

Management Discussion and Analysis

Business Review 37

Commercial Banking in the Chinese Mainland

Corporate Banking
Personal Banking
Financial Markets Business
Village Bank

55 Globalised Operation

Corporate Banking
Personal Banking
Financial Markets Business
Clearing Business
Online Services Channels
Technology Support
BOCHK

63 Comprehensive Operation

Investment Banking Business
Asset Management Business
Insurance
Investment Business
Leasing Business
Financial Technology

71 Service Channels

Online Channels
Offline Channels

73 Information Technology Development

Management Discussion and Analysis — Business Review

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

Unit: RMB million, except percentages

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

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

Unit: RMB million

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

Management Discussion and Analysis — Business Review

Commercial Banking in the Chinese Mainland

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

Unit: RMB million, except percentages

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

Corporate Banking

The Bank continuously pushed forward the transformation of corporate banking, and endeavoured to promote the high-quality development of corporate banking by focusing on consolidating its customer base, refining customer structure and innovating products and services. Centring on the key customer groups of administrative institutions, the Bank stepped up marketing efforts at the source and enhanced its comprehensive service capability. Focusing on the building of the national social security system, the Bank advanced product innovation, optimised system functions, and provided customers with a series of products such as enterprise annuities, occupational annuities, employee benefit plans and pension security management products, thereby continuously improving customer satisfaction. The Bank fully supported the pandemic prevention and control as well as the resumption of work and production. It stepped up efforts to serve the real economy, supported the high-quality development of the manufacturing industry, and continued to consolidate the foundations for the development of private enterprises. It also explored financial solutions for targeted poverty alleviation, actively promoted green credit assets, and continuously improved the services

for rural revitalisation. What's more, the Bank actively integrated into and served the national strategies for regional development, and focused on supporting the coordinated development of key regions. It actively implemented the country's opening-up strategy, and leveraged its role as the main channel of financial services for foreign trade and economic cooperation. The Bank also continuously pushed forward RMB internationalisation, and served as the main channel for cross-border RMB circulation and the leader in service innovation. In 2020, the Bank's corporate banking business in the Chinese mainland realised an operating income of RMB186.956 billion, a decrease of RMB0.910 billion or 0.48% compared with the prior year.

Corporate Deposits

Upholding the customer-centric approach, the Bank focused on diversified financial needs of customers, expanded the customers' total financial assets, enhanced the fund retention capacity, and boosted the sound and sustainable development of deposit business. It set up the Administrative Institutions Department at the Head Office to further increase the strategic resource input to the administrative institutions business. Focusing on the key customer

Management Discussion and Analysis — Business Review

groups of administrative institutions, the Bank stepped up marketing efforts at the source and enhanced its comprehensive service capability. It also sharpened its market competitiveness in key areas through scenario-based marketing across the entire industrial chain of education, medical care and other industries. The Bank properly conducted scenario building and cross-selling of products, enhanced the ability to acquire and activate customers, and consolidated the development foundations of its deposit business. As at the end of 2020, RMB corporate deposits in the Bank's operations in the Chinese mainland totalled RMB6,453.523 billion, an increase of RMB426.447 billion or 7.08% compared with the prior year-end. Foreign currency corporate deposits amounted to USD85.977 billion, an increase of USD7.879 billion or 10.09% compared with the prior year-end.

Corporate Loans

The Bank fulfilled its responsibilities, and fully supported pandemic prevention and control as well as the resumption of work and production. Implementing the national development strategy, the Bank actively supported the high-quality development of the manufacturing industry and continued to consolidate the foundations for the development of private enterprises. It effectively coordinated targeted poverty alleviation through finance and rural revitalisation, and effectively improved the services for the real economy. Moreover, the Bank moved faster in improving credit structure, focused on such areas as new infrastructure and new urbanisation initiatives and major projects, high-end manufacturing, people's livelihood consumption, digital economy and new energy, and seized development opportunities arising from the Olympic and Paralympic Winter Games Beijing 2022 (Beijing 2022 Games). To support the development of key regions, the Bank improved its business layout in the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, the Hainan Pilot Free Trade Port and other national strategic regions. It also formulated supporting policies and comprehensive financial service plans for the large-scale development

in the western region, the ecological protection in the Yellow River basin and the development of the Chengdu-Chongqing economic circle and other key regions. Meanwhile, the Bank provided solid financial services for the Belt and Road Initiative, and strengthened "Going Global" efforts and overseas economic and trade cooperation. As at the end of 2020, RMB corporate loans of the Bank's operations in the Chinese mainland totalled RMB6,266.331 billion, an increase of RMB675.103 billion or 12.07% compared with the prior year-end. Foreign currency corporate loans totalled USD39.173 billion, an increase of USD1.980 billion or 5.32% compared with the prior year-end.

Financial Institutions Business

The Bank continued to deepen cooperation with various financial institutions. It built up its integrated financial services platform, maintaining a leading position in terms of financial institution customer coverage. It has established correspondent relationships with over 1,400 institutions, providing multinational institutions and enterprises with financial services such as international settlement, bond financing, foreign exchange trading, investment custody and global cash management. Closely following the implementation of the Belt and Road Initiative, the Bank strengthened cooperation with key correspondent banks in countries and regions along the Belt and Road. It continued to deepen comprehensive cooperation with organisations and institutions such as Asian Infrastructure Investment Bank, BRICS New Development Bank and the Silk Road Fund, participated in the investment and financing projects of local policy financial institutions, and provided extensive financial services. As lead underwriter, it successfully facilitated the issuance of the first Panda Bond of the Asian Infrastructure Investment Bank, as well as serving as joint lead underwriter for the New Development Bank's Coronavirus Combating Panda Bond and debut overseas USD-denominated bond. By increasing efforts to expand its cross-border RMB businesses, the Bank has become the major RMB clearing channel and main RMB cooperating bank for overseas central banks and

Management Discussion and Analysis — Business Review

Continuously supporting green finance development

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

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

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

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

Management Discussion and Analysis — Business Review

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

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



Management Discussion and Analysis — Business Review

other sovereign institutions, commercial banks and exchange houses. The Bank has now opened 1,485 cross-border RMB clearing accounts for correspondent banks across 116 countries and regions, thus maintaining a leading position among Chinese banks. It also promoted the RMB Cross-Border Interbank Payment System (CIPS) and signed cooperation agreements for indirect participant relationships with 359 domestic and overseas financial institutions, seizing the largest market share among peers. The Bank's custodian service for Qualified Foreign Institutional Investors (QFII) and RMB Qualified Foreign Institutional Investors (RQFII) and its agency service for overseas central banks and other sovereign institutions all earned a leading position in the industry in terms of both customer base and business scale. It also signed an agreement on transaction agency service in China's interbank foreign exchange market with Bank of Korea. It participated deeply in the comprehensive promotion of the H-Share full circulation programme, and jointly launched the "Shanghai-Macao Gold Road" project with the Shanghai Gold Exchange, thus enhancing its image as a co-brand in the financial factors market. As at the end of 2020, the

Bank ranked first in terms of market share in foreign currency deposits from financial institutions. The Bank applied FinTech to boost the upgrading of business modes, and launched "BOC Bank-Securities Express", a QR Code-based account opening product for third-party depository, securing its leading position among peers in terms of growth in both the number and market share of third-party custody customers.

Transaction Banking Business

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



Management Discussion and Analysis — Business Review

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

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

Index (CRI), BOC Offshore RMB Index (ORI) and the *White Paper on RMB Internationalisation*, providing global customers with strong, comprehensive and professional support to understand and use RMB.

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

Management Discussion and Analysis — Business Review

Facilitating the rapid development of national key areas of technological innovation

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

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

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

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

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

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

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

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

Management Discussion and Analysis — Business Review

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

Inclusive Finance

Conscientiously implementing national policies and measures to support the development of micro and small-sized enterprises, and following relevant regulatory requirements, the Bank continuously promoted the development of inclusive finance services. Focusing on the overall requirements of “increasing volume, reducing price, improving quality, expanding coverage”, the Bank continued to extend more credit to micro and small-sized enterprises and reduced their financing costs. As at the end of 2020, the Bank’s outstanding inclusive finance loans granted to micro and small-sized enterprises⁴ reached RMB611.7 billion, an increase of 48% compared with the prior year-end, outpacing the growth rate of the

Bank’s total loans. The number of micro and small-sized customers was over 480,000, higher than the beginning of the year. The average interest rate of new inclusive finance loans to micro and small-sized enterprises was 3.93%. The Bank strengthened risk control and improved operational compliance, and thus maintained stable quality of loans granted to micro and small-sized enterprises.

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



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

Management Discussion and Analysis — Business Review

Improving the quality and efficiency of inclusive finance services

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

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

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

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

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



Management Discussion and Analysis — Business Review

Pension Business

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

Personal Banking

Emphasising a customer-centric approach, the Bank responded swiftly to challenges arising from the pandemic and changes in market conditions, and comprehensively improved its personal banking business, including its organisational structure, business philosophy and operational indicators, and realised early success in its reform. The Bank enhanced its growth drivers for personal banking and adapted to the trends of digitalisation and consumption upgrading, it continuously improved its account management services, focused on building advantageous brands in wealth management, consumer finance, private banking, foreign exchange and bank card, and boosted capital-light operations

by developing its financial assets under management. The Bank's retail indicators recorded an overall improvement. In 2020, the Bank's personal banking business in the Chinese mainland realised an operating income of RMB199.508 billion, an increase of RMB36.079 billion or 22.08% compared with the prior year.

Account Management Business

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

The Bank improved the process of payment settlement service, thus satisfying differentiated customer needs. It further expanded its salary payment agency business by classifying customer groups and improving the connectivity between corporate and personal businesses. It also provided salary payment agency customers with a package of integrated service

Management Discussion and Analysis — Business Review

solutions, including account opening, salary payment, consumption and investment. The Bank launched an online margin deposit business featuring multiple transaction scenarios. It streamlined the operating procedures for all personal banking business, and promoted “no or rare manual processing” for high-frequency business, thereby further improving the quality and efficiency of its services for personal customers.

Wealth Management Business

Focusing on customers’ wealth management needs, the Bank strived to develop professional and inclusive products and services, and comprehensively enhanced its asset allocation capabilities, achieving the highest level of growth rate in terms of both customer numbers and financial assets under management of medium- and high-end customers of the last three years. It strengthened product supply, selected high-quality products from the market, and built a tiered product platform, further enriching its product system and sharpening its competitive edge. Meanwhile, the Bank enhanced its intelligent investment advisory services by launching an agile intelligent investment advisory service for mobile banking, which allocating investment portfolios for different scenarios and different customer groups. The “BOC Robot Advisor” generated sales of RMB20.7 billion and posted an average yield of 34.91%, winning the “Gold Award for Technology Innovation Application” in the 2020 China FinTech Innovation Competition. The Bank also developed the “BOC Zhi Hui” customer loyalty rewards platform, and expanded its ecosystem of non-financial scenarios, offering rewards including “clothing, food, hotel, transportation, tourism, entertainment, learning and pensions”. It enhanced its R&D capabilities, and built an investment strategy research service system covering stocks, bonds,

foreign exchange, commodities and policies, providing customers with asset allocation reports. It issued the *BOC White Paper on Personal Banking Global Asset Allocation* for the third consecutive year. As at the end of 2020, the Bank had set up 8,112 wealth management centres and 1,101 prestigious wealth management centres in the Chinese mainland. It was awarded “Best Wealth Management Bank” by the China Banking Association and “2020 Excellent Wealth Management Brand” by *China Business Journal*.



Consumer Finance Business

In strict compliance with national policies, the Bank proactively adjusted its structure and promoted transformation, maintained the steady development of its residential mortgage business, and accelerated the upgrading of inclusive finance and consumer loan business. As at 31 December 2020, the Bank’s RMB personal loans in the Chinese mainland totalled RMB4,979.214 billion, an increase of RMB528.750 billion or 11.88% compared with the prior year-end. Within this increase, the proportion of non-housing loans in the incremental personal loans of commercial banks in the Chinese mainland rose relatively rapidly. The Bank prioritised demand from families in key regions seeking loans for first-time own-use home purchase, and the proportion of residential mortgage loans granted to key regions continuously increased. The Bank built an efficient and convenient consumer

Management Discussion and Analysis — Business Review

loan product system and realised centralised and intelligent post-lending management with the online loan product “BOC E-Credit” as the breakthrough point. At the same time, the Bank developed and implemented the online personal business loan product “Tax Loan” based on tax data. It continued to enrich its inclusive finance personal loan products by launching the innovative “Work Resumption Loan” to facilitate the resumption of work and production of individual businesses and micro and small-sized enterprises. It also increased the supply of small-amount loans for poverty alleviation, contributing to an all-round victory in national poverty alleviation.

Private Banking Business

The Bank accelerated the development of its private banking business, vigorously boosted business innovation and improved its customer service system, providing high-net-worth customers with professional, comprehensive and globalised financial services. As at 31 December 2020, the Group had 132,900 private banking customers with RMB1.85 trillion financial assets under management. The Bank accelerated the development of its wealth inheritance business, witnessed a year-on-year increase of 102.2% in the number of family trust service customers, and released the *Report on Family Wealth Management of Chinese Entrepreneurs*. It focused on cultivating teams of relationship managers, private bankers and investment advisors, and intensified efforts to enhance the layout of private banking centres in key cities. As at 31 December 2020, the Bank had established 77 private banking centres in the Chinese mainland. In addition, the Bank continued to build its Asia-Pacific private banking platform, and provided cross-border integrated corporate and private banking solutions for high-net-worth customers, thereby further enhancing its global service capability. The Bank was

awarded “Overall Best State-Owned Private Bank” and “Best Private Bank for International Network” by *Asiamoney*, “Best National Private Bank in China (State-owned Banks)” for the second time by *Asian Private Banker*, “Trustworthy Private Bank” by *The Economic Observer*, “Excellent Financial Institution for Family Service Capability” by Huiyu Global Family Office Think Tank, and “Best Private Bank in China — Family Inheritance Service Award” by *Wealth*, further boosting the continuous growth of the Bank’s brand influence and reputation.

Personal Foreign Exchange Business

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

Management Discussion and Analysis — Business Review

Bank Card Business

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

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

Management Discussion and Analysis — Business Review

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

Unit: million cards/RMB billion, except percentages

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

Management Discussion and Analysis — Business Review

Fully supporting the transformation and upgrading of consumer finance

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

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

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

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

Management Discussion and Analysis — Business Review

Financial Markets Business

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

Securities Investment

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

Trading

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

promoted the construction of a quantitative trading platform, and refined its quantitative strategy. It enhanced its risk management and control capability, improved infrastructure construction, and consolidated the foundations for its business development. The Bank also improved its online service capabilities and realised growth in its online transaction volumes and customer scale.

Investment Banking

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

To facilitate the construction of China’s multi-layered capital market system and support customers in their direct financing, the Bank underwrote bonds in the China interbank market with a total amount of RMB1,575.925 billion. It actively supported COVID-19 pandemic prevention and control by underwriting a total amount of RMB33.650 billion of pandemic prevention and control bonds for non-financial enterprises and international development institutions. The Bank’s underwriting business for financial institutions was greatly boosted, with its financial bond underwriting volume and market share continuing to increase for a further consecutive year. It enhanced its cross-border competitiveness by assisting overseas entities including Asian Infrastructure Investment Bank and New Development Bank in issuing Panda Bonds, maintaining its leadership in the market share of Panda Bonds underwriting. Acting as lead underwriter and bookrunner, the Bank assisted the MOF in successfully issuing USD and EUR sovereign bonds, totalling more than USD10.0 billion equivalent. These issuances further constructed the yield curve of foreign currency-denominated sovereign

Management Discussion and Analysis — Business Review

bonds and strengthened international investors' confidence in China's economy. The Bank maintained the largest market share in China's offshore bond underwriting market. It also made efforts to promote the development of green finance, led the China interbank market in green bond underwriting, and assisted Chinese entities to issue offshore green bonds. The Bank proactively contributed to the war against poverty and helped China Three Gorges Corporation to issue poverty alleviation bonds. Moreover, it strongly supported private enterprise financing, underwriting debt financing instruments for private enterprises totalling RMB40.121 billion and thus further expanding financing channels for private enterprises. The Bank also maintained the leading market share among all commercial banks in the interbank market in terms of asset-backed securitisation underwriting business. As a result, the Bank was awarded "Best DCM House" by *FinanceAsia*, "Best for Cross Border Debt Capital Markets", "Green Deal of the Year" and "Best Firm for ABN" by *Asiamoney*, and "Best Bond Adviser-Global", "Best Anti-COVID-19 Deal", "Best Sovereign Bond", "Best Social Bond", and "Best Sustainability Bond" by *The Asset*. As such, the brand influence of "BOC Debt Capital Markets" was continuously enhanced. The Bank steadily promoted its credit asset-backed securitisation business and optimised the structure of its existing assets. The Bank successfully issued two residential mortgage-backed securities with a total amount of RMB15.365 billion and two non-performing credit asset-backed securities with a total amount of RMB1.230 billion.

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

Asset Management

The Bank promoted the orderly transformation of its wealth management business in compliance with

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

Custody Business

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

Management Discussion and Analysis — Business Review

Delivering high-quality financial services for the Beijing 2022 Games

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

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

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

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

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



Management Discussion and Analysis — Business Review

Village Bank

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

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

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

Globalised Operation

As the most internationalised Chinese bank, the Bank is committed to creating a new pattern of global

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

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

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

Management Discussion and Analysis — Business Review

managed overseas institutions by category and set forth differentiated development strategies, so as to enhance the sustainable development capability of its overseas institutions as well as the collaboration efficiency of the Group.

Corporate Banking

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

The Bank continued to expand its customer base of global institutional investors along with its business

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

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

Management Discussion and Analysis — Business Review

700 exhibitors and more than 1,300 buyers, with a cumulative 18 hours of negotiation, resulting in 861 cooperation intentions.

Personal Banking

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

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

overseas system, unifying the approval and scoring system for domestic and overseas personal loans.

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

Financial Markets Business

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

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

Management Discussion and Analysis — Business Review

and actively carried out Dim Sum Bond market-making and Bond Connect business. The London Trading Centre actively coped with the impact of the pandemic, insistently remained on duty, and achieved stable operations.

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

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

Clearing Business

The Bank continuously improved its cross-border RMB clearing capabilities and pushed forward the cross-border application of RMB, thus further consolidating its leading edge in international payments. As at the end of 2020, the Bank accounted for 13 of the world’s 27 authorised RMB clearing banks and continued to lead its peers. It also ranked first in terms of the number of CIPS indirect participants, with the Macau Branch accessing CIPS as a direct participant.

In 2020, the Bank’s cross-border RMB clearing transactions totalled RMB471 trillion, an increase of more than 8% compared with the prior year, maintaining first place in the global market. The Bank was reappointed as US dollar settlement bank of the China Foreign Exchange Payment System.

Online Services Channels

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

Technology Support

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

BOCHK

Against the backdrop of a complex and challenging environment, BOCHK actively responded to changes in the market environment, strengthened the execution of its strategic plans and steadily pushed forward its business priorities. BOCHK continued to give full play to its regional synergies in Southeast Asia in order to implement its integrated business systems. It captured new opportunities from the Guangdong-Hong Kong-

Management Discussion and Analysis — Business Review

Macao Greater Bay Area and continued to develop its local market in Hong Kong. BOCHK expedited its digital and innovation-driven development and increased the application of FinTech in its products and services. It constantly optimised its environmental, social and governance (ESG) framework and targets and promoted green and sustainable development. BOCHK strengthened its risk and compliance controls, with major financial indicators remaining at solid levels. As at the end of 2020, BOCHK's issued share capital was HKD52.864 billion. Its total assets amounted to HKD3,320.981 billion and net assets reached HKD319.655 billion. Its profit for the year was HKD28.468 billion.

BOCHK improved its operational presence in Southeast Asia and proactively pushed forward its integrated regional development.

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

BOCHK innovated and optimised products and services and enhanced regional service capabilities.

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

BOCHK actively explored market opportunities in its core market of Hong Kong and outperformed its peers in key business areas.

The growth of BOCHK's total customer deposits and loans outpaced the market average. Its deposit structure was continually optimised, while the asset quality of its loan portfolio outperformed the local market. BOCHK remained the top mandated arranger in the Hong Kong-Macao syndicated loan market for the 16th consecutive year and maintained its top market position as an IPO main receiving bank and in the total number of new mortgage loans in Hong Kong. BOCHK worked alongside the HKSAR Government and the Hong Kong Monetary Authority to launch a number of initiatives, including the launch of loan schemes and relief measures for SMEs to address their business challenges and navigate the difficult times alongside them. Moreover, BOCHK continued to deepen its cooperation with large local corporates, achieving breakthroughs in debt issuance and payment

Management Discussion and Analysis — Business Review

businesses. It optimised its customer segment services by launching a brand new premium Private Wealth service for high-end customers, offering more prestigious services to targeted clients, and thus continuously improved its customer structure and numbers. It expedited its FinTech innovation by promoting digital enhancement and scenario-based application in products and services, with the aim of better meeting needs for people's livelihood financial services.

BOCHK captured new opportunities from the development of the Greater Bay Area and expanded featured cross-border services.

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

BOCHK expedited its digital transformation and deepened innovation in FinTech.

By deepening the application of innovative FinTech, BOCHK drove its transformation into a digital bank. Focusing on the five core digital capabilities of innovation, agility, data application, mobility and regionalisation, it aims to establish three catalysing platforms, namely an

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

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

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

Management Discussion and Analysis — Business Review

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

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

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

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

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

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

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

Management Discussion and Analysis — Business Review

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

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

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



Management Discussion and Analysis — Business Review

Comprehensive Operation

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

Investment Banking Business

BOCI

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

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

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

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

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

BOCI China

BOCI China is engaged in securities-related business in the Chinese mainland. As at the end of 2020, the

Management Discussion and Analysis — Business Review

registered capital, total assets and net assets of BOCI China were RMB2.778 billion, RMB53.960 billion and RMB15.006 billion respectively. In 2020, it realised a profit for the year of RMB885 million.

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

On 26 February 2020, BOCI China was successfully listed on the main board of the Shanghai Stock

Exchange, receiving wide recognition from investors. BOCI China will give full play to its brand value and synergies as it develops into a first-class investment bank.

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

Asset Management Business

BOCIM

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

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

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

BOC Wealth Management

The Bank is engaged in wealth management business in the Chinese mainland through BOC Wealth Management. BOC Wealth Management’s business includes wealth management products for the general public, wealth management products for qualified investors, consulting, and other asset management related products and services. As at the end of 2020, BOC Wealth Management’s registered capital

Management Discussion and Analysis — Business Review

was RMB10.000 billion, its total assets amounted to RMB11.065 billion and its net assets totalled RMB10.473 billion. In 2020, its profit for the year reached RMB455 million.

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

Insurance

BOCG Insurance

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

BOCG Insurance actively implemented the development strategies of the country, and steadily expanded the general insurance business. In response

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

BOC Life

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

Management Discussion and Analysis — Business Review

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

BOC Insurance

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

BOC Insurance actively served the Bank’s globalisation strategy. It maintained a leading position in the overseas insurance business, covering more than 30 industries in 70 countries and regions in Asia, Africa and South America. Supporting regional development strategies, BOC Insurance developed integrated insurance action plans for the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. It supported China’s industrial upgrading by offering an insurance compensation mechanism for the first (set of) major technical equipment, so as to facilitate the upgrading of major technical equipment, with a cumulative issued amount of

RMB1.9 billion. It supported customs clearance facilitation reform by providing services for the “single window in international trade” and moving online the full process of tariff guarantee insurance and cargo transportation insurance. To support the development of private enterprises, BOC Insurance formulated and implemented 19 measures for serving private enterprises. It also played an active role in COVID-19 pandemic prevention and control, carried out the “BOC Protection Scheme for Doctors and Nurses” campaign, and provided exclusive insurance services for over 140,000 medical workers with a total insured amount of RMB6.3 billion. In addition, it assumed its share of social responsibility by joining the China Nuclear Insurance Pool, the China Urban and Rural Residential Building Earthquakes Catastrophe Insurance Pool, the single-purpose pre-paid card performance bond insurance pool and the Residential Project Inherent Defect Insurance (IDI) supplier list, and by obtaining the qualifications to provide serious illness insurance for urban and rural residents. In addition, BOC Insurance introduced new forms of claim settlement services, increasingly applied technology to claim settlement, simplified claim settlement formalities, thus improving the efficiency of claim settlement. Attaching importance to consumer protection, BOC Insurance focused on complaint management and customer services, and actively carried out consumer education activities. It was awarded as an excellent organiser of the “3.15 Week of Financial Consumer Protection Publicity” and the “Month of Financial Knowledge Popularisation” campaigns in the Chinese bancassurance industry.

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

Management Discussion and Analysis — Business Review

BOC-Samsung Life

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

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

Investment Business

BOCG Investment

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

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

Management Discussion and Analysis — Business Review

BOC Asset Investment

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

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

Leasing Business

BOC Aviation

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

Committed to pursuing sustainable growth, BOC Aviation continued to implement its robust business

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

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

BOCL

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

Following the strategic objectives of the Group, BOCL focused on national strategies and key regions, upheld the development philosophy of specialisation, differentiation and featured characteristics, highlighted the featured characteristics of financial leasing, refined and strengthened its leasing brand, continued to deepen internal connectivity and collaboration, and achieved key business breakthroughs. As at the end of 2020, it had conducted more than RMB10 billion in financial leasing business, involving transportation,

Management Discussion and Analysis — Business Review

water conservancy, energy production and supply, construction, manufacturing and other industries, thus taking practical steps to support the development of the real economy.

Financial Technology

BOC Financial Technology

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

Serving the development strategies of the Group, BOC Financial Technology devoted efforts to reforming the company's credit authorisation system and the core construction of data governance, built anti-money

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

Management Discussion and Analysis — Business Review

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

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

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

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

Continuously developed a business collaboration ecosystem. The Bank deepened the regional joint meeting mechanism by applying it in 40 domestic and overseas branches, and took multiple measures to support the coordinated marketing of major projects. It supported the major national strategies for regional development, allocated more resources to key regions, and built demonstration zones for comprehensive financial services. In the Yangtze River Economic Delta the Bank set up a comprehensive operation office in Suzhou, Jiangsu Province, which served as an integrated service platform for regional comprehensive operation. In the Guangdong-Hong Kong-Macao Greater Bay Area, BOCG Investment, BOC Asset Investment and

the Shenzhen Branch jointly explored a new mode of investment-lending financial services for technological innovation enterprises. All these efforts ensured the synergistic effects of comprehensive operation, and drove the growth of deposits, loans and custody business of the Group’s commercial banks.

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

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



Management Discussion and Analysis — Business Review

Service Channels

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

Online Channels

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

Unit: million customers, except percentages

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

Unit: RMB billion, except percentages

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

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

Management Discussion and Analysis — Business Review

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

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

Offline Channels

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

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

Management Discussion and Analysis — Business Review

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

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

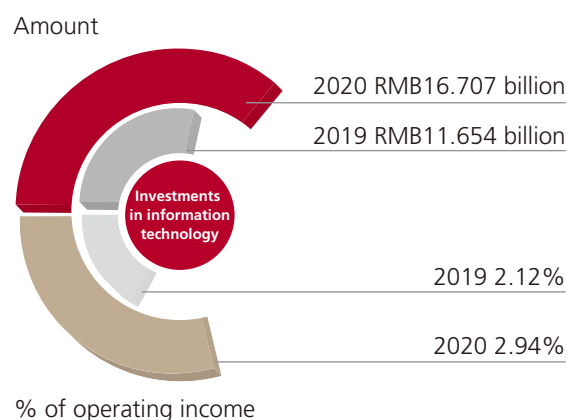
Unit: single item, except percentages

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

Information Technology Development

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

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



Management Discussion and Analysis — Business Review

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

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

comprehensive risk management portal and intelligent risk data, and established a monitoring and early warning mechanism featuring coordinated first and second lines of defence and interconnection between the Head Office and branches. It continuously carried out data governance and improved the big data platform and data governance system.

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

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

Management Discussion and Analysis — Business Review

Accelerating the promotion of BOC IT digital transformation strategy

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

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

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

