

**Bank of China (Luxembourg) S.A.  
37-39, Boulevard du Prince Henri  
L-1724 Luxembourg**

**R.C.S. Luxembourg : B 36940**

**Financial statements as of 31 December 2020,  
Directors' report and Independent auditor's report**

## Table of contents

	Pages
Board of Directors	1 - 2
Directors' report	3 - 6
Report of the Réviseur d'entreprises agréé	7 - 11
Financial statements	
- Balance sheet	12-13
- Off-balance sheet items	14
- Profit and loss account	15 - 16
- Notes to the financial statements	17 - 45

## **BOARD OF DIRECTORS AND MANAGEMENT**

### **BOARD OF DIRECTORS**

Ms. ZHOU Lihong	Chairman of the Board and Non-Executive Director (until 6 August 2020)
Mr. XU Haifeng	Chairman of the Board and Non-Executive Director (from 6 August 2020)
Mr. OU Hui	Executive Director and General Manager
Mr. ZHOU Bing	Non-Executive Director
Mr. Lam Fat Kwong LAM THUON MINE	Independent Non-Executive Director
Mr. Laurent MOSAR	Independent Non-Executive Director
Mr Pierre RECKINGER	Independent Non-Executive Director

### **BOARD AUDIT COMMITTEE**

Mr. Lam Fat Kwong LAM THUON MINE	Committee Chairman
Mr. ZHOU Bing	Committee Member
Mr. Pierre RECKINGER	Committee Member
Mr. Jean-Noël LEQUEUE	Independent Expert

### **BOARD RISK and COMPLIANCE COMMITTEE**

Mr. Pierre RECKINGER	Committee Chairman
Mr. Lam Fat Kwong LAM THUON MINE	Committee Member
Mr. Christian SCHAACK	Independent Expert

### **MANAGEMENT COMMITTEE**

Mr. OU Hui	General Manager
Mr. GUO Zhiyao	Deputy General Manager
Mr. CHEN Longjian	Deputy General Manager
Mr. WANG Lei	Deputy General Manager

Mr. OU Hui, Mr. GUO Zhiyao, Mr. CHEN Longjian and Mr. WANG Lei are the authorized Management of the Bank.

**GENERAL MANAGERS OF BRANCHES**

Mr. FANG Weiyu

General Manager of Brussels Branch

Ms. JIANG Lilian

General Manager of Rotterdam Branch

Ms. ZHAO Caiyan

General Manager of Stockholm Branch

Mr. HU Xinyuan

General Manager of Poland Branch

Mr. XIAO Qi

General Manager of Lisbon Branch

Ms. LI Shuping

General Manager of Athens Branch

**REVISEUR D'ENTREPRISES AGREE**

Ernst & Young S.A., Société Anonyme

## Directors' Report 2020

### To the Shareholders' Annual general Meeting

Undeterred by the acute challenges from the COVID-19 pandemic throughout the year, Bank of China (Luxembourg) S.A. (the "Bank") implemented its annual plan with prudence, perseverance and achieved strategic objectives and stable results for the financial year 2020.

### Main Operating Results

The Bank's operating profitability reached EUR 69.3 million in 2020, representing a 22% decrease compared to EUR 88.5 million in 2019, mainly due to adverse economic situation. Net profit for the year was recorded at EUR 7,112 in 2020 (2019 EUR 19.75 million) as the Bank took a prudent approach to increase provisions related to loans to customers and recorded unrealized losses on derivative contracts.

The Bank's assets and liabilities increased steadily. At the end of 2020, total assets reached EUR 6,512 million (2019 EUR 6,062 million) +7%, while liabilities (excluding equity) reached EUR 6,010 million (2019 EUR 5,556 million) +8%. Loan balances with customers remained stable at EUR 3,364 million (2019 EUR 3,366 million) -0%, while loans to financial institutions reached EUR 2,458 million (2019 EUR 1,720 million) +43%. Amounts owed to customers reached EUR 3,016 million (2019 EUR 2,670 million) +13%, whereas amounts owed to credit institutions were recorded at EUR 1,848 million (2019 EUR 2,241 million) -18%. Net interest income decreased by 9% to EUR 58 million (2019 EUR 64.05 million). Net commission income decreased by 6% to EUR 20.09 million (2019 EUR 21.28 million).

### Adapting to the Changing Environment & Striving for Business Performance

Through assessment of the changing business environment impacted by the pandemic and careful adaptation, the Bank devoted unceasing efforts in 2020 to optimize its business performance.

During the year, the Bank continued to strengthen its cross-border corporate banking business, cultivate local customer relationships and enhance the overall ability of business development. The Bank coordinated with cross-border branches to support M&A projects, proactively promoted business strategic transformation to minimize the pandemic impact to the business by targeting less-affected industries, diversifying strategic customers, and leading European enterprises. The bank also successfully opened a new Branch in Athens which commenced operations in March 2020.

In terms of transaction banking business, focus was placed on the diversification of different products. In 2020, the Bank implemented three new standardized products, including long-term leasing factoring and risk participation, and helped its cross-border branches to implement six other products such as 3rd-party platform reverse factoring, factoring covered by export credit agencies, letter of credit, discounting, etc. Aimed at enlarging funding sources and enhancing liquidity management, the Bank refinanced existing USD trade finance with local financial institution partners, and also made full use of CNH liquidity solutions from BOC Free-Trade-Zone branches to inject CNH liquidity into its international trade flows.

In early 2020, the Bank issued a EUR 800 million 3-year bond, which boosted its regulatory liquidity ratio and provided stable funding to support the loan business. During the year, the Bank promoted FX and derivative business among its cross-border branches. A hedging solution was also developed. At the same time, continued effort was made to optimize the Financial Institutions deposit structure, further lowering price and extending tenor. The Bank successfully invited a major Luxembourg bank to invest in the Chinese capital

market via QFII and to use related services. The Bank further enhanced cooperation with European stock exchanges, signing five MOUs in 2020. A Chinese capital market investment webinar was held in October 2020 to cover international investors in the Benelux area.

Deposit and loan balances in the personal banking business were kept stable in 2020, with zero non-performing loans. In addition to guiding the cross-border branches on the development of personal banking business and high net-worth customer marketing, the Bank implemented the online banking SCA implementation in compliance with EU regulation relating to the PSD2 requirements.

### **Steady Operation, Strict Internal Control & Improved Management**

#### *Adapting to the new model of remote office and ensuring steady operation*

From the early stage of the pandemic, the Bank proactively implemented a series of measures to ensure business continuity, as well as various prevention and control measures for the health and safety of all its employees. The combined on-site operation and off-site VPN office mode, together with A/B shift working rotation, was adopted, in order to minimize the number of on-site staff and reduce risk. The Bank also strengthened daily prevention measures, established pandemic-related notifications, and provided logistical and emotional support. Awareness of cyber and data security and the sense of responsibility in all staff was strongly maintained.

#### *Enhancing risk management and upgrading risk control measures*

The Bank comprehensively re-examined the quality of its assets and delineated a list of key concerns and projects affected by the pandemic, which were closely monitored and regularly updated throughout the year. Necessary steps were taken to adjust the credit policy, update the implementation rules for reporting on major credit risks, improve related credit strategy, credit review and approval criteria, update the corporate loans portfolio management plan, such as adjusting the credit access with strict controls for different industries, guiding the selection of customers and credit products, conducting rigorous loan-granting reviews, and strengthening post-loan management.

At the same time, market monitoring and liquidity management were reinforced to meet the new regulatory requirements on liquidity, through measuring gaps, formulating financing plans and establishing internal thresholds based on the two-way consideration of capital costs and indicators to control risks.

Continued efforts were made during 2020 to ensure that compliance risks in the Bank and the cross-border branches were well managed, especially in the pandemic situation. The Bank devoted much efforts on the timely implementation of new regulatory requirements, including DAC6 and the Central Electronic Retrieval System. Various measures were also taken during the year to strengthen the AML and sanction risk controls.

#### *Enhancing governance*

To ensure and maintain effective governance of the Bank the business lines amongst the General Management members was revised in 2020. Two new Deputy General Managers joined the Bank in July and August 2020 respectively, and a new General Manager was appointed for each of the cross-border branches in Brussels and Poland. In addition, the corporate governance framework of the Bank was strengthened, including reviewing and improving the sub-committees supporting the General Management; and creating new advisory teams (i.e. the Outsourcing Risk Review Panel).

## **Main Plan for 2021**

For 2021, in the aftermath of the COVID-19 pandemic, the Bank will continue to brace itself for the challenges from the external operating environment, overcome the difficulties and reduce all risks, while turning the challenge into an opportunity to meet the need of stable and sustainable development. With focus revolving around the requirements of “stimulating vitality, quick response, and key breakthroughs”, the Bank will continue to implement BOC Group’s global development strategy and to promote stable long-term operations and management.

### *Strengthening internal management*

The first point of focus in 2021 is on strengthening the Bank’s internal management system, comprehensively improving internal management capabilities, and laying a solid foundation for stable and long-term business development. Improvement of rules, policies and procedures, shall aim to effectively control risks. Steps will be taken to reinforce the system of accountability and to strengthen all employees’ risk awareness, sense of responsibility, observance of all rules and regulations, as well as increasing compliance culture.

### *Optimizing business development*

For 2021, the Bank will continually promote high-quality, sustainable and budget-oriented business development, seeking to increase revenue, avoid risks, stabilize deposits and optimize loans, with emphasis on high-quality transformational development as well as value creation. The Bank will actively strive for sustainable business opportunities, expand full financial assets, encourage closer inter-department collaboration, tap business potential, increase non-interest income, compete for business opportunities such as debt hedging, interest rate swaps, bond underwriting and forward FX settlement and sales, and promote revenue and profit growth for the whole bank. Efforts will be made to strengthen the management of lending plans, reasonably control the pace of loan placements, stabilize existing deposit sources, manage well the credit portfolios, and strictly observe the CAR, LCR and NSFR thresholds.

In addition, the Bank will continue to pay close attention to the pandemic impacts on economic fundamentals, strive to predict market trend and interest rate movements, reduce liquidity management cost, and increase overall profit contribution. The Bank will also address the problem of any currency or maturity mismatch and make necessary adjustment according to the overall asset and liability business development, while optimizing the assets and liabilities structure, improving liquidity management of the whole bank, and ensuring that all the regulatory indicators are in full compliance.

### *Enhancing regional development and integration*

Recent years of practicing and actively accumulating the experience in management of the cross-border branches are gradually showing the desired effect in the Bank’s cross-border management. The Bank shall support and guide its cross-border branches towards the goal of forming differentiated development pattern according to the characteristics of their respective countries. Combining its key role in the intermediate parent undertaking (IPU) project with the accumulated experience in regional management, the Bank shall continue to actively promote the Group’s implementation of IPU and complete. Continuous support will also be sought from the Parent Bank for the smooth establishment of the IPU and the establishment of the regional headquarters.

### **Profit allocation proposal to the Shareholders' Annual General Meeting**

The Board of Directors proposes the following profit allocation:

2020 Net profit	EUR 7,112
Legal reserve (5%)	EUR 356
Profit brought forward	EUR 6,756

### **Other information**

The Bank has branches in Brussels (Belgium), Lisbon (Portugal), Rotterdam (The Netherlands), Stockholm (Sweden), Warsaw (Poland) and Athens (Greece).

In 2020, the Bank did not undertake any Research and Development activity.

In 2020, the Bank did not acquire any of its own shares.

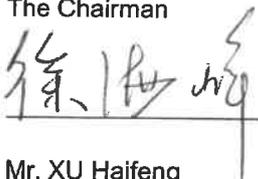
A net worth tax reserve of EUR 450,000 is applicable for the tax year 2021 being 5 times the NWT tax credit of EUR 90,000. The 2015 NWT reserve of EUR 1,870,978 having been retained for 5 years is available for re-allocation to the net worth tax reserve 2021 of EUR 450,000, the remaining 1,420,978 is available for distribution to the shareholders.

No significant event having an impact on the Bank's activity or financial statements as at year-end occurred since 31 December 2020.

21 April 2021

On behalf of the Board of Directors

The Chairman



Mr. XU Haifeng

## **Report of the Réviseur d'entreprises agréé**

To the Board of Directors of  
Bank of China (Luxembourg) S.A.  
37-39, Boulevard du Prince Henri  
L-1724 Luxembourg

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Bank of China (Luxembourg) S.A. (the "Bank"), which comprise the balance sheet, and the profit and loss account for the year then ended as at 31 December 2020, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020, and of the results of its operations for the year then ended, in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

#### **Basis for opinion**

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N°537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Impairment on loans and advances to customers**

#### *Description*

Loans and advances to customers (“loans to customers”) amount to 3.431,8 million euros at 31 December 2020, against which collective and specific value adjustment of 67,8 million euros is recorded (see note 2.7 and 5 to the financial statements).

Value adjustment of loans to customers is a highly subjective area due to the level of judgement applied by management in determining the extent of credit losses, which is dependent on the credit risk related to such loans and receivables. The judgements applied by management in determining the level of value adjustment for loans include the identification of events that could possibly result in a value adjustment, an appropriate valuation of the related collateral, the assessment of customers that are likely to default, and the future cash flows relating to loans to customers.

Due to the material nature of loans to customers and the related estimation uncertainties involved, including the consideration of prudential industry and regulatory requirements, this is considered as a key audit matter.

#### *Audit response*

Our audit procedures included the assessment of controls over the granting, booking and monitoring processes of loans and receivables, and the specific and collective value adjustment process, to validate the operating effectiveness of the key controls in place. As part of the control testing procedures, we assessed whether the key controls in the above processes were designed, implemented and operated effectively.

In addition to testing the key controls, we selected a sample of loans to customers outstanding as at the reporting date and critically assessed the criteria for determining whether a value adjustment event had occurred that would require a value adjustment. For the sample selected, we also verified whether all value adjustment events as identified by us had also been identified by the Bank’s management. For the performing loans to customers, we assessed whether the borrowers exhibited possible default risk that may affect meeting their scheduled repayment obligations.

For collective value adjustment, we obtained an understanding of the methodology used by the Bank to determine the collective value adjustment, assessed the underlying assumptions and sufficiency and accuracy of the data used by management.

### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the financial statements and our report of “réviseur d’entreprises agréé” thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors and of those charged with governance for the financial statements**

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

### **Responsibilities of the “réviseur d’entreprises agréé” for the audit of the financial statements**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d’entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N°537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report, unless law or regulation precludes public disclosure about the matter.

### **Report on other legal and regulatory requirements**

We have been appointed as “réviseur d'entreprises agréé” by the Board of Directors on 18 June 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 8 years.

The management report is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the audit committee.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Bank in conducting the audit.

Ernst & Young  
Société anonyme  
Cabinet de révision agréé



Antoine Le Bars

Luxembourg, 21 April 2021

Bank of China (Luxembourg) S.A.

**Balance sheet**

As of 31 December 2020

(Expressed in EUR)

**ASSETS**

	<b>NOTE(S)</b>	<b>31 DECEMBER 2020</b>	<b>31 DECEMBER 2019</b>
<b>Cash in hand, balances with central banks and post office banks</b>	<b>3</b>	<b>521,491,547</b>	<b>644,449,830</b>
<b>Loans and advances to credit institutions</b>	<b>3, 4, 26, 28.1</b>	<b>2,458,123,960</b>	<b>1,720,063,988</b>
a) repayable on demand		1,408,123,960	1,375,807,812
b) other loans and advances		1,050,000,000	344,256,176
<b>Loans and advances to customers</b>	<b>3, 5, 26</b>	<b>3,363,957,258</b>	<b>3,365,721,635</b>
<b>Debt securities and other fixed-income securities</b>	<b>3, 6, 7</b>	<b>146,556,225</b>	<b>315,161,411</b>
a) issued by public bodies		146,556,225	315,161,411
<b>Intangible assets</b>	<b>7</b>	<b>197,791</b>	<b>251,381</b>
<b>Tangible assets</b>	<b>7</b>	<b>5,778,410</b>	<b>4,105,028</b>
<b>Other assets</b>	<b>8, 14.1</b>	<b>6,050,500</b>	<b>3,479,931</b>
<b>Prepayments and accrued income</b>	<b>9, 20, 28.1</b>	<b>10,769,235</b>	<b>8,770,442</b>
<b>Total Assets</b>	<b>10</b>	<b><u>6,512,924,926</u></b>	<b><u>6,062,003,646</u></b>

Bank of China (Luxembourg) S.A.

**Balance sheet**  
As of 31 December 2020  
(Expressed in EUR)

**LIABILITIES**

	Note(s)	31 DECEMBER 2020	31 DECEMBER 2019
<b>Amounts owed to credit institutions</b>	<b>3, 28.2</b>	<b>1,847,604,457</b>	<b>2,240,953,334</b>
a) repayable on demand		28,897,459	20,967,849
b) with agreed maturity dates or periods of notice		1,818,706,998	2,219,985,485
<b>Amounts owed to customers</b>	<b>3</b>	<b>3,016,102,517</b>	<b>2,670,218,756</b>
a) repayable on demand		310,938,364	276,312,919
b) with agreed maturity dates or periods of notice		2,705,164,153	2,393,905,837
<b>Debt evidenced by certificates</b>	<b>11</b>	<b>798,143,054</b>	<b>499,939,850</b>
a) debt securities in issue	11	798,143,054	499,939,850
<b>Other liabilities</b>	<b>12</b>	<b>47,445,536</b>	<b>4,260,078</b>
<b>Accruals and deferred income</b>	<b>13</b>	<b>23,217,674</b>	<b>23,350,749</b>
<b>Provisions</b>	<b>14</b>	<b>21,806,275</b>	<b>11,257,983</b>
a) provisions for taxation	14.1	---	4,327,800
b) other provisions	14.2, 14.3	21,806,275	6,930,183
<b>Subordinated liabilities</b>	<b>3, 15, 28.2</b>	<b>256,000,000</b>	<b>106,000,000</b>
<b>Subscribed capital</b>	<b>16,17</b>	<b>400,000,000</b>	<b>400,000,000</b>
<b>Reserves</b>	<b>17</b>	<b>22,464,790</b>	<b>19,074,341</b>
a) legal reserve	17	6,565,718	5,578,176
b) other reserves	17	16,295,619	12,426,908
c) currency translation reserve	17	(396,547)	1,069,257
<b>Profit Brought Forward</b>	<b>17</b>	<b>80,133,511</b>	<b>67,197,721</b>
<b>Profit for the financial year</b>	<b>17</b>	<b>7,112</b>	<b>19,750,834</b>
<b>Total Liabilities</b>	<b>18</b>	<b>6,512,924,926</b>	<b>6,062,003,646</b>

Bank of China (Luxembourg) S.A.

**Off-balance sheet**  
As of 31 December 2020  
(Expressed in EUR)

**CONTINGENT LIABILITIES**

	<b>Note(s)</b>	<b>31 DECEMBER 2020</b>	<b>31 DECEMBER 2019</b>
<b>Contingent liabilities</b>	<b>3, 19.1</b>	<b>137,604,827</b>	<b>262,461,440</b>
Guarantees given and assets pledged as collateral security		137,604,827	262,461,440
<b>Commitments</b>	<b>3, 19.2, 26</b>	<b>1,082,303,288</b>	<b>921,574,472</b>

Bank of China (Luxembourg) S.A.

**Profit and loss account**  
For the year ended 31 December 2020  
(Expressed in EUR)

**CHARGES**

	Note(s)	2020	2019
<b>Interest payable and similar charges</b>		<b>31,504,921</b>	<b>36,886,029</b>
<b>Commission paid</b>		<b>3,132,620</b>	<b>3,281,307</b>
<b>Net loss on financial transactions</b>	<b>20</b>	<b>6,553,860</b>	<b>---</b>
<b>General administrative expenses</b>		<b>36,167,934</b>	<b>32,885,251</b>
a) staff costs	21	26,240,061	23,324,505
<u>of which:</u>			
- wages and salaries		18,945,008	13,511,275
- social security costs		2,424,957	4,038,702
<u>of which:</u>			
- social security costs relating to pensions		752,147	1,163,504
b) other administrative expenses	22	9,927,873	9,560,746
<b>Value adjustments in respect of intangible and tangible assets</b>	<b>7</b>	<b>1,275,608</b>	<b>928,611</b>
<b>Other operating costs</b>	<b>23</b>	<b>2,952,205</b>	<b>2,248,516</b>
<b>Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments</b>	<b>2.7</b>	<b>23,279,148</b>	<b>27,514,530</b>
<b>Tax on profit on ordinary activities</b>		<b>8,576,245</b>	<b>7,421,350</b>
<b>Profit for the financial year</b>		<b>7,112</b>	<b>19,750,834</b>
<b>Total charges</b>		<b>113,449,653</b>	<b>130,916,428</b>

Bank of China (Luxembourg) S.A.

**Profit and loss account (continued)**

For the year ended 31 December 2020

(Expressed in EUR)

**INCOME**

	Note(s)	2020	2019
<b>Interest receivable and similar income</b>	<b>28.5</b>	<b>89,640,791</b>	<b>100,938,778</b>
of which arising from fixed-income securities		2,879,115	5,258,524
<b>Commission received</b>	<b>28.5</b>	<b>23,224,329</b>	<b>24,557,433</b>
<b>Net profit on financial transactions</b>	<b>20</b>	---	<b>3,273,499</b>
<b>Other operating income</b>	<b>24</b>	<b>584,533</b>	<b>2,146,718</b>
<b>Total income</b>	<b>25</b>	<b><u>113,449,653</u></b>	<b><u>130,916,428</u></b>

Bank of China (Luxembourg) S.A.

**Notes to the financial statements**

As of 31 December 2020

**Note 1 – General**

Bank of China (Luxembourg) S.A. (“the Bank”) was incorporated on 7 May 1991 as a “société anonyme” under the laws of Luxembourg.

The Bank is a wholly owned subsidiary of Bank of China, Beijing, and The People’s Republic of China. The financial statements of the Bank are included in the consolidated accounts of Bank of China, Beijing, and the consolidated accounts are available at its registered office 1. Fuxingmen Nei Dajie, Beijing 100818, P.R. China.

The majority of the Bank’s members of the Board of Directors is composed of Senior Executives of the Bank of China Group. The business policy, unless prescribed by legal requirements existing in Luxembourg, is monitored in accordance with that applied in the Bank of China Group.

The Bank’s activities are primarily corporate banking services including Corporate loans and deposit taking, trade financing and wholesale loans.

On 18 June 2007, the Bank opened a branch in Rotterdam (Netherlands). The branch was established in order to perform the same operations that the Bank is permitted to execute. Its activities to date consist mainly in trade finance and personal banking services.

On 7 November 2010, the Bank opened a branch in Brussels (Belgium). Just like the Rotterdam Branch, the Brussels Branch was established in order to perform the same operations that the Bank is permitted to execute. Its main focus consists of providing corporate banking activities to Chinese corporations active in the Belgian market, and to provide personal banking services to Chinese people residing in Belgium. Other target clients are Belgian companies with substantial investments in China and companies involved in international trade between Belgium and China.

On 6 June 2012, the Bank opened a branch in Warsaw (Poland), and on 2 July 2012 a branch in Stockholm (Sweden). Those two branches were established in order to perform the same operations that the Bank is permitted to execute. Their activities to date comprise corporate banking and personal banking services.

On 22 April 2013, the Bank opened a branch in Lisbon (Portugal). Like the four already existing branches, it was established in order to perform the same operations that the Bank is permitted to execute. Its activities to date consist mainly of trade finance, corporate banking and personal banking services.

On 1 November 2019, the Bank was granted a license by the National bank of Greece to establish a branch in Athens, Greece. Operations commenced in February 2020.

These financial statements include the operations of the Rotterdam Branch, Brussels Branch, Poland Branch, Stockholm Branch, Lisbon Branch and Athens Branch.

To a significant extent, the Bank cooperates with its parent bank and other entities of the Bank of China Group.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 2 – Summary of significant accounting policies**

The Bank prepares its financial statements in accordance with the laws and regulations in force in the Grand Duchy of Luxembourg and on the basis of accounting principles generally accepted in the banking sector in the Grand Duchy of Luxembourg. The accounting and valuation principles are determined by the Board of Directors, except those which are defined by law and by the Commission de Surveillance du Secteur Financier (“CSSF”). Where necessary, certain prior year figures in the notes to the financial statements have been reclassified to conform with changes to the current year’s presentation for comparative purposes.

The Bank prepares its financial statements in euro (EUR), the currency in which its capital is expressed.

The Bank’s accounting year coincides with the calendar year.

The significant accounting policies are as follows:

**2.1. Foreign currency translation**

The Bank uses the multi-currency accounting system which records all assets and liabilities in their original currencies. For the preparation of the financial statements which are expressed in Euros (EUR), amounts in foreign currencies are translated as follows:

- All assets, liabilities and off-balance sheet items are translated into EUR at the exchange rate prevailing at the balance sheet date. Both realized and unrealized profits and losses arising on revaluation are accounted for in the profit and loss account for the year, except for those on assets and liabilities specifically covered by operations linked to foreign exchange rates which are recorded at historical exchange rates;
- Interest income and charges and commissions are recorded in their original currencies and translated into EUR at the exchange rate prevailing at transaction date except for those recorded in the capital currency of the non-euro cross border branches, such as SEK and PLN, which are translated into EUR at the exchange rate prevailing at the end of each month. Other income and expenses are translated into EUR at the exchange rate prevailing on the date of the transaction;
- Spot foreign exchange transactions are translated into EUR at the spot rate of exchange prevailing on the balance sheet date. Foreign exchange gains and losses resulting from spot transactions not hedged by forward transactions are accounted for in the profit and loss account for the year.

For the Bank’s Polish and Swedish branches, the currencies of the primary environment are the Polish Zloty and the Swedish Krona respectively and the financial statements of these branches are initially established in the currencies of their location.

The assets and liabilities of the Bank’s operations through these foreign branches are translated for the preparation of the Bank’s financial statements into EUR at the exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising are classified as equity and transferred to the Bank’s “Currency translation reserve”. Such exchange differences are recognized in profit or loss in the period in which gain or loss is realized.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 2 – Summary of significant accounting policies (continued)**

The year-end exchange rates of the main currencies used by the Bank are summarized as follows:

		2020		2019	
1 EUR	=	1.2271	USD	1.1220	USD
1 EUR	=	7.9797	CNY	7.8155	CNY
1 EUR	=	10.0238	SEK	10.4593	SEK
1 EUR	=	4.5606	PLN	4.2539	PLN

**2.2. Debtors**

At the balance sheet date, debtors are recorded at their nominal value less repayments and value adjustments.

The Bank establishes specific value adjustments in respect of doubtful and irrecoverable debts, as deemed appropriate by the Board of Directors.

Value adjustments are deducted from the assets items to which they relate.

Interest income is calculated on a linear basis.

**2.3. Creditors**

At the balance sheet date, creditors are stated at their payable amount.

**2.4. Intangible and tangible assets**

Intangible and tangible assets are valued at purchase price less accumulated depreciation. The accumulated depreciation is calculated to amortize the value of such assets systematically over their useful economic lives.

The value of intangible and tangible fixed assets with limited useful economic lives is reduced by value adjustments calculated to amortize the value of such assets on a straight-line basis. The rates in use are as follows:

- Software: 20% and 33.3%;
- Furniture, fixtures and equipment: 10% 20% and 33%;
- Computer equipment: 20% and 25%;
- Motor vehicles: 20% and 25%.

In case of durable reduction in value, intangible and tangible assets are subject to value adjustment, regardless of whether their utilization is time limited. The valuation at inferior value is not maintained if the reasons for which the value adjustments were made no longer exists. Assets not exceeding EUR 870 each and with an economic useful life of less than 12 months are written off to the profit and loss account.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 2 – Summary of significant accounting policies (continued)**

2.5. Loans and advances

Loans and advances are stated at their acquisition price. The policy of the Bank is to establish specific value adjustments for doubtful loans in accordance with the circumstances and for amounts specified by the Board of Directors. The value adjustments are deducted from the appropriate asset account balances and shall not be maintained if the reasons for which they were recorded no longer exist.

2.6. Value adjustments

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

Provisions may also be created to cover charges that have originated in the financial year under review or in a previous financial year, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

2.7. Collective value adjustment

Since 1st January 2018, the Bank is calculating expected credit loss (“ECL”) on its risk exposures set forth by the methodology under IFRS9. This provision for credit impairment of financial assets and loss allowances for loan and guarantee commitments is calculated according to each individual counterparty’s rating, on the basis of loan loss criteria and parameters determined and communicated by Bank of China head office. The ECL is converted into a collective value adjustment in Lux GAAP as provided in the legislation governing prudential supervision for banks and in accordance with tax legislation is tax deductible. This value adjustment is recorded at profit and loss level through the caption “Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments”. The value adjustment is made before taxation and may not exceed 1.25% of the total risk exposures.

As of 31 December 2020, the value adjustment for ECL on financial assets amounts to EUR 67,846,411 (2019: EUR 46,920,500) and is fully deducted from the captions “Loans and advances to customers” for EUR 67,842,989 (2019: EUR 46,912,928) and “Loans and advances to credit institutions” for EUR 3,422 (2019: EUR 7,522).

As of 31 December 2020, the value adjustment for ECL on loan and guarantee commitments amounts to EUR 3,537,093 (2019: EUR 1,460,038) and is booked in “Other provisions”.

**Notes to the financial statements (continued)**

As of 31 December 2020

**2.8. Financial instruments - derivatives**

The Bank's commitments deriving from financial instruments derivatives such as forward foreign exchange operations, interest rate swaps, forward rate agreements and financial futures are recorded on the transaction date as off-balance sheet items.

At the year-end, where necessary, a provision is set up in respect of individual unrealised losses resulting from the revaluation of the Bank's commitments at market value. This provision is included on the liabilities side of the balance sheet under "Provisions: other provisions".

No provision is set up in those cases where a financial instrument clearly covers an asset or a liability and economic unity is established or where a financial instrument is hedged by a reverse transaction so that no open position exists.

In accordance with the principle of prudence, unrealized gains are not recognized.

**2.9. Taxes**

Taxes are charged to the profit and loss account on an accrual basis and not in the year in which payment occurs. Accordingly, provisions for taxation have been recorded for the financial years for which no final assessments have been issued by the tax authorities.

**2.10. Debt securities and other fixed-income securities**

Debt securities and other fixed-income securities included in the Bank's investment portfolio are stated at the lower of their acquisition cost or their market value.

Where the purchase price of fixed-income securities included in the Bank's structural portfolio exceeds the amount repayable at maturity or is below the amount repayable at maturity, the difference is charged to the profit and loss account on a prorata temporis basis over the period from the acquisition date to the maturity date.

The value adjustment, corresponding to the negative difference between the market value and the acquisition cost, is not maintained if the reasons for which it was recorded no longer exist.

**2.11. Forward exchange transactions**

Unsettled forward exchange transactions are translated into euro at the forward rate prevailing on the balance sheet date for the remaining maturity.

Unrealized exchange losses on un-hedged forward exchange transactions are recognized in the profit and loss account.

No provision is set up in those cases where a financial instrument clearly covers an asset or a liability and economic unity is established or where a financial instrument is hedged by a reverse transaction so that no open position exists.

In accordance with the principle of prudence, unrealized gains are not recognized.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 2 – Summary of significant accounting policies (continued)**

2.12. Prepayments and accrued income

Prepayments and accrued income include expenditures incurred during the financial year but relating to a subsequent financial year. The accrued income refers to interest income accrued during the financial year and to be received in subsequent financial year.

2.13. Accruals and deferred income

Accruals and deferred income include income received during the financial year but relating to a subsequent financial year.

2.14. Commissions

The Bank recognizes the commissions as follow, if the amount is equal or less than EUR 100,000 or equivalent, the commission is recorded as a one-off booking entry. If the amount is superior to EUR 100,000 or equivalent, the Bank records it either as a one-off booking entry or amortized over the lifetime of the loan granted depending on the nature of the commission as defined in the facility agreement and the fee letter provided by the syndication agent.

Bank of China (Luxembourg) S.A.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 3 – Analysis of primary financial instruments**

As of 31 December 2020, the analysis of primary non-trading financial instruments by class and residual maturity is the following (before allocation of the collective provision and value adjustments):

<b>2020 (in EUR)</b>	<b>Less than 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>More than 5 years</b>	<b>Unspecified maturity</b>	<b>Total</b>
Cash in hand, balances with central banks and post office banks	521,491,547	---	---	---	---	521,491,547
Loans and advances to credit institutions	2,458,127,382	---	---	---	---	2,458,127,382
Loans and advances to customers	167,750,168	521,029,788	2,258,918,874	484,101,417	---	3,431,800,247
Debt securities and other fixed-income securities	---	146,556,225	---	---	---	146,556,225
<b>Total</b>	<b>3,147,369,097</b>	<b>667,586,013</b>	<b>2,258,918,874</b>	<b>484,101,417</b>	---	<b>6,557,975,401</b>
Amounts owed to credit institutions	591,917,658	696,102,208	514,584,591	45,000,000	---	1,847,604,457
Amounts owed to customers	1,805,074,642	1,082,849,018	128,178,857	---	---	3,016,102,517
Debt evidenced by certificates	---	---	798,143,054	---	---	798,143,054
Subordinated liabilities	---	---	---	106,000,000	150,000,000	256,000,000
Contingent liabilities	32,908,971	12,200,202	91,663,740	831,914	---	137,604,827
Commitments	---	57,344,462	968,450,440	56,508,386	---	1,082,303,288
<b>Total</b>	<b>2,429,901,271</b>	<b>1,848,495,890</b>	<b>2,501,020,682</b>	<b>208,340,300</b>	<b>150,000,000</b>	<b>7,137,758,143</b>

Bank of China (Luxembourg) S.A.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 3 – Analysis of primary financial instruments (continued)**

As of 31 December 2019, the analysis of primary non-trading financial instruments by class and residual maturity is the following (before allocation of the collective provision and value adjustments):

2019 (in EUR)	Less than 3 months	3 - 12 months	1 - 5 years	More than 5 years	Unspecified maturity	Total
Cash in hand, balances with central banks and post office banks	644,449,830	---	---	---	---	644,449,830
Loans and advances to credit institutions	1,450,071,560	270,000,000	---	---	---	1,720,071,560
Loans and advances to customers	137,505,303	249,990,363	2,318,837,913	706,300,984	---	3,412,634,563
Debt securities and other fixed-income securities	---	155,335,664	160,367,851	---	---	315,703,515
<b>Total</b>	<b>2,232,026,693</b>	<b>675,326,027</b>	<b>2,479,205,764</b>	<b>706,300,984</b>	<b>---</b>	<b>6,092,859,468</b>
Amounts owed to credit institutions	1,182,567,961	138,018,297	875,367,076	45,000,000	---	2,240,953,334
Amounts owed to customers	1,862,393,999	709,661,165	98,163,592	---	---	2,670,218,756
Debt evidenced by certificates	---	499,939,850	---	---	---	499,939,850
Subordinated liabilities	---	---	---	---	106,000,000	106,000,000
Contingent liabilities	79,409,599	179,975,265	2,871,591	204,986	---	262,461,441
Commitments	---	13,368,627	882,193,384	26,012,462	---	921,574,473
<b>Total</b>	<b>3,124,371,559</b>	<b>1,540,963,204</b>	<b>1,858,595,643</b>	<b>71,217,448</b>	<b>106,000,000</b>	<b>6,701,147,854</b>

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 4 – Loans and advances to credit institutions**

The geographical breakdown of loans and advances to credit institutions, including those repayable on demand, (before allocation of the collective value adjustments) is as follows:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Asia	4,830,523	2,431,583
Europe (EU member countries)	2,330,446,949	1,641,958,565
Europe (non-EU member countries)	13,543	155,691
Other	122,836,367	75,525,721
<b>Total</b>	<b>2,458,127,382</b>	<b>1,720,071,560</b>

As of 31 December 2020, value adjustment on loans and advances to credit institutions is composed of the expected credit loss and amounts to EUR 3,422 (2019: EUR 7,572).

**Note 5 – Loans and advances to customers**

The geographical breakdown of loans and advances to customers is as follows (before allocation of the collective and specific value adjustments):

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Asia	189,822,699	232,619,210
Europe (EU member countries)	2,924,790,962	2,875,228,250
Europe (non-EU member countries)	87,984,142	50,000,000
Other	229,202,444	254,787,103
<b>Total</b>	<b>3,431,800,247</b>	<b>3,412,634,563</b>

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 5 – Loans and advances to customers (continued)**

The breakdown of loans and advances to customers per economic sector may be presented as follows (before allocation of the collective provision and value adjustments):

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Retail customers	4,587,341	4,232,729
Financial and insurance companies	253,619,420	189,390,942
Agriculture, forestry and fishing	17,971,843	18,917,730
Electricity, gas, steam and air cond. supply	181,839,399	128,226,585
Information and communication	313,956,934	333,591,266
Manufacturing	662,005,347	767,200,869
Real estate activities	669,685,021	561,760,363
Transport and storage	241,174,398	246,179,212
Water supply, sewerage, waste management	35,000,000	81,402,008
Wholesale and retail trade	524,061,061	540,465,456
Accommodation and food service activities	37,772,784	37,933,335
Administrative and support service activities	93,776,254	104,305,788
Construction	122,404,219	89,679,000
Human health and social work activities	39,000,000	16,000,000
Professional, scientific and technical activities	136,962,083	233,349,280
Mining and Quarrying	30,000,000	30,000,000
Arts, entertainment and recreation	37,984,143	---
Other services	30,000,000	30,000,000
<b>Total</b>	<b>3,431,800,247</b>	<b>3,412,634,563</b>

As of 31 December 2020, value adjustment on loans and advances to customers is composed of the expected credit loss and amounts to EUR 67,842,989 (2019: EUR 46,912,928).

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 6 – Debt and other fixed-income securities**

As of 31 December 2020, and 2019, all debt and other fixed-income securities are intended to be used on a continuing basis and are considered as financial fixed assets. All debt and other fixed-income securities are US Treasury bonds for a total market value of EUR 148,147,668 (2019: EUR 315,703,515).

As of 31 December 2020, value adjustments of unrealized gain/loss and expected credit loss recorded on these debt and other fixed income securities amount to NIL (2019: NIL).

As of 31 December 2020, the unamortized discounts on bonds amounted to EUR 133,478 (2019: EUR 1,229,416). In 2020, the amortization of discount booked in profit and loss amounted to EUR 1,095,939 (2019: EUR 1,010,340).

Bank of China (Luxembourg) S.A.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 7 – Movements in fixed assets**

The following movements have occurred in the Bank's fixed assets in the course of the financial year:

	GROSS VALUE in EUR					VALUE ADJUSTEMENTS in EUR				
	Gross value at the beginning of the financial year	Additions	Disposals	Foreign exchange impact	Gross value at the end of the financial year	Cumulative value adjustments at the beginning of the financial year	Adjustments	Foreign exchange impact	Cumulative value adjustments at the end of the financial year	Net book value at the end of the financial year
<b>Financial fixed assets</b>										
Debt securities and other fixed-income securities	315,161,411	336,353	(141,960,652)	(26,980,887)	146,556,225	---	---	---	---	146,556,225
<b>Intangible assets</b>										
Software	652,091	106,308	(1,809)	(19,440)	737,150	(400,710)	(150,958)	12,309	(539,359)	197,791
<b>Tangible assets</b>										
Furniture, fixtures and fittings, tools and equipment	10,989,150	2,975,631	(632,285)	146,339	13,478,835	(6,884,122)	(744,468)	(71,834)	(7,700,424)	5,778,411

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 8 – Other Assets**

As of 31 December 2020, and 2019, the following amounts are included in Other Assets.

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Receivables	584,209	1,009,965
Other	2,670,988	2,469,966
Tax paid in advance	2,795,303	---
<b>Total</b>	<b>6,050,500</b>	<b>3,479,931</b>

Other includes an amount of EUR 2,369,375 (2019: EUR 1,998,250) representing a tax refund receivable from the Rotterdam, Poland and Lisbon branches.

**Note 9 – Prepayments and accrued income**

As of 31 December 2020, and 2019, prepayments and accrued income are composed of:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Accrued interest income	8,792,856	8,326,262
Accrued commission income	52,762	220,185
Prepaid fees (including derivatives)	102,549	147,692
Other prepayments	1,821,068	76,303
<b>Total</b>	<b>10,769,235</b>	<b>8,770,442</b>

Other prepayments include an amount of EUR 1,744,455 for advances to pay charges of the newly constituted Athens branch (2019: NIL).

**Note 10 – Assets denominated in foreign currency**

As of 31 December 2020, the aggregate amount of the Bank's assets denominated in foreign currencies, translated into EUR, is EUR 1,436,287,907 (2019: EUR 1,626,713,896).

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 11 – Debts evidenced by certificates**

As of 31 December 2020, debts evidenced by certificates are composed of medium-term notes issued on the Euro MTF market and are summarized as follows:

Type	Currency	Nominal Amount	Date of Issuance	Interest Rate	Maturity
MTN	EUR	800,000,000	16 Jan 2020	0.125%	16 Jan 2023

The amount of debts evidenced by certificates that become due within one year is nil. The face value is EUR 798,143,054 and the amount of interest amortized during the year 2020 is EUR 1,038,264.

**Note 12 – Other liabilities**

As of 31 December 2020, and 2019, other liabilities are composed of:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Pension payable	204,037	79,201
Taxes and VAT payable	1,899,395	1,771,572
Outward Remittances	45,342,104	2,409,305
<b>Total</b>	<b>47,445,536</b>	<b>4,260,078</b>

Outward remittances represent short term payables settled shortly after year-end. The increase is essentially composed of a transaction of EUR 40.7 million settled just after year-end in the Rotterdam Branch.

**Note 13 – Accruals and deferred income**

As of 31 December 2020, and 2019, the following amounts are included in the accruals and deferred income:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Accrued interest expense	8,922,821	7,906,563
Deferred Income - Prepaid commission	14,294,853	13,453,717
Deferred Income - Derivatives prepaid handling fees	---	189,000
<b>Total</b>	<b>23,217,674</b>	<b>21,549,280</b>

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 14 – Provisions**14.1. Provisions for taxation

The Bank is subject to all taxes that apply to Luxembourg credit institutions. The six branches are also subject to all taxes applicable in their respective jurisdiction. The Bank has received final tax assessments from the Luxembourg tax administration up to 2017 as regards to corporate income tax, municipal business tax and net wealth tax. The tax assets are presented net of provisions for taxation.

As of 31 December 2020, the tax paid in advance included in “Other assets” is composed of:

<b>Tax year</b>	<b>Tax advances</b>	<b>Tax provisions</b>	<b>Tax assets (liabilities)</b>
	<b>EUR</b>	<b>EUR</b>	<b>EUR</b>
2018	617,854	(3,581,077)	(2,963,223)
2019	2,434,928	(3,250,453)	(815,525)
2020	11,156,164	(4,582,113)	6,574,051
<b>Total</b>	<b>14,208,946</b>	<b>(11,413,643)</b>	<b>2,795,303</b>

14.2. Other provisions

Other provisions may be presented as follows:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Provisions on derivative transactions	11,872,138	1,801,469
Provisions on Guarantees and Commitments	3,700,557	1,543,775
Bonus provision	6,233,580	5,386,408
<b>Total</b>	<b>21,806,275</b>	<b>8,731,652</b>

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 14 – Provisions (continued)**14.3. Deposit guarantee and investor compensation schemes

On 18 December 2015 a new law regarding the resolution, recovery and liquidation measures of credit institutions on deposit guarantee schemes and indemnification of investors (hereafter the “Law”) was approved. This Law transposed to Luxembourg two European directives: the directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and the directive 2014/49/EU related to deposit guarantee and investor compensation schemes.

The Law introduced a contribution-based system of deposit guarantee and investor compensation. This scheme will cover eligible deposits of each depositor up to an amount of EUR 100,000 and investments up to an amount of EUR 20,000.

The scheme is based on two different contributions: the European Single Resolution Fund (“SRF”) and the Luxembourg deposit guarantee fund “Fonds de garantie des dépôts Luxembourg” (“FGDL”).

The funded amount of the European Single Resolution Fund (“SRF”) shall reach by the end of 2024 at least 1% of the Bank’s covered deposits, as defined in article 1 number 36 of the Law, concerning all authorized credit institutions in all participating Member States.

This amount will be collected from the credit institutions through annual contributions during the years 2015 to 2024.

The target level of funding of the FGDL is set at 0,8% of covered deposits, as defined in article 163 number 8 of the Law, of the relevant credit institutions.

In 2020 and 2019, the Bank has paid the following contributions:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Single Resolution Fund contributions paid	2,558,292	1,928,332
FGDL contributions paid	71,319	52,847
<b>Total</b>	<b>2,629,611</b>	<b>1,981,179</b>

As of 31 December 2020, there is no AGDL/FGDL provision recorded. SRF/FGDL contribution charges recorded during the year are included under the caption “Other operating charges” (refer to Note 23)

Over 2020, EUR 328 partial refunds were recovered (2019: nil) in relation to the Bank’s contribution to the respite of payment occurred by three Luxembourg subsidiaries of Icelandic banks back in 2008/2010 and booked as other operating income (see Note 24).

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 15 – Subordinated liabilities**

As of 31 December 2020, subordinated liabilities are summarized as follows:

Type	Currency	Nominal Amount	Date of Issuance	Interest Rate	Maturity
Subordinated Loan	EUR	106,000,000	16/07/2018	6M EURIBOR + 115 BP	17/07/2028
Perpetual Loan	EUR	150,000,000	29/06/2020	6M EURIBOR + 166 BP	---

For the year ended 31 December 2020, interests paid on subordinated and perpetual loans amount to EUR 1,939,121 (2019: EUR 525,934).

There are no special terms attached to the subordinated liabilities and they may not be converted into capital or any other form of liability. The subordinated liabilities meet all the requirements of the CSSF for assimilation to the Bank's own funds as Tier 1 capital instrument.

**Note 16 – Subscribed capital**

As of 31 December 2020, and 2019, the Bank's authorized and fully paid-up capital amounts to EUR 400,000,000 and is represented by 50,000 shares with no par value.

Bank of China (Luxembourg) S.A.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 17 – Changes in shareholders' equity**

(in EUR)	Subscribed capital	Legal reserve	Other reserves	Currency translation reserve	Profit brought forward	Profit for the financial year	Total
<b>Balance as at 1 January 2020</b>	<b>400,000,000</b>	<b>5,578,176</b>	<b>12,426,908</b>	<b>1,069,257</b>	<b>67,197,721</b>	<b>19,750,834</b>	<b>506,022,896</b>
Allocation of 2019 profit as per the resolution of Shareholders' meeting held on 18 June 2020:	---	---	---	---	---	(19,750,834)	<b>(19,750,834)</b>
Transfer to Legal reserve	---	987,542	---	---	---	---	<b>987,542</b>
Profit carried forward (1)	---	---	---	---	12,935,790	---	<b>12,935,790</b>
Transfer to Net wealth tax reserves	---	---	5,662,500	---	---	---	<b>5,662,500</b>
Dividend paid	---	---	(1,793,789)	---	---	---	<b>(1,793,789)</b>
Currency translation gain/(loss) on foreign branches during the year	---	---	---	(1,465,804)	---	---	<b>(1,465,804)</b>
Profit for the financial year 2020	---	---	---	---	---	7,112	<b>7,112</b>
<b>Balance as at 31 December 2020</b>	<b>400,000,000</b>	<b>6,565,718</b>	<b>16,295,619</b>	<b>(396,547)</b>	<b>80,133,511</b>	<b>7,112</b>	<b>502,605,413</b>

(1) Change in profit carried forward of EUR 12,935,790 is composed of EUR 13,100,792 distributable profit to be carried forward netted by a EUR 165,002 adjustment to retained earnings at the Poland branch level, due to prior year adjustments.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 17 – Changes in shareholders' equity (continued)**17.1 Legal reserve

Under Luxembourg law, the Bank must appropriate to a legal reserve an amount equivalent to at least 5% of the annual net profit until such reserve is equal to 10% of the share capital. The legal reserve is not distributable.

17.2 Other reserves

In accordance with Luxembourg tax law, the Bank has, where relevant, made yearly allocations of an amount equal to 5 times the theoretical net wealth tax amount to the special reserve for net wealth tax reduction, which it committed to maintain for 5 years from the year of the respective allocations.

The special reserve for net wealth tax reduction may be analysed as follows:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Special reserve in relation to the 2014 net wealth tax	---	1,793,789
Special reserve in relation to the 2015 net wealth tax	1,870,978	1,870,978
Special reserve in relation to the 2016 net wealth tax	1,437,181	1,437,181
Special reserve in relation to the 2019 net wealth tax	5,552,425	5,552,425
Special reserve in relation to the 2020 net wealth tax	5,662,500	---
<b>Total</b>	<b>14,523,084</b>	<b>10,654,373</b>

**Note 18 – Liabilities denominated in foreign currency**

As of 31 December 2020, the aggregate amount of the Bank's liabilities denominated in foreign currencies, translated into EUR, is EUR 1,433,326,316 (2019: EUR 1,611,581,230).

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 19 – Off-balance sheet**19.1. Contingent liabilities

Contingent liabilities consist of the following:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Guarantees pledged as collateral securities	<u>137,604,827</u>	<u>262,377,862</u>

As of 31 December 2020, value adjustments on contingent liabilities amount to EUR 163,464 (2019: EUR 83,578) and is booked as provision (Note 14.2).

19.2. Commitments

As at 31 December 2020 and 2019, the Bank's commitments represent exclusively unused confirmed credit lines.

As at 31 December 2020 and 2019, the geographical breakdown of commitments is as follows:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Asia	---	---
Europe (EU member countries)	1,054,678,934	903,375,503
Europe (non-EU member countries)	10,983,393	---
Other	16,640,961	18,198,970
<b>Total</b>	<b><u>1,082,303,288</u></b>	<b><u>921,574,473</u></b>

As of 31 December 2020, and 2019, there were no credit commitments towards affiliated undertakings.

The Bank has not entered into other commitments which are not disclosed either in the balance sheet or in the off-balance sheet items.

As of 31 December 2020, value adjustment on commitments amounts to EUR 3,537,093 (2019: EUR 1,460,038) and is booked as provision (Note 14.2).

19.3. Other commitments

The Bank has a total rental commitment of EUR 12,148,178 as of 31 December 2020 for its current premises in Luxembourg and the lease contract of the premises of its six branches (Rotterdam Branch, Brussels Branch, Poland Branch, Stockholm Branch, Lisbon Branch and Athens Branch).

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 20 – Net profit or (loss) on financial operations**

The net profit or (loss) on financial operations is mainly composed of the realized gain or (loss) and unrealized (loss) on the following transactions:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Forex Option	2,738,776	1,312,670
Forex Spot/Forward	(7,118,224)	(1,134,958)
Forex Swap	(2,575,773)	76,278
Interest Rate Swap	30,952	(52,867)
Debt securities and other fixed-income securities	370,409	3,072,376
<b>Total</b>	<b>(6,553,860)</b>	<b>3,273,499</b>

**Note 21 – Staff costs**21.1. Staff numbers

The average number of persons employed (FTE) by the Bank was:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Senior management	11	9
Employees	192	184
<b>Total</b>	<b>203</b>	<b>193</b>

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 21 – Staff costs (continued)**21.2. Management remuneration

The Bank has granted the following compensation to the members of the senior management (2020: 11 persons; 2019: 10 persons):

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Remuneration of senior management	3,205,504	3,321,750

During the years ended 31 December 2020 and 2019, no pension contribution was paid to any director or members of the senior management.

No loans, advances or guarantees have been granted to the directors or members of the senior management and/or to the members of their families.

There are no guarantees issued in favour of the local senior management. There are no pension commitments existing in favour of the local senior management.

**Note 22 – Other administrative expenses**

Other administrative expenses consist of:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Office building expenses	3,876,519	3,607,293
Inspecting expenses	640,736	632,978
Consulting expenses	1,411,908	1,652,663
Board meeting expenses	474,367	399,510
External auditor fees	411,144	188,657
Operation serving fees for other banking business	76,550	215,648
System and software expenses	606,452	586,321
Travelling expenses	252,907	715,475
Legal fees	211,661	226,309
Marketing and communication	532,826	511,993
Membership expenses	183,600	133,472
Printing, Postage, Stationery & Supplies	378,795	192,840
Other	870,408	497,587
<b>Total</b>	<b>9,927,873</b>	<b>9,560,746</b>

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 23 – Other operating costs**

Other operating costs at year-end are as follows:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Single Resolution Fund contribution	2,558,292	1,928,332
FGDL provision contribution	71,319	52,847
VAT payable	305,071	244,777
Other	17,523	22,560
<b>Total</b>	<b>2,952,205</b>	<b>2,248,516</b>

**Note 24 – Other operating income**

Other operating income at year-end is as follows:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
VAT recoverable	284,016	1,946
Reimbursement from AGDL (Note 14.3)	328	---
Retained Earnings adjustment	300,189	2,144,772
<b>Total</b>	<b>584,533</b>	<b>2,146,718</b>

**Note 25 – Geographical analysis of income**

As of 31 December 2020, and 2019, the Bank is primarily involved in lending activities and personal banking. Most of the income generated by the Bank is coming from customers or credit institutions located in Europe and Asia, most notably in Europe, Hong-Kong and Mainland China.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 26 – Credit risk analysis**

As of 31 December 2020, the Bank's exposure to credit risk can be analysed as follows (before allocation of the collective and specific value adjustment):

	<b>Balance sheet and off- balance sheet items EUR</b>	<b>Guarantees &amp; Collateral EUR</b>	<b>Net risk exposure EUR</b>
Loans and advances to credit institutions	2,458,127,382	---	2,458,127,382
Loans and advances to customers	3,431,800,247	(1,835,815,459)	1,595,984,788
Commitments	1,082,303,288	---	1,082,303,288
<b>Total</b>	<b>6,972,230,917</b>	<b>(1,835,815,459)</b>	<b>5,136,415,458</b>

As of 31 December 2019, the Bank's exposure to credit risk can be analysed as follows (before allocation of the collective and specific value adjustments):

	<b>Balance sheet and off- balance sheet items EUR</b>	<b>Guarantees &amp; Collateral EUR</b>	<b>Net risk exposure EUR</b>
Loans and advances to credit institutions	1,720,071,560	---	1,720,071,560
Loans and advances to customers	3,412,634,563	(1,362,919,728)	2,049,714,835
Commitments	921,574,473	---	921,574,473
<b>Total</b>	<b>6,054,280,596</b>	<b>(1,362,919,728)</b>	<b>4,691,360,868</b>

Bank of China (Luxembourg) S.A.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 27 – Financial instruments disclosures**

27.1. OTC derivative non-trading financial instruments

As of 31 December 2020, the analysis of the OTC derivative non-trading financial instruments by class and residual maturity is the following:

At notional amount in EUR	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total	Fair Value
<b>FINANCIAL ASSETS</b>						
<b>Instrument class</b>						
Forex Options	---	---	25,000,000	---	25,000,000	149,956
Forex Spot/Forward	644,122	172,665,008	---	---	173,309,130	11,247,436
Interest Rate Swap	---	---	25,000,000	---	25,000,000	261,565
<b>Total</b>	<b>644,122</b>	<b>172,665,008</b>	<b>50,000,000</b>	<b>---</b>	<b>223,309,130</b>	<b>11,658,957</b>
<b>FINANCIAL LIABILITIES</b>						
<b>Instrument class</b>						
Forex Options	---	---	25,000,000	---	25,000,000	149,956
Forex Spot/Forward	1,002,110	121,029,574	---	---	122,031,684	11,237,451
Forex Swap	4,434,548	---	---	---	4,434,548	223,166
Interest Rate Swap	---	---	25,000,000	---	25,000,000	261,565
<b>Total</b>	<b>5,436,658</b>	<b>121,029,574</b>	<b>50,000,000</b>	<b>---</b>	<b>176,466,232</b>	<b>11,872,138</b>

Bank of China (Luxembourg) S.A.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 27 – Financial instruments disclosures (continued)**

As of 31 December 2019, the analysis of the OTC derivative non-trading financial instruments by class and residual maturity is the following:

At notional amount in EUR	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	Total	Fair Value
<b>FINANCIAL ASSETS</b>						
<b>Instrument class</b>						
Forex Option	---	40,000,000	25,000,000	---	65,000,000	305,811
Forex Spot/Forward	26,368,112	46,153,275	---	---	71,521,387	1,307,087
Interest Rate Swap	---	---	25,000,000	---	25,000,000	292,518
<b>Total</b>	<b>26,368,112</b>	<b>86,153,275</b>	<b>50,000,000</b>	<b>---</b>	<b>161,521,387</b>	<b>1,905,416</b>
<b>FINANCIAL LIABILITIES</b>						
<b>Instrument class</b>						
Forex Option	---	40,000,000	25,000,000	---	65,000,000	205,811
Forex Spot/Forward	51,719,886	92,737,753	---	---	144,457,639	1,299,781
Forex Swap	2,007,452	---	---	---	2,007,452	3,360
Interest Rate Swap	---	---	25,000,000	---	25,000,000	292,517
<b>Total</b>	<b>53,727,338</b>	<b>132,737,753</b>	<b>50,000,000</b>	<b>---</b>	<b>236,465,091</b>	<b>1,801,469</b>

Operations linked to currency exchange rates are made to a large extent to cover the fluctuations in foreign exchange rate. The Bank does not enter into trading speculative positions.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 27 – Financial instrument disclosures (continued)**27.2. Information on derivative non-trading financial instruments

	<b>Notional amount in EUR 2020</b>	<b>Notional amount in EUR 2019</b>
<b>Financial liabilities - Foreign exchange and other derivatives transactions</b>		
EU member countries	25,673,297	65,055,357
Asia	150,792,935	96,603,720
Other	---	74,806,014
<b>Total</b>	<b>176,466,232</b>	<b>236,465,091</b>

The Bank has the below derivative products: FX Swap, FX Forward, Interest Rate Swap, Interest Rate Cap and Interest Rate Floor. FX Swap is the only type of derivative product booked in Banking Book for liquidity management purpose. FX Forward, Interest Rate Swap, Interest Rate Cap and Interest Rate Floor are booked in Trading Book as entrusted by clients. Typically, back to back deals are automatically executed in system to transfer the exposure to Bank of China Limited Head Office in Beijing, that way the Bank does not bear any market risk. Relevant market risk indicators are closely monitored on daily basis to ensure usage of limit is at acceptable level.

**Note 28 – Balances with related parties**28.1. Assets

As of 31 December 2020, and 2019, the following balances with related parties are included on the assets side of the balance sheet:

	<b>2020 EUR</b>	<b>2019 EUR</b>
Loans and advances to credit institutions	2,406,942,614	1,985,197,754
Accrued interest on loans and advances to credit institutions	174,810	5,914
<b>Total</b>	<b>2,407,117,424</b>	<b>1,985,203,668</b>

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 28 – Balances with related parties (continued)**28.2. Liabilities

As of 31 December 2020, and 2019, the following balances with related parties are included on the liabilities side of the balance sheet:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Amounts owed to credit institutions	1,642,800,106	1,983,969,805
Accrued interest on amounts owed to credit institutions	5,362,890	3,817,064
Subordinated liabilities	256,000,000	106,000,000
Accrued interest on subordinated liabilities	422,304	402,070
<b>Total</b>	<b>1,904,585,300</b>	<b>2,094,188,939</b>

28.3. Off-balance sheet

As of 31 December 2020, the off-balance sheet amounts with related parties are EUR 88,747,930 (2019: EUR 28,468,261).

28.4. Charges

As of 31 December 2020, charges recorded with related parties are EUR 18,097,865 (2019: EUR 24,606,172).

28.5. Income

As of 31 December 2020, income recorded with related parties are EUR 2,634,283 (2019: EUR 2,620,291).

**Note 29 – Remuneration of the independent auditor**

The fees paid by the Bank to its independent auditor were as follows (excluding VAT):

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Statutory audit services	136,000	148,000
Other assurances services	35,000	40,657
Tax consulting services	---	---
Other services	---	---
<b>Total</b>	<b>171,000</b>	<b>188,657</b>

Bank of China (Luxembourg) S.A.

**Notes to the financial statements (continued)**

As of 31 December 2020

**Note 30 – Return on assets (“ROA”)**

The Bank’s return on assets is as follows:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Total assets	6,512,924,926	6,062,003,646
Profit for the financial year	7,112	19,750,834
<b>Return on assets</b>	<b>0.00%</b>	<b>0.33%</b>

**Note 31 – Subsequent events**

No events have occurred subsequent to 31 December 2020 that would require adjustment to the financial statements as of 31 December 2020.