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BANK OF CHINA

中國銀行股份有限公司
BANK OF CHINA LIMITED

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

(Stock Code: 3988 and 4601 (Preference Shares))

ANNOUNCEMENT

Bank of China Limited Capital Adequacy Ratio Report of 2018

In accordance with the relevant requirements under the *Capital Rules for Commercial Banks (Provisional)* promulgated by the China Banking and Insurance Regulatory Commission, the meeting of the Board of Directors of the Bank held on 29 March 2019 considered and approved *Bank of China Limited Capital Adequacy Ratio Report of 2018*. Set out below is a complete version of the report for reference only.

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

Beijing, PRC
29 March 2019

As at the date of this announcement, the directors of the Bank are: Chen Siqing, Liu Liange, Wu Fulin, Lin Jingzhen, Zhao Jie, Li Jucui*, Xiao Lihong*, Wang Xiaoya*, Liao Qiang*, Lu Zhengfei#, Leung Cheuk Yan#, Wang Changyun#, Angela Chao# and Jiang Guohua#.*

* *Non-executive Directors*

Independent Non-executive Directors



中國銀行

BANK OF CHINA

Bank of China Limited

Capital Adequacy Ratio Report of 2018

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1 Introduction

1.1 Bank Profile

Bank of China is the Bank with the longest continuous operation among Chinese banks. The Bank was formally established in February 1912 following the approval of Dr. Sun Yat-sen. From 1912 to 1949, the Bank served consecutively as the country's central bank, international exchange bank and specialised international trade bank. Fulfilling its commitment to serving the public and developing China's financial services sector, the Bank rose to a leading position in the Chinese financial industry and developed a good standing in the international financial community, despite many hardships and setbacks. After 1949, drawing on its long history as the state-designated specialised foreign exchange and trade bank, the Bank became responsible for managing China's foreign exchange operations and provided vital support to the nation's foreign trade development and economic infrastructure through its offering of international trade settlement, overseas fund transfer and other non-trade foreign exchange services. During China's reform and opening up period, the Bank seized the historic opportunity presented by the government's strategy of capitalising on foreign funds and advanced technologies to boost economic development, and became the country's key foreign financing channel by building up its competitive advantages in foreign exchange business. In 1994, the Bank was transformed into a wholly state-owned commercial bank. In August 2004, Bank of China Limited was incorporated. The Bank was listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June and July 2006 respectively, becoming the first Chinese commercial bank to launch an A-Share and H-Share initial public offering and achieve a dual listing in both markets. Having served the Beijing 2008 Olympic Games, the Bank became the official banking partner of the Beijing 2022 Olympic and Paralympic Winter Games in 2017, thus making it the only bank in China to serve two Olympic Games. In 2018, Bank of China was again designated as a Global Systemically Important Bank, thus becoming the sole financial institution from an emerging economy to be designated as a Global Systemically Important Bank for eight consecutive years.

As China's most globalised and integrated bank, Bank of China has a well-established global service network with institutions set up across the Chinese mainland as well as in 57 countries and regions. It has established an integrated service platform based on the pillars of its corporate banking, personal banking, financial markets and other commercial banking business, which covers investment banking, direct investment, securities, insurance, funds, aircraft leasing and other areas, thus providing its customers with a comprehensive range of financial services. In addition, BOCHK and the Macau Branch serve as local note-issuing banks in their respective markets.

Bank of China has upheld the spirit of "pursuing excellence" throughout its history of over one century. With adoration of the nation in its soul, integrity as its backbone, reform and innovation as its path forward and "people first" as its guiding principle, the Bank has built up an excellent brand image that is widely recognised within the industry and by its customers. In face of the period of historic opportunities for great achievements, as a large state-owned commercial bank, the Bank will follow Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, persistently enable advancement through technology, drive development through innovation, deliver performance through transformation and enhance strength through reform, in an effort to build BOC into a world-class bank in the new era. It will make a greater contribution to developing a modernised economy and to the efforts to realise the Chinese Dream of national rejuvenation and the aspirations of the people to live a better life.

1.2 Basis of Disclosure

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

1.3 Scope of Consolidation

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

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

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

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

1.3.2 Profile of BOC-invested entities

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

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

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

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

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

Unit: RMB Million (except percentages)

S/N	Name of Invested Institution	Investment Balance	Shareholding Ratio	Place of Registration	Industry
1	BOC Hong Kong (Group) Limited	36,915	100%	Hong Kong	Commercial Bank
2	BOC Financial Asset Investment Co., Ltd.	10,000	100%	Beijing	Non-Banking Financial Institution
3	BOC International Holdings Limited	3,753	100%	Hong Kong	Investment Bank
4	Bank of China (UK) Limited	3,223	100%	United Kingdom	Commercial Bank
5	Bank of China (Luxembourg) S.A.	3,194	100%	Luxembourg	Commercial Bank
6	Bank of China (Canada)	2,350	100%	Canada	Commercial Bank
7	BANK OF CHINA TURKEY A.S.	2,084	100%	Turkey	Commercial Bank
8	BANK OF CHINA (Australia) Limited	2,005	100%	Australia	Commercial Bank
9	Bank of China (New Zealand) Limited	1,077	100%	New Zealand	Commercial Bank
10	BANCO DA CHINA BRASIL S.A.	718	100%	Brasil	Commercial Bank
Total		65,319			

Investments in Invested Institutions Deducted from the Group's Capital

Unit: RMB Million (except percentages)

S/N	Name of Invested Institution	Investment Balance	Shareholding Ratio	Place of Registration	Industry
1	Bank of China Group Insurance Company Limited	4,509	100%	Hong Kong	Insurance
2	Bank of China Insurance Company Limited	3,498	100%	Beijing	Insurance
3	Bank of China Group Life Assurance Company Limited	1,906	51%	Hong Kong	Insurance
Total		9,913			

1.3.3 Capital Shortfall and Intra-Group Capital Transfer

The Group did not experience any capital shortfall nor any restrictions on transfer of regulatory capital within the Group during the reporting period.

2 Capital and Capital Adequacy Ratio

2.1 Internal Capital Adequacy Assessment Method and Process

The Group's framework for the internal capital adequacy assessment process (hereinafter referred as the "ICAAP") includes the governance structure, policies and systems, major risk assessment, capital planning, stress testing, capital adequacy ratio management plan, and monitoring and reporting system. Pursuant to the CBIRC's latest requirements, the Group established and refined the ICAAP framework and governance structure, defined the roles and responsibilities of the Board of Directors and senior management, as well as departments of all entities on the ICAAP. Aligned with the overall development strategies, the Group aims at developing a package of feasible capital management policies and improving the internal management mechanisms. Policies and rules are primarily focused on capital adequacy ratio management, economic capital management and ICAAP management to standardise all capital management procedures, facilitate business development and respond to the changing regulation. As at the publishing date of this report, the Group has accomplished the design and implementation of the ICAAP scheme. The ICAAP framework meets the core requirements of CBIRC on the ICAAP for commercial banks. It ensures that major risks are identified, measured or assessed, monitored and reported; ensures that the capital level is commensurate with major risk and risk management capacity; ensures that capital planning is in line with the status and trend of the Group's operation and risk profile, as well as the long-term development strategy. In accordance with the regulatory policies and by reference to domestic and overseas industry experience and actual conditions, the Group actively explored the assessment of internal capital adequacy, completed *Internal Capital Adequacy Assessment Report of 2018*, and reported to the CBIRC after obtaining approval from the Board of Directors and management.

2.2 Capital Planning and Capital Adequacy Ratio Management Plan

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

The Group has continued to enhance its ability to accumulate internally generated capital. Based on the medium- and long-term capital plan, the Group continued to optimize the capital budget management mechanism, improve annual capital adequacy ratio management objectives and the capital budget allocation scheme, establish the compensation system linked to value creation, strengthen the capital return requirement and value creation awareness, and intensify the performance assessment management on capital to stimulate entities to increase the capital efficiency. The Group reinforced its capital management across business lines, continuously improved the business line performance assessment, and strengthened the capital management requirements for integrated management companies, and improved the awareness of value creation and strengthened high-quality development concepts of all business lines and units. The Group continued to replenish external capital in a prudent manner. It successfully issued a total of RMB80.0 billion qualified write-down tier-2 capital instruments, further enhancing its capital strength and improving the capital structure.

In 2018, these methods were effective. The awareness of capital returns at all units has increased, the capital efficiency has steadily improved, and the weight of risk-weighted asset (RWA) has continued to decrease. The Group's value creation capability has improved significantly, and the Group's capital adequacy ratio has improved substantially and maintained at a satisfactory level.

2.3 Capital Adequacy Ratio

The capital adequacy ratios calculated in accordance with the *Capital Rules, Regulation Governing Capital Adequacy of Commercial Banks* and other related regulations are set forth as follows:

Unit: RMB Million (except percentages)

Item	The Group		The Bank	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Calculated in accordance with the <i>Capital Rules</i>				
Net common equity tier 1 capital	1,465,769	1,356,088	1,251,056	1,180,299
Net tier 1 capital	1,575,293	1,461,090	1,350,770	1,280,013
Net capital	1,922,350	1,725,330	1,683,893	1,526,537
Common equity tier 1 capital adequacy ratio	11.41%	11.15%	11.08%	10.85%
Tier 1 capital adequacy ratio	12.27%	12.02%	11.96%	11.77%
Capital adequacy ratio	14.97%	14.19%	14.92%	14.04%
Calculated in accordance with the <i>Regulation Governing Capital Adequacy of Commercial Banks</i>				
Core capital adequacy ratio	11.63%	11.69%	10.96%	11.39%
Capital adequacy ratio	15.01%	14.56%	14.53%	14.36%

2.4 Composition of Capital

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

Unit: RMB Million

Item	As at 31 December 2018	As at 31 December 2017
Common equity tier 1 capital	1,488,010	1,377,408
Paid-in capital	294,388	294,388
Capital reserve	140,422	140,176
Surplus reserve	156,711	140,692
General reserve	231,416	207,693
Undistributed profits	637,609	606,765
Eligible portion of minority interests	28,229	26,280
Others	(765)	(38,586)
Common equity tier 1 capital deductions	22,241	21,320
Goodwill	182	138
Other intangible assets (except land use rights)	12,078	11,259
Direct or indirect investments in own shares	68	102
Reserve related to the cash-flow hedge items that are not measured at fair value; positive amounts to be deducted and negative amounts to be added back	-	(4)
Investments in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	9,913	9,825
Additional tier 1 capital	109,524	105,002
Additional tier 1 capital instruments and premiums	99,714	99,714
Eligible portion of minority interests	9,810	5,288
Tier 2 capital	347,473	264,652
Tier 2 capital instruments issued and related premiums	256,189	191,596
Excess loan loss provision	82,093	63,672
Eligible portion of minority interests	9,191	9,384
Regulatory deductions	416	412
Significant minority capital investment in tier 2 capital of financial institutions that are outside of the scope of regulatory consolidation	416	412
Net common equity tier 1 capital	1,465,769	1,356,088
Net tier 1 capital	1,575,293	1,461,090
Net capital	1,922,350	1,725,330

2.5 Capital Deduction Limits and Excess Loan Loss Provisions

As at 31 December 2018, the Group's balance of the capital investments and deferred tax assets did not exceed the limits and were not required to be deducted from the Group capital. The limits are as follows:

Unit: RMB Million

Item	As at 31 December 2018	As at 31 December 2017
Non-significant minority investments to financial institutions that are outside the scope of regulatory consolidation	89,253	77,949
Of which: Common equity tier 1 capital investment	7,564	4,912
Additional tier 1 capital investment	4,180	3,449
Tier 2 capital investment	77,509	69,588
Limit (10% of the Group's net common equity tier 1 capital)	146,577	135,609
Difference	57,324	57,660
Significant minority common equity tier 1 capital investment to financial institutions that are outside the scope of regulatory consolidation	5,436	4,878
Limit (10% of the Group's net common equity tier 1 capital)	146,577	135,609
Difference	141,141	130,731
Deferred tax asset relying on the bank's future profitability	36,974	45,591
Limit (10% of the Group's net common equity tier 1 capital)	146,577	135,609
Difference	109,603	90,018
Significant minority common equity tier 1 capital investment to financial institutions that are outside the scope of regulatory consolidation and deferred tax asset relying on the bank's future profitability (non-deducted portion)	42,410	50,469
Limit (15% of the Group's net common equity tier 1 capital)	219,865	203,413
Difference	177,455	152,944

As at 31 December 2018, the excess loan loss provision qualifying for inclusion in tier 2 capital was RMB82,093 million, which was calculated in accordance with the CBIRC regulations in the parallel run period: (i) Where the provision is less than 150% of non-performing loan coverage, all excess loan loss provision up to a maximum of 0.6% of credit risk-weighted assets shall be qualifying for inclusion in tier 2 capital; and (ii) Where the provision is more than 150% of non-performing loan coverage, all excess loan loss provision exceeding 150% of non-performing loan coverage shall all be qualifying for inclusion in tier 2 capital. The limits to relevant excess loan loss provisions are as follows:

Unit: RMB Million

Item	As at 31 December 2018	As at 31 December 2017
Covered by Internal Ratings-Based Approach		
Excess loan loss provisions under Internal Ratings-Based Approach	55,748	61,039
Limit of excess loan loss reserve attributable to tier 2 capital under the Internal Ratings-Based Approach irrespective of adjustment during the parallel run period	43,608	42,474
Amount of excess loan loss reserve attributable to tier 2 capital during the parallel run period	55,748	46,277
Parts not covered by Internal Ratings-Based Approach		
Amount of excess loss reserve under the Regulatory Weighting Approach	26,345	17,395
Limit of excess loan loss reserve attributable to tier 2 capital under the Regulatory Weighting Approach	57,081	51,257
Amount of excess loan loss reserve attributable to tier 2 capital	26,345	17,395

2.6 Material Capital Investments

Please refer to the “Significant Matters” of the Bank’s 2018 Annual Report for more details about the material capital investments during the reporting period.

2.7 Paid-in Capital

As at the end of the reporting period, the Bank’s paid-in capital amounted to RMB294,388 million. Please refer to the “Changes in Share Capital and Shareholdings of Substantial Shareholders” of the Bank’s 2018 Annual Report for more details about the changes in the share capital of the Bank.

Disclosures required in Annex 2 — *Notice on Enhancing Disclosure Requirements for Composition of Capital* of the *CBIRC Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks* issued by the CBIRC are attached in the annex of this report. The information disclosed includes: the composition of the capital, the balance sheets of the Group (prepared both on accounting and the regulatory consolidated basis), breakdown of items of each balance sheet, as well as the key terms and conditions of the capital instruments.

3 Risk Management

3.1 Risk Management Framework

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

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

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

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

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

(1) Vertical management mode

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

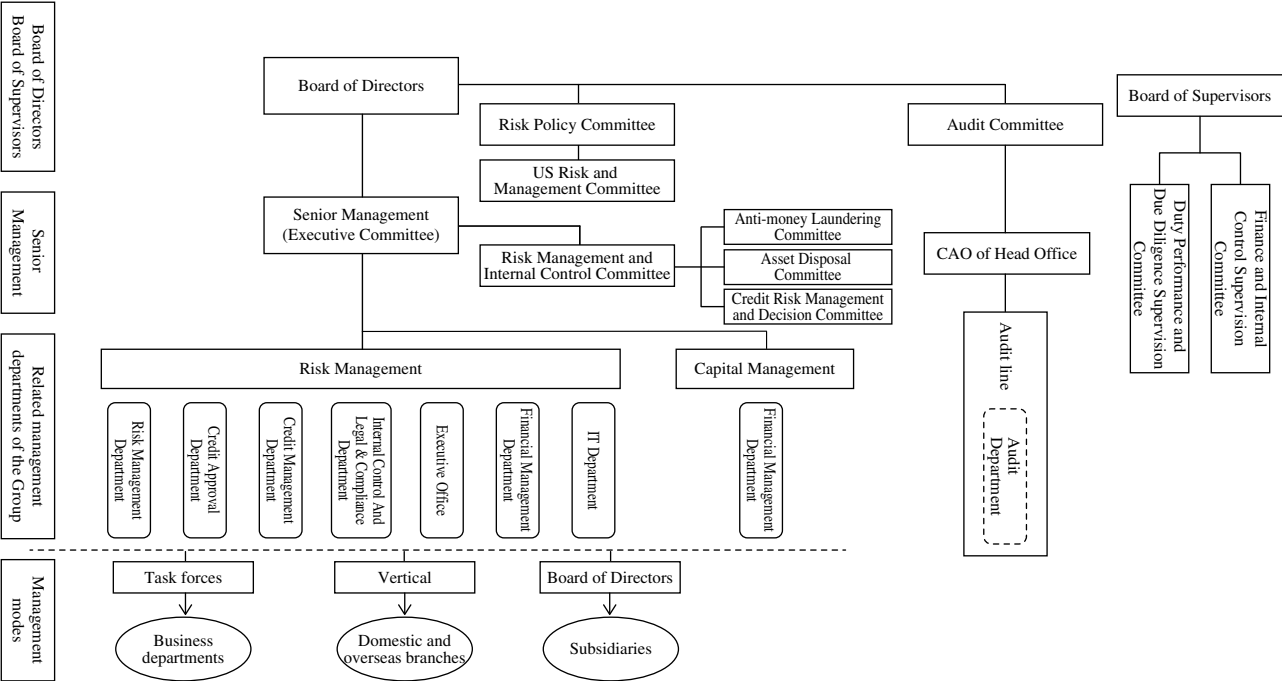
(2) Task force management mode

Each business department sets up a risk management team or position to monitor the risk management of business departments down the reporting line.

(3) Board of Directors management mode

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

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



3.2 Significant Changes to Risk Measurement Approaches

There were no significant changes to risk measurement approaches of the Bank in 2018.

3.3 Risk-weighted Assets

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

Unit: RMB Million

Item	As at 31 December 2018	As at 31 December 2017
Credit risk-weighted assets	11,860,829	11,196,926
Market risk-weighted assets	145,325	137,659
Operational risk-weighted assets	835,372	823,186
Risk-weighted assets increment required to reach capital floor	–	–
Total risk-weighted assets	12,841,526	12,157,771

Note: The Group calculates capital requirements and corresponding risk-weighted assets in accordance with capital floor requirement as stipulated by Annex 14 of the *Capital Rules*, when calculating capital adequacy ratio under the advanced capital measurement approaches. The capital floor adjustment coefficient in 2018 was 80%.

4 Credit Risk

4.1 Credit Risk Management

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

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

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

4.2 Credit Risk Measurement

4.2.1 Measurement Methods and Internal Rating System

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

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

Governance structure of internal rating system

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

The structure of internal rating

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

Risk parameter definition, data and basic approaches to risk measurement

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

Application of rating results

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

4.2.2 Credit Risk Exposures

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

Unit: RMB Million

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

	As at 31 December 2017			
	On-balance sheet credit risk	Off-balance sheet credit risk	Counterparty credit risk	Total
Exposures covered by IRB	8,935,327	1,280,376	20,583	10,236,286
Of which: Corporate exposures	5,682,585	1,063,354	20,583	6,766,522
Retail exposures	3,252,742	217,022	–	3,469,764
Exposures not covered by IRB	10,179,033	374,424	289,408	10,842,865
Total	19,114,360	1,654,800	309,991	21,079,151

4.2.3 Exposures Covered by IRB

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

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

Unit: RMB Million (except percentages)

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

Rating	As at 31 December 2017				
	EAD	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
A	3,575,715	0.70%	41.68%	2,115,072	59.15%
B	2,943,065	3.25%	40.41%	2,987,229	101.50%
C	80,950	38.42%	29.53%	93,829	115.91%
D	146,209	100.00%	42.68%	2,378	1.63%
Total	6,745,939	8.94%	41.00%	5,198,508	77.06%

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

4.2.3.2 Specialised Lending Risk Exposure

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

Unit: RMB Million

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

4.2.3.3 Retail exposures

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

Unit: RMB Million (except percentages)

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

Item	As at 31 December 2017				
	EAD	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Residential mortgage exposures	2,932,292	1.30%	25.34%	659,083	22.48%
Qualifying revolving retail exposures	269,327	0.87%	71.48%	61,422	22.81%
Other retail exposures	268,145	4.42%	37.80%	118,031	44.02%
Total	3,469,764	1.12%	29.88%	838,536	24.17%

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

4.2.4 Exposures not Covered by IRB

4.2.4.1 Risk weight determination method

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

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

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

Unit: RMB Million

	As at 31 December 2018	As at 31 December 2017
Corporate	1,628,904	1,362,981
Sovereign	5,751,785	5,367,613
Financial institutions	3,029,839	2,414,320
Retail	961,984	785,198
Equity	70,779	50,885
Asset securitization	36,680	8,204
Others	478,210	564,256
Total	11,958,181	10,553,457

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

Unit: RMB Million

Risk weight	As at 31 December 2018	As at 31 December 2017
0%	4,814,450	4,746,498
20%	2,107,912	1,845,914
25%	969,054	875,205
50%	196,100	168,282
75%	824,728	619,532
100%	2,926,616	2,196,103
150%	1,451	695
250%	54,154	61,172
350%	–	–
400%	15,702	857
1250%	48,014	39,199
Total	11,958,181	10,553,457

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

Unit: RMB Million

	As at 31 December 2018	As at 31 December 2017
Capital instruments at various tiers issued by other financial institutions held by the Group	64,209	59,548
Of which: Common equity tier 1 capital	5,466	4,165
Additional tier 1 capital	–	–
Tier 2 capital	58,743	55,383
Equity investments in commercial enterprises	53,599	35,304
Equity investments in financial institutions	17,180	15,581
Non-own-use real estate	2,002	2,025

4.3 Credit Risk Mitigation

Risk mitigation policies

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

Risk mitigation instruments management process

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

Main types of collateral

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

Valuation policies and procedures

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

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

Main types of guarantors

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

Capital measurement

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

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

Unit: RMB Million

Exposure type	As at 31 December 2018			As at 31 December 2017		
	Guarantee	Financial collateral	Commercial and residential real estate	Guarantee	Financial collateral	Commercial and residential real estate
Corporate exposures	646,055	279,102	504,256	622,092	474,257	567,831

4.4 Overdue and Non-performing Loans

A loan will be regarded as overdue when the borrower fails to repay it to the lender within the period specified in the loan contract. The total overdue loan at the group level amounted to RMB219,951 million at 2018 year-end.

In accordance with the *Guideline for Loan Credit Risk Classification*, loans are classified into five categories: pass performing, special-mention, substandard, doubtful and loss, among which the last three are regarded as non-performing. Where the borrower of a non-performing loan is not able to repay the principal and interest of the loan in full, certain loss might be incurred even when the security interest is claimed. The total non-performing loan at the group level was RMB166,941 million at 2018 year-end.

4.5 Allowance for Impairment Losses

The Group uses the expected credit loss (ECL) model to measure the impairment of loans. The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

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

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the balance sheet date are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

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

The Group conducted an assessment of ECL according to forward-looking information and used models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit-impaired financial asset, parameters for measuring ECL, forward-looking information and modification of contractual cash flows.

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

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

Unit: RMB Million

	Year ended 31 December 2018			
	12-month ECL	Lifetime ECL		Total
	Stage 1	Stage 2	Stage 3	
As at 1 January	87,094	76,050	117,419	280,563
Impairment losses for the period	44,537	36,901	45,952	127,390
Reversal	(39,519)	(20,181)	(13,102)	(72,802)
Transfers to Stage 1	10,301	(9,636)	(665)	–
Transfers to Stage 2	(1,481)	1,929	(448)	–
Transfers to Stage 3	(350)	(25,985)	26,335	–
Impact on period end ECL of exposures transferred between stages during the period	(9,674)	17,487	41,136	48,949
Changes to contractual cash flows due to modifications not resulting in derecognition	(29)	2,018	(587)	1,402
Model/risk parameters adjustment	3,929	(199)	–	3,730
Write-off and transfer out	(192)	(1,969)	(89,497)	(91,658)
Recovery of loans and advances written off	–	–	5,413	5,413
Unwinding of discount on allowance	–	–	(1,652)	(1,652)
Acquisition of subsidiaries	359	29	296	684
Exchange differences and others	814	159	516	1,489
As at 31 December	95,789	76,603	131,116	303,508

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

Unit: RMB Million

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

Reconciliation of allowance for impairment losses in the year of 2017:

Unit: RMB Million

Year ended 31 December 2017	
As at 1 January	237,716
Impairment losses for the year	126,683
Reversal	(42,658)
Write-off and transfer out	(70,344)
Transfer in	
— Recovery of loans and advances written off	3,546
— Unwind of discount on allowance	(1,989)
— Exchange differences	(1,518)
Acquisition of subsidiaries	818
As at 31 December	252,254

5 Market Risk

5.1 Market Risk Management

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

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

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

In 2006, the Bank established the market risk management policy system, monitoring system and reporting system, so as to ensure risk governance system can be applied to day-to-day risk management. So far the Bank has developed sound market risk management system and the system of using internal model approach to measure market risk capital. The systems include market risk governance, policy process, internal model measurement, internal model verification and back-testing, internal model information system, stress testing, file management, internal model application for market risk, and internal audit of market risk management. All relevant policies, methodologies and management methods have been directly applied to such fields as market risk monitoring, measurement, management and reporting.

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

The Bank actively adapted to the changes in business environment by improving its market risk appetite setting and transmission mechanism and refining its model for the market risk limit management of the Group. To improve its risk warning and mitigation capabilities, the Bank optimized the procedure and mechanism of CCR management and conducted forward-looking research and judgement regarding market risks and cross-financial risks. The Bank continuously advanced the building of a market risk data mart and management system and studied and applied advanced risk measurement approaches, so as to enhance the accuracy of risk measurement and improve its risk quantitative management ability.

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

5.2 Market Risk Measurement

5.2.1 Capital Requirements on Market Risk

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

Unit: RMB Million

	As at 31 December 2018	As at 31 December 2017
Covered by Internal Model Approach	6,430	7,149
Not covered by Internal Model Approach	5,196	3,864
Interest rate risk	4,695	3,200
Equity risk	146	521
Foreign exchange risk	–	–
Commodity risk	355	143
Total	11,626	11,013

5.2.2 Value at Risk (VaR)

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

Unit: RMB Million

	For the year ended 31 December							
	2018				2017			
	Average	Maximum	Minimum	Year-end	Average	Maximum	Minimum	Year-end
VaR	672	1,215	327	631	443	657	244	462
Stress VaR	1,504	2,557	923	1,472	1,619	2,055	1,297	1,999

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

6 Operational Risk

6.1 Operational Risk Management

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

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

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

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

6.2 Operational Risk Measurement

During the reporting period, the operational risk capital requirement of the Group on a consolidated basis under the Standardized Approach amounted to RMB66,830 million.

7 Other Risk

7.1 Asset Securitization

7.1.1 Business Objective

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

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

7.1.2 Business Overview

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

On 2 Mar, 12 Jun, 9 Jul, 7 Dec and 14 Dec 2018, the Bank successfully issued five credit asset-backed securities in the interbank market. Zhong Ying 2018-1, Zhong Ying 2018-2, Zhong Ying Wan Jia 2018-1 and Zhong Ying Wan Jia 2018-2 RMBS totalled RMB10,506 million, RMB8,300 million, RMB9,424 million and RMB9,720 million, respectively. Zhong Yu 2018-1 with non-performing loans as underlying assets totalled RMB162 million.

To comply with the regulatory requirements on risk retention, the Bank held 5% of the securities in each of the tranches of the 2018-1 securitization project with non-performing loans as underlying assets, amounting to RMB8 million. In 2018, the Bank held all subordinated tranches of the four RMBS, which was RMB1,356 million, RMB1,161 million, RMB1,434 million and RMB1,630 million, respectively.

7.1.3 Accounting Policies for Asset Securitization

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

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

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

Where the Group controls the special purpose entity, the entity should be consolidated in the financial statements. The Group controls an entity (including corporates, divisible portions of associates and joint ventures, and structured entities controlled by corporates) when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, and accordingly the entity is a subsidiary of the Group, and shall be consolidated at Group level. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

7.1.4 External Rating Agencies

Asset securitization products issued in the interbank market are all simultaneously rated by two rating agencies. For the issuances in 2018, Zhong Ying 2018-1 was rated by China Lianhe Credit Rating and China Bond Rating; Zhong Ying 2018-2, Zhong Yu 2018-1 and Zhong Ying Wan Jia 2018-1 were rated by CCXI and China Bond Rating; Zhong Ying Wan Jia 2018-2 was rated by Golden Credit Rating International and China Bond Rating.

7.1.5 Risk Exposure and Capital Requirements

The Group measures asset securitization risk exposure and capital requirements by using Standardized Approach in accordance with the *Capital Rules*, and determines risk weights according to the credit ratings of eligible rating institutions recognized by the Bank and the corresponding table of credit ratings and risk weights stipulated in the *Capital Rules*. As at the end of 2018, the Group's exposures to asset securitization were RMB36,680 million, and capital requirements were RMB3,018 million.

Unit: RMB Million

Item	As at 31 December 2018		As at 31 December 2017	
	Traditional asset securitization risk exposures	Synthetic asset securitization risk exposures	Traditional asset securitization risk exposures	Synthetic asset securitization risk exposures
As originating institution				
Asset-backed securities	15	–	76	–
Mortgage-backed securities	7,775	–	2,791	–
As investing institution				
Asset-backed securities	11,484	–	4,928	–
Mortgage-backed securities	17,406	–	409	–
Total	36,680	–	8,204	–

7.2 Counterparty Credit Risk

7.2.1 Counterparty credit risks covered by IRB Approach

To achieve group-wide policy coverage at the Group's institutional and operational levels, in recent years, the Group has developed group counterparty credit risk control standards, methods, processes and significant risk early warning mechanisms and reporting requirements which are appropriate to regulatory requirements and business development. In 2018, the Group adapted to business development requirement, furtherly perfected management methods, improved the credit risk management requirements of non-corporate products and overseas central centralized clearing counterparties, and optimized the entry standards for commercial collateral in financial market.

At the end of 2018, the Group's counterparty credit risk exposures covered by IRB Approach amounted to RMB19,252 million, which all arose from transactions with corporates.

7.2.2 Counterparty credit risks not covered by IRB Approach

Unit: RMB Million

Counterparty	As at 31 December 2018	As at 31 December 2017
Central counterparty	82,908	14,579
Others	307,209	274,829
Total	390,117	289,408

7.3 Interest Rate Risk in the Banking Book

7.3.1 Management of interest rate risk in the banking book

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

The Group adheres to prudence principle in the management of interest rate risk in banking book. The Group aims to control the adverse impacts from changes in interest rates on overall profits and economic value within an acceptable range by implementing effective management under the overall business development strategy and risk appetite so as to promote the Group's sustainable profit growth. The Group measures interest rate risk in banking book on a monthly basis, and timely adjusts structure of assets and liabilities or hedge the risk based on market change to control the interest rate risk at an acceptable range.

The Group measures interest rate risk mainly by making gap analysis of interest rate re-pricing, on which the sensitivity analysis is based. See below for the results from 2018 sensitivity analysis. In the above-mentioned sensitivity analysis, it was assumed that all interest rates changed with identical magnitude and structure of assets and liabilities remained unchanged. Re-pricing periods of loans and fixed-term deposits are determined by contractual cash flows, and re-pricing periods of current deposits and other perpetuity deposits are set as overnight.

7.3.2 Interest rate sensitivity analysis

Unit: RMB Million

Interest rate basis points move	(Decrease)/increase in net interest income	
	As at 31 December 2018	As at 31 December 2017
+25 basis points	(4,136)	(4,200)
-25 basis points	4,136	4,200

8 Remuneration

8.1 Composition and Authority of the Remuneration Management Committee

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

8.2 Remuneration Policy

Overview

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

Remuneration policies of employees in risk and compliance functions

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

Relation between remuneration policies and present and future risk

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

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

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

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

Relation between remuneration and the Bank's performance

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

8.3 Disclosures of Senior Management Remuneration

For basic information and remuneration of the senior management members of the Bank, members and remuneration of the Remuneration Committee members under the Board of Directors, please refer to 2018 Annual Report.

Annex 1: Composition of Capital

Unit: RMB Million (except percentages)

		As at 31 December 2018	As at 31 December 2017	Code
Common equity tier 1 capital				
1	Paid-in capital	294,388	294,388	j
2	Retained earnings	1,025,736	955,150	
2a	Surplus reserve	156,711	140,692	q
2b	General reserve	231,416	207,693	r
2c	Undistributed profits	637,609	606,765	s
3	Accumulated other comprehensive income (and other reserves)	139,657	101,590	
3a	Capital reserve	140,422	140,176	l
3b	Currency translation differences	(13,502)	(18,974)	p
3c	Others	12,737	(19,612)	n-p
4	Amount attributable to common equity tier 1 capital in transitional period	–	–	
5	Eligible portion of minority interests	28,229	26,280	t
6	Common equity tier 1 capital before regulatory adjustment	1,488,010	1,377,408	
Common equity tier 1 capital: regulatory adjustment				
7	Prudential valuation adjustment	–	–	
8	Goodwill (net of deferred tax liabilities deduction)	(182)	(138)	-h
9	Other intangible assets (excluding land use rights) (net of deferred tax liabilities deduction)	(12,078)	(11,259)	g-f
10	Net deferred tax assets incurred due to operating losses, relying on the bank's future profitability to be realized	–	–	
11	Reserve relating to cash-flow hedge items not measured at fair value	–	4	-o
12	Shortfall of provisions to loan losses	–	–	
13	Gains on sale of securitization	–	–	
14	Unrealized gains and losses that have resulted from changes in the fair value of liabilities due to changes in own credit risk	–	–	
15	Net pension assets with fixed yield (net of deferred tax liabilities deduction)	–	–	

Annex 1: Composition of Capital (Continued)

		As at 31 December 2018	As at 31 December 2017	Code
16	Direct or indirect investments in own shares	(68)	(102)	m
17	Reciprocal cross holdings in common equity of banks or other financial institutions based on agreement	–	–	
18	Non-significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
19	Significant minority investments in common equity tier 1 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	
20	Collateralized loan service rights	Not applicable	Not applicable	
21	Deductible amount of other net deferred tax assets relying on the bank's future profitability	–	–	
22	Deductible amount of non-deducted part of common equity tier 1 capital of significant minority investments in financial institutions that are outside the scope of regulatory consolidation and other net deferred tax assets relying on the bank's future profitability in excess of 15% of common equity tier 1 capital	–	–	
23	Of which: Amount deductible out of significant minority investments in financial institutions	–	–	
24	Of which: Amount deductible out of collateralized loan service rights	Not applicable	Not applicable	
25	Of which: Amount deductible out of other net deferred tax assets relying on the bank's future profitability	–	–	
26a	Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	(9,913)	(9,825)	-e
26b	Gap of common equity tier 1 capital of controlled but unconsolidated financial institutions	–	–	

Annex 1: Composition of Capital (Continued)

		As at 31 December 2018	As at 31 December 2017	Code
26c	Total of other items deductible out of common equity tier 1 capital	–	–	
27	Non-deducted gap deductible out of additional tier 1 capital and tier 2 capital	–	–	
28	Total regulatory adjustment of common equity tier 1 capital	(22,241)	(21,320)	
29	Net common equity tier 1 capital	1,465,769	1,356,088	
Additional tier 1 capital				
30	Additional tier 1 capital instruments and related premiums	99,714	99,714	
31	Of which: Equity part	99,714	99,714	k
32	Of which: Liability part	–	–	
33	Instruments non-attributable to additional tier 1 capital after transitional period	–	–	
34	Eligible portion of minority interests	9,810	5,288	u
35	Of which: Part of instruments non-attributable to additional tier 1 capital after transitional period	–	–	
36	Additional tier 1 capital before regulatory adjustment	109,524	105,002	
Additional tier 1 capital: Regulatory adjustment				
37	Direct or indirect investments in additional tier 1 capital of own banks	–	–	
38	Additional tier 1 capital cross-held between banks or between the bank and other financial institutions based on agreement	–	–	
39	Non-significant minority investments in additional tier 1 capital of unconsolidated financial institutions (deductible part)	–	–	
40	Significant minority investments in additional tier 1 capital of financial institutions that are outside the scope of regulatory consolidation	–	–	
41a	Investment in additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	–	–	

Annex 1: Composition of Capital (Continued)

		As at 31 December 2018	As at 31 December 2017	Code
41b	Gap of additional tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	–	–	
41c	Other deductions from additional tier 1 capital	–	–	
42	Non-deducted gaps deductible from tier 2 capital	–	–	
43	Total regulatory adjustment of additional tier 1 capital	–	–	
44	Net additional tier 1 capital	109,524	105,002	
45	Net tier 1 capital (net common equity tier 1 capital + net additional tier 1 capital)	1,575,293	1,461,090	
Tier 2 capital				
46	Tier 2 capital instruments issued and related premiums	256,189	191,596	
47	Of which: Part of instruments non-attributable to tier 2 capital after transitional period	65,823	82,279	i
48	Eligible portion of minority interests	9,191	9,384	
49	Of which: Part of minority interests non-attributable to tier 2 capital after transitional period	–	–	
50	Excess provision included in tier 2 capital	82,093	63,672	-b-d
51	Tier 2 capital before regulatory adjustment	347,473	264,652	
Tier 2 capital: Regulatory adjustment				
52	Tier 2 capital of the bank held directly or indirectly	–	–	
53	Tier 2 capital cross-held between banks or between the bank and other financial institutions based on agreement	–	–	
54	Non-significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation (deductible part)	–	–	

Annex 1: Composition of Capital (Continued)

		As at 31 December 2018	As at 31 December 2017	Code
55	Significant minority investments in tier 2 capital of financial institutions that are outside the scope of regulatory consolidation	(416)	(412)	
56a	Investment in tier 2 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	–	–	
56b	Gap of tier 2 capital of controlled but unconsolidated financial institutions	–	–	
56c	Other deductions from tier 2 capital	–	–	
57	Total regulatory adjustment of tier 2 capital	(416)	(412)	
58	Net tier 2 capital	347,057	264,240	
59	Total net capital (net tier 1 capital + net tier 2 capital)	1,922,350	1,725,330	
60	Total risk-weighted assets	12,841,526	12,157,771	
Capital adequacy ratio and reserve capital requirement				
61	Common equity tier 1 capital adequacy ratio	11.41%	11.15%	
62	Tier 1 capital adequacy ratio	12.27%	12.02%	
63	Capital adequacy ratio	14.97%	14.19%	
64	Institution-specific capital requirement	3.50%	3.50%	
65	Of which: Capital reserve requirement	2.50%	2.50%	
66	Of which: Countercyclical reserve requirement	–	–	
67	Of which: Additional capital requirement of G-SIBs	1.00%	1.00%	
68	Ratio of common equity tier 1 capital meeting buffer area to risk-weighted assets	6.41%	6.15%	
Domestic minimum regulatory capital requirement				
69	Common equity tier 1 capital adequacy ratio	5.00%	5.00%	
70	Tier 1 capital adequacy ratio	6.00%	6.00%	
71	Capital adequacy ratio	8.00%	8.00%	

Annex 1: Composition of Capital (Continued)

		As at 31 December 2018	As at 31 December 2017	Code
Non-deducted part of threshold deductibles				
72	Non-significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	89,253	77,949	
73	Significant minority investments of financial institutions that are outside the scope of regulatory consolidation (non-deductible part)	5,436	4,878	
74	Collateralized loan service rights (net of deferred tax liabilities deduction)	Not applicable	Not applicable	
75	Other net deferred tax assets relying on the bank's future profitability (net of deferred tax liabilities deduction)	36,974	45,591	
Limit of excess loan loss reserve attributable to tier 2 capital				
76	Actual accrued loan loss reserve amount under the Regulatory Weighting Approach	41,465	30,690	-a
77	Amount of excess loan loss reserve attributable to tier 2 capital under the Regulatory Weighting Approach	26,345	17,395	-b
78	Actual accrued excess loan loss reserve amount under the Internal Ratings-based Approach	55,748	61,039	-c
79	Amount of excess loan loss reserve attributable to tier 2 capital under the Internal Ratings-based Approach	55,748	46,277	-d
Capital instruments meeting exit arrangement				
80	Amount attributable to common equity tier 1 capital of the current period derived from transitional period arrangement	-	-	
81	Amount non-attributable to common equity tier 1 capital derived from transitional period arrangement	-	-	
82	Amount attributable to additional tier 1 capital of the current period derived from transitional period arrangement	-	-	

Annex 1: Composition of Capital (Continued)

		As at 31 December 2018	As at 31 December 2017	Code
83	Amount non-attributable to additional tier 1 capital derived from transitional period arrangement	–	–	
84	Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	65,823	82,279	i
85	Amount non-attributable to tier 2 capital of the current period derived from transitional period arrangement	33,107	16,651	

Annex 2: Financial and Regulatory Consolidated Balance Sheet

Unit: RMB Million

	As at 31 December 2018		As at 31 December 2017	
	Financial Consolidated	Regulatory Consolidated	Financial Consolidated	Regulatory Consolidated
ASSETS				
Cash and balances with central banks	2,407,808	2,407,807	2,303,020	2,303,018
Due from banks and other financial institutions	363,176	357,897	485,057	480,888
Precious metals	181,203	181,203	172,763	172,763
Placements with and loans to banks and other financial institutions	781,761	780,151	486,559	485,649
Derivative financial assets	124,126	123,986	94,912	94,734
Reverse repurchase transactions	260,597	260,207	88,840	87,990
Loans and advances to customers	11,515,764	11,514,470	10,644,304	10,642,844
Financial investments	5,054,551	4,897,328	4,554,722	4,416,880
— financial assets at fair value through profit or loss	370,491	275,470	193,611	155,732
— financial assets at fair value through other comprehensive income	1,879,759	1,858,107	Not applicable	Not applicable
— financial assets at amortised cost	2,804,301	2,763,751	Not applicable	Not applicable
— available for sale	Not applicable	Not applicable	1,857,222	1,779,950
— held to maturity	Not applicable	Not applicable	2,089,864	2,072,491
— loans and receivables	Not applicable	Not applicable	414,025	408,707
Long term equity investment	23,369	52,048	17,180	44,551
Investment properties	22,086	15,373	21,026	14,884
Property and equipment	227,394	97,623	205,614	96,663
Intangible assets	19,452	18,366	18,835	17,772
Goodwill	2,620	182	2,481	138
Deferred income tax assets	38,204	36,974	46,487	45,591
Other assets	245,164	196,762	325,624	281,106
Total assets	21,267,275	20,940,377	19,467,424	19,185,471

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

	As at 31 December 2018		As at 31 December 2017	
	Financial Consolidated	Regulatory Consolidated	Financial Consolidated	Regulatory Consolidated
LIABILITIES				
Due to central banks	907,521	907,521	1,035,797	1,035,797
Due to banks and other financial institutions	1,731,209	1,731,209	1,425,262	1,425,262
Placements from banks and other financial institutions	327,249	316,968	241,692	233,679
Trading financial liabilities	14,327	14,327	20,372	20,372
Derivative financial liabilities	99,254	98,284	111,095	110,273
Repurchase transactions	285,018	284,861	258,400	258,400
Due to customers	14,883,596	14,884,503	13,657,924	13,659,117
Employee benefits payable	33,822	32,366	31,910	31,280
Current tax liabilities	27,894	27,451	34,521	33,695
Contingent liabilities	22,010	22,010	2,941	2,941
Bonds issued	782,127	727,493	499,128	458,313
Deferred income tax liabilities	4,548	367	4,018	351
Other liabilities	423,303	230,432	567,685	392,673
Total liabilities	19,541,878	19,277,792	17,890,745	17,662,153
EQUITY				
Share capital	294,388	294,388	294,388	294,388
Other equity instruments	99,714	99,714	99,714	99,714
Of which: Preference shares	99,714	99,714	99,714	99,714
Capital reserve	142,135	140,422	141,880	140,176
Less: Treasury shares	(68)	(68)	(102)	(102)
Other comprehensive income	1,417	(765)	(35,573)	(38,586)
Surplus reserve	157,464	156,711	141,334	140,692
General reserve	231,525	231,416	207,817	207,693
Undistributed profits	686,405	637,609	646,558	606,765
Capital and reserves attributable to equity holders of the Bank	1,612,980	1,559,427	1,496,016	1,450,740
Non-controlling interests	112,417	103,158	80,663	72,578
Total equity	1,725,397	1,662,585	1,576,679	1,523,318
Total equity and liabilities	21,267,275	20,940,377	19,467,424	19,185,471

Annex 3: Reconciliation and Illustration of Balance Sheet Items

Unit: RMB Million

	As at 31 December 2018	As at 31 December 2017	Code
ASSETS			
Cash and balances with central banks	2,407,807	2,303,018	
Due from banks and other financial institutions	357,897	480,888	
Precious metals	181,203	172,763	
Placements with and loans to banks and other financial institutions	780,151	485,649	
Derivative financial assets	123,986	94,734	
Reverse repurchase transactions	260,207	87,990	
Loans and advances to customers	11,514,470	10,642,844	
Of which: Actual accrued loan loss reserve amount under the Regulatory Weighting Approach	(41,465)	(30,690)	a
Of which: Amount of excess loan loss reserve attributable to tier 2 capital under the Regulatory Weighting Approach	(26,345)	(17,395)	b
Of which: Actual accrued excess loan loss reserve amount under the Internal Ratings-based Approach	(55,748)	(61,039)	c
Of which: Amount of excess loan loss reserve attributable to tier 2 capital under the Internal Ratings-based Approach	(55,748)	(46,277)	d
Financial investments	4,897,328	4,416,880	
— financial assets at fair value through profit or loss	275,470	155,732	
— financial assets at fair value through other comprehensive income	1,858,107	Not applicable	
— financial assets at amortised cost	2,763,751	Not applicable	
— available for sale	Not applicable	1,779,950	
— held to maturity	Not applicable	2,072,491	
— loans and receivables	Not applicable	408,707	
Long term equity investment	52,048	44,551	
Of which: Investment in common equity tier 1 capital of financial institutions with controlling interests but outside the scope of regulatory consolidation	9,913	9,825	e
Investment properties	15,373	14,884	
Property and equipment	97,623	96,663	
Intangible assets	18,366	17,772	f
Of which: Land use rights	6,288	6,513	g
Goodwill	182	138	h
Deferred income tax assets	36,974	45,591	
Other assets	196,762	281,106	
Total assets	20,940,377	19,185,471	

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

	As at 31 December 2018	As at 31 December 2017	Code
LIABILITIES			
Due to central banks	907,521	1,035,797	
Due to banks and other financial institutions	1,731,209	1,425,262	
Placements from banks and other financial institutions	316,968	233,679	
Financial liabilities at fair value through profit or loss	14,327	20,372	
Derivative financial liabilities	98,284	110,273	
Repurchase transactions	284,861	258,400	
Due to customers	14,884,503	13,659,117	
Employee benefits payable	32,366	31,280	
Current tax liabilities	27,451	33,695	
Contingent liabilities	22,010	2,941	
Bonds issued	727,493	458,313	
Of which: Amount attributable to tier 2 capital of the current period derived from transitional period arrangement	65,823	82,279	i
Deferred income tax liabilities	367	351	
Other liabilities	230,432	392,673	
Total liabilities	19,277,792	17,662,153	
EQUITY			
Share capital	294,388	294,388	j
Other equity instruments	99,714	99,714	
Of which: Preference shares	99,714	99,714	k
Capital reserve	140,422	140,176	l
Less: Treasury shares	(68)	(102)	m
Other comprehensive income	(765)	(38,586)	n
Of which: Reserve relating to cash-flow hedge items not measured at fair value	–	(4)	o
Of which: Currency translation differences	(13,502)	(18,974)	p
Surplus reserve	156,711	140,692	q
General reserve	231,416	207,693	r
Undistributed profits	637,609	606,765	s
Capital and reserves attributable to equity holders of the Bank	1,559,427	1,450,740	
Non-controlling interests	103,158	72,578	
Of which: Amount attributable to common equity tier 1 capital	28,229	26,280	t
Of which: Amount attributable to additional tier 1 capital	9,810	5,288	u
Total equity	1,662,585	1,523,318	
Total equity and liabilities	20,940,377	19,185,471	

Annex 4: Main Attributes of Capital Instruments

Unit: RMB Million (unless otherwise stated)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	601988.SH	3988.HK	360002.SH	4601.HK	360010.SH
3	Applicable law	PRC law	Hong Kong SAR law	PRC law	Hong Kong SAR law	PRC law
Regulatory processing						
4	Of which: Applicable to transitional period rules specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Common equity tier 1 capital	Common equity tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Common equity tier 1 capital	Common equity tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
6	Of which: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Common shares	Common shares	Preference shares	Preference shares	Preference shares
8	Amount attributable to regulatory capital (the last reporting day)	282,501	151,808	31,963	39,782	27,969
9	Par value of instrument	210,766	83,622	32,000	39,940	28,000
10	Accounting treatment	Share capital and capital reserve	Share capital and capital reserve	Other equity instrument	Other equity instrument	Other equity instrument
11	Initial issuing date	2006/6/29	2006/6/1 2006/6/9	2014/11/21	2014/10/23	2015/3/13
12	Term (term or perpetual)	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Of which: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer's redemption (subject to regulatory approval)	No	No	Yes	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Not applicable	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
Regulatory processing (Continued)						
16	Of which: Subsequent redemption date (if any)	Not applicable	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the Preference Shares after 5 years from the date of issuance and at every Dividend Payment Date thereafter
Dividend or interest payment						
17	Of which: Fixed or floating dividend or interest payment	Floating	Floating	Fixed	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	Not applicable	Not applicable	6% (dividend yield, before tax)	The dividend yield fixed at 6.75% (after tax) for the first five years, is reset based on the five-year U.S. treasury rate plus a fixed interest spread at the dividend reset date every five years, and the dividend yield during each reset period remains unchanged	5.5% (dividend yield, before tax)
19	Of which: Existence of dividend brake mechanism	Not applicable	Not applicable	Yes	Yes	Yes
20	Of which: Discretion to cancel dividend or interest payment	Full discretion	Full discretion	Full discretion	Full discretion	Full discretion
21	Of which: Existence of redemption incentive mechanism	No	No	No	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	Not applicable	Not applicable	Yes	Yes	Yes

Annex 4: Main Attributes of Capital Instruments (Continued)

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

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
Dividend or interest payment (Continued)						
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Whole/part	Whole/part	Whole/part
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB2.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds etc.)), or rights issue for A Shares, the Bank	The initial conversion price of the Offshore Preference Shares is the average trading price of H Shares of the Bank in the 20 trading days prior to the announcement date (i.e.2014/5/13) of the Board resolution on the Offshore Preference Shares issuance, equivalent to HKD3.44 per H Share, which has been approved by General Meeting. The conversion price will be subject to adjustment in the following events: (a) if the Bank shall issue any H Shares credited as fully paid to holders of H Shares by way of a distribution of bonus shares or a capitalization issue; (b) if the Bank shall issue any H Shares by way of a rights issue; (c) if the Bank shall issue (otherwise than rights issue) any H Shares (other than H Shares issued	The initial compulsory conversion price of the Domestic Preference Shares is the average trading price of A Shares of the Bank in the 20 trading days prior to the announcement date of the Board resolution on the Preference Shares issuance, equivalent to RMB2.62 per A Share. After the issuance of the Preference Shares, in the event of any distribution of bonus shares, recapitalization, issuance of new shares at a price lower than the market price (excluding any increase of share capital due to conversion of financing instruments convertible to ordinary shares issued by the Bank (e.g., preference shares, convertible bonds etc.)), or rights issue for

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
Dividend or interest payment (Continued)						
				<p>will make an adjustment to the compulsory conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary share</p>	<p>on the compulsory conversion of the Offshore Preference Shares or on the exercise of any other rights of conversion into, or exchange or subscription for H Shares), at a price per H Share which is less than the Current Market Price per H Share on the date of the announcement of the terms of such issue or grant; (d) if the Bank repurchases any of its Ordinary Shares, or is subject to a merger, division or any other circumstances that may lead to any change in the Bank's share classes, number and/ or shareholders' equity and thereby affect the rights and interests of the Offshore Preference Shareholders, the Bank is entitled to adjust the compulsory conversion price in a fair, just and equitable manner in order to protect the rights and interests of the Offshore Preference Shareholders</p>	<p>A Shares, the Bank will make an adjustment to the compulsory conversion price to reflect each of such events on a cumulative basis in the order of the occurrence of the events above, but the Bank will not make an adjustment to the compulsory conversion price to reflect distribution of cash dividends for ordinary share</p>

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Common shares (A share)	Common shares (H share)	Preference shares (Domestic)	Preference shares (Offshore)	Preference shares (Domestic)
Dividend or interest payment (Continued)						
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Yes	Yes	Yes
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	A common share	H common share	A common share
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Bank of China Limited	Bank of China Limited	Bank of China Limited
30	Write-down feature	Not applicable	Not applicable	No	No	No
31	Of which: Please specify the trigger point of write-down, if allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lowest priority of all claims	The lowest priority of all claims	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)	The lower priority behind the deposit, general debt, and subordinated debt (including tier 2 capital bond)
36	Does the instrument contain temporary illegible attribute?	No	No	No	No	No
	Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	Bank of China Limited	Bank of China Limited	Bank of China Limited	Bank of China Limited
2	Identification code	1428010.IB	5828.HK	1728017.IB	1728020.IB
3	Applicable law	PRC law	English law (Provisions relating to subordination shall be governed by PRC law)	PRC law	PRC law
Regulatory processing					
4	Of which: Applicable to transitional period rules specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	Of which: Applicable to bank/group level	Bank and group level	Bank and group level	Bank and group level	Bank and group level
7	Instrument type	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond	Eligible tier 2 capital bond
8	Amount attributable to regulatory capital (the last reporting day)	29,972	20,502	29,962	29,964
9	Par value of instrument	30,000	USD3.0 billion	30,000	30,000
10	Accounting treatment	Bonds Issued	Bonds Issued	Bonds Issued	Bonds Issued
11	Initial issuing date	2014/8/8	2014/11/13	2017/9/26	2017/10/31
12	Term (term or perpetual)	Term	Term	Term	Term
13	Of which: Original maturity date	2024/8/11	2024/11/13	2027/9/28	2027/11/2
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes	Yes	Yes

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Regulatory processing (Continued)					
15	Of which: Redemption date (or have redemption date) and amount	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2019/8/11)	Not applicable	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/9/28)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2022/11/2)
16	Of which: Subsequent redemption date (if any)	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions	Subject to the Redemption Conditions, the bonds are redeemable at the option of the Issuer at their outstanding principal amount, together with accrued but unpaid interest, if a change in the related regulations occurs at any time so long as the bonds are outstanding which has the effect that the bonds, after having qualified as such, will fully be disqualified from the Tier 2 Capital of the Issuer under the related regulations provided that the Issuer shall obtain the prior written consent and satisfy certain other conditions

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment					
17	Of which: Fixed or floating dividend or interest payment	Fixed	Fixed	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	5.80%	5.00%	4.45%	4.45%
19	Of which: Existence of dividend brake mechanism	No	No	No	No
20	Of which: Discretion to cancel dividend or interest payment	Not applicable	Not applicable	Not applicable	Not applicable
21	Of which: Existence of redemption incentive mechanism	No	No	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	No	No	No	No
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable	Not applicable	Not applicable
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable	Not applicable	Not applicable
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable	Not applicable	Not applicable
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable	Not applicable	Not applicable
30	Write-down feature	Yes	Yes	Yes	Yes

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment (Continued)					
31	Of which: Please specify the trigger point of write-down, if allowed	“Non-Viability Event” means the occurrence of the earlier of either:(i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	“Non-Viability Event” means the occurrence of the earlier of either:(i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	“Non-Viability Event” means the occurrence of the earlier of either:(i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	“Non-Viability Event” means the occurrence of the earlier of either:(i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
32	Of which: Please specify write-down in whole or in part, if write-down is allowed	Write-down in whole	Write-down in whole	Write-down in whole	Write-down in whole
33	Of which: Please specify the write-down is perpetual or temporary, if write-down is allowed	Perpetual write-down	Perpetual write-down	Perpetual write-down	Perpetual write-down
34	Of which: Please specify the book-entry value recovery mechanism, if temporary write-down	Not applicable	Not applicable	Not applicable	Not applicable
35	Hierarchy of claims (please specify instrument types enjoying higher priorities)	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor	The lower priority behind the depositor and general creditor
36	Does the instrument contain temporary illegible attribute?	No	No	No	No
	Of which: If yes, please specify such attribute	Not applicable	Not applicable	Not applicable	Not applicable

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument
1	Issuer	Bank of China Limited	Bank of China Limited
2	Identification code	1828006.IB	1828011.IB
3	Applicable law	PRC law	PRC law
Regulatory processing			
4	Of which: Applicable to transitional period rules specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital
5	Of which: Applicable to the rules after expiration of the transitional period specified by <i>Capital Rules for Commercial Banks (Provisional)</i>	Tier 2 capital	Tier 2 capital
6	Of which: Applicable to bank/ group level	Bank and group level	Bank and group level
7	Instrument type	Eligible tier 2 capital bond	Eligible tier 2 capital bond
8	Amount attributable to regulatory capital (the last reporting day)	39,982	39,984
9	Par value of instrument	40,000	40,000
10	Accounting treatment	Bonds Issued	Bonds Issued
11	Initial issuing date	2018/9/3	2018/10/9
12	Term (term or perpetual)	Term	Term
13	Of which: Original maturity date	2028/9/5	2028/10/11
14	Issuer's redemption (subject to regulatory approval)	Yes	Yes
15	Of which: Redemption date (or have redemption date) and amount	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2023/9/5)	Subject to approval by the CBIRC, the Bank has the right to redeem all or part of the bond after 5 years from the date of issuance (i.e. 2023/10/11)

Annex 4: Main Attributes of Capital Instruments (Continued)

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

Annex 4: Main Attributes of Capital Instruments (Continued)

No.	Item	Tier 2 capital instrument	Tier 2 capital instrument
Dividend or interest payment			
17	Of which: Fixed or floating dividend or interest payment	Fixed	Fixed
18	Of which: Coupon rate and relevant indicators	4.86%	4.84%
19	Of which: Existence of dividend brake mechanism	No	No
20	Of which: Discretion to cancel dividend or interest payment	Not applicable	Not applicable
21	Of which: Existence of redemption incentive mechanism	No	No
22	Of which: Cumulative or noncumulative	Noncumulative	Noncumulative
23	Conversion into shares	No	No
24	Of which: Please specify the trigger condition for share conversion, if allowed	Not applicable	Not applicable
25	Of which: Please specify share conversion in whole or in part, if allowed	Not applicable	Not applicable
26	Of which: Please specify the method to determine the conversion price, if share conversion is allowed	Not applicable	Not applicable
27	Of which: Please specify share conversion is mandatory or not, if it is allowed	Not applicable	Not applicable
28	Of which: Please specify the instrument type after conversion, if allowed	Not applicable	Not applicable
29	Of which: Please specify the issuer of the instrument type after conversion, if allowed	Not applicable	Not applicable
30	Write-down feature	Yes	Yes
31	Of which: Please specify the trigger point of write-down, if allowed	<p>“Non-Viability Event” means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable</p>	<p>“Non-Viability Event” means the occurrence of the earlier of either: (i) the CBIRC having decided that a write-off is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable</p>

Annex 4: Main Attributes of Capital Instruments (Continued)

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