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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 2021

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 29 March 2022 considered and approved *Bank of China Limited Capital Adequacy Ratio Report of 2021*. Set out below is a complete version of the report for reference only.

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

Beijing, PRC
29 March 2022

As at the date of this announcement, the directors of the Bank are: Liu Liange, Liu Jin, Wang Wei, Lin Jingzhen, 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 2021

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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 11 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. In 2022, Bank of China, in celebration of its 110th anniversary of establishment, is striving to form a strategic landscape with domestic commercial banks as the mainstay, globalised operations and diversified business platforms as the two growth engines, accelerate the building of a first-class global banking group and working hard to write a new chapter in its history of more than hundred years.

As China's most globalised and integrated bank, Bank of China has institutions across the Chinese mainland as well as 62 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, financing leasing and other areas, thus providing its customers with financial solutions featuring one-click access, global response and integrated services.

Bank of China embodies a noble sense of duty and commitment. Over its 110 years history, the Bank constantly cared about the nation, dedicated to contribute to the country, and continued to strive for prosperity of the country and rejuvenation of the nation. Being deeply rooted in people and committed to providing excellent services, it has fulfilled its responsibilities of delivering financial services for the people, bringing benefits and convenience to the people, and improving the living standards of the people. Keeping the common good in mind and advocating openness and inclusiveness, the Bank has mobilised domestic and overseas resources to serve the two-way interactions between China and the world. It has always followed the law, innovated with prudence, and upheld the spirit of integrity and innovation to strengthen the Bank. As a large state-owned commercial bank on a new journey towards fully building a modern socialist country, the Bank, under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, will carry forward the Bank's century-old tradition of pursuing excellence, take full, accurate and comprehensive implementation of the new development philosophy, contribute to the new development pattern; consciously 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, promote higher-standard opening-up and high-quality economic and social development, and make an even greater contribution to realising the Chinese Dream of national rejuvenation.

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.	14,500	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%	Chong Qing	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 Co., Ltd.	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		88,878			

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	BOC Group Life Assurance Company Limited	1,778	51%	Hong Kong	Insurance
Total		9,785			

1.3.3 Capital Shortfall and Intra-Group Capital Transfer

As at the end of 2021, there was no capital shortfall in the financial institutions in which the majority or controlling interests were 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 2021*, and reported to the CBIRC after obtaining approval from the management and the Board of Directors.

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 *Capital Management Plan of Bank of China for the 14th Five-year Plan Period* 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. The Bank replenished capital through external financing channels in a prudent manner to consolidate its capital base, strengthened on studying and planning policies on total loss absorbing capacity and prepared for the policies' implementation. In 2021, the Bank successfully issued RMB70.0 billion of undated capital bonds and RMB75.0 billion of tier 2 capital bonds, further enhancing its capital strength. The Bank strengthened the management of existing capital instruments, redeemed RMB28.0 billion of domestic preference shares, effectively reducing the cost of capital.

In 2021, the Group achieved good results in various management measures. The capital adequacy ratio has greatly improved, reaching the best level since the Bank was listed; the weightings of risk-weighted assets (RWA) have decreased, the awareness of 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 2021	As at 31 December 2020	As at 31 December 2021	As at 31 December 2020
Calculated in accordance with the <i>Capital Rules</i>				
Net common equity tier 1 capital	1,843,886	1,704,778	1,563,789	1,441,977
Net tier 1 capital	2,173,731	1,992,621	1,883,294	1,719,467
Net capital	2,698,839	2,451,055	2,391,365	2,162,054
Common equity tier 1 capital adequacy ratio	11.30%	11.28%	11.06%	10.99%
Tier 1 capital adequacy ratio	13.32%	13.19%	13.32%	13.10%
Capital adequacy ratio	16.53%	16.22%	16.91%	16.47%

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 2021	As at 31 December 2020
Common equity tier 1 capital	1,870,301	1,730,401
Paid-in capital	294,388	294,388
Capital reserve	133,951	134,221
Surplus reserve	212,602	192,251
General reserve	303,084	267,856
Undistributed profits	888,419	803,823
Eligible portion of minority interests	33,669	32,567
Others	4,188	5,295
Regulatory deductions	(26,415)	(25,623)
Of which:		
Goodwill	(182)	(182)
Other intangible assets (excluding land use rights)	(16,393)	(15,140)
Direct or indirect investments in own shares	–	(8)
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,785)	(9,838)
Additional tier 1 capital	329,845	287,843
Preference shares and related premium	119,550	147,519
Additional capital instruments and related premium	199,955	129,971
Eligible portion of minority interests	10,340	10,353
Tier 2 capital	525,108	458,434
Tier 2 capital instruments issued and related premium	387,746	333,381
Excess loan loss provisions	128,114	115,627
Eligible portion of minority interests	9,248	9,426
Net common equity tier 1 capital	1,843,886	1,704,778
Net tier 1 capital	2,173,731	1,992,621
Net capital	2,698,839	2,451,055

2.5 Capital Deduction Limits and Excess Loan Loss Provisions

As at 31 December 2021, 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 2021	As at 31 December 2020
Non-significant minority investments to financial institutions that are outside the scope of regulatory consolidation	148,221	145,761
Of which: Common equity tier 1 capital investment	8,380	9,524
Additional tier 1 capital investment	11,202	8,361
Tier 2 capital investment	128,639	127,876
Limit (10% of the Group's net common equity tier 1 capital)	184,389	170,478
Difference	36,168	24,717
Significant minority common equity tier 1 capital investment to financial institutions that are outside the scope of regulatory consolidation	7,160	7,150
Limit (10% of the Group's net common equity tier 1 capital)	184,389	170,478
Difference	177,229	163,328
Deferred tax asset relying on the bank's future profitability	50,025	57,407
Limit (10% of the Group's net common equity tier 1 capital)	184,389	170,478
Difference	134,364	113,071
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)	57,185	64,557
Limit (15% of the Group's net common equity tier 1 capital)	276,583	255,717
Difference	219,398	191,160

As at 31 December 2021, the excess loan loss provisions qualifying for inclusion in tier 2 capital was RMB128,114 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 2021	As at 31 December 2020
Parts covered by Internal Ratings-Based Approach		
Excess loan loss provisions under Internal Ratings-Based Approach	93,924	86,028
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	57,609	51,791
Amount of excess loan loss provisions attributable to tier 2 capital during the parallel run period	93,924	86,028
Parts not covered by Internal Ratings-Based Approach		
Amount of excess loan loss provisions under the Regulatory Weighting Approach	34,190	29,599
Limit of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	70,248	67,639
Amount of excess loan loss provisions attributable to tier 2 capital	34,190	29,599

2.6 Material Capital Investments

Please refer to the “Significant Matters” of the Bank’s 2021 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 2021 Annual Report for more details about the changes in the share capital of the Bank.

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

3 Risk Management

3.1 Risk Management Framework

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

The Board of Directors undertakes the ultimate responsibilities for comprehensive risk management, and is responsible for developing risk culture, formulating risk management strategy, setting risk appetite and ensuring the risk limit setting, approving major risk management policies and procedures, supervising the implementation of comprehensive risk management by the senior management, reviewing reports on comprehensive risk management, and approving information disclosure of comprehensive risk and various material risks. The Board of Directors delegates some of its responsibilities for comprehensive risk management to its Risk Policy Committee, Audit Committee and US Risk and Management Committee.

The Board of Supervisors assumes the responsibility for supervision of comprehensive risk management and is responsible for supervising and inspecting the duty performance of the Board of Directors and the senior management in terms of risk management, and urging its rectification. The Board of Supervisors may authorise the special committee under it to perform its overall supervisory duties related to risk management.

The senior management is responsible for the implementation of comprehensive risk management and executing the resolutions of the Board of Directors. It is responsible for establishing an operation and management structure adapted to comprehensive risk management; adequately communicating and implementing risk management strategies, risk appetite and risk limit; formulating risk management policies and procedures; assessing comprehensive risk and various important risk management status and reporting to the Board of Directors; establishing and managing information systems and data quality control mechanisms, etc. The Bank established a Chief Risk Officer to assist the President in risk management and maintain his/her full independence.

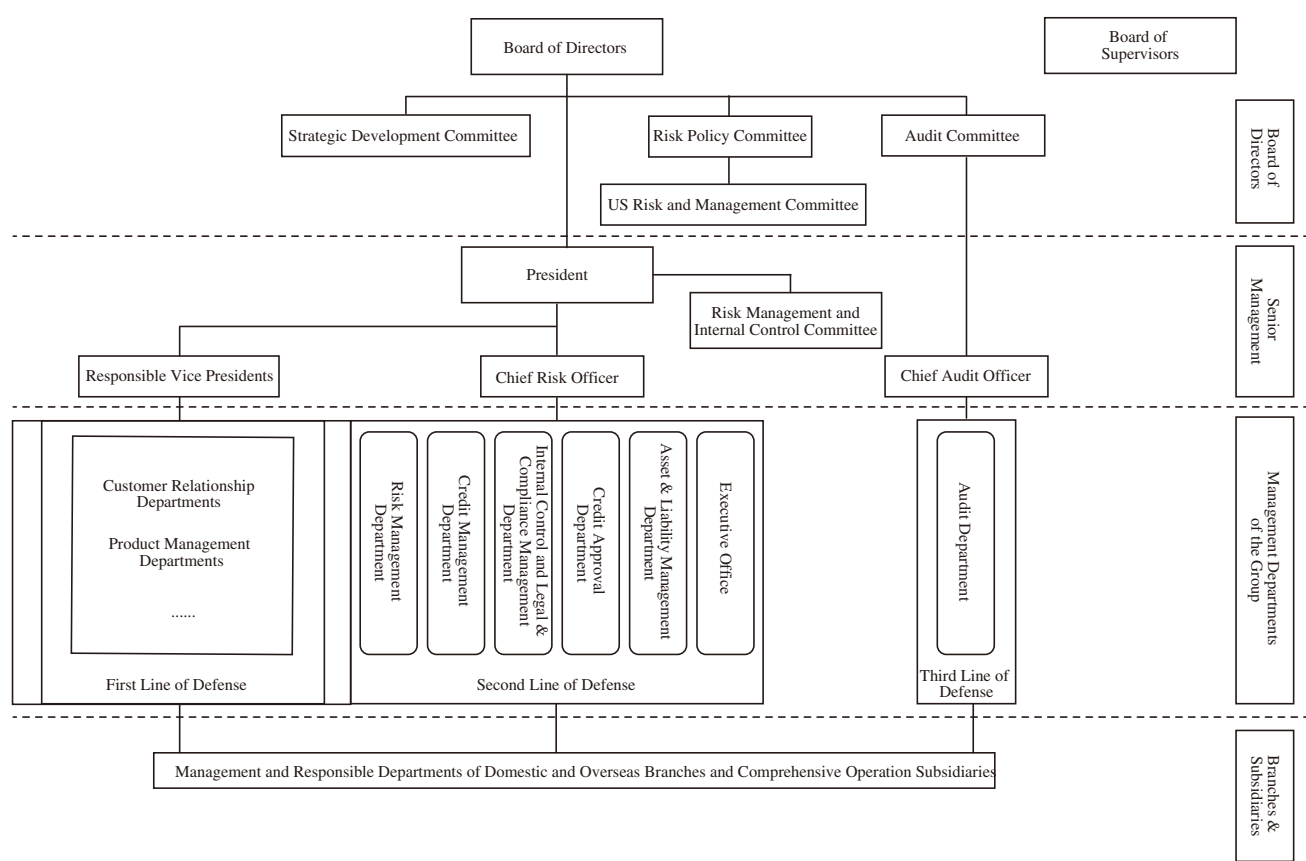
The risk management departments mainly include Risk Management Department, Credit Approval Department, Credit Management Department, Internal Control and Legal & Compliance Management Department, Asset & Liability Management Department and Executive Office.

Each business department and institution is in charge of refining and formulating its own relevant rules in accordance with the Bank-wide risk management policies and processes, and assumes the first responsibility for obtaining information, making risk judgments and risk control. The Group's major business departments set up chief risk officers or deputy heads in charge of risk, who are responsible for implementing comprehensive risk management, internal control and anti-money laundering compliance, among others for their respective business line under the Bank-wide unified risk appetite and policy system. The chief risk officer or deputy head in charge of risk of the business department implements the dual-line reporting system, reporting to both the head of the business department and the Group's functional department of risk management.

Branches bear the first responsibility for obtaining information, making risk judgments and risk control for their own institutions. They are responsible for organising and implementing the comprehensive risk management of their business departments at the same level and their subordinate institutions under the unified risk appetite of the Bank, and reporting the risk status to the risk management department of the Head Office. The chief risk officer or deputy head in charge of risk of a branch applies the dual-line reporting system, reporting to both the head of the institution and the risk management department of the Head Office.

Each comprehensive operation company assumes the responsibility for establishing and improving the company’s comprehensive risk management system and carrying out work related to comprehensive risk management. The Board of Directors of the company undertakes the ultimate responsibility for comprehensive risk management, the major head of the management is the person responsible for comprehensive risk management of the institution, and the senior executive in charge of risk shall assist in the comprehensive risk management of the institution.

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 2021.

3.3 Risk-weighted Assets

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

Unit: RMB Million

Item	As at 31 December 2021	As at 31 December 2020
Credit risk-weighted assets	15,255,486	14,072,655
Market risk-weighted assets	105,164	130,789
Operational risk-weighted assets	963,063	905,641
Risk-weighted assets increment required to reach capital floor	—	—
Total risk-weighted assets	16,323,713	15,109,085

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 2021 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 basic 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, measurement, assessment, monitoring, reporting, control and mitigation.

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 of the Bank is responsible for approving major policies for the internal rating system and regularly listening to the Senior Management's reports on such system. The Senior Management which organizes the development and operation of the internal rating system, is responsible for approving the following functions of such system: implementation plans, key definitions, rating policies, rating criteria, and rating models. The Risk Management Department which takes the lead in organizing and implementing the development and management of the internal rating system of the Bank, is responsible for drafting management measures related to the internal rating system, and regularly submitting reports on the operation of such system to the Senior Management. The Audit Department is responsible for conducting internal auditing over the internal rating system and submitting audit reports on such system to the Audit Committee of the Board of Directors. Information Technology Department which systematically deploys and implements econometric models, is responsible for supporting system development related to the launch of models, and providing support for verification related data, tools and requirements in the system to meet the actual demand and regulatory requirements.

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, risk reporting, provision for loss, economic capital allocation and performance assessment. While meeting regulatory requirements, they have played an important role in strengthening the Bank's risk decision-making capability and enhancing refined management.

4.2.2 Credit Risk Exposures

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

Unit: RMB Million

	As at 31 December 2021			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by IRB	12,826,166	1,192,388	31,912	14,050,466
Of which: Corporate exposures	7,635,979	1,055,501	31,912	8,723,392
Retail exposures	5,190,187	136,887	–	5,327,074
Exposures not covered by IRB	13,267,808	626,765	478,881	14,373,454
Total	26,093,974	1,819,153	510,793	28,423,920

	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

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 2021				
	EAD	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
A	5,627,559	0.74%	43.15%	3,382,081	60.10%
B	2,869,448	3.17%	40.81%	2,726,055	95.00%
C	21,852	27.63%	40.83%	36,488	166.98%
D	170,518	100.00%	44.01%	21,699	12.73%
Total	8,689,377	4.52%	42.39%	6,166,323	70.96%

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%

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 2021	As at 31 December 2020
Strong	—	—
Good	1,467	584
Satisfactory	636	289
Weak	—	—
Default	—	—
Total	2,103	873

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 2021				
	EAD	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Residential mortgage exposures	4,616,298	0.80%	25.45%	499,496	10.82%
Qualifying revolving retail exposures	179,639	0.76%	74.74%	38,166	21.25%
Other retail exposures	531,137	7.16%	21.74%	129,194	24.32%
Total	5,327,074	1.02%	26.74%	666,856	12.52%

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%

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 2021	As at 31 December 2020
Corporate	2,011,906	1,870,311
Sovereign	6,584,172	6,085,536
Financial institutions	3,343,658	3,097,959
Retail	1,136,458	1,043,164
Equity	142,985	123,948
Asset securitisation	77,076	77,468
Others	598,318	613,071
Total	13,894,573	12,911,457

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 2021	As at 31 December 2020
0%	5,385,924	4,847,703
20%	2,967,473	2,666,149
25%	1,436,868	1,491,715
50%	220,014	207,699
75%	1,038,758	878,164
100%	2,618,884	2,610,766
150%	3,908	4,743
250%	97,250	95,429
350%	–	–
400%	58,314	54,668
1250%	67,180	54,421
Total	13,894,573	12,911,457

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 2021	As at 31 December 2020
Capital instruments at various tiers issued by other financial institutions held by the Group	111,308	107,273
Of which: Common equity tier 1 capital	4,257	6,427
Additional tier 1 capital	3,002	1,039
Tier 2 capital	104,049	99,807
Equity investments in commercial enterprises	116,242	98,913
Equity investments in financial institutions	26,743	25,035
Non-own-use real estate	3,603	3,956

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 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 2021			As at 31 December 2020		
	Guarantee	Financial collateral	Commercial and residential real estate	Guarantee	Financial collateral	Commercial and residential real estate
Corporate exposures	1,229,932	355,638	506,136	1,110,177	277,002	500,722

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 2021, the Bank innovated the counterparty risk management mechanism under the premise of ensuring risk controllability, and strengthened the implementation of policies and rules. 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 2021, the Group's counterparty credit risk exposures covered by IRB Approach amounted to RMB31,911 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 2021	As at 31 December 2020
Central counterparty	17,712	12,509
Others	461,170	429,318
Total	478,882	441,827

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 RMB167,737 million at 2021 year-end.

In accordance with the *Guideline for Loan Credit Risk Classification*, loans are classified into five categories: pass, 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 RMB208,792 million at 2021 year-end.

4.6 Allowance for Impairment Losses

The Group uses the expected credit loss (ECL) model to measure the impairment of loans. ECL is a weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all cash flows expected to be received by the Group discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), i.e. the present value of all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

According to the changes of credit risk of financial instruments since initial recognition, the Group calculates ECL by three stages:

- Stage 1: Financial instruments without significant increases in credit risk since initial recognition are included under Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included under Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included under 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 considers the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducts assessments of ECL with reference to forward-looking information and uses a number of models and assumptions in its measurement of expected credit losses. These models and assumptions relate to the future macroeconomic conditions and borrowers' 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 which include:

- Segmentation of financial instruments based on credit risk characteristics for losses
- Criteria for determining significant increases in credit risk
- Definition of default and credit-impaired financial assets
- Parameters for measuring ECL
- Forward-looking information

The Group enhanced its ECL models in 2021, which has no significant impact to the financial statements.

Reconciliation of allowance for impairment losses in the year of 2021:

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

Year ended 31 December 2021				
<i>Unit: RMB Million</i>				
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	134,566	70,712	162,895	368,173
Transfers to Stage 1	6,186	(5,205)	(981)	–
Transfers to Stage 2	(989)	1,786	(797)	–
Transfers to Stage 3	(687)	(14,244)	14,931	–
Impairment (reversal)/losses of loans with stage transfers	(5,245)	10,226	32,586	37,567
Charge for the year ⁽ⁱ⁾	84,479	15,132	58,502	158,113
Reversal for the year ⁽ⁱⁱ⁾	(51,399)	(24,087)	(21,905)	(97,391)
Write-off and transfer out	(195)	–	(85,401)	(85,596)
Recovery of loans and advances written off	–	–	11,921	11,921
Exchange differences and other	(358)	(488)	(1,851)	(2,697)
As at 31 December	166,358	53,832	169,900	390,090

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

Year ended 31 December 2021				
<i>Unit: RMB Million</i>				
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	441	5	–	446
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Impairment (reversal)/losses of loans with stage transfers	–	–	–	–
Charge for the year ⁽ⁱ⁾	276	77	–	353
Reversal for the year ⁽ⁱⁱ⁾	(339)	(5)	–	(344)
Exchange differences and other	(4)	–	–	(4)
As at 31 December	374	77	–	451

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

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

Year ended 31 December 2020				
Unit: RMB Million				
	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	–
Impairment (reversal)/losses of loans with stage transfers	(3,507)	9,357	35,203	41,053
Charge for the year ⁽ⁱ⁾	70,933	24,190	42,114	137,237
Reversal for the year ⁽ⁱⁱ⁾	(43,164)	(21,257)	(10,126)	(74,547)
Write-off and transfer out	(66)	–	(64,255)	(64,321)
Recovery of loans and advances written off	–	–	8,405	8,405
Exchange differences and other	(1,483)	(764)	(2,767)	(5,014)
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:

Year ended 31 December 2020				
Unit: RMB Million				
	12-month ECLs	Lifetime ECLs		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	547	16	–	563
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Impairment (reversal)/losses of loans with stage transfers	–	–	–	–
Charge for the year ⁽ⁱ⁾	563	5	–	568
Reversal for the year ⁽ⁱⁱ⁾	(665)	(16)	–	(681)
Exchange differences and other	(4)	–	–	(4)
As at 31 December	441	5	–	446

- (i) Charge for the year comprises impairment losses attributable to new loans granted during the year, brought forward loans without stage transfers, as well as changes to model and risk parameters.
- (ii) Reversal for the year comprises impairment losses attributable to loans repaid during the year, brought forward loans without stage transfers, as well as changes to model and risk parameters.

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 management 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 control its market risk. The Bank followed regulatory requirements and advanced the implementation of the new regulatory rules for market risk. It strengthened its market judgment and analysis, and made its risk management more flexible, proactive and forward-looking. It strengthened the transmission of the market risk appetite mechanism, actively pushed forward risk authorisation management, and optimised the mode of limit management. In addition, the Bank intensified efforts in the development of a market risk management system, optimised risk measurement models, and improved intelligent and refined risk management. It also actively carried out risk investigation and strengthened the overall management and control of the Group's market risk. It improved the emergency planning system and enhanced its capacity to handle market risk emergencies.

The Bank improved the market risk limit system for its bond investment business and strengthened cross-risk management. It continued to strengthen risk control of its securities investment activities, bolstered the early warning of domestic bond market default risks and the tracking of the Chinese offshore USD bond market, and enhanced its post-investment monitoring and early-warning capabilities.

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. The table below lists the major capital requirements on various types of market risk of the Group.

Unit: RMB Million

	As at 31 December 2021	As at 31 December 2020
Covered by Internal Model Approach	5,810	7,148
Not covered by Internal Model Approach	2,603	3,315
Interest rate risk	1,635	2,600
Equity risk	224	220
Foreign exchange risk	—	—
Commodity risk	740	495
Option risk	4	—
Total	8,413	10,463

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							
	2021				2020			
	Average	Maximum	Minimum	Year-end	Average	Maximum	Minimum	Year-end
VaR	819	1,711	380	809	917	2,211	463	596
Stress VaR	1,185	1,756	743	1,748	1,226	2,211	703	1,104

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 RMB77,045 million.

7 Other Risk

7.1 Asset Securitisation

7.1.1 *Business Objective*

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

As the originator, the Group's risk exposure is mainly derived from the potential default risks of the securities retained by the Group under the regulations. Except for that, all remaining risks are transferred to other entities through securitisation.

7.1.2 *Business Overview*

As the originator and service provider of 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 15 Jan, 11 Mar, 13 May, 20 May, 3 Jun, 16 Aug, 11 Nov, 15 Nov, 2 Dec, 7 Dec and 10 Dec 2021, the Bank successfully issued eleven credit asset-backed securities in the interbank market. Zhong Ying Wan Jia 2021-1, Zhong Ying Wan Jia 2021-2, Zhong Ying Wan Jia 2021-3, Zhong Ying Wan Jia 2021-4, Zhong Ying Wan Jia 2021-5 with residential mortgages as underlying assets totalled RMB9,662 million, RMB11,668 million, RMB12,103 million, RMB4,994 million and RMB8,014 million, respectively. Zhong Yu 2021-1, Zhong Yu Zhi Xin 2021-1, Zhong Yu 2021-2, Zhong Yu 2021-3, Zhong Yu 2021-4, Zhong Yu 2021-5 with non-performing loans as underlying assets totalled RMB71 million, RMB111 million, RMB151 million, RMB1,510 million, RMB1,490 million and RMB143 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 2021-1, Zhong Yu 2021-2, Zhong Yu 2021-3, Zhong Yu 2021-4, Zhong Yu 2021-5, and Zhong Yu Zhi Xin 2021-1 securitisation project with non-performing loans as underlying assets, amounting to RMB4 million, RMB8 million, RMB76 million, RMB75 million, RMB7 million and RMB6 million. In 2021, the Bank held all subordinated tranches of the five RMBS, which was RMB1,022 million, RMB1,366 million, RMB1,428 million, RMB544 million, RMB842 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 related continuing involvement 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-backed securitisation products issued in the interbank market are all simultaneously rated by two rating agencies. For the issuance in 2021, Zhong Ying Wan Jia 2021-1 was rated by Golden Credit Rating International Co., Ltd and China Bond Rating Co., Ltd; Zhong Ying Wan Jia 2021-2, Zhong Yu 2021-1, Zhong Yu Zhi Xin 2021-1 Zhong Ying Wan Jia 2021-5 and Zhong Yu 2021-5 were rated by China Lianhe Credit Rating Co., Ltd and China Bond Rating Co., Ltd; Zhong Ying Wan Jia 2021-3 and Zhong Yu 2021-2 were rated by S&P Ratings (China) Co., Ltd. and China Bond Rating Co., Ltd; Zhong Ying Wan Jia 2021-4, Zhong Yu 2021-3 and Zhong Yu 2021-4 were rated by China Chengxin International Credit Rating Co., Ltd and China Bond Rating Co., Ltd. Meanwhile, Zhong Ying Wan Jia 2021-5 was rated by S&P Global Ratings Hong Kong Limited for the first time, which was an international rating agency.

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 2021, the Group's exposures to asset securitisation were RMB77,076 million, and capital requirements were RMB3,792 million.

Unit: RMB Million

Item	As at 31 December 2021		As at 31 December 2020	
	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	314	–	141	–
Mortgage-backed securities	27,056	–	21,344	–
As investing institution				
Asset-backed securities	10,347	–	9,465	–
Mortgage-backed securities	39,359	–	46,518	–
Total	77,076	–	77,468	–

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. 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, risk profile, as well as macro-economic and market conditions, so as to achieve a reasonable balance between risk and return and thus maximise shareholders 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 at a reasonable level. In the sensitivity analysis below, 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 products are set as overnight. See below for the results from 2021 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 2021	As at 31 December 2020
+25 basis points	(4,351)	(4,107)
- 25 basis points	4,351	4,107

8 Remuneration

8.1 Composition and Authority of the Remuneration Management Committee

The Personnel and Remuneration Committee comprises six members, including one non-executive director 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 distribution 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. Besides, the Bank implemented the performance remuneration recourse and recovery mechanism. 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 2021 Annual Report.

Annex 1: Composition of Capital

Unit: RMB Million (except percentages)

		As at 31 December 2021	As at 31 December 2020	Code
Common equity tier 1 capital				
1	Paid-in capital	294,388	294,388	j
2	Retained earnings	1,404,105	1,263,930	
2a	Surplus reserve	212,602	192,251	r
2b	General reserve	303,084	267,856	s
2c	Undistributed profits	888,419	803,823	t
3	Accumulated other comprehensive income (and other reserves)	138,139	139,516	
3a	Capital reserve	133,951	134,221	m
3b	Currency translation differences	(27,330)	(19,496)	q
3c	Others	31,518	24,791	o-q
4	Amount attributable to common equity tier 1 capital in transitional period	–	–	
5	Eligible portion of minority interests	33,669	32,567	u
6	Common equity tier 1 capital before regulatory adjustment	1,870,301	1,730,401	
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)	(16,393)	(15,140)	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 2021	As at 31 December 2020	Code
16	Direct or indirect investments in own shares	–	(8)	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	(9,785)	(9,838)	-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 2021	As at 31 December 2020	Code
26c	Total of other items deductible out of common equity tier 1 capital	(55)	(455)	
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	(26,415)	(25,623)	
29	Net common equity tier 1 capital	1,843,886	1,704,778	
Additional tier 1 capital				
30	Additional tier 1 capital instruments and related premium	319,505	277,490	
31	Of which: Equity part	319,505	277,490	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	10,340	10,353	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	329,845	287,843	
Additional tier 1 capital: Regulatory adjustment				
37	Direct or indirect investments in additional tier 1 capital of the bank	–	–	
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 2021	As at 31 December 2020	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	329,845	287,843	
45	Net tier 1 capital (net common equity tier 1 capital + net additional tier 1 capital)	2,173,731	1,992,621	
Tier 2 capital				
46	Tier 2 capital instruments issued and related premium	387,746	333,381	
47	Of which: Part of instruments non-attributable to tier 2 capital after transitional period	16,456	32,911	i
48	Eligible portion of minority interests	9,248	9,426	
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	128,114	115,627	-b-d
51	Tier 2 capital before regulatory adjustment	525,108	458,434	
Tier 2 capital: Regulatory adjustment				
52	Tier 2 capital of the bank held directly or indirectly	–	–	
53	Tier 2 capital cross-held between banks or between the bank and other financial institutions based on agreement	–	–	
54	Non-significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	

Annex 1: Composition of Capital (Continued)

		As at 31 December 2021	As at 31 December 2020	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	525,108	458,434	
59	Total net capital (net tier 1 capital + net tier 2 capital)	2,698,839	2,451,055	
60	Total risk-weighted assets	16,323,713	15,109,085	
Capital adequacy ratio and reserve capital requirement				
61	Common equity tier 1 capital adequacy ratio	11.30%	11.28%	
62	Tier 1 capital adequacy ratio	13.32%	13.19%	
63	Capital adequacy ratio	16.53%	16.22%	
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	6.30%	6.28%	
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 2021	As at 31 December 2020	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)	148,221	145,761	
73	Significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	7,160	7,150	
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)	50,025	57,407	
Limit of excess loan loss provisions attributable to tier 2 capital				
76	Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	63,017	63,006	-a
77	Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	34,190	29,599	-b
78	Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	93,924	86,028	-c
79	Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	93,924	86,028	-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 2021	As at 31 December 2020	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	16,456	32,911	i
85	Amount non-attributable to tier 2 capital of the current period derived from transitional period arrangement	1,544	17,089	

Annex 2: Financial and Regulatory Consolidated Balance Sheet

Unit: RMB Million

	As at 31 December 2021		As at 31 December 2020	
	Financial Consolidated	Regulatory Consolidated	Financial Consolidated	Regulatory Consolidated
ASSETS				
Cash and balances with central banks	2,288,244	2,288,244	2,155,665	2,155,665
Due from banks and other financial institutions	585,298	578,877	724,320	717,952
Precious metals	276,258	276,258	223,313	223,313
Placements with and loans to banks and other financial institutions	752,185	749,155	709,263	708,643
Derivative financial assets	95,799	95,847	171,738	171,619
Reverse repurchase transactions	505,228	504,490	230,057	229,894
Loans and advances to customers	15,322,484	15,317,281	13,848,304	13,843,088
Financial investments	6,164,671	5,931,021	5,591,117	5,385,411
— financial assets at fair value through profit or loss	561,642	441,188	504,549	391,945
— financial assets at fair value through other comprehensive income	2,389,830	2,350,062	2,107,790	2,077,154
— financial assets at amortised cost	3,213,199	3,139,771	2,978,778	2,916,312
Long term equity investment	35,769	66,484	33,508	65,671
Investment properties	19,554	12,692	22,065	14,194
Property and equipment	246,091	93,458	248,589	95,431
Right-of-use assets	20,321	22,643	22,855	24,239
Intangible assets	23,052	21,589	22,140	20,706
Goodwill	2,481	182	2,525	182
Deferred income tax assets	51,172	50,025	58,916	57,407
Other assets	333,801	266,572	338,284	274,402
Total assets	26,722,408	26,274,818	24,402,659	23,987,817

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

	As at 31 December 2021		As at 31 December 2020	
	Financial Consolidated	Regulatory Consolidated	Financial Consolidated	Regulatory Consolidated
LIABILITIES				
Due to central banks	955,557	955,557	887,811	887,811
Due to banks and other financial institutions	2,682,739	2,682,739	1,917,003	1,917,003
Placements from banks and other financial institutions	310,395	296,343	284,747	272,875
Financial liabilities held for trading	12,458	12,458	17,912	17,912
Derivative financial liabilities	89,151	88,498	212,052	210,655
Repurchase transactions	97,372	97,184	127,202	127,159
Due to customers	18,142,887	18,144,842	16,879,171	16,883,254
Employee benefits payable	41,780	40,190	36,378	34,868
Current tax liabilities	45,006	45,002	55,665	55,384
Contingent liabilities	26,343	26,343	29,492	29,492
Lease liability	19,619	22,848	21,893	23,776
Bonds issued	1,388,678	1,298,767	1,244,403	1,160,174
Deferred income tax liabilities	7,003	1,053	6,499	1,092
Other liabilities	552,867	293,126	519,594	277,519
Total liabilities	24,371,855	24,004,950	22,239,822	21,898,974
EQUITY				
Share capital	294,388	294,388	294,388	294,388
Other equity instruments	319,505	319,505	277,490	277,490
Of which: Preference shares	119,550	119,550	147,519	147,519
Undated capital bonds	199,955	199,955	129,971	129,971
Capital reserve	135,717	133,951	135,973	134,221
Less: Treasury shares	–	–	(8)	(8)
Other comprehensive income	1,417	4,188	4,309	5,295
Surplus reserve	213,930	212,602	193,438	192,251
General reserve	303,209	303,084	267,981	267,856
Undistributed profits	956,987	888,419	864,848	803,823
Capital and reserves attributable to equity holders of the Bank	2,225,153	2,156,137	2,038,419	1,975,316
Non-controlling interests	125,400	113,731	124,418	113,527
Total equity	2,350,553	2,269,868	2,162,837	2,088,843
Total equity and liabilities	26,722,408	26,274,818	24,402,659	23,987,817

Annex 3: Reconciliation and Illustration of Balance Sheet Items

Unit: RMB Million

	As at 31 December 2021	As at 31 December 2020	Code
ASSETS			
Cash and balances with central banks	2,288,244	2,155,665	
Due from banks and other financial institutions	578,877	717,952	
Precious metals	276,258	223,313	
Placements with and loans to banks and other financial institutions	749,155	708,643	
Derivative financial assets	95,847	171,619	
Reverse repurchase transactions	504,490	229,894	
Loans and advances to customers	15,317,281	13,843,088	
Of which: Actual accrued loan loss provisions amount under the Regulatory Weighting Approach	(63,017)	(63,006)	a
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Regulatory Weighting Approach	(34,190)	(29,599)	b
Of which: Actual accrued excess loan loss provisions amount under the Internal Ratings-based Approach	(93,924)	(86,028)	c
Of which: Amount of excess loan loss provisions attributable to tier 2 capital under the Internal Ratings-based Approach	(93,924)	(86,028)	d
Financial investments	5,931,021	5,385,411	
— financial assets at fair value through profit or loss	441,188	391,945	
— financial assets at fair value through other comprehensive income	2,350,062	2,077,154	
— financial assets at amortised cost	3,139,771	2,916,312	
Long term equity investment	66,484	65,671	
Of which: Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	9,785	9,838	e
Investment properties	12,692	14,194	
Property and equipment	93,458	95,431	
Right-of-use assets	22,643	24,239	
Intangible assets	21,589	20,706	f
Of which: Land use rights	5,196	5,566	g
Goodwill	182	182	h
Deferred income tax assets	50,025	57,407	
Other assets	266,572	274,402	
Total assets	26,274,818	23,987,817	

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

	As at 31 December 2021	As at 31 December 2020	Code
LIABILITIES			
Due to central banks	955,557	887,811	
Due to banks and other financial institutions	2,682,739	1,917,003	
Placements from banks and other financial institutions	296,343	272,875	
Financial liabilities held for trading	12,458	17,912	
Derivative financial liabilities	88,498	210,655	
Repurchase transactions	97,184	127,159	
Due to customers	18,144,842	16,883,254	
Employee benefits payable	40,190	34,868	
Current tax liabilities	45,002	55,384	
Contingent liabilities	26,343	29,492	
Lease liability	22,848	23,776	
Bonds issued	1,298,767	1,160,174	
Of which: Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	16,456	32,911	i
Deferred income tax liabilities	1,053	1,092	
Other liabilities	293,126	277,519	
Total liabilities	24,004,950	21,898,974	
EQUITY			
Share capital	294,388	294,388	j
Other equity instruments	319,505	277,490	
Of which: Preference shares	119,550	147,519	k
Of which: Undated capital bonds	199,955	129,971	l
Capital reserve	133,951	134,221	m
Less: Treasury shares	–	(8)	n
Other comprehensive income	4,188	5,295	o
Of which: Reserve relating to cash-flow hedge items not measured at fair value	–	–	p
Of which: Currency translation differences	(27,330)	(19,496)	q
Surplus reserve	212,602	192,251	r
General reserve	303,084	267,856	s
Undistributed profits	888,419	803,823	t
Capital and reserves attributable to equity holders of the Bank	2,156,137	1,975,316	
Non-controlling interests	113,731	113,527	
Of which: Amount attributable to common equity tier 1 capital	33,669	32,567	u
Of which: Amount attributable to additional tier 1 capital	10,340	10,353	v
Total equity	2,269,868	2,088,843	
Total equity and liabilities	26,274,818	23,987,817	

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	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	Bank of China Limited
2	Identification code	601988.SH	3988.HK	360033.SH	360035.SH	4619.HK	2028014.IB	2028053.IB	2028048.IB	2128019.IB	2128045.IB
3	Applicable law	PRC law	Hong Kong SAR (China) law	PRC law	PRC law	Hong Kong SAR (China) law	PRC law	PRC law	PRC law	PRC law	PRC law
Regulatory processing											
4	Of which: Applicable to transitional period rules specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Common equity tier 1 capital	Common equity tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	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	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	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	Undated capital bonds
8	Amount attributable to regulatory capital (the last reporting day)	282,433	145,603	72,979	26,990	19,581	39,990	19,995	29,994	49,989	19,995
9	Par value of instrument	210,766	83,622	73,000	27,000	19,787	40,000	20,000	30,000	50,000	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	Other equity instrument
11	Initial issuing date	2006/6/29	2006/6/1	2019/6/24	2019/8/26	2020/3/4	2020/4/28	2020/12/10	2020/11/13	2021/5/17	2021/11/25
12	Term (term or perpetual)	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	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 (Offshore)	Undated capital bonds	Undated capital bonds	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	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 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	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 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	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	

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	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	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	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	Adjustable dividend rate 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	Adjustable dividend rate 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	Adjustable distribution rate 4.50% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable 5 years Chinese government notes plus a fixed spread, with a distribution rate adjustment period every 5 years after the payment date.	Adjustable distribution rate 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.	Adjustable distribution rate 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.	Adjustable distribution rate 4.08% 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.	Adjustable distribution rate 3.64% 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.
18	Of which: Coupon rate and relevant indicators	Not applicable	Not applicable	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	Adjustable dividend rate 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	Adjustable dividend rate 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	Adjustable distribution rate 4.50% in the first 5 years. The distribution rate will be adjusted by the yield to maturity of the applicable 5 years Chinese government notes plus a fixed spread, with a distribution rate adjustment period every 5 years after the payment date.	Adjustable distribution rate 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.	Adjustable distribution rate 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.	Adjustable distribution rate 4.08% 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.	Adjustable distribution rate 3.64% 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.

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	Undated capital bonds
Dividend or interest payment (Continued)											
19	Of which: Existence of dividend brake 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	No	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	Not applicable	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	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	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	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 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	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	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 shares	(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 shares	(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	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	A common share	A common share	H common share	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	Bank of China Limited	Bank of China Limited	Bank of China Limited	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Not applicable	Not applicable	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)	Undated capital bonds	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	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) 2. A Tier 2 capital trigger event refers to the earlier of the following events: (i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (ii) any relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	A Non-Viability Trigger Event refers to the earlier of the following events: (i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (ii) any relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	A Non-Viability Trigger Event refers to the earlier of the following events: (i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (ii) any relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	A Non-Viability Trigger Event refers to the earlier of the following events: (i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (ii) any relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	A Non-Viability Trigger Event refers to the earlier of the following events: (i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (ii) any relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
							A Non-Viability Trigger Event refers to the earlier of the following events: (i) the CBIRC having decided that the Issuer would become non-viable without a write-down; (ii) any relevant authorities 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	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)										
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	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	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
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, 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
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

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	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	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	2028038.IB	2028039.IB	2128009.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	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	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	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	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	Eligible tier 2 capital bond	Eligible tier 2 capital bond
8	Amount attributable to regulatory capital (the last reporting day)	11,450	29,973	29,974	39,984	39,986	29,989	9,996	29,991	59,976	14,994	9,996
9	Par value of instrument	USD3.0 billion	30,000	30,000	40,000	40,000	30,000	10,000	30,000	60,000	15,000	10,000
10	Accounting treatment	Bonds Issued	Bonds Issued	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	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	2018/9/3	2018/10/9	2019/9/20	2019/9/20	2019/11/20	2020/9/17	2021/3/17	2021/11/12
12	Term (term or perpetual)	Term	Term	Term	Term	Term	Term	Term	Term	Term	Term	Term
13	Of which: Original maturity date	2024/11/13	2027/9/28	2027/11/2	2028/9/5	2028/10/11	2029/9/24	2034/9/24	2029/11/22	2035/9/21	2036/3/19	2036/11/16
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes	Yes	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. 2023/9/5)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2023/10/11)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2024/9/24)	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. 2029/9/24)	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 10 years from the date of issuance (i.e. 2030/9/21)	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. 2026/3/19)	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. 2026/11/16)

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	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	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	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	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	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	5.00%	4.45%	4.86%	4.84%	3.98%	4.34%	4.01%	4.20%	4.47%	4.15%	4.38%	3.60%
19	Of which: Existence of dividend brake mechanism	No	No	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	Not applicable	Not applicable
21	Of which: Existence of redemption incentive mechanism	No	No	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	Non-cumulative	Non-cumulative
23	Conversion into shares	No	No	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	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	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	Not applicable	Not applicable

Annex 4: Main Attributes of Capital Instruments (Continued)

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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	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	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	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	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	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	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	Not applicable	Not applicable