	277,490	199,893	
31	Of which: Equity part	277,490	199,893	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	10,353	10,164	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	287,843	210,057	
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 2020	As at 31 December 2019	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	287,843	210,057	
45	Net tier 1 capital (net common equity tier 1 capital + net additional tier 1 capital)	1,992,621	1,806,435	
Tier 2 capital				
46	Tier 2 capital instruments issued and related premium	333,381	280,092	
47	Of which: Part of instruments non-attributable to tier 2 capital after transitional period	32,911	49,367	i
48	Eligible portion of minority interests	9,426	9,624	
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	115,627	105,127	-b-d
51	Tier 2 capital before regulatory adjustment	458,434	394,843	
Tier 2 capital: Regulatory adjustment				
52	Direct or indirect investments in tier 2 capital of own banks	–	–	
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 2020	As at 31 December 2019	Code
55	Significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation	–	–	
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	–	–	
58	Net tier 2 capital	458,434	394,843	
59	Total net capital (net tier 1 capital + net tier 2 capital)	2,451,055	2,201,278	
60	Total risk-weighted assets	15,109,085	14,123,915	
Capital adequacy ratio and reserve capital requirement				
61	Common equity tier 1 capital adequacy ratio	11.28%	11.30%	
62	Tier 1 capital adequacy ratio	13.19%	12.79%	
63	Capital adequacy ratio	16.22%	15.59%	
64	Institution-specific capital requirement	4.00%	4.00%	
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%	1.50%	
68	Ratio of common equity tier 1 capital meeting buffer area to risk-weighted assets	6.28%	6.30%	
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 2020	As at 31 December 2019	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)	145,761	115,095	
73	Significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	7,150	6,699	
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)	57,407	42,863	
Limit of excess loan loss provisions attributable to tier 2 capital				
76	Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	63,006	34,578	-a
77	Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	29,599	17,242	-b
78	Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	86,028	87,885	-c
79	Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	86,028	87,885	-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 2020	As at 31 December 2019	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	32,911	49,367	i
85	Amount non-attributable to tier 2 capital of the current period derived from transitional period arrangement	17,089	25,563	

Annex 2: Financial and Regulatory Consolidated Balance Sheet

Unit: RMB Million

	As at 31 December 2020		As at 31 December 2019	
	Financial Consolidated	Regulatory Consolidated	Financial Consolidated	Regulatory Consolidated
ASSETS				
Cash and balances with central banks	2,155,665	2,155,665	2,143,716	2,143,715
Due from banks and other financial institutions	724,320	717,952	500,560	494,853
Precious metals	223,313	223,313	206,210	206,210
Placements with and loans to banks and other financial institutions	709,263	708,643	744,572	743,209
Derivative financial assets	171,738	171,619	93,335	93,226
Reverse repurchase transactions	230,057	229,894	154,387	154,049
Loans and advances to customers	13,848,304	13,843,088	12,743,425	12,741,776
Financial investments	5,591,117	5,385,411	5,514,062	5,330,311
— financial assets at fair value through profit or loss	504,549	391,945	518,250	405,233
— financial assets at fair value through other comprehensive income	2,107,790	2,077,154	2,218,129	2,192,578
— financial assets at amortised cost	2,978,778	2,916,312	2,777,683	2,732,500
Long term equity investment	33,508	65,671	23,210	54,052
Investment properties	22,065	14,194	23,108	16,397
Property and equipment	248,589	95,431	244,540	99,298
Right-of-use assets	22,855	24,239	22,822	24,002
Intangible assets	22,140	20,706	20,255	18,839
Goodwill	2,525	182	2,686	182
Deferred income tax assets	58,916	57,407	44,029	42,863
Other assets	338,284	274,402	288,827	230,814
Total assets	24,402,659	23,987,817	22,769,744	22,393,796

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

	As at 31 December 2020		As at 31 December 2019	
	Financial Consolidated	Regulatory Consolidated	Financial Consolidated	Regulatory Consolidated
LIABILITIES				
Due to central banks	887,811	887,811	846,277	846,277
Due to banks and other financial institutions	1,917,003	1,917,003	1,668,046	1,668,046
Placements from banks and other financial institutions	284,747	272,875	462,265	449,705
Financial liabilities held for trading	17,912	17,912	19,475	19,475
Derivative financial liabilities	212,052	210,655	90,060	88,210
Repurchase transactions	127,202	127,159	177,410	177,245
Due to customers	16,879,171	16,883,254	15,817,548	15,819,400
Employee benefits payable	36,378	34,868	35,906	34,417
Current tax liabilities	55,665	55,384	59,102	58,795
Contingent liabilities	29,492	29,492	24,469	24,370
Lease liability	21,893	23,776	21,590	23,157
Bonds issued	1,244,403	1,160,174	1,096,087	1,025,807
Deferred income tax liabilities	6,499	1,092	5,452	976
Other liabilities	519,594	277,519	469,361	253,352
Total liabilities	22,239,822	21,898,974	20,793,048	20,489,232
EQUITY				
Share capital	294,388	294,388	294,388	294,388
Other equity instruments	277,490	277,490	199,893	199,893
Of which: Preference shares	147,519	147,519	159,901	159,901
Undated capital bonds	129,971	129,971	39,992	39,992
Capital reserve	135,973	134,221	136,012	134,269
Less: Treasury shares	(8)	(8)	(7)	(7)
Other comprehensive income	4,309	5,295	19,613	15,832
Surplus reserve	193,438	192,251	174,762	173,832
General reserve	267,981	267,856	250,100	249,983
Undistributed profits	864,848	803,823	776,940	721,731
Capital and reserves attributable to equity holders of the Bank	2,038,419	1,975,316	1,851,701	1,789,921
Non-controlling interests	124,418	113,527	124,995	114,643
Total equity	2,162,837	2,088,843	1,976,696	1,904,564
Total equity and liabilities	24,402,659	23,987,817	22,769,744	22,393,796

Annex 3: Reconciliation and Illustration of Balance Sheet Items

Unit: RMB Million

	As at 31 December 2020	As at 31 December 2019	Code
ASSETS			
Cash and balances with central banks	2,155,665	2,143,715	
Due from banks and other financial institutions	717,952	494,853	
Precious metals	223,313	206,210	
Placements with and loans to banks and other financial institutions	708,643	743,209	
Derivative financial assets	171,619	93,226	
Reverse repurchase transactions	229,894	154,049	
Loans and advances to customers	13,843,088	12,741,776	
Of which: Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	(63,006)	(34,578)	a
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	(29,599)	(17,242)	b
Of which: Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	(86,028)	(87,885)	c
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	(86,028)	(87,885)	d
Financial investments	5,385,411	5,330,311	
— financial assets at fair value through profit or loss	391,945	405,233	
— financial assets at fair value through other comprehensive income	2,077,154	2,192,578	
— financial assets at amortised cost	2,916,312	2,732,500	
Long term equity investment	65,671	54,052	
Of which: Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	9,838	9,955	e
Investment properties	14,194	16,397	
Property and equipment	95,431	99,298	
Right-of-use assets	24,239	24,002	
Intangible assets	20,706	18,839	f
Of which: Land use rights	5,566	5,903	g
Goodwill	182	182	h
Deferred income tax assets	57,407	42,863	
Other assets	274,402	230,814	
Total assets	23,987,817	22,393,796	

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

	As at 31 December 2020	As at 31 December 2019	Code
LIABILITIES			
Due to central banks	887,811	846,277	
Due to banks and other financial institutions	1,917,003	1,668,046	
Placements from banks and other financial institutions	272,875	449,705	
Financial liabilities held for trading	17,912	19,475	
Derivative financial liabilities	210,655	88,210	
Repurchase transactions	127,159	177,245	
Due to customers	16,883,254	15,819,400	
Employee benefits payable	34,868	34,417	
Current tax liabilities	55,384	58,795	
Contingent liabilities	29,492	24,370	
Lease liability	23,776	23,157	
Bonds issued	1,160,174	1,025,807	
Of which: Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	32,911	49,367	i
Deferred income tax liabilities	1,092	976	
Other liabilities	277,519	253,352	
Total liabilities	21,898,974	20,489,232	
EQUITY			
Share capital	294,388	294,388	j
Other equity instruments	277,490	199,893	
Of which: Preference shares	147,519	159,901	k
Of which: Undated capital bonds	129,971	39,992	l
Capital reserve	134,221	134,269	m
Less: Treasury shares	(8)	(7)	n
Other comprehensive income	5,295	15,832	o
Of which: Reserve relating to cash-flow hedge items not measured at fair value	–	–	p
Of which: Currency translation differences	(19,496)	(10,111)	q
Surplus reserve	192,251	173,832	r
General reserve	267,856	249,983	s
Undistributed profits	803,823	721,731	t
Capital and reserves attributable to equity holders of the Bank	1,975,316	1,789,921	
Non-controlling interests	113,527	114,643	
Of which: Amount attributable to common equity tier 1 capital	32,567	30,528	u
Of which: Amount attributable to additional tier 1 capital	10,353	10,164	v
Total equity	2,088,843	1,904,564	
Total equity and liabilities	23,987,817	22,393,796	

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 (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	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	Bank of China Limited	Bank of China Limited
2	Identification code	601988.SH	3988.HK	360010.SH	360033.SH	4619.HK	1928001.IB	2028014.IB	2028048.IB	2028053.IB
3	Applicable law	PRC law	Hong Kong SAR law	PRC law	PRC law	Hong Kong SAR 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	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	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	Bank and group level	Bank and group level
7	Instrument type	Common shares	Common shares	Preference shares	Preference shares	Preference shares	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
8	Amount attributable to regulatory capital (the last reporting day)	282,464	145,603	27,969	72,979	19,581	39,992	39,990	29,994	19,995
9	Par value of instrument	210,766	83,622	28,000	73,000	19,787	40,000	40,000	30,000	20,000
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	Other equity instrument	Other equity instrument
11	Initial issuing date	2006/6/29	2006/6/1 2006/6/9	2015/3/13	2019/6/24	2020/3/4	2019/1/25	2020/4/28	2020/11/13	2020/12/10
12	Term (term or perpetual)	Perpetual	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	No maturity date	No maturity date

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 (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
Regulatory processing (Continued)											
14	Issuer's redemption (subject to regulatory approval)	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
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 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 Offshore 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 Bonds after 5 years from the date of issuance and at every Distribution Payment Date 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 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 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	
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 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 Offshore 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 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. The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances:	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. The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances:	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. The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances:	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. The Bank has the right to redeem all, but not some, of the Bonds in the following circumstances:	

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 (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
Regulatory processing (Continued)										
							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	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	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	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
Dividend or interest payment										
17	Of which: Fixed or floating dividend or interest payment	Floating	Floating	Fixed	Adjustable dividend rate	Adjustable dividend rate	Adjustable dividend rate	Adjustable dividend rate	Adjustable dividend rate	Adjustable dividend rate
					4.50% (dividend yield, before tax) for the first five years, is reset based on the benchmark rate plus a fixed 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 spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	3.60% (dividend yield, after tax) for the first five years, is reset based on the benchmark rate plus a fixed spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	3.40% 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	4.55% 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	4.70% 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
18	Of which: Coupon rate and relevant indicators	Not applicable	Not applicable	5.50% (dividend yield, before tax)						

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 (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
Dividend or interest payment (Continued)											
19	Of which: Existence of dividend break mechanism	Not applicable	Not applicable	Yes	Yes	Yes	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	Full discretion	Full discretion	Full discretion
21	Of which: Existence of redemption incentive mechanism	No	No	No	No	No	No	No	No	No	No
22	Of which: Cumulative or noncumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Conversion into shares	Not applicable	Not applicable	Yes	Yes	Yes	Yes	No	No	No	No
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 CET1 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	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET1 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	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET1 CAR drops to 5.125% or below, the Offshore Preference Shares shall be wholly or partly converted into H 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 Offshore Preference Shares shall be converted into H Shares. "Tier 2 Capital	(1) Upon the occurrence of any Additional Tier 1 Capital Instrument Trigger Event, that is, the CET1 CAR drops to 5.125% or below, the Offshore Preference Shares shall be wholly or partly converted into H 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 Offshore Preference Shares shall be converted into H Shares. "Tier 2 Capital	Not applicable	Not applicable	Not applicable	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 (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
Dividend or interest payment (Continued)										
				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	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	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				
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Whole/part	Whole/part	Whole/part	Not applicable	Not applicable	Not applicable	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 (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
Dividend or interest payment (Continued)											
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 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	The initial compulsory conversion price of the Offshore Preference Shares is the average trading price of H 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 HKD3.31 per H 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	Not applicable	Not applicable	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 (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	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 H 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 shares				
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	Not applicable	Not applicable	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	H common share	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	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Not applicable	Not applicable	No	No	No	No	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 (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	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	<p>1. An Additional Tier 1 capital trigger event refers to the Issuer's Common Equity Tier 1 capital adequacy ratio falls to 5.125% (or below)</p> <p>2. A Tier 2 capital trigger event refers to the earlier of the following events:</p> <p>(i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (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</p>	<p>A Non-Viability Trigger Event refers to the earlier of the following events:</p> <p>(i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (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</p>	<p>A Non-Viability Trigger Event refers to the earlier of the following events:</p> <p>(i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (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</p>	<p>A Non-Viability Trigger Event refers to the earlier of the following events:</p> <p>(i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (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</p>

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 (Offshore)	Undated capital bonds	Undated capital bonds	Undated capital bonds	Undated capital bonds
Dividend or interest payment (Continued)											
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	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	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	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	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	The lower priority behind the deposit, general debt, subordinated bond and tier 2 capital bond	The lower priority behind the deposit, general debt, subordinated bond and 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	No	No	No
37	Of which: If yes, please specify such attribute	Not applicable	Not applicable	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	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	Bank of China Limited	Bank of China Limited
2	Identification code	5828.HK	1728017.IB	1728020.IB	1828006.IB	1828011.IB	1928028.IB	1928029.IB	1928033.IB	2028039.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	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	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	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	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	Eligible tier 2 capital bond	Eligible tier 2 capital bond
8	Amount attributable to regulatory capital (the last reporting day)	15,615	29,970	29,972	39,983	39,985	29,988	9,996	29,991	59,976
9	Par value of instrument	USD3.0 billion	30,000	30,000	40,000	40,000	30,000	10,000	30,000	60,000
10	Accounting treatment	Bonds Issued	Bonds Issued	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	Tier 2 capital instrument	Tier 2 capital instrument
Regulatory processing (Continued)									
11	Initial issuing date	2014/11/13	2017/9/26	2017/10/31	2018/10/9	2019/9/20	2019/11/20	2020/9/17	2020/9/17
12	Term (term or perpetual)	Term	Term	Term	Term	Term	Term	Term	Term
13	Of which: Original maturity date	2024/11/13	2027/9/28	2027/11/2	2028/10/11	2029/9/24	2029/11/22	2030/9/21	2035/9/21
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes	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. 2023/10/11)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 10 years from the date of issuance (i.e. 2024/9/24)	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. 2024/11/22)	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. 2025/9/21)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 10 years from the date of issuance (i.e. 2030/9/21)

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
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	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	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	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%	4.20%	4.47%
19	Of which: Existence of dividend brake mechanism	No	No	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	Not applicable	Not applicable
21	Of which: Existence of redemption incentive mechanism	No	No	No	No	No	No	No	No	No	No
22	Of which: Cumulative or noncumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Conversion into shares	No	No	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	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	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	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	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	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	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	Not applicable	Not applicable	Not applicable
30	Write-down feature	Yes	Yes	Yes	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-down 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-down 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-down 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-down 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-down 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-down 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-down 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-down 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-down 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-down 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	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	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	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	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	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	No	No	No
37	Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable