中国农业银行
AGRICULTURAL BANK OF CHINA

Agricultural Bank of China Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 1288

JOINT DEDICATION TO BUILD A BEAUTIFUL CHINA

2019 Annual Report

Profile

The predecessor of the Bank was Agricultural Cooperative Bank established in 1951. Since the resumption of establishment in February 1979, the Bank has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. The Bank was restructured into a joint stock limited liability company in January 2009. In July 2010, the Bank was listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

As one of the major integrated financial service providers in China, the Bank is committed to building an international first-class commercial banking group with featured operations, efficient and convenient services, diversified functions, and demonstrated value-creation capability. Capitalizing on its comprehensive business portfolio, extensive distribution network and advanced IT platform, the Bank provides a diverse portfolio of corporate and retail banking products and services for a broad range of customers and conducts treasury operations and asset management. Our business scope also includes, among other things, investment banking, fund management, financial leasing and life insurance. At the end of 2019, the Bank had total assets of RMB24,878,288 million, loans and advances to customers of RMB13,360,188 million and deposits from customers of RMB18,542,861 million. Our capital adequacy ratio was 16.13%. The Bank achieved a net profit of RMB212,924 million in 2019.

The Bank had a total of 23,149 domestic branch outlets at the end of 2019, including the Head Office, Business Department, three specialized institutions managed by the Head Office, four training institutes, 37 tier-1 branches, 390 tier-2 branches, 3,445 tier-1 sub-branches, 19,216 foundation-level branch outlets and 52 other establishments. Our overseas branch outlets consisted of 13 overseas branches and four overseas representative offices. The Bank had 16 major subsidiaries, including 11 domestic subsidiaries and 5 overseas subsidiaries.

The Financial Stability Board has included the Bank into the list of Global Systemically Important Banks for six consecutive years since 2014. In 2019, the Bank ranked No. 36 in the *Fortune's* Global 500, and ranked No. 3 in *The Banker's* "Top 1000 World Banks" list in terms of tier 1 capital. At the date of this report, Standard & Poor's affirmed long-/short-term issuer credit ratings of the Bank at A/A-1 with stable outlook. Moody's affirmed long-/short-term bank deposit ratings of the Bank at A1/P-1 with stable outlook and Fitch Ratings affirmed long-/short-term issuer default ratings of the Bank at A/F1+ with stable outlook.

Contents

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

1.	A Share(s)	Ordinary shares listed domestically which are subscribed and traded in Renminbi
2.	ABC/Agricultural Bank of China/ the Bank/the Group/We	Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries
3.	Articles of Association	*The Articles of Association of Agricultural Bank of China Limited* amended pursuant to the *Approval on Change of the Registered Capital of Agricultural Bank of China Limited (Yin Bao Jian Fu [2018] No. 199)* issued by the China Banking and Insurance Regulatory Commission on 25 September 2018
4.	CASs/PRC GAAP	The Accounting Standards for Enterprises promulgated on 15 February 2006 by the Ministry of Finance of the People's Republic of China and other related rules and regulations subsequently issued
5.	CBIRC	China Banking and Insurance Regulatory Commission, or its predecessors, the former China Banking Regulatory Commission and/or the former China Insurance Regulatory Commission, where the context requires
6.	County Area(s)	The county-level regions (excluding the district-level areas in the cities) in the People's Republic of China and the areas under their administration, including counties and county-level cities
7.	County Area Banking Business	We provide customers in the County Areas with a broad range of financial services through our branch outlets located in counties and county-level cities in the People's Republic of China. We refer to such banking business as the "County Area Banking Business" or "Sannong Banking Business"
8.	County Area Banking Division	An internal division with management mechanism adopted by us for specialised operation of financial services provided to Sannong and the County Areas, as required under our restructuring into a joint stock limited liability company, which focuses on the County Area Banking Business with independence in aspects such as governance mechanism, operational decision making, financial accounting as well as incentive and constraint mechanism to a certain extent
9.	CSRC	China Securities Regulatory Commission
10.	Global Systemically Important Banks	Banks recognised as key players in the financial market with global features as announced by the Financial Stability Board
11.	H Share(s)	Shares listed on The Stock Exchange of Hong Kong Limited and subscribed and traded in Hong Kong Dollars, the nominal value of which are denominated in Renminbi
12.	Hong Kong Listing Rules	*The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*

13.	Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
14.	Huijin	Central Huijin Investment Ltd.
15.	MOF	Ministry of Finance of the People's Republic of China
16.	PBOC	The People's Bank of China
17.	Sannong	Agriculture, rural areas and farmers
18.	SSF	National Council for Social Security Fund of the People's Republic of China

Basic Corporate Information and Major Financial Indicators

Basic Corporate Information

Legal name in Chinese **Abbreviation**	中國農業銀行股份有限公司 中國農業銀行
Legal name in English **Abbreviation**	AGRICULTURAL BANK OF CHINA LIMITED AGRICULTURAL BANK OF CHINA (ABC)
Legal representative	ZHOU Mubing
Authorized representative	ZHANG Qingsong
Contact details of Secretary to the Board of Directors	Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC Tel: 86-10-85109619 (Investors Relations) Fax: 86-10-85126571 E-mail: ir@abchina.com
Registered address and office address **Postal code**	No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, PRC 100005
Hotline for customer service and compliant	95599
Internet website	www.abchina.com
Principal place of business in Hong Kong	25/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong, PRC
Selected media for information disclosure	*China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily*
Website of Shanghai Stock Exchange publishing the annual report (A Shares)	www.sse.com.cn
Website of Hong Kong Stock Exchange publishing the annual report (H Shares)	www.hkexnews.hk
Location where copies of the annual report are kept	Office of the Board of Directors of the Bank
Listing exchange of A Shares **Stock name** **Stock code** **Share registrar**	Shanghai Stock Exchange 農業銀行 601288 China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)
Listing exchange of H Shares **Stock name** **Stock code** **Share registrar**	The Stock Exchange of Hong Kong Limited ABC 1288 Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, PRC)

Basic Corporate Information and Major Financial Indicators

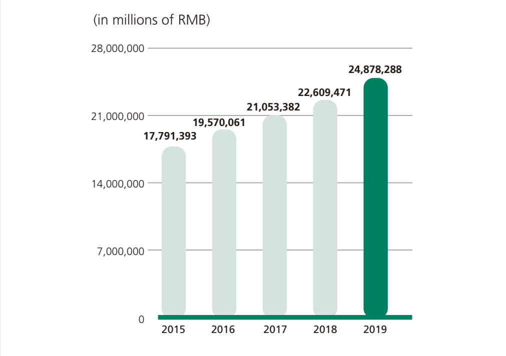
Trading exchange and platform of preference shares	The Integrated Business Platform of Shanghai Stock Exchange
Stock name (stock code)	農行優1 (360001), 農行優2 (360009)
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 166 Lujiazui East Road, New Pudong District, Shanghai, PRC)
Legal advisor as to laws of Mainland China	King & Wood Mallesons
Address	17–18/F, East Tower, World Financial Centre 1, No. 1, Dongsanhuan Zhong Road, Chaoyang District, Beijing, PRC
Legal advisor as to laws of Hong Kong	Fangda Partners
Address	26/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong, PRC
Domestic auditor	PricewaterhouseCoopers Zhong Tian LLP
Address	11/F, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai, PRC
Name of the undersigned accountants	JIANG Kun, HAN Dan
International auditor	PricewaterhouseCoopers
Address	22/F, Prince's Building, Central, Hong Kong, PRC
Sponsor institution of continuous supervision and guidance	CITIC Securities Co., Ltd.
Address	North Tower, Excellence Times Plaza II, No. 8 Zhongxin San Road, Futian District, Shenzhen, Guangdong Province, PRC
Name of the undersigned sponsor representatives	ZHU Yu, SUN Yi
The period of continuous supervision and guidance	2 July 2018 to 31 December 2019

Basic Corporate Information and Major Financial Indicators

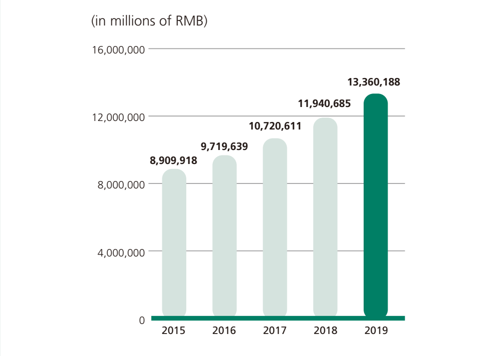
Financial Highlights

(Financial data and indicators recorded in this report are prepared in accordance with the International Financial Reporting Standards (the "**IFRSs**") and denominated in RMB, unless otherwise stated)

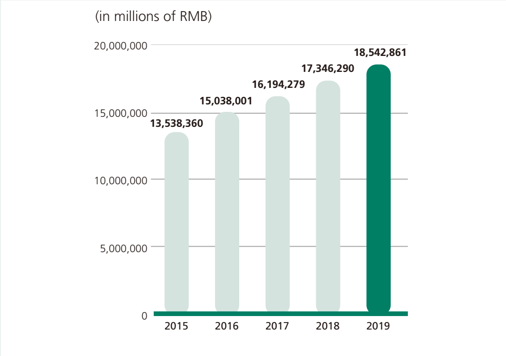
Total assets



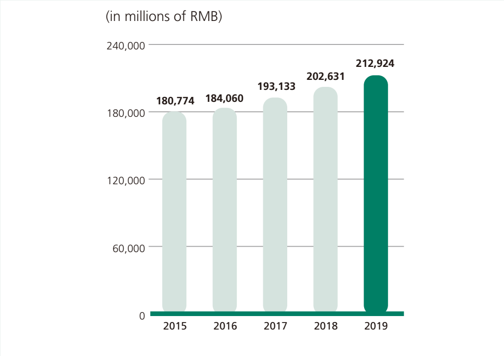
Total loans and advances to customers



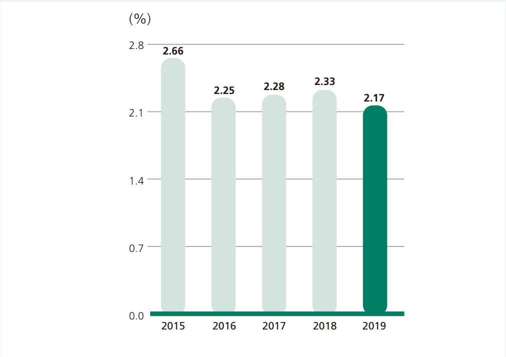
Deposits from customers



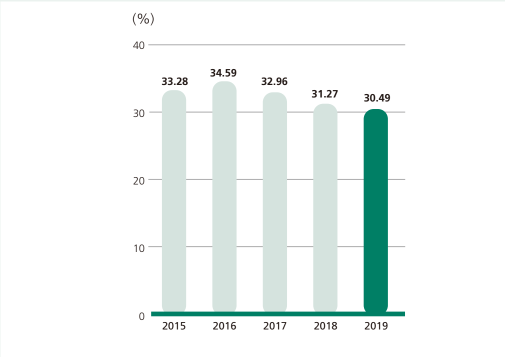
Net profit



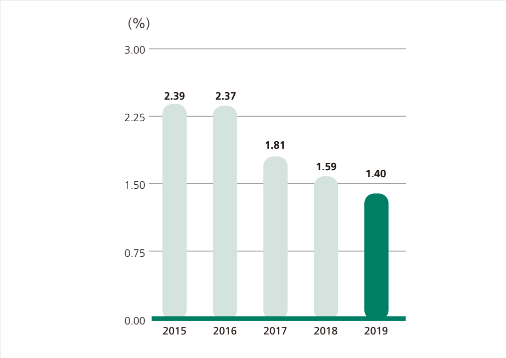
Net interest margin



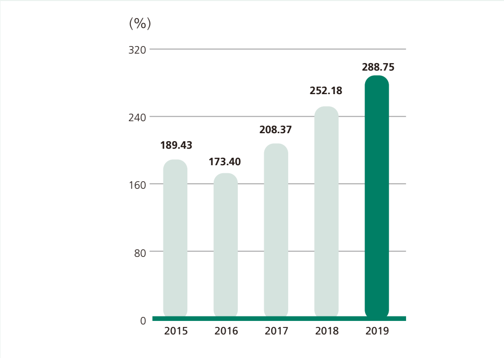
Cost-to-income ratio



Non-performing loan ratio



Allowance to non-performing loans



Major Financial Data

	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
At the end of the reporting period (in millions of RMB)					
Total assets	**24,878,288**	22,609,471	21,053,382	19,570,061	17,791,393
Total loans and advances to customers	**13,360,188**	11,940,685	10,720,611	9,719,639	8,909,918
Including: Corporate loans	**7,095,770**	6,514,383	6,147,584	5,368,250	5,378,404
Discounted bills	**421,390**	343,961	187,502	569,948	356,992
Retail loans	**5,392,473**	4,665,871	4,000,273	3,340,879	2,727,890
Overseas and others	**419,913**	389,410	385,252	440,562	446,632
Allowance for impairment losses on loans	**540,578**	479,143	404,300	400,275	403,243
Loans and advances to customers, net	**12,819,610**	11,461,542	10,316,311	9,319,364	8,506,675
Financial investments	**7,422,930**	6,885,075	6,152,743	5,333,535	4,512,047
Cash and balances with central banks	**2,699,895**	2,805,107	2,896,619	2,811,653	2,587,057
Deposits and placements with and loans to banks and other financial institutions	**758,925**	661,741	635,514	1,203,614	1,202,175
Financial assets held under resale agreements	**708,551**	371,001	540,386	323,051	471,809
Total liabilities	**22,918,526**	20,934,684	19,623,985	18,248,470	16,579,508
Deposits from customers	**18,542,861**	17,346,290	16,194,279	15,038,001	13,538,360
Including: Corporate deposits	**6,879,767**	6,559,082	6,379,447	5,599,743	4,821,751
Retail deposits	**10,611,922**	9,791,974	9,246,510	8,815,148	8,065,556
Overseas and others	**823,525**	794,590	568,322	623,110	651,053
Deposits and placements from banks and other financial institutions	**1,829,272**	1,449,863	1,254,791	1,458,065	1,537,660
Financial assets sold under repurchase agreements	**53,197**	157,101	319,789	205,832	88,804
Debt securities issued	**1,108,212**	780,673	475,017	388,215	382,742
Equity attributable to equity holders of the Bank	**1,948,355**	1,670,294	1,426,415	1,318,193	1,210,091
Net capital[1]	**2,498,311**	2,073,343	1,731,946	1,546,500	1,471,620
Common Equity Tier 1 (CET1) capital, net[1]	**1,740,584**	1,583,927	1,339,953	1,231,030	1,124,690
Additional Tier 1 capital, net[1]	**199,894**	79,906	79,906	79,904	79,902
Tier 2 capital, net[1]	**557,833**	409,510	312,087	235,566	267,028
Risk-weighted assets[1]	**15,485,352**	13,712,894	12,605,577	11,856,530	10,986,302

	2019	2018	2017	2016	2015
Operating results for the year (in millions of RMB)					
Operating income	**629,350**	602,557	542,898	510,128	540,862
Net interest income	**486,871**	477,760	441,930	398,104	436,140
Net fee and commission income	**86,926**	78,141	72,903	90,935	82,549
Operating expenses	**224,096**	213,963	205,268	197,049	225,818
Credit impairment losses	**138,605**	136,647	N/A	N/A	N/A
Impairment losses on assets	**N/A**	N/A	98,166	86,446	84,172
Total profit before tax	**266,576**	251,674	239,478	226,624	230,857
Net profit	**212,924**	202,631	193,133	184,060	180,774
Net profit attributable to equity holders of the Bank	**212,098**	202,783	192,962	183,941	180,582
Net cash generated from operating activities	**352,571**	105,927	633,417	715,973	820,348

Financial Indicators

	2019	2018	2017	2016	2015
Profitability (%)					
Return on average total assets[2]	**0.90**	0.93	0.95	0.99	1.07
Return on weighted average net assets[3]	**12.43**	13.66	14.57	15.14	16.79
Net interest margin[4]	**2.17**	2.33	2.28	2.25	2.66
Net interest spread[5]	**2.03**	2.20	2.15	2.10	2.49
Return on risk-weighted assets[1, 6]	**1.38**	1.48	1.53	1.55	1.65
Net fee and commission income to operating income	**13.81**	12.97	13.43	17.83	15.26
Cost-to-income ratio[7]	**30.49**	31.27	32.96	34.59	33.28
Data per share (RMB Yuan)					
Basic earnings per share[3]	**0.59**	0.59	0.58	0.55	0.55
Diluted earnings per share[3]	**0.59**	0.59	0.58	0.55	0.55
Net cash per share generated from operating activities	**1.01**	0.30	1.95	2.20	2.53

	31 December 2019	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Asset Quality (%)					
Non-performing loan ratio[8]	**1.40**	1.59	1.81	2.37	2.39
Allowance to non-performing loans[9]	**288.75**	252.18	208.37	173.40	189.43
Allowance to loan ratio[10]	**4.06**	4.02	3.77	4.12	4.53
Capital adequacy (%)					
Common Equity Tier 1 (CET1) capital adequacy ratio[1]	**11.24**	11.55	10.63	10.38	10.24
Tier 1 capital adequacy ratio[1]	**12.53**	12.13	11.26	11.06	10.96
Capital adequacy ratio[1]	**16.13**	15.12	13.74	13.04	13.40
Risk-weighted assets to total assets ratio[1]	**62.24**	60.65	59.87	60.59	61.75
Total equity to total assets ratio	**7.88**	7.41	6.79	6.75	6.81
Data per share (RMB Yuan)					
Net assets per ordinary share[11]	**5.00**	4.54	4.15	3.81	3.48

Notes: 1. *Figures were calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and other relevant regulations.*

2. *Calculated by dividing net profit by the average balances of total assets at the beginning and the end of the period.*

3. *Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Computation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) issued by the CSRC and International Accounting Standard 33 — Earnings per share.*

4. *Calculated by dividing net interest income by the average balances of interest-earning assets.*

5. *Calculated as the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.*

6. *Calculated by dividing net profit by risk-weighted assets at the end of the period. The risk-weighted assets are calculated in accordance with the relevant regulations of the CBIRC.*

7. *Calculated by dividing operating and administrative expenses by operating income in accordance with CASs, which is consistent with the corresponding figures as stated in the financial report of the Bank prepared in accordance with CASs.*

8. *Calculated by dividing the balance of non-performing loans (excluding accrued interest) by the balance of total loans and advances to customers (excluding accrued interest).*

9. *Calculated by dividing the balance of allowance for impairment losses on loans (excluding accrued interest) by the balance of non-performing loans (excluding accrued interest), among which, the balance of allowance for impairment losses on loans (excluding accrued interest) does not include the allowance for impairment losses on bills and forfeiting recognised in other comprehensive income.*

10. *Calculated by dividing the balance of allowance for impairment losses on loans (excluding accrued interest) by the balance of total loans and advances to customers (excluding accrued interest), among which, the balance of allowance for impairment losses on loans (excluding accrued interest) does not include the allowance for impairment losses on bills and forfeiting recognised in other comprehensive income.*
11. *Calculated by dividing equity attributable to ordinary equity holders of the Bank (excluding other equity instruments) at the end of the reporting period by the total number of ordinary shares at the end of reporting period.*

Other Financial Indicators

		Regulatory Standard	**31 December 2019**	31 December 2018	31 December 2017	31 December 2016	31 December 2015
Liquidity ratio[1] (%)	RMB	≥25	**57.74**	55.17	50.95	46.74	44.50
	Foreign Currency	≥25	**112.07**	101.77	106.74	82.24	115.15
Percentage of loans to the largest single customer[2] (%)		≤10	**4.68**	5.53	7.26	6.98	7.15
Percentage of loans to the top ten customers[3] (%)			**13.83**	15.25	18.27	16.58	16.82
Loan migration ratio[4] (%)	Normal		**1.54**	1.72	2.13	3.00	4.96
	Special mention		**15.90**	16.93	18.70	24.86	18.28
	Substandard		**47.10**	61.48	71.48	89.23	86.94
	Doubtful		**8.82**	8.91	6.94	9.55	10.35

Notes: 1. *Calculated by dividing current assets by current liabilities in accordance with the relevant regulations of the CBIRC.*
2. *Calculated by dividing total loans to the largest single customer (excluding accrued interest) by net capital.*
3. *Calculated by dividing total loans to the top ten customers (excluding accrued interest) by net capital.*
4. *Calculated in accordance with the relevant regulations of the CBIRC, reflecting domestic data only.*

Quarterly Data

2019 (in millions of RMB)	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	**173,606**	**150,861**	**151,936**	**152,947**
Net profit attributable to equity holders of the Bank	**61,251**	**60,194**	**59,226**	**31,427**
Net cash generated from/(used in) operating activities	**263,874**	**(274,386)**	**112,649**	**250,434**

ZHOU Mubing
Chairman of the Board of Directors

The year 2019 marks the 40th anniversary of Agricultural Bank of China's reestablishment and the 10th anniversary of our joint-stock reform. At this momentous point of time, we stringently implemented decisions and plans of the Central Committee of the Communist Party of China and the State Council. We also adhered to the principle of seeking progress while working to keep performance stable, and new vision for development. We have taken effective actions in response to severe challenges brought by the changing economic and financial environment, as well as FinTech revolution. We further continued the implementation of the "Six Dimension Strategy" for the governance and development of the Bank. We carried out solid work on improving services, preventing risks, implementing reform, pursuing innovation, bolstering areas of weakness and promoting transformation. In this regard, we have made significant improvements in corporate governance, the capability to create value, market competitiveness and our ability to prevent and control risks. Our business operation remained stable with a favourable trend.

At the end of 2019, our total assets reached RMB24.88 trillion, representing an increase of 10.0%, and we recorded net profit of RMB212,924 million, representing an increase of 5.08%, and cost-to-income ratio decreased by 0.78 percentage point to 30.49%. Our non-performing loan ratio decreased by 0.19 percentage point to 1.40%. Our capital adequacy ratio increased by 1.01 percentage points to 16.13%. These key performance indicators demonstrated our stable and consistent improvements in quantity, quality and efficiency. Our ranking in the *Fortune's* Global 500 and *The Banker's* "Top 1000 World Banks" list in terms of tier 1 capital rose to No. 36 (from No. 40 in 2018) and to No. 3, respectively, and we were awarded the "Global Bank of the Year 2019" by *The Banker*. These achievements were due to the strong support of our shareholders, customers and all sectors of society, as well as our employees' persistent hard work. On behalf of the Board of Directors, I would like to express our gratitude for their contributions.

In the past year, demonstrating courage to undertake our duty and the initiative to act, we effectively shouldered the responsibility of serving the real economy. Focusing on supply-side structural reform and the working arrangement of "stable performance in six key areas, namely, employment, finance, foreign trade, foreign investment, domestic investment and market expectations", we issued more loans, optimized credit portfolios and developed new business while actively fulfilling our social responsibilities. With RMB-denominated loans of the Bank increasing by RMB1.36 trillion, we provided strong support for the implementation of a number of major national strategies and key projects, and for the development of Sannong, small and micro enterprises and other areas of weakness. Adhering to serving "Sannong", we made effort to provide financial services for the rural vitalization and the fight against poverty. The growth of loans in our County Area Banking Business is 1.8 percentage points higher than that of the Bank. All of the five indicators of the County Area Banking Division met regulatory objectives. Remarkable results were achieved in financial poverty alleviation, with the balance of loans to 832 key counties of national poverty alleviation increasing by RMB167.6 billion and the balance of loans to targeted poverty alleviation increasing by RMB64.2 billion, and our services benefited five million poor people and contributed to winning the fight against poverty. We achieved breakthrough growth in our inclusive finance business, with an increase in inclusive loans to small and micro enterprises by 58.2% and small and micro enterprise customers having outstanding inclusive loans by 254%, which incarnated the development of private and small and micro enterprises have been better supported.

We strengthened our foundation, bolstered areas of weakness and accumulated momentum, to build up favourable conditions for our business operation. We stringently implemented the "Clean-up Plan", by disposing of existing non-performing loans while reducing the inflow of new ones. We strictly controlled occurrence of new non-performing loans and accelerated the disposal of existing ones through various means, such as collection, write-off and batch transfer. With our non-performing loan ratio falling within the comparable industry average, our asset quality has been improved significantly. We continuously implemented the "Efficiency Enhancement Plan", through increasing our income while reducing expenditures. As a result, our cost-to-income ratio has been continuously reduced for three consecutive years and our business operations became more intensive and efficient. Our businesses of Internet finance, investment banking and credit card developed at a faster pace, and our subsidiaries and overseas institutions expanded steadily. We also expend effort to implement the "Capital Consolidation Plan" by successfully issuing perpetual bonds and Tier-2 capital bonds amounting to RMB240 billion in aggregate, which enabled our capital adequacy ratio to rise markedly and laid a more solid foundation for our sustainable development.

We further deepened our reforms and promoted our transformations, which provided increasing momentum for our sustainable development. We further implemented the hierarchical and classified reforms in tier-1 branches, branches in provincial capital cities and sub-branches in County Areas, to optimize resource allocation and improve differentiated and sophisticated business management. Focusing on improving business-technology integration, as well as research & development efficiency, we promoted the reform of our management over technology and product innovation, striving to build an agile development model. We accelerated the reform of our subsidiaries and directly-operated business units to improve our integrated and interconnected operating mechanism, as well as the synergy of the Group. Focusing on technology empowerment, we deeply promoted the transformation of the retail banking business and branch outlets to accelerate the comprehensive transformation of our marketing models, customer acquisition methods, service channels and systems as well as the related procedures. In particular, we deeply implemented the digital transformation strategy which was in line with the development trend of FinTech. We made significant progress in building platforms, online financing, creating scenes and data governance. We built four online financing product series of "ABC E-loan" including "ABC Personal E-loan", "ABC Small and Micro E-loan", "ABC Huinong E-loan" and "ABC Industrial E-loan", with the online financing amounting to RMB589.4 billion.

We maintained a prudent risk appetite to provide a solid safeguard for asset safety and sustained growth of shareholders' value. We endeavoured to improve our credit risk management and control ability, strictly required unified credit granting for group customers and integrated credit granting for domestic and overseas customers, conducted strict risk classification and strengthened provision management, in order to create a solid foundation for asset quality. We enhanced transaction management and risk exposure management to effectively prevent abnormal volatility and resonance risk in the market. We strengthened management and control over risks arising from new business, new products and new models. We strengthened the development of the online credit system and procedures, improved online risk control models and explored risk monitoring tools using Big Data. We continued to develop our anti-money laundering compliance system, through the top design of anti-money laundering framework, as well as improving anti-money laundering platforms and tools. Further, we continued to strengthen the development of our "Four Sharp Arrows" case prevention system featuring management of "Two-line" (risk and compliance management responsibilities of business lines and personnel), foundation-level management, staff grid network management, and prevention of cases of violations by means of technology, enabling us to strengthen our capability on risk control and prevention of cases.

We actively explored and improved our commercial bank corporate governance framework and procedures to effectively modernize our corporate governance. In strict compliance with relevant laws and regulations, as well as our Articles of Association, we continuously improved our corporate governance operating framework in which governance bodies of the Bank perform their respective duties and responsibilities, operate in coordination and counterbalance effectively. We continued to improve authorization management and implemented systems for investigation of the Directors and Supervisors, communications regarding major proposals and reports to ensure that the Directors and Supervisors fully perform their duties. We also effectively fulfilled our information disclosure obligations and consciously accepted supervision from investors. The Directors and Supervisors diligently performed their duties, actively provided advice, maintained proper focus on important issues, and effectively protected the rights and interests of shareholders.

The year 2020 signifies the finale to the building of a moderately prosperous society in all respects and also a decisive year for fighting against poverty. The sudden outbreak of coronavirus disease (COVID-19) will not change the positive long-term growth trajectory of China's economy. The Agricultural Bank of China will maintain our strategic momentum, provide more financial innovations and promote the high-quality development of the economy with more inclusive and efficient financial services. With the courage to embrace self-reform, we will remain committed to our reform and transformation to make greater breakthroughs in our reform and transformation in key areas, especially in accelerating technology empowerment and moving digital transformation into the "fast lane". We will continue to consolidate our traditional advantages and bolster areas of weakness, improve quality and efficiency, adhere to a strict approach to risk limitation and achieve better results in our business performance.

The world is undergoing profound changes unseen in a century, and the financial industry is facing unprecedented challenges and opportunities. The Agricultural Bank of China will industriously consolidate and improve our achievements in reform and development on the new voyage, seize opportunities, conquer obstacles, remain true to our original aspiration and secure a new breakthrough with all-out efforts in building an international first-class commercial banking group.

周慕冰

ZHOU Mubing
Chairman of the Board of Directors
30 March 2020

ZHANG Qingsong
President

In 2019, facing a complicated and challenging business environment at home and abroad, we diligently implemented the decisions and plans of the Central Committee of the Communist Party of China and the State Council and faithfully followed the principle of seeking progress while working to keep performance stable. Oriented to the supply-side structural reform and focusing on the working arrangement of the "Stable Performance in Six Key Areas (namely, employment, finance, foreign trade, foreign investment, domestic investment, and market expectations)" and the "Three Major Battles", we improved our services, prevented risks, implemented reform, pursued innovation, bolstered areas of weakness and promoted transformation. These efforts enabled us to achieve all of the business goals set by the Board of Directors.

Our business grew at a fast pace and the operating performance was stable, with a favourable trend. At the end of 2019, the Group's total assets reached RMB24.88 trillion, representing an increase of RMB2.27 trillion or 10.0%. Deposits and loans experienced reasonable growth, with loans increasing by RMB1,419.503 billion or 11.9% and deposits increasing by RMB1,196.571 billion or 6.9%, respectively. Positive results were also achieved in building our customer base, with 0.13 million new corporate customers with outstanding loan balance and personal mobile banking customers over 300 million. We recorded a net profit of RMB212.924 billion for the year 2019, representing an increase of 5.08%. The allowance to non-performing loans was 288.75%, representing an increase of 36.57 percentage points. Our cost-to-income ratio decreased by 0.78 percentage point to 30.49%. Our capital adequacy ratio increased by 1.01 percentage points to 16.13%. Major regulatory indicators related to County Area Banking Division, inclusive finance, loans to manufacture industry and macro-prudential management all met the relevant regulatory standards.

Oriented to the supply-side structural reform, we comprehensively strengthened financial services for the real economy. Strengthening our counter-cyclical approach, we served the economy to promote its steady growth by increasing financing supply in key areas and the areas of weakness. New loans of RMB1.27 trillion were issued to the real economy, bringing the financing for the real economy to over RMB2 trillion, together with other activities such as financing by local government debts and debt-to-equity swaps. We actively supported major national strategies and the construction of major projects. The balance of loans in railways, highways, urban infrastructure, water conservancy, electric power and other areas reached RMB3.38 trillion, representing an increase of RMB357 billion. Focusing on alleviating the difficulties and high cost in financing encountered by private, small and micro enterprises, we proactively directed a meaningful service focus toward them through innovative online financing product system "Inclusive E-loan". Our inclusive loans to small and micro enterprises increased by RMB217.9 billion, or 58.2%, and loans to private enterprise increased by RMB218 billion, or 15.5%, respectively. We supported the conversion of economic growth momentum, increased credit to strategic emerging industries and the credit risk exposures of overcapacity industries continuing to decline.

We emphasized the responsibility of serving "Sannong" and made efforts to provide financial services for poverty alleviation and rural vitalization. We promoted the "Seven Actions" to serve the rural vitalization strategy, with new loans in County Areas amounting to RMB547,222 million for the year 2019, representing an increase of RMB109,703 million. We comprehensively optimized and upgraded "No. 1 Project" for Providing Internet Financial Services for Sannong and established information record for 3.08 million rural households in 44 thousand administrative villages across the country. The balance of "ABC Huinong E-loan", online loans to rural households, amounted to RMB198.6 billion, representing an increase of 128%. We achieved positive results in financial poverty alleviation, formulated 20 preferential policies for the areas of extreme poverty and conducted poverty alleviation through collaboration between the eastern and western regions, consumption and education. The growth rate of loans in 832 key counties of national poverty alleviation and "Three Regions and Three Prefectures" in areas of extreme poverty was higher than that of the whole bank.

Following the new trend of revolution in FinTech, we comprehensively promoted digital transformation. We regarded digitalization as the core driving force of our business transformation. We accelerated the innovation of online products of the "ABC E-loan" series, and continuously expanded the integration and supply of important digital infrastructure such as technology platforms, data assets, and middle platforms for our businesses. We continued to expand smart scenes related to industrial chain, government affairs and people's livelihood, and retail consumption, so as to serve and support the accelerated development of the digital economy with digital financial innovations. At the end of 2019, our balance of online loans exceeded RMB580 billion and 22 thousand digital smart branch outlets were established, covering 100% of our branch outlets. Our smart marketing middle platform for retail business commenced operation successfully and the digital sales exceeded RMB1 trillion for the year 2019. We continue to innovate mobile banking functions, with over 72 million monthly active customers. The research and development of key digital products and platforms for corporate business was progressing smoothly. We launched innovative online products such as "E-account" and online discounted bill pool, further improving the convenience and customer experience of our financial services.

We continued to deepen reforms and innovations to revitalize our operations and development. We commenced the reforms of the hierarchical and classified management system in tier-1 branches, branches in provincial capital cities and sub-branches in County Areas. Taking into account the specific circumstances of resources and economic development of various regions, we implemented differentiated credit authorization, expense allocation and assessment and incentive policies which enabled our branches and sub-branches to provide service for regional economic development more effectively. We deepened the system reform of direct operating. Agricultural Bank of China Wealth Management Co., Ltd., successfully opened for business, and new businesses such as online finance, investment banking, wealth management, custody and private banking developed rapidly, effectively satisfying the diversified needs of customers for financial services. We continuously strengthened the synergy and coordination among our businesses, with the overall performance of our subsidiaries of integrated operation improved and their contributions to the Group's profit continuing to increase. With steady increase of assets and stable profitability and asset quality, our overseas institutions obtained more favourable regulatory evaluations overall.

We improved our risk and compliance management system to consolidate the foundation for business development. We promoted the aggregation of effective risk data and risk reporting, deepened the application of risk measurement tools, enhanced the consolidated management and integration of the Group and improved the long-term mechanism for compliance management of overseas institutions, striving to improve the effectiveness of comprehensive risk management. We strengthened the control over large-scale group customers and high-risk industries, and strictly controlled occurrence of new non-performing loans. We made efforts to dispose large non-performing assets, collecting and disposing of non-performing loans of RMB119.5 billion for the year. Even with stricter criteria for risk classification, we maintained declines in both the balance and ratio of non-performing loans. Our non-performing loan ratio fell to the average level of comparable peers, and the risk resilience remained at a favourable level. We strengthened the dynamic monitoring and control of market risk and liquidity risk and reasonably controlled the credit risk exposures of counterparties and customers, effectively preventing the cross-market risk transmission. We continued to promote the classification management of cases in key areas, steadily carried out the activity of "consolidating the results of market chaos control and promoting compliance", and further implemented the plan of developing our global anti-money laundering compliance system. We continuously enhanced our capability to prevent cases of violations through the use of technology, to further strengthen the foundation of internal control and compliance management. We comprehensively enhanced IT risk management, by reinforcing important and sensitive information systems and continuously optimizing distributed core platforms, to ensure the safe and stable operation of information systems.

The year 2020 signifies the finale to the building of a moderately prosperous society in all respects and the "13th Five-Year Plan". It is also the decisive year to achieve the first centennial goal and win the fight against poverty. In the new year, the management of the Bank will closely focus on the development goals set by the Board of Directors, adhere to the general principle of seeking progress while working to keep performance stable and the new vision for development, do our utmost to serve the real economy, promote digital transformation in a comprehensive way, and reach a new level in building an international first-class commercial banking group. We will requite our investors and customers with our continued outstanding performance.

ZHANG Qingsong
President
30 March 2020

WANG Jingdong
Chairman of the Board of Supervisors

Environment and Prospects

In 2019, influenced by negative factors such as the increasing trade protectionism, the challenges in boosting investment and consumption and the intensified geopolitical risks, the global economy continued to decline. The downward pressure on the US economy increased. The Federal Reserve ended its balance sheet normalization program ahead of schedule and cut interest rates three times. A new round of its balance sheet expansion program was implemented in the fourth quarter of 2019. The economic growth momentum of the Euro zone continued to be weak and the inflation rate declined. The European Central Bank cut interest rates and restarted its quantitative easing policy. Japan's industrial production and exports were both sluggish, with inflation remaining low, and the Bank of Japan maintained its loose monetary policy. Emerging market economies experienced differentiated performance. The economic growth of India and Mexico declined by varying degrees. The economic growth of Brazil, Russia, South Africa, and Argentina rebounded but was still low. The Dow Jones Industrial Index, European STOXX50 Index and Nikkei 225 Index rose by 22.3%, 23.3%, and 18.2%, respectively, in 2019. The USD Index climbed slightly by 0.39% in 2019. Commodity prices decreased with fluctuations and the CRB Spot Index decreased by 1.85% in 2019.

In 2019, China's economy was generally stable but was affected by structural, institutional, and cyclical issues. More deeply impacted by a slowdown in economic growth, structural adjustments and reduction of negative effects of previous economic stimulus policies, China's economy faced mounting downward pressure in 2019. The GDP in 2019 increased by 6.1%, representing a decrease of 0.5 percentage point over the previous year. Total investment in fixed assets, total retail sales of social consumer goods and exports increased by 5.4%, 8% and 5%, respectively, representing a decrease of 0.5, 1 and 2.1 percentage points, respectively, over the previous year. The quality of the economic development improved, which reflected in continuous consumption upgrades, gradually shifting from focusing on commodity consumption to diversified service consumption, and continuously accumulated industrial growth momentum, changing from quantitative expansion to qualitative improvement. In 2019, the consumer price index (CPI) rose 2.9% year-on-year. Deflationary pressures in the industrial sector appeared and PPI fell 0.3% compared to the previous year. The growth rate of broad money (M2) increased by 8.7% in 2019, and aggregate financing to the real economy (flow) was RMB25.58 trillion, representing an increase of RMB3.08 trillion compared to the previous year.

In 2019, the PRC government adhered to the general principle of seeking progress while working to keep performance stable, and continued to adopt proactive fiscal policies and prudent monetary policies. Strengthening the counter-cyclical adjustment effects of monetary policies, the PRC government comprehensively utilized a variety of monetary policy tools to provide market liquidity, cut reserve requirement ratios three times, and continuously optimized the reserve management framework of "Three Levels and Two Preferential Rates". The reform and innovation of the financial industry were executed in depth. The central bank bill swap instruments were created. The formation mechanism of loan prime rate was reformed and improved and banks were encouraged to issue perpetual debt to replenish capital. To further open up the financial sector, more than 30 measures in relation to opening up have been released, and the time for removing restrictions on foreign shareholdings in securities, funds, futures, and life insurance has been clearly advanced to 2020.

Currently, the global economy is suffering a great impact from the outbreak and constant spreading of COVID-19. According to OECD's prediction this March, the global economic growth would decrease from the previously estimated 2.9% to 1.5% if the epidemic lasted for a long time. Due to spread of the epidemic, the global financial market witnessed a wild fluctuation. In March, the US rapidly lowed the benchmark interest rate by 150 basis points and launched an economic stimulus package. However, in 2020, narrowed scope for monetary easing and relieved stimulation of fiscal policies will lead to obviously weakened driver for the US economic growth and increased risks of economic recession. Europe rolled out a series of policies such as expanding quantitative easing to absorb the impact, but will still face great pressure of economic downturn given the grim situation of epidemic prevention and control. Japan's economy will continue to be impacted by export and consumption apart from the epidemic and will see continuously slowing growth.

In 2020, though the COVID-19 had some impacts on China's economy, such impacts are mainly expected to be short-term and China's fundamentals of high-quality economic development with favourable long-term prospects will remain unchanged. Investments in traditional and new infrastructures will play an important role in stabilization of economic growth, with significantly accelerated construction of 5G network, data centre and other new infrastructures. While consumptions will remain overall stable, online consumption will develop at a faster pace. The decrease in global demands will affect China's export, and trade barriers resulting from the COVID-19 outbreak are also likely to affect our industrial chain. With the continuous economic structure optimization, internal demand will continue to further drive economic growth, and new retail, online education, online office and other forms of digital economy will have new development opportunities. Comprehensively considering the impacts of COVID-19 and pork price, the consumer price index (CPI) is expected to be relatively high at the beginning and decrease as the year progresses.

In 2020, to hedge the impact of the COVID-19, China's macro-control policies are expected to increase the intensity of counter-cyclical adjustments and focus on promoting high-quality economic development while maintaining steady growth throughout the year. Proactive fiscal policies will be more effective and pay more attention to structural adjustments, reducing general expenditures to ensure expenditures in sectors related to medical and people's livelihood. As an important tool for fiscal policies, the local government special debt will continue to increase. The prudent monetary policy will be more flexible and moderate, focusing more on serving the real economy. The PBOC will continue to maintain reasonable and sufficient market liquidity through various monetary policy tools, such as cutting reserve requirement ratios and open market operations. The reform of the liberalization of the interest rate will be deepened and the transmission mechanism of the loan prime rate will be improved, leading the loan prime rate down by lowering open market operation rates. The supply-side structural reform in financial sector will be further advanced to improve the efficiency of the monetary policy transmission mechanism and alleviate the difficulty and high cost in financing for small and micro enterprises. It is expected that the China-US economic and trade relations will gradually stabilize in 2020, China's economic growth will remain resilient and the RMB exchange rate is expected to increase slightly.

In 2020, closely following the country's goal of building a moderately prosperous society in all respects and focusing on serving the goal of "Six Stable" to maintain stable employment, stable finance, stable foreign trade, stable foreign capital, stable investment and stable market expectations, we will deepen the implementation of our "Six Dimension Strategy" for governing and developing the Bank. We will continue to bolster areas of weakness, strengthen our foundations and promote the reform, transformation and innovative development. Firstly, we will closely focus on the "Six Stable" deployment to obtain greater results in serving the real economy. We will actively serve major regional development strategies and infrastructure construction projects to bolster areas of weakness as well as new infrastructure construction projects. We will make efforts to win the final battle against poverty, continue to provide and improve our financial services for private and small and micro enterprises, expand with greater efforts in the areas related to people's livelihood and consumer financial services, and allocate more financial resources in areas related to new drivers for economic growth, such as advanced manufacturing, digital economy and science and technology startups. Secondly, we will continue to ensure greater progress in risk control and case prevention. We will consolidate the results of the "Clean-up Plan" and launch the "Sharp Arrow Plan". We will focus on reducing the inflow of additional non-performing loans for the purpose of controlling credit risk and strictly prevent externally imported risks. Thirdly, we will continue to strengthen our advantages and bolster points of weaknesses to achieve better operating results. We will regain the competitive advantage in deposits and obtain new competitive advantages in County Areas. We will continue to promote the "Capital Consolidation Plan", and put forward the "Efficiency Enhancement Plan" to increase the revenue contribution of directly-operated business units and subsidiaries. Fourth, we will show our courage to reform ourselves and strive for greater progresses in key areas. Based on the reform of tier-1 sub-branches, we will promote the comprehensive reform of the organizational structure. We will rely on the hierarchical and classified reforms to stimulate the vitality of branches in key cities. Focusing on agile development, we will promote new breakthroughs in the reform of the scientific and technological system. Fifthly, based on empowerment support, we will make greater breakthroughs in business transformation. Focusing on key areas, we will accelerate the implementation of digital transformation. Concentrating on the key issues, we will promote the transformation of retail banking business and branch outlets. We will continue to resolve difficulties to make breakthroughs in pushing forward process transformation.

Digital Transformation

In early 2019, we developed a strategic concept of "promoting digital transformation to create a digital ABC" and advanced the idea of "internet-based, data-based, intelligent and open". Driven by FinTech and business innovation and adhering to the customer-centered principle, we promoted comprehensive digital transformation and deep integration of online and offline services in respect of products, marketing, channels, operations, risk control and decision-making with the aim to develop ourselves into a smart bank with first-class customer experience and a best in class digital eco-bank in "Sannong" and inclusive finance areas.

Over the past year, focusing on "enhancing products", "improving scene-based service", "vitalizing data", "specializing in risk control", "developing channels" and "expanding platforms", we continuously promoted the implementation of the strategy of the digital transformation.

First, we redoubled our efforts in online product innovation and marketing promotion, and developed an online credit brand and product system with the general brand of "ABC E-loan", comprising four major sub-brands of "ABC Personal E-loan", "ABC Small and Micro E-loan", "ABC Huinong E-loan" and "ABC Industrial E-loan". At the end of 2019, the balance of our "ABC E-loan" amounted to RMB589.4 billion, representing an increase of RMB372.1 billion as compared to the end of the previous year. In particular, the balance of "ABC Huinong E-loan" doubled, as compared to the end of the previous year, reaching RMB198.6 billion, demonstrating our remarkable performance in serving "Sannong" with Internet financial service.

Second, we exerted efforts to improve scene-based financial service capability. Focusing on three major areas of government affairs and people's livelihood, consumption and retail, and industrial chain, we developed a scene-based financial brand named "ABC Wisdom+", under which 2,540 scene-based projects were increased. At the end of 2019, our "poverty alleviation mall" covered over 93% of the 832 key counties of national poverty alleviation, attracted 106 central and local poverty alleviation entities to join. We successfully launched our open banking platform, which succeeded in interface encapsulation for six major categories of products such as user authentication, account services, payment and settlement, credit cards, fund and wealth management and safe output of relevant financial services.

Third, we formulated the Big Data strategy, accelerated the introduction of external data related to industry and commerce, insurance and telecommunication, and vigorously promoted the integration and sharing of internal data. We established a branch-based data mart and promoted its application in all the domestic tier-1 branches. As a result, the application of Big Data achieved a significant breakthrough, which enabled branches to conduct targeted marketing and risk prevention and control.

Fourth, we continued to improve our digital risk control system. We formulated the administrative measures on Internet credit business, and developed rating models for online retail loans and loans to small and micro enterprises. We accelerated the development of our intelligent risk control platform and systems, and put into operation a platform of prevention, early warning and monitoring of cases. The developments of our intelligent anti-fraud platform and intelligent anti-money laundering platform have attained phased achievements.

Fifth, we accelerated the transformation of our retail banking business and branch outlets to enhance our online operation capability. At the end of 2019, the monthly active customers of our mobile banking exceeded 72 million, representing a year-on-year growth of 36.2%. Our remote collaborative service capability also strengthened constantly with continuous enhancement in intelligent customer service with AI.

Sixth, we further strengthened our data and technology foundations. We launched a new generation of the digital cloud platform at its initial stage, and upgraded our Big Data and AI platforms. We promoted at a steady pace the development of our six major middle-end platforms for retail marketing, corporate marketing, credit, operation, data and open banking, which gradually improved the sharing and integrated use of our platforms.

In 2020, we will accelerate the implementation of the Big Data strategy, continue to improve our technical supporting service capacity and constantly strengthen our data and technology foundations. We will continuously enhance the innovation and promotion of online credit products, comprehensively improve risk prevention and control capability, and build the brand "ABC E-loan" into a bigger and better brand, so as to better serve the Sannong and the real economy. We will improve functions of the mobile banking and our online operation capacity, promote the development of open banking and the expansion of scene-based finance, and accelerate the development of multi-level and multi-dimensional financial ecological value chains. Focusing on bolstering our weaknesses in customer experience and business processes, we will launch a number of leading, innovative and exemplary process optimization projects, in order to resolve fundamental, institutional and "bottleneck" constraints.

Financial Statement Analysis

Income Statement Analysis

With the aim of enhancing operation efficiency and our capability of value creation, we actively expanded revenue sources, while we sophisticatedly control cost to develop potentials to reduce cost and increase efficiency. In 2019, we recorded operating income of RMB629,350 million, representing an increase of 4.4% as compared to the previous year. The cost-to-income ratio was 30.49%, representing a decrease of 0.78 percentage point as compared to the previous year and a decline for three consecutive years. We achieved a net profit of RMB212,924 million for the year, representing an increase of RMB10,293 million, or 5.08%, as compared to the previous year.

Changes of Significant Income Statement Items

In millions of RMB, except for percentages

Item	2019	2018	Increase/ (decrease)	Growth rate (%)
Net interest income	**486,871**	477,760	9,111	1.9
Net fee and commission income	**86,926**	78,141	8,785	11.2
Other non-interest income	**55,553**	46,656	8,897	19.1
Operating income	**629,350**	602,557	26,793	4.4
Less: Operating expenses	**224,096**	213,963	10,133	4.7
Credit impairment losses	**138,605**	136,647	1,958	1.4
Impairment losses on other assets	**118**	251	(133)	-53.0
Operating profit	**266,531**	251,696	14,835	5.9
Share of result of associates and joint ventures	**45**	(22)	67	–
Profit before tax	**266,576**	251,674	14,902	5.9
Less: Income tax expense	**53,652**	49,043	4,609	9.4
Net Profit	**212,924**	202,631	10,293	5.08
Attributable to:				
Equity holders of the Bank	**212,098**	202,783	9,315	4.6
Non-controlling interests	**826**	(152)	978	–

Net Interest Income

Net interest income was the largest component of our operating income, accounting for 77.4% of the total operating income in 2019. Our net interest income was RMB486,871 million in 2019, representing an increase of RMB9,111 million compared to the previous year, among which, the changes in volume and interest rates resulted in an increase of RMB48,877 million and a decrease of RMB39,766 million in net interest income, respectively.

In 2019, our net interest margin and net interest spread were 2.17% and 2.03%, representing decreases of 16 and 17 basis points, respectively, as compared to the previous year, primarily due to the increase in the average cost of deposits as affected by the intensified market competition in deposit business. We strictly implemented the requirements of the PBOC on the reform of LPR pricing mechanism and reducing social financing cost, and increased support for the real economy, resulting in further increased proportion of credit assets with higher average yield and average yield of interest-earning assets remaining stable.

The table below presents the average balance, interest income/expense, and average yield/cost of interest-earning assets and interest-bearing liabilities.

In millions of RMB, except for percentages

Item	2019 Average balance	2019 Interest income/ expense	2019 Average yield/cost (%)	2018 Average balance	2018 Interest income/ expense	2018 Average yield/cost (%)
Assets						
Loans and advances to customers	**12,859,889**	**565,465**	**4.40**	11,433,884	502,616	4.40
Debt securities investments[1]	**6,373,176**	**232,571**	**3.65**	5,796,234	216,118	3.73
Non-restructuring-related debt securities	**5,988,985**	**220,739**	**3.69**	5,421,191	204,593	3.77
Restructuring-related debt securities[2]	**384,191**	**11,832**	**3.08**	375,043	11,525	3.07
Balances with central banks	**2,286,277**	**35,024**	**1.53**	2,560,993	40,701	1.59
Amounts due from banks and other financial institutions[3]	**941,437**	**26,081**	**2.77**	750,474	25,289	3.37
Total interest-earning assets	**22,460,779**	**859,141**	**3.83**	20,541,585	784,724	3.82
Allowance for impairment losses[4]	**(534,803)**			(453,657)		
Non-interest-earning assets[4]	**1,163,630**			1,551,629		
Total assets	**23,089,606**			21,639,557		
Liabilities						
Deposits from customers	**17,615,216**	**279,737**	**1.59**	16,398,914	227,819	1.39
Amounts due to banks and other financial institutions[5]	**1,734,711**	**44,994**	**2.59**	1,441,140	40,228	2.79
Other interest-bearing liabilities[6]	**1,386,484**	**47,539**	**3.43**	1,123,025	38,917	3.47
Total interest-bearing liabilities	**20,736,411**	**372,270**	**1.80**	18,963,079	306,964	1.62
Non-interest-bearing liabilities[4]	**1,096,337**			1,025,371		
Total liabilities	**21,832,748**			19,988,450		
Net interest income		**486,871**			477,760	
Net interest spread			**2.03**			2.20
Net interest margin			**2.17**			2.33

Notes: 1. Debt securities investments include debt securities investments at fair value through other comprehensive income and debt securities investments at amortised cost.

2. Restructuring-related debt securities include the receivable from the MOF and the special government bond.

3. Amounts due from banks and other financial institutions primarily include deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, and financial assets held under resale agreements.

4. The average balances of non-interest-earning assets, non-interest-bearing liabilities and allowance for impairment losses are the average of their respective balances at the beginning and the end of the reporting period.

5. Amounts due to banks and other financial institutions primarily include deposits from banks and other financial institutions, placements from banks and other financial institutions as well as financial assets sold under repurchase agreements.

6. Other interest-bearing liabilities primarily include debt securities issued and borrowings from central banks.

The table below presents the changes in net interest income due to changes in volume and interest rate.

In millions of RMB

	Increase/(decrease) due to Volume	Increase/(decrease) due to Interest rate	Net increase/ (decrease)
Assets			
Loans and advances to customers	62,703	146	62,849
Debt securities investments	21,054	(4,601)	16,453
Balances with central banks	(4,208)	(1,469)	(5,677)
Amounts due from banks and other financial institutions	5,290	(4,498)	792
Changes in interest income	84,839	(10,422)	74,417
Liabilities			
Deposits from customers	19,315	32,603	51,918
Amounts due to banks and other financial institutions	7,614	(2,848)	4,766
Other interest-bearing liabilities	9,033	(411)	8,622
Changes in interest expense	35,962	29,344	65,306
Changes in net interest income	**48,877**	**(39,766)**	**9,111**

Note: Changes due to the effects of both volume and interest rate have been allocated to the changes due to volume.

Interest Income

We achieved interest income of RMB859,141 million in 2019, representing an increase of RMB74,417 million as compared to the previous year, which was primarily due to an increase of RMB1,919,194 million in the average balance of interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers increased by RMB62,849 million, or 12.5%, as compared to the previous year to RMB565,465 million, which was primarily due to an increase of RMB1,426,005 million in the average balance.

Interest income from corporate loans increased by RMB22,993 million, or 7.9%, to RMB313,430 million compared to the previous year, which was primarily due to an increase of RMB492,514 million in the average balance and an increase of one basis point in the average yield. The increase in the average yield was primarily due to the increase in the proportion of medium- and long-term corporate loans.

Interest income from retail loans increased by RMB35,074 million, or 18.3%, to RMB226,849 million compared to the previous year, which was primarily due to an increase of RMB714,345 million in the average balance and an increase of seven basis points in the average yield. The increase in the average yield was primarily due to the increase in the proportion of residential mortgage loans with relatively high yields.

Interest income from discounted bills increased by RMB4,018 million, or 51.6%, to RMB11,805 million compared to the previous year, which was primarily due to an increase of RMB198,925 million in the average balance, partially offset by a decrease of 118 basis points in the average yield. The decrease in the average yield was primarily due to the decrease in the interest rate in the bills discount market.

Interest income from overseas and other loans increased by RMB764 million, or 6.1%, to RMB13,381 million compared to the previous year, which was primarily due to an increase of RMB20,221 million in the average balance and an increase of three basis points in the average yield.

The table below presents the average balance, interest income and average yield of loans and advances to customers by business type.

In millions of RMB, except for percentages

	2019			2018		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans	**6,990,291**	**313,430**	**4.48**	6,497,777	290,437	4.47
Short-term corporate loans	**2,245,236**	**96,055**	**4.28**	2,323,836	98,664	4.25
Medium- and long-term corporate loans	**4,745,055**	**217,375**	**4.58**	4,173,941	191,773	4.59
Discounted bills	**380,995**	**11,805**	**3.10**	182,070	7,787	4.28
Retail loans	**5,055,555**	**226,849**	**4.49**	4,341,210	191,775	4.42
Overseas and others	**433,048**	**13,381**	**3.09**	412,827	12,617	3.06
Total loans and advances to customers	**12,859,889**	**565,465**	**4.40**	11,433,884	502,616	4.40

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of our interest income. In 2019, our interest income from debt securities investments increased by RMB16,453 million to RMB232,571 million as compared to the previous year, primarily due to an increase of RMB576,942 million in the average balance, partially offset by a decrease of eight basis points in the average yield. The decrease in the average yield was mainly due to the lower interest rate in the debt securities market compared to the previous year and the increase in the proportion of local government debts with relatively low yields in the investment portfolio.

Interest Income from Balances with Central Banks

Interest income from balances with central banks decreased by RMB5,677 million to RMB35,024 million as compared to the previous year, which was primarily due to a decrease of RMB274,716 million in the average balance and a decrease of six basis points in the average yield. The decrease in the average yield was mainly due to the decrease in the proportion of mandatory reserve deposits with relatively high yields as affected by the lowering of depository reserve ratio by the PBOC.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions increased by RMB792 million to RMB26,081 million as compared to the previous year, which was primarily due to an increase of RMB190,963 million in the average balance, partially offset by a decrease of 60 basis points in the average yield. The decrease in the average yield was primarily due to the lower interest rate in the monetary market compared to the previous year.

Interest Expense

Interest expense increased by RMB65,306 million to RMB372,270 million as compared to the previous year, which was mainly due to an increase of RMB1,773,332 million in the average balance and an increase of 18 basis points in the average cost.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB51,918 million to RMB279,737 million as compared to the previous year, which was primarily due to an increase of 20 basis points in the average cost and an increase of RMB1,216,302 million in the average balance.

Analysis of Average Cost of Deposits by Product

In millions of RMB, except for percentages

	2019			2018		
Item	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	**2,370,806**	**63,971**	**2.70**	2,279,545	58,406	2.56
Demand	**4,724,887**	**38,121**	**0.81**	4,559,749	32,384	0.71
Sub-Total	**7,095,693**	**102,092**	**1.44**	6,839,294	90,790	1.33
Retail deposits						
Time	**4,985,641**	**133,277**	**2.67**	4,514,210	111,283	2.47
Demand	**5,533,882**	**44,368**	**0.80**	5,045,410	25,746	0.51
Sub-Total	**10,519,523**	**177,645**	**1.69**	9,559,620	137,029	1.43
Total deposits from customers	**17,615,216**	**279,737**	**1.59**	16,398,914	227,819	1.39

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions increased by RMB4,766 million to RMB44,994 million compared to the previous year, which was primarily due to an increase of RMB293,571 million in the average balance, partially offset by a decrease of 20 basis points in the average cost. The decrease in the average cost was primarily due to the lower average cost of cooperative deposits from banks and other financial institutions compared to the previous year as affected by the market environment.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB8,622 million to RMB47,539 million compared to the previous year, primarily due to an increase of RMB263,459 million in the average balance, partially offset by a decrease of four basis points in the average cost. The increase in the average balances was mainly due to the issuance of interbank certificates of deposit and tier-2 capital bonds by the Bank. The decrease in the average cost was mainly due to the lower average cost of issued interbank certificates of deposit as compared to the previous year.

Net Fee and Commission Income

In 2019, we generated net fee and commission income of RMB86,926 million, representing an increase of RMB8,785 million, or 11.2%, as compared to the previous year. In particular, settlement and clearing fees increased by 7.1% compared to the previous year, primarily due to the increase in income from settlement for corporate customer; income from consultancy and advisory business increased by 13.9% compared to the previous year, primarily due to the increase in income from syndicated loan business; bank card fees increased by 18.0% compared to the previous year, primarily due to the increase in income from instalment business of credit card; electronic banking service fees increased by 28.4% compared to the previous year, which was primarily due to the increase in income from e-commerce banking services.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	2019	2018	Increase/ (decrease)	Growth rate (%)
Settlement and clearing fees	**11,443**	10,680	763	7.1
Consultancy and advisory fees	**10,109**	8,876	1,233	13.9
Agency commissions	**19,801**	20,929	(1,128)	-5.4
Bank card fees	**30,181**	25,586	4,595	18.0
Electronic banking service fees	**25,209**	19,640	5,569	28.4
Credit commitment fees	**1,895**	1,782	113	6.3
Custodian and other fiduciary service fees	**3,899**	3,598	301	8.4
Others	**474**	434	40	9.2
Fee and commission income	**103,011**	91,525	11,486	12.5
Less: Fee and commission expenses	**16,085**	13,384	2,701	20.2
Net fee and commission income	**86,926**	78,141	8,785	11.2

Other Non-interest Income

In 2019, other non-interest income amounted to RMB55,553 million, representing an increase of RMB8,897 million compared to the previous year. In particular, net trading gain increased by RMB2,998 million compared to the previous year, which was primarily due to the increase in gain on the equity investment at fair value through profit or loss; net gain on financial investments decreased by RMB2,667 million compared to the previous year, which was primarily due to the decrease in net gain on the principal guaranteed wealth management products designated at fair value through profit and loss; other operating income increased by RMB8,596 million compared to the previous year, which was primarily due to the increase in insurance premium income of our subsidiary.

Composition of Other Non-interest Income

In millions of RMB

Item	2019	2018
Net trading gain	**19,067**	16,069
Net gain on financial investments	**5,793**	8,460
Net gain on derecognition of financial assets measured at amortized cost	**–**	30
Other operating income	**30,693**	22,097
Total	**55,553**	46,656

Operating expenses

In 2019, our operating expenses increased by RMB10,133 million to RMB224,096 million compared to the previous year; cost-to-income ratio decreased by 0.78 percentage point to 30.49% compared to the previous year. In particular, depreciation and amortisation increased by 14.0% compared to the previous year, primarily due to the increase depreciation of right-of-use assets after the implementation of IFRS 16-Leases. Insurance benefits and claims increased by 32.3% compared to the previous year, primarily due to the increase in insurance contract liabilities related to life insurance business of our subsidiary.

Composition of operating expenses

In millions of RMB, except for percentages

Item	2019	2018	Increase/ (decrease)	Growth rate (%)
Staff costs	**124,267**	123,614	653	0.5
General operating and administrative expenses	**48,246**	47,173	1,073	2.3
Insurance benefits and claims	**23,349**	17,652	5,697	32.3
Depreciation and amortization	**18,711**	16,413	2,298	14.0
Tax and surcharges	**5,688**	5,330	358	6.7
Others	**3,835**	3,781	54	1.4
Total	**224,096**	213,963	10,133	4.7

Credit Impairment Losses

In 2019, our credit impairment losses were RMB138,605 million. In particular, impairment losses on loans increased by RMB1,722 million to RMB131,833 million compared to the previous year.

Income Tax Expense

In 2019, our income tax expense increased by RMB4,609 million, or 9.4%, to RMB53,652 million compared to the previous year. The effective tax rate was 20.13%, which was lower than the statutory tax rate. This was primarily because the interest income from the PRC treasury bonds and local government debts held by us was exempted from enterprise income tax by the relevant tax laws.

Segment Reports

We assessed our performance and determined the allocation of resources based on the segment reports. The segment information below had been presented in a same manner with that of internal management and reporting. At present, we manage our segments from the aspects of business lines, geographical regions and the County Area Banking Business.

The table below presents our operating income by business segment during the period indicated.

In millions of RMB, except for percentages

	2019		2018	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking business	**271,719**	**43.2**	274,658	45.6
Retail banking business	**239,963**	**38.1**	233,801	38.8
Treasury operations	**79,114**	**12.6**	65,628	10.9
Other business	**38,554**	**6.1**	28,470	4.7
Total operating income	**629,350**	**100.0**	602,557	100.0

The table below presents our operating income by geographic segment during the period indicated.

In millions of RMB, except for percentages

	2019		2018	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	**53,411**	**8.5**	59,675	9.9
Yangtze River Delta	**117,085**	**18.6**	111,918	18.6
Pearl River Delta	**90,032**	**14.3**	84,055	13.9
Bohai Rim	**86,083**	**13.7**	86,126	14.3
Central China	**90,460**	**14.4**	85,363	14.2
Western China	**129,342**	**20.6**	122,886	20.4
Northeastern China	**21,320**	**3.4**	20,398	3.4
Overseas and others	**41,617**	**6.5**	32,136	5.3
Total operating income	**629,350**	**100.0**	602,557	100.0

Note: Please refer to "Note IV. 39. Geographical Operating Segments" to the Consolidated Financial Statements for details of geographic segments.

The table below presents our operating income from the County Area Banking Business and Urban Area Banking Business during the period indicated.

In millions of RMB, except for percentages

Item	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
County Area Banking Business	236,740	37.6	228,440	37.9
Urban Area Banking Business	392,610	62.4	374,117	62.1
Total operating income	629,350	100.0	602,557	100.0

Balance Sheet Analysis

Assets

At 31 December 2019, our total assets amounted to RMB24,878,288 million, representing an increase of RMB2,268,817 million, or 10.0%, compared to the end of the previous year. In particular, net loans and advances to customers increased by RMB1,358,068 million, or 11.8%; financial investments increased by RMB537,855 million, or 7.8%; cash and balances with central banks decreased by RMB105,212 million, or 3.8%; deposits and placements with and loans to banks and other financial institutions increased by RMB97,184 million, or 14.7%; financial assets held under resale agreements increased by RMB337,550 million, or 91.0%, primarily due to the increase in debt securities held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	13,360,188	–	11,940,685	–
Less: Allowance for impairment losses on loans	540,578	–	479,143	–
Loans and advances to customers, net	12,819,610	51.5	11,461,542	50.7
Financial investments	7,422,930	29.8	6,885,075	30.5
Cash and balances with central banks	2,699,895	10.9	2,805,107	12.4
Deposits and placements with and loans to banks and other financial institutions	758,925	3.1	661,741	2.9
Financial assets held under resale agreements	708,551	2.8	371,001	1.6
Others	468,377	1.9	425,005	1.9
Total assets	24,878,288	100.0	22,609,471	100.0

Loans and Advances to Customers

At 31 December 2019, our total loans and advances to customers amounted to RMB13,360,188 million, representing an increase of RMB1,419,503 million, or 11.9%, as compared to the end of the previous year.

Distribution of Loans and Advances to Customers by Business Type

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans granted by domestic branches	12,909,633	96.8	11,524,215	96.7
Corporate loans	7,095,770	53.2	6,514,383	54.7
Discounted bills	421,390	3.2	343,961	2.9
Retail loans	5,392,473	40.4	4,665,871	39.1
Overseas and others	419,913	3.2	389,410	3.3
Sub-Total	13,329,546	100.0	11,913,625	100.0
Accrued interest	30,642	–	27,060	–
Total	13,360,188	–	11,940,685	–

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Short-term corporate loans	**2,203,081**	**31.0**	2,179,691	33.5
Medium- and long-term corporate loans	**4,892,689**	**69.0**	4,334,692	66.5
Total	**7,095,770**	**100.0**	6,514,383	100.0

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Manufacturing	**1,196,978**	**16.9**	1,195,669	18.3
Production and supply of power, heat, gas and water	**852,697**	**12.0**	839,578	12.9
Real estate[1]	**693,376**	**9.8**	611,456	9.4
Transportation, logistics and postal services	**1,642,017**	**23.1**	1,380,611	21.2
Wholesale and retail	**310,828**	**4.4**	323,345	5.0
Water, environment and public utilities management	**511,348**	**7.2**	432,320	6.6
Construction	**225,010**	**3.2**	239,574	3.7
Mining	**201,044**	**2.8**	195,954	3.0
Leasing and commercial services	**1,037,898**	**14.6**	916,926	14.1
Finance	**191,141**	**2.7**	162,029	2.5
Information transmission, software and IT services	**27,612**	**0.4**	30,167	0.5
Others[2]	**205,821**	**2.9**	186,754	2.8
Total	**7,095,770**	**100.0**	6,514,383	100.0

Notes: 1. Classification of the loans in the above table is based on the industries in which the borrowers operate. Real estate loans include loans for the development of real estate projects granted to enterprises mainly engaged in the real estate industry, mortgage loans for operating properties and other non-real estate loans granted to enterprises in the real estate industry. At the end of 2019, the balance of real estate loans to corporate customers amounted to RMB346,928 million, representing an increase of RMB36,943 million compared to the end of the previous year.

2. Others mainly include agriculture, forestry, animal husbandry, fishery, education, hotels and catering industries.

In 2019, we formulated or revised the credit policies for various industries including biomass power generation, port, logistics, financial leasing, and publishing and printing. We vigorously supported the real economy and the national supply-side structural reform, implemented regulatory policies for real estate industry, and regularly monitored the increased credits granted to steel and coal industries. We also devoted efforts to support the new economy, new business formats, emerging industries and green industries.

At 31 December 2019, the five major industries of our corporate borrowers included: (1) transportation, logistics and postal services, (2) manufacturing, (3) leasing and commercial services, (4) production and supply of power, heat, gas and water, and (5) real estate. Aggregate loans to these five major industries accounted for 76.4% of our total corporate loans, representing an increase of 0.5 percentage point compared to the end of the previous year. Our loans to borrowers in transportation, logistics and postal services industries experienced the highest increase, as a percentage of our total loan portfolio, while loans to manufacturing industries experienced the largest decrease as a percentage of our total loan portfolio.

Distribution of Retail Loans by Product Type

At 31 December 2019, the retail loans increased by RMB726,602 million, or 15.6%, compared to the end of the previous year. In particular, residential mortgage loans increased by 13.7% compared to the end of the previous year, primarily because we actively implemented the differentiated housing credit policies and supported purchase of residential properties for non-investment purpose; personal consumption loans increased by 6.3% compared to the end of the previous year, mainly due to our focus on acquiring customers through online channels and the scenes related to consumption, such as decoration, car purchase and education, resulting in our healthy development of personal consumption loans; loans to private business increased by 22.6% compared to the end of the previous year, which was mainly due to our efforts in the development of inclusive finance, satisfying the needs for online mortgage loans and diversifying the scenes related to loans to private business; credit card balances increased by 24.8% compared to the end of the previous year, primarily due to the increase in both the number of credit cards issued and the transaction volume of credit cards; loans to rural households increased by 28.8% compared to the end of the previous year, mainly due to an increase in the "ABC Huinong E-loan", a new credit product of the Bank.

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgage loans	**4,162,431**	**77.2**	3,660,574	78.4
Personal consumption loans	**168,036**	**3.1**	158,009	3.4
Loans to private business	**264,305**	**4.9**	215,616	4.6
Credit card balances	**475,001**	**8.8**	380,719	8.2
Loans to rural households	**321,968**	**6.0**	249,987	5.4
Others	**732**	**–**	966	–
Total	**5,392,473**	**100.0**	4,665,871	100.0

Distribution of Loans by Geographic Region

During the reporting period, we further optimized the allocation of credits by geographic region. We focused on supporting major national strategies such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta Integration, the Yangtze River Economic Belt, and the Coordinated Development of Beijing-Tianjin-Hebei Region, and the construction of Shenzhen pilot demonstration area of socialism with Chinese characteristics, Xiongan New Area and free trade zone. We also supported industrial transfer to Central and Western China as well as Northeastern China and investment in infrastructure construction in Central and Western China to facilitate balanced development of the regions.

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	**319,025**	**2.4**	303,703	2.5
Yangtze River Delta	**2,996,889**	**22.4**	2,674,175	22.4
Pearl River Delta	**2,136,948**	**16.0**	1,862,337	15.6
Bohai Rim	**2,000,981**	**15.0**	1,833,704	15.4
Central China	**1,982,054**	**14.9**	1,749,376	14.7
Northeastern China	**503,266**	**3.8**	460,207	3.9
Western China	**2,970,470**	**22.3**	2,640,713	22.2
Overseas and others	**419,913**	**3.2**	389,410	3.3
Sub-Total	**13,329,546**	**100.0**	11,913,625	100.0
Accrued interest	**30,642**	**–**	27,060	–
Total	**13,360,188**	**–**	11,940,685	–

Financial investments

At 31 December 2019, our financial investments amounted to RMB7,422,930 million, representing an increase of RMB537,855 million, or 7.8% as compared to the end of the previous year. In particular, non-restructuring-related debt securities increased by RMB436,938 million compared to the end of the previous year, which was primarily due to the increase in investment in local government bonds.

Distribution of Financial Investments by Product Type

In millions of RMB, except for percentages

	31 December 2019		31 December 2018	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Non-restructuring-related debt securities	**6,597,379**	**90.3**	6,160,441	90.8
Restructuring-related debt securities	**384,243**	**5.3**	384,249	5.7
Equity instruments	**100,619**	**1.4**	37,963	0.5
Others[1]	**227,369**	**3.0**	201,873	3.0
Sub-Total	**7,309,610**	**100.0**	6,784,526	100.0
Accrued interest	**113,320**	**–**	100,549	–
Total	**7,422,930**	**–**	6,885,075	–

Note: 1. Primarily including assets generated by investment of proceeds from issuance of wealth management products by the Bank.

Distribution of Non-restructuring-related Debt Securities Investments by Issuer

In millions of RMB, except for percentages

	31 December 2019		31 December 2018	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	**3,531,300**	**53.5**	3,039,646	49.3
Bonds issued by policy banks	**1,388,164**	**21.0**	1,460,989	23.8
Bonds issued by other banks and financial institutions	**1,100,892**	**16.7**	982,181	15.9
Bonds issued by entities in public sectors	**216,576**	**3.3**	228,640	3.7
Corporate bonds	**360,447**	**5.5**	448,985	7.3
Total	**6,597,379**	**100.0**	6,160,441	100.0

Distribution of Non-restructuring-related Debt Securities Investments by Remaining Maturity

In millions of RMB, except for percentages

	31 December 2019		31 December 2018	
Remaining Maturity	Amount	Percentage (%)	Amount	Percentage (%)
Overdue	**–**	**–**	–	–
Less than 3 months	**434,169**	**6.6**	361,988	5.9
3–12 months	**1,066,476**	**16.2**	991,780	16.1
1–5 years	**3,134,611**	**47.5**	3,074,102	49.9
More than 5 years	**1,962,123**	**29.7**	1,732,571	28.1
Total	**6,597,379**	**100.0**	6,160,441	100.0

Distribution of Non-restructuring-related Debt Securities Investments by Currency

In millions of RMB, except for percentages

	31 December 2019		31 December 2018	
Item	Amount	Percentage (%)	Amount	Percentage (%)
RMB	**6,267,575**	**95.0**	5,861,326	95.1
USD	**272,831**	**4.1**	239,670	3.9
Other foreign currencies	**56,973**	**0.9**	59,445	1.0
Total	**6,597,379**	**100.0**	6,160,441	100.0

Distribution of Financial Investments by Business Models and Characteristics of Contractual Cash Flows

In millions of RMB, except for percentages

	31 December 2019		31 December 2018	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	**801,361**	**10.9**	643,245	9.5
Debt investments at amortised cost	**4,851,608**	**66.4**	4,422,090	65.2
Other debts and other equity instruments investments at fair value through other comprehensive income	**1,656,641**	**22.7**	1,719,191	25.3
Sub-Total	**7,309,610**	**100.0**	6,784,526	100.0
Accrued interest	**113,320**	**–**	100,549	–
Total	**7,422,930**	**–**	6,885,075	–

Investment in Financial Bonds

Financial bonds refer to debt securities issued by the policy banks, commercial banks and other financial institutions, the principals and interests of which are to be repaid pursuant to a pre-determined schedule. At 31 December 2019, the balance of financial bonds held by the Bank was RMB2,489,056 million, including bonds of RMB1,388,164 million issued by the policy banks and bonds of RMB1,100,892 million issued by commercial banks and other financial institutions.

The table below presents the top ten financial bonds held by the Bank in terms of face value at 31 December 2019.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2017 policy bank bond	30,774	3.85%	2027/1/6	–
2017 policy bank bond	26,222	3.83%	2024/1/6	–
2017 policy bank bond	26,092	4.39%	2027/9/8	–
2019 policy bank bond	23,785	3.28%	2024/2/11	–
2017 policy bank bond	20,936	4.11%	2027/3/20	–
2017 policy bank bond	19,298	4.13%	2022/4/21	–
2017 policy bank bond	18,216	4.30%	2024/8/21	–
2017 policy bank bond	17,654	3.70%	2022/1/6	–
2015 policy bank bond	17,045	3.97%	2025/2/27	–
2019 policy bank bond	16,743	3.75%	2029/1/25	–

Note: 1. Allowance in this table refers to impairment allowance in stage II and stage III, not including impairment allowance in stage I.

Liabilities

At 31 December 2019, our total liabilities increased by RMB1,983,842 million, or 9.5% compared to the end of the previous year to RMB22,918,526 million. In particular, deposits from customers increased by RMB1,196,571 million, or 6.9%; deposits and placements from banks and other financial institutions increased by RMB379,409 million, or 26.2%, primarily due to the increase in settlement deposits from banks and other financial institutions; financial assets sold under repurchase agreements decreased by RMB103,904 million, or 66.1%, which was primarily due to the adjustment of our liability structure and decrease in the demand for debt securities sold under repurchase agreements; debt securities issued increased by RMB327,539 million, or 42.0%, which was primarily due to the increase of issuance of interbank certificates of deposit.

Key Items of Liabilities

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	**18,542,861**	**80.9**	17,346,290	82.9
Deposits and placements from banks and other financial institutions	**1,829,272**	**8.0**	1,449,863	6.9
Financial assets sold under repurchase agreements	**53,197**	**0.2**	157,101	0.8
Debt securities issued	**1,108,212**	**4.9**	780,673	3.7
Financial liabilities at fair value through profit or loss	**330,627**	**1.4**	286,303	1.4
Other liabilities	**1,054,357**	**4.6**	914,454	4.3
Total liabilities	**22,918,526**	**100.0**	20,934,684	100.0

Deposits from customers

At 31 December 2019, the balance of deposits from customers increased by RMB1,196,571 million, or 6.9%, as compared to the end of the previous year to RMB18,542,861 million. In terms of customer structure, the proportion of retail deposits increased by 0.8 percentage point compared to the end of the previous year. In terms of maturity of deposits, the proportion of demand deposits decreased by 0.7 percentage point compared to the end of the previous year to 57.6%.

Distribution of Deposits from Customers by Business Line

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	**18,219,470**	**99.5**	17,072,198	99.6
Corporate deposits	**6,879,767**	**37.6**	6,559,082	38.3
Time	**1,986,306**	**10.9**	1,889,911	11.0
Demand	**4,893,461**	**26.7**	4,669,171	27.3
Retail deposits	**10,611,922**	**57.9**	9,791,974	57.1
Time	**4,953,306**	**27.0**	4,473,942	26.1
Demand	**5,658,616**	**30.9**	5,318,032	31.0
Other deposits[1]	**727,781**	**4.0**	721,142	4.2
Overseas and others	**95,744**	**0.5**	73,448	0.4
Sub-Total	**18,315,214**	**100.0**	17,145,646	100.0
Accrued interest	**227,647**	**–**	200,644	–
Total	**18,542,861**	**–**	17,346,290	–

Note: 1. Including margin deposits, remittance payables and outward remittance.

Distribution of Deposits from Customers by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	**63,721**	**0.4**	73,421	0.4
Yangtze River Delta	**4,237,786**	**23.1**	3,898,571	22.7
Pearl River Delta	**2,590,965**	**14.2**	2,366,330	13.8
Bohai Rim	**3,193,377**	**17.4**	3,016,435	17.6
Central China	**3,122,628**	**17.0**	2,945,676	17.2
Northeastern China	**893,920**	**4.9**	837,735	4.9
Western China	**4,117,073**	**22.5**	3,934,030	23.0
Overseas and others	**95,744**	**0.5**	73,448	0.4
Sub-Total	**18,315,214**	**100.0**	17,145,646	100.0
Accrued interest	**227,647**	**–**	200,644	–
Total	**18,542,861**	**–**	17,346,290	–

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Demand	**11,147,306**	**60.8**	10,561,889	61.6
Less than 3 months	**1,830,041**	**10.0**	1,744,274	10.2
3–12 months	**2,520,189**	**13.8**	2,629,576	15.3
1–5 years	**2,805,074**	**15.3**	2,209,312	12.9
More than 5 years	**12,604**	**0.1**	595	–
Sub-Total	**18,315,214**	**100.0**	17,145,646	100.0
Accrued interest	**227,647**	**–**	200,644	–
Total	**18,542,861**	**–**	17,346,290	–

Shareholders' Equity

At 31 December 2019, the shareholders' equity amounted to RMB1,959,762 million, comprising ordinary shares of RMB349,983 million, other equity instruments of RMB199,886 million, capital reserve of RMB173,556 million, investment revaluation reserve of RMB29,684 million, surplus reserve of RMB174,910 million, general reserve of RMB277,016 million and retained earnings of RMB741,101 million. Net assets per share were RMB5.00, representing an increase of RMB0.46 compared to the end of the previous year.

The table below presents the composition of shareholders' equity at the dates indicated.

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Ordinary shares	**349,983**	**17.9**	349,983	20.9
Other equity instruments	**199,886**	**10.2**	79,899	4.8
Capital reserve	**173,556**	**8.9**	173,556	10.4
Investment revaluation reserve	**29,684**	**1.5**	18,992	1.0
Surplus reserve	**174,910**	**8.9**	154,257	9.2
General reserve	**277,016**	**14.1**	239,190	14.3
Retained earnings	**741,101**	**37.8**	652,944	39.0
Foreign currency translation reserve	**2,219**	**0.1**	1,473	0.1
Non-controlling interests	**11,407**	**0.6**	4,493	0.3
Total	**1,959,762**	**100.0**	1,674,787	100.0

Off-balance Sheet Items

The off-balance sheet items primarily include derivative financial instruments, contingent liabilities and commitments. The Bank enters into derivative transactions related to exchange rates, interest rates and precious metals for the purposes of trading, assets and liabilities management and business on behalf of customers. The contingent liabilities and commitments include credit commitments, capital expenditure commitments, operating and finance lease commitments, bond underwriting and redemption commitments, mortgaged and pledged assets, legal proceedings and other contingencies. Credit commitments are the major components of the off-balance sheet items and comprised of loan commitments, bank acceptances, guarantees and letters of guarantee, letters of credit and credit card commitments.

Composition of Credit Commitments

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Loan commitments	**1,056,796**	**43.8**	906,782	45.1
Bank acceptances	**339,829**	**14.1**	242,489	12.1
Guarantees and letters of guarantee	**216,229**	**9.0**	191,250	9.5
Letters of credit	**151,040**	**6.3**	131,414	6.5
Credit card commitments	**646,134**	**26.8**	538,870	26.8
Total	**2,410,028**	**100.0**	2,010,805	100.0

Other Financial Information

Changes in Accounting Policies

The Bank has adopted IFRS 16-Leases as issued by International Accounting Standards Board (IASB) with the transition date of 1 January 2019. The implementation of the new lease standards has no material impact on the Bank.

Differences between the Consolidated Financial Statements prepared under IFRSs and those prepared in accordance with CASs

There were no differences between the net profit or shareholder's equity in the Consolidated Financial Statements prepared under IFRSs and the corresponding figures prepared in accordance with CASs of the Bank.

Business Review

Corporate Banking

During the reporting period, we actively provided services to support national strategies and key areas of the real economy, accelerated digital transformation, and continuously improved our comprehensive financial service capability to promote the high-quality development of our corporate banking business. At the end of December 2019, the balance of domestic corporate deposits amounted to RMB6,879,767 million, representing an increase of RMB320,685 million compared to the end of the previous year. The balance of domestic corporate loans and discounted bills amounted to RMB7,517,160 million, representing an increase of RMB658,816 million compared to the end of the previous year. 13,846 projects were included in our major marketing projects pool, up by 2,620 projects compared to the end of the previous year, and the loans extended amounted to RMB569,002 million. At the end of 2019, we had 5.9978 million corporate banking customers, representing an increase of 758.8 thousand compared to the end of the previous year, among which 213 thousand customers had outstanding loan balances, representing an increase of 130.5 thousand customers compared to the end of the previous year.

- We provided services to support national major strategies. We supported the "Belt and Road Initiative" and served strategies for coordinated development of major regions such as the Coordinated Development of Beijing-Tianjin-Hebei Region, the development of the Yangtze River Economic Belt, the Yangtze River Delta Integration, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the ecological protection and high-quality development of the Yellow River Basin, with an increase of RMB662,905 million in loans for the year. We continued to provide financial services to support the new horizons of reform and opening-up including Xiongan New Area, Shenzhen pilot demonstration area of socialism with Chinese characteristics and free trade zone. To support mixed ownership reform of state-owned enterprises, we established cooperation with 757 key state-owned enterprise customers which were under mixed ownership reform and carried cooperation in terms of finance with 309 "Double-Hundreds Enterprises" of the SOE reform (hundreds of subsidiaries of central state-owned enterprises and hundreds of local state-owned key enterprises).

- We provided services to support key areas of the real economy. We supported industrial transformation and upgrade. The number of customers with outstanding loan balances and the balance of loans in manufacturing industry (based on the use of loans) increased by 45 thousand and RMB71 billion compared to the end of the previous year, respectively. We supported new economy and new growth drivers and further expanded financial services related to consumption and people's livelihood. At the end of 2019, the balance of loans for happiness industries amounted to RMB176,140 million, representing an increase of RMB35,553 million compared to the end of the previous year.

- We diligently served private enterprises by improving relevant policies and systems, increasing credit and innovating products and service modes. At the end of 2019, the number of private enterprises with outstanding loan balances and the balance of private enterprises loans amounted to 195.1 thousand and RMB1,626,552 million, representing an increase of 127.4 thousand and RMB217,988 million compared to the end of the previous year, respectively.

- We exerted efforts to promote the digital transformation for corporate banking business. We accelerated the construction of middle-end marketing platform for corporate banking, launching six functional centers including customer center, portrait center, marketing center and other centers. We improved the unified view of corporate customers, realizing "one portrait for one customer". We continuously promoted "online, chained and scene-sensitive" corporate business products and actively carried out chain marketing and scene-based marketing. In 2019, our active customers for corporate internet banking and corporate mobile banking increased by 964.2 thousand and 628 thousand, respectively. We expanded into 312 new key supply chains, cooperating with 3,526 financing customers in the upstream and downstream of supply chains. In respect of three types of scenes, which are, industrial chains, consumption and retail, and government affairs and people's livelihood, 2,540 scene-based projects were put into implementation, with an increase of 98.3 thousand merchants of scene-based corporate business.

Transaction Banking

In 2019, we improved our transaction banking system, which was based on our accounts and payment settlement and mainly developed cash management business and supply chain financing. We sped up the development of scene-based corporate finance, strengthened product and business integration, and provided comprehensive service solutions featuring "transaction + financing" for core customers and customers in their upstream and downstream of the industrial chains, which promoted the high-quality development of our transaction banking business.

- We expanded channels to obtain customers and optimized business procedures to improve customer experience. At the end of 2019, our corporate RMB-denominated settlement accounts reached 7.6617 million[1].
- We implemented the development strategy of "Internet + Transaction + Financing", innovated online financing products and promoted the deep integration of "Scene + Finance", so as to effectively meet customers' needs. At the end of 2019, we had 3.1851 million active transaction banking customers, representing an increase of 25.3% compared to the end of the previous year.

Institutional Banking

In 2019, we continued to deepen three major reforms in the marketing system, business model and operating mechanism of our institutional business, enhanced the marketing for customers and accounts, and accelerated the construction of "Smart Customer", to promote steady development of the institutional business. At the end of 2019, we had 446.7 thousand institutional customers and 615.8 thousand accounts, respectively, representing an increase of 10.0% and 15.5%, respectively, as compared to the end of the previous year.

- In terms of financial services to the government, we built a brand of "smart government affairs". We were the first to connect to the service platform for national government affairs, and created a new service model of "scene-based finance imbedding in government affair".
- In terms of financial services with respect to people's livelihood, we built brands of "banking hospital" and "banking campus". We launched smart hospital and smart campus products with our features. Major breakthroughs were made in cooperation with Peking University and other well-known universities, which effectively increased our influence in the fields of financial services with respect to people's livelihood.
- In terms of services to financial institutions, our deposits from banks and other financial institutions achieved rapid growth, and the number of customers for third-party depository services grew continuously. At the end of 2019, the contracted customers for third-party depository services amounted to 43.4691 million, representing an increase of 2.7978 million as compared to the end of the previous year.

Investment Banking

We adhered to develop investment banking business to serve the real economy. We accelerated the product innovation, streamlined business procedures, expanded diversified financing channels for customers such as bond financing, syndicated financing, M&A and restructuring, and asset securitization, and continued to improve the service solutions of "financing + talents". In 2019, we achieved an income of RMB8.583 billion from the investment banking business, representing an increase of 24.3% as compared to the previous year.

- We supported the national key decisions and arrangements. Regional synergy centers were established to serve key areas such as the Guangdong-Hong Kong-Macao Greater Bay Area. Diversified financing methods were adopted to support major projects and key reform fields such as mixed ownership reform of state-owned enterprises and leverage reduction. We supported the development of private enterprises through bond financing support instruments and debt financing plans with accumulative proceeds of nearly RMB100 billion.

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1 *The Bank has changed the criteria for corporate RMB-denominated settlement accounts, which includes corporate RMB denominated settlement accounts in normal status during the reporting period and dormant accounts within 5 years.*

- We continuously strengthened our market competitiveness. The balance of syndicated loans exceeded RMB1 trillion, maintaining our leading position in the market. The balance of M&A loans remained over RMB100 billion, leading in the industry. The scale of asset securitization business and the underwriting amount of debt financing instruments increased rapidly.

- We made great efforts in product innovation and promotion. We launched innovative products such as standby M&A loans, the first Green+Poverty Alleviation debt financing instrument and the first perpetual bonds with subordinated terms. We implemented a number of cross-border projects which had significant influence, such as cross-border M&A, international syndicates, Panda Bonds etc.

Retail Banking

In 2019, adhering to the customer-oriented approach, we fully promoted the digital transformation of retail banking business in respect of product and marketing, which was driven by FinTech and business innovation, aiming to build the Bank into a preferred smart retail bank for customers. At the end of 2019, the total number of our retail customers amounted to 837 million.

- A smart platform for retail marketing was developed. We launched the smart tools for marketing customers, such as the "smart brain of retail business" and the digital customer relationship management system, enabling us to quickly respond to customer needs, and precisely match customers with personalized products, services and promotions, to realize intelligent and digital marketing and services for customers.

- An open banking product system was built to realize in-depth integration of financial services into various kinds of scenes. We delivered financial services to customers, loading up function of opening of tier-II and tier-III electronic accounts, payment and credit card services, and loans on the platform for national government affairs and in various types of everyday scenes. Product innovation for open banking was proactively promoted by launching various competitive digital products including Yinliduo, e-loan for tobacco merchants, fast e-loan for business and Lefenyi.

- The synergy between the corporate and retail businesses was enhanced. We strengthened development of source businesses such as social security insurance, public finance, provident fund and public utility payment. The payroll service, electronic social security cards, and the ETC card business grew rapidly.

- Our comprehensive financial service capabilities for customers were enhanced. We accelerated the development of wealth management business by cultivating customers' concept of asset allocation, and strengthened the integrated operation of local and foreign currency to fully satisfy financial needs of customers.

Retail Loans

- We strictly implemented regulatory requirements and adopted differentiated polices on retail residential mortgage loans to support the rational demand of residents for homes for non-investment purpose. The customer structure of retail residential mortgage loans continued to be improved, and the business achieved steady development. At the end of 2019, the balance of retail residential mortgage loans amounted to RMB4,162,431 million, representing an increase of 13.7% or RMB501,857 million as compared to the end of the previous year.

- We promoted the digital transformation, focusing on acquiring customers online and scenes related to decoration, car purchase, education and other scenes. We continuously consolidated the foundation and achieved rapid and healthy development of personal consumer loan business. Our personal consumption loans increased by RMB10,027 million for 2019.

- We developed inclusive finance and reduced the financing cost of individual and private as well as small and micro enterprises. In 2019, personal business loans increased by RMB48,689 million. We developed an innovative product of "e-loan by housing mortgage" to meet the needs of online mortgage loans. We enriched scenes related to personal business loans. The balance of an online credit loan named "fast e-loan for business" increased by RMB5.894 billion as compared to the end of the previous year.

Retail Deposits

- In 2019, we continued to enrich our deposit products to meet the diversified financial needs of individual customers, strengthened the targeted marketing of retail deposits by digital tools, and improved customer service experience. Our retail deposits continued to grow steadily.

- At the end of 2019, the balance of domestic retail deposits reached RMB10,611,922 million, representing an increase of RMB819,948 million as compared to the end of the previous year, maintaining the leading position among peers.

Bank Card Business

- We improved the transaction activeness of debit cards and the brand influence of Jinsui debit card. The "rural vitalization theme card" was issued for agricultural economic entities in County Areas including farmers, large-scale professional operator, and heads of agricultural cooperatives, to provide them with better and more convenient financial services such as personal credit, consumption, payment and settlement, and exclusive preferential rights. The "Market Card" was launched for small and micro business owners. We have cooperated with UnionPay to launch a number of consumption promotions for personal accounts covering convenience stores, supermarkets, online shopping, catering, travel, etc. At the end of 2019, we cumulatively issued 1,059 million debit cards, representing an increase of 71 million as compared to the end of the previous year; the transaction volume for the year was RMB24.51 trillion, representing an increase of 7.1% as compared to the previous year.

- We accelerated the digital transformation of credit card business. We strengthened the innovation in mobile payment and the construction of payment scenes. We launched featured products such as aggregate payment and online cashiering to realize the connection from the B-end to the C-end. We newly launched "Lefenyi" and built the brand of "Auto Festival", with annual instalment transaction volume increasing by over 30%. At the end of 2019, the number of credit cards cumulatively issued reached 120 million, representing an increase of 16.5% compared to the end of the previous year. The transaction volume for credit cards in 2019 amounted to RMB2.01 trillion, representing an increase of 14.6% compared to the previous year.

- We supported the intelligent development of the national transportation. We were connected with the platform of the Ministry of Communications to realize the online issuance of ETC, with the total number of new ETC users exceeding 20 million in 2019, accounting for approximately 20% of China's new issued ETCs.

Private Banking Business

At the end of 2019, the number of our private banking customers reached 123 thousand and the balance of assets under management amounted to RMB1,404.0 billion, representing an increase of 17 thousand and RMB280.6 billion as compared to the end of the previous year, respectively.

- The customer service system was improved. We accelerated the classified and hierarchical construction of wealth management centres to make our service more targeted and effective. We carried out the "Star Talent" plan for private banking business, which cultivated professional talents for private banking business through skills competitions and professional training.

- We built an exclusive product system for private banking business with different terms and diversified strategies, and the existing scale of products amounted to RMB320.53 billion, representing an increase of RMB80.72 billion as compared to the end of the previous year. We promoted family trust service, vigorously expanded insurance premium trust business and made innovation in charity trust service. We strengthened synergy of the group. We launched the "exclusive loan" service for private banking customers and made breakthroughs in cross-border referral business in the key areas such as Guangdong, Hong Kong and Macao, enriching private banking products and services continuously.

- Focusing on the topics of corporate governance, wealth inheritance and characteristic culture, we well-designed comprehensive marketing events themed "Wealth and Wisdom of Private Banking", which significantly improved our brand image.

Treasury Operations

The treasury operations of the Bank include money market activities and investment portfolio management. On the basis of ensuring the bank-wide liquidity, we adhered to serving the real economy and the transformation of the economy, and flexibly adjusted investment strategies in response to the complex and ever-changing market. Our investment return on assets remained at a relatively high level among the peers.

Money Market Activities

- As a primary dealer in the open market, we offered more liquidity to small and medium-sized financial institutions and maintained steady development of inter-bank business.

- We reinforced research on monetary policies and forecast of market liquidity and proactively expanded our financing channels by using various kinds of financial instruments, to enhance liquidity management and improve efficiency of fund utilization.

- In 2019, our RMB-denominated financing transactions amounted to RMB37,927,469 million, including RMB34,968,899 million in lending and RMB2,958,570 million in borrowing.

Investment Portfolio Management

At 31 December 2019, our financial investment amounted to RMB7,422,930 million, representing an increase of RMB537,855 million or 7.8% as compared to the end of the previous year.

Trading Book Activities

- We maintained a leading position among the peers in respect of both the bond market-making business and the bond trading business in the inter-bank market.

- In 2019, the yield of domestic bond market fluctuated in a range. Responding to changes in market yields, we promptly adjusted our trading strategies, flexibly adjusted positions and reasonably used derivatives to hedge risks, achieving higher investment returns.

Banking Book Activities

- In 2019, we strengthened research on the monetary policies and forecast of the trend of interest rates. Considering the profiles of bond supply and maturity of portfolios, we seized investment opportunities and dynamically adjusted structures of portfolios to reduce the risk and increase the yields.

- To serve the real economy, considering various factors such as yield at maturity and income after taxation, we actively invested in securities with higher investment value, continued investing in government bonds such as local government bonds and invested in credit bonds in line with national strategies.

Asset Management

Wealth Management

- A wealth management subsidiary was established in 2019, to fully implement a series of new regulatory policies on asset management and accelerate the transformation of wealth management business.

- At 31 December 2019, the balance of our wealth management products[1] (excluding structured deposits, the same below) amounted to RMB2,029.39 billion, representing an increase of RMB369.265 billion or 22.2% as compared to the end of the previous year, of which net worth wealth management products amounted to RMB781.938 billion, representing an increase of RMB253.105 billion, or 47.9%, as compared to the end of the previous year.

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1 *In September 2019, the Bank signed an entrusted management agreement on wealth management business with Agricultural Bank of China Wealth Management Co., Ltd, entrusting Agricultural Bank of China Wealth Management Co., Ltd to manage the wealth management products held by the Bank being as a manager as well as the related wealth management business.*

Structure of wealth management products at the end of 2019 (By type)

Item	Balance of product (100 million)	Growth over the end of previous year	Percentage
Principal guaranteed products with expected income	**3,028.36**	**20.1%**	**14.9%**
Non-principal guaranteed products with expected income	**9,446.16**	**7.4%**	**46.6%**
Net worth products	**7,819.38**	**47.9%**	**38.5%**
Total	**20,293.90**	**22.2%**	**100.0%**

Structure of wealth management products at the end of 2019 (By target)

Item	Balance of product (100 million)	Growth over the end of previous year	Percentage
Personal wealth management	**16,346.64**	**18.9%**	**80.5%**
Corporate wealth management	**3,947.26**	**38.6%**	**19.5%**
Total	**202,93.90**	**22.2%**	**100.0%**

Custody Service

- In 2019, we closely followed the regulatory trend, seized market opportunities, innovated the synergistic mode and accelerated the digital transformation. As a result, our custody service achieved quality development, ranking first among the four large commercial banks in terms of increment, growth and the increase in market share of revenue.

- At the end of 2019, our assets under custody amounted to RMB9,883,859 million, representing an increase of 7.2% compared to the end of the previous year. The commission income from custody service and other fiduciary services amounted to RMB3,899 million, representing an increase of 8.4% as compared to the previous year.

Pension

- Remarkable achievements were made in occupational pension business. We won bids in 23 occupational pension projects as a trustee and in 29 occupational pension projects as a custodian.

- At the end of 2019, the enterprise annuity funds under entrusted management amounted to RMB50,794 million, and the pension funds under custody amounted to RMB645,031 million, representing an increase of 31.1% as compared to the end of the previous year.

Precious Metals

- We conducted targeted marketing by digital technology for personal account-based gold products, with their transaction volume maintaining the leading position among our peers. In 2019, 4,580.18 tons of gold and 82,065.93 tons of silver were traded for our own account as well as on behalf of customers.

- We increased our support to customers in the precious metal industrial chain, achieving steady growth in the market share of our corporate precious metal leasing business.

Treasury Transactions on Behalf of Customers

- We actively optimized the customer structure and promoted steady and balanced development of our foreign exchange transaction business on behalf of customers. In 2019, the transaction volume of foreign exchange sales and settlements as well as foreign exchange trading on behalf of customers amounted to USD382.7 billion.

- Responding to trend of the market, we strengthened our efforts in marketing to steadily promote the development of the bond business on behalf of customers. The spot transaction volume via "Bond Connect" was over RMB340 billion, representing an increase of over 300%, ranking forefront in the market. In terms of Zhaishibao, one of counter bond business, we distributed more than RMB70 billion at the primary market and traded more than RMB120 billion at the secondary market, maintaining first in the market.

Agency Insurance Business

- In 2019, we further promoted the transformation of agency insurance business, accelerated technology empowerment, and continued to improve the online operation of agency insurance business.

- Our agency insurance business maintained the leading position in the industry. The proportion of safeguard and long-term insurance agency products increased steadily. The income from the agency of insurance with regular premium increased by 27.2% year-on-year.

Agency Distribution of Fund Products

- We strengthened the comprehensive cooperation with outstanding fund companies. The number of agency distribution of funds under the custody of the Bank and the volume of stock-leaning funds distributed both had reached a peak in recent years. The "Selective Fund" achieved excellent investment return and its brand influence continuously increased. In 2019, the number of funds distributed by the Bank amounted to 1,804, and the volume of non-monetary funds distributed increased by 44.8% as compared to the previous year.

- We continuously enriched the products of wealth management business. The agency distribution of the segregated accounts managed by fund companies and the collective investment scheme managed by security companies grew rapidly.

- We optimized the strategy mode of "ABC Smart Investment". The "New Fund Channel of Smart Mobile Banking" was launched to conduct the targeted marketing and continuously improve our customer experience.

Agency Sales of PRC Government Bonds

- In 2019, we distributed 22 tranches of savings PRC government bonds with the actual sales amount of RMB54.726 billion, including 14 tranches of savings PRC government bonds (in electronic form) of RMB31.417 billion and eight tranches of savings PRC government bonds (in certificate form) of RMB23.309 billion.

Internet Finance

During the reporting period, focusing on coordinated support for services and innovation-driven development, we accelerated the digital transformation, and promoted four key tasks including platform construction, product innovation, scene development and marketing and promotions, so as to continuously improve our online operation capability.

Smart Mobile Banking

Aiming to increase the activeness of mobile banking customers and focusing on customer experience and smart services, we sped up the construction of smart mobile banking to solidify the main channel of online operation.

- Products were innovated and optimized. For services targeted at public investors, we launched the product of "Yinliduo". Mid- and high-end financial service zones for investment and trading, wealth management and private banking were set up. For professional investment customers, we provided service for trading of foreign exchange, precious metals and commodities. We launched T+0 asset-liability profiles enabling customers to inquire about the status of their assets and liabilities by one click.

- Smart services were provided. Optical Character recognition, face recognition and other technologies were applied to achieve convenient and safe account opening for our customers. We realized smart recommendation of financial products and advertisements and homepage application. We provided localized services based on an exclusive interface for varied provinces.

- Customer experience was optimized. We launched various functions such as online application for issuing deposit certificates, reservation of purchasing "Yinliduo" and inquiries about position of "Yinliduo". We optimized transfer services, launching inter-bank transfer via mobile phone number. We renewed our homepage modules with dynamic loading of the themes of 24 solar terms.

- As at the end of 2019, the number of personal mobile banking customers reached 310 million, up by 20.6% as compared to the end of the previous year. The number of transactions in 2019 was 17,412 million, representing a year-on-year increase of 28.6%, and the transaction volume in 2019 amounted to RMB61.83 trillion, representing a year-on-year increase of 26.2%.

Corporate Service Platform

Targeting at providing "one-stop and steward-type" services, we promoted the framework integration of the platform, enriched relevant services and improved the functions of products to continuously consolidate the foundation for the development of our corporate financial service.

- Framework integration of the platform was promoted. Interconnection among corporate systems was realized to achieve uniform user identification, login entrance, information storage and customer registration.

- Services of the platform were innovated. "E-profile", "E-signing", "E-setup" and other "E-series" thematic functions went live, which comprehensively strengthened the base of the platform for providing services.

- The functions of products on the platform were improved. It connected with the payment center to comprehensively promote corporate payment services via corporate internet banking and mobile banking. The video interview was launched to optimize the procedures for opening corporate account. New features such as corporate mobile banking transfer by face swiping, corporate poverty alleviation mall and corporate red envelopes were introduced. Functions including multi-level account books, wealth management, notes, bonds, insurance, electronic receipts and account enquiry were improved and upgraded continuously.

- As at the end of 2019, the number of customers of the corporate banking service platform reached 7.23 million, up by 16.6% compared to the end of the previous year, with the transaction volume of RMB180.8 trillion in 2019. The total number of corporate mobile banking customers reached 1.84 million, up by 97.8% compared to the end of the previous year. The transaction volume in 2019 was RMB1.24 trillion, which was 9.3 times of that of the previous year.

Online Credit

We built the product system of online credit covering three business line of "retail, small and micro enterprise, Sannong" and the supply chain financing sectors within an overall and co-ordinating plan.

- The brand system for online credit was established. Under the general brand of "ABC E-loan" for online credit, we enriched and improved our four major sub-brand product systems including "ABC Personal E-loan", "ABC Small and Micro Enterprise E-loan", "ABC Huinong E-loan" and "ABC Industrial E-loan".

- Credit products and services were innovated. We launched "Small and Micro Enterprise Taxation E-loan", a product completely based on online operations, improved the features of "Internet Quick Loan" targeted at individual customers and launched "E-Account Connect" for supply chain customers which is based on the block chain technology.

- At the end of 2019, the balance of our online credit reached RMB589.4 billion, representing an increase of RMB372.1 billion compared to the end of the previous year.

Open Banking and Scene-based Finance

We accelerated the construction and application of the open banking platform and vigorously developed scene-based finance to enhance the capability of obtaining customers and improving activeness of customers.

- We built the open banking platform. We completed the construction of infrastructure integrating external services, internal management and gateway access, which could provide whole-process and one-stop online financial services. We could export more than 300 services in six categories, including user authentication, account service, payment and settlement, credit card, fund and wealth management and information service by comprehensive application of API, SDK, H5 and other technologies and integration of existing accesses.

- We constructed and promoted scene-based finance comprehensively. We built "ABC Wisdom+", a scene-based financial service brand and accelerated the promotion of three types of scene-based financial services, including government affairs and people's livelihood, consumption and retail and industrial chains. We built the scenes of government affairs and people's livelihood, firstly launching several financial services and applications on the national government service platform, and actively cooperating with provincial and city-level government departments. We launched a smart school platform to provide various types of financial and non-financial services for colleges and universities and K12 (middle and primary schools and kindergartens) customers. We vigorously expanded public utility payment services and the transaction amount of the payment center for the year exceeded RMB100 billion. We deepened the construction of the scene of consumption and retail, strengthening scene construction in such key areas as community property, transportation, shopping district, culture and tourism, and construction & real estate. We made effort to scenes of industrial chains, integrating a unified portal for merchants relying on "ABC E-steward", and continuing to diversify online scenes to improve our capability of serving merchants.

Inclusive Finance

In 2019, we actively promoted the digital transformation of inclusive finance and implemented the "Four Ones" project for digital transformation of small and micro enterprises finance (constructing one set of product brands, one operation management system, one customer service platform and one intelligent risk control system). The amount and coverage of our inclusive financial business increased with the reduction of financing cost. At the end of 2019, the balance of our inclusive loans to small and micro enterprises reached RMB592.3 billion[1], representing an increase of RMB217.9 billion, or 58.2%, as compared to the end of the previous year, which was higher than the growth rate of loans of the Bank by 46.3 percentage points. The number of customers with outstanding loans was 1.1092 million, representing an increase of 386 thousand as compared to the end of the previous year. The average yield of loans cumulatively granted was 4.66% in 2019, while the comprehensive financing cost born by our customers decreased by 1.20 percentage points as compared to the previous year. The balance of non-performing inclusive loans to small and micro enterprises was RMB8.134 billion and the non-performing loan ratio was 1.37%, both recording a drop. The increment of inclusive loans in compliance with the requirement of the PBOC for lowering depository reserve ratio accounted for 22.05% of new loans in RMB of the Bank, which met the requirement of the second level for deduction of depository reserve ratio stipulated by the PBOC.

- We deepened the inclusive financial service system supported by "Sannong + Small and Micro Enterprises" with our own feature. We promoted the hierarchical and classified management, and strengthened the construction of specialized institutions and demonstration sub-branches. 799 specialized institutions were built into the demonstration and backbone for inclusive finance and 100 "Demonstration Sub-branches for Financial Services to Small and Micro Enterprise" were established to form the brand of the market. We enhanced financial service capabilities of our branch outlets. For details of the County Area Banking Division and County Area Banking Business, please refer to "Discussion and Analysis — County Area Banking Business".

- We improved the digital product system of inclusive finance. The "ABC E-loan" digital product system was launched, comprising four product series of "ABC Huinong E-loan", "ABC Small and Micro E-loan", "ABC Personal E-loan", and "ABC Industrial E-loan", which provided convenient and fast online credit to farmers, small and micro enterprises, individual industrial and commercial households, and owners of small and micro business, respectively.

- We established the digital marketing and management system for inclusive finance. The open service platform for small and micro customers was built. We cooperated with the national and local government affairs service platforms and national comprehensive credit service platform for SME financing to build an open and sharing ecosystem for inclusive finance. The operation management platform for small and micro financial business was established to strongly support integrated service, marketing and business operation and management.

- We built the digital risk control system for inclusive finance. FinTech was applied to strengthen internal and external data mining. We introduced intelligent risk control methods to achieve whole-process risk control of credit businesses for small and micro enterprises covering pre-loan management, processing in loan and post-disbursement management, which improved the initiative, accuracy and effectiveness of our risk management and ensured stable asset quality of our inclusive finance.

- We improved the policy system for digital inclusive finance. In line with the idea of "internet-based, data-based, intelligent and open" for digital transformation, we optimized the policies for online businesses, streamlined the processes of offline businesses, established the collaboration system between online and offline businesses, and specified the rules for exemption as long as due diligence, so as to gradually establish our "new rules" for online credit business for small and micro enterprise.

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1 *According to the Notice of the General Office of the CBIRC on Further Improving the Quality and Efficiency of Financial Services for Small and Micro Enterprises in 2019, inclusive loans to small and micro enterprisers refers to loans to small and micro entities with a total credit of RMB10 million or less granted to single customer (including loans to small and micro enterprise, loans to individual industrial and commercial household and loans to small and micro business owner).*

Green Finance

Green Credit

During the reporting period, we improved our policies and process management to promote the development of green credit business, making a contribution to build "A Beautiful China" and implement the national strategy of pollution prevention and control. At the end of 2019, the balance of loans in green credit business reached RMB1,191.0 billion, up by 13.4% compared to the end of the previous year, 1.5 percentage points higher than the growth of loans of the Bank.

- We strengthened the policy guidance. We formulated the annual credit policy to navigate credit funds into green projects and industries such as energy conservation and environmental protection, clean production, clean energy, etc. We implemented national policies on new energy development and formulated credit policy for the biomass power generation industry. We reviewed environmental and risk indicators in respect of customer access and incorporated five green credit indicators, including efficiency, effectiveness, environmental protection, resource consumption and social management into industry credit policies.

- We enhanced the environmental and social risk management. We carried out differentiated management on customers in accordance with their situations related to environment and social risks. We applied requirements for environmental and social risk management to every procedure of credit business through customer rating, classification, due diligence, review, approval, credit management and post-disbursement management. We strictly implemented the "One Vote Veto" policy with respect to environmental and social risks. In addition, commitment letters of responsibility were signed by customers with relatively high environmental and social risks in order to prevent environmental and social risks by contractual arrangement.

- As among the first batch of domestic financial institutions to sign the *Green Investment Principles for the Belt and Road Initiative*, we made full use of green financial instruments to raise funds for green projects and promote green supply chain management.

- We strengthened our management basics. Bank-wide special training on green credit was held. We strengthened the management of green credit statistics and continuously improved the quality of such data.

Green Investment Banking

We engrained the "green" concept into all types of products and services of the investment banking business and were committed to developing into a "leading bank in green investment banking" with leading service model, product system and market share.

- In 2019, we helped enterprises raise more than RMB90 billion through green asset securitization, green bonds, green syndicated loans, green M&A and other means, which were invested in areas such as clean energy, green transportation, pollution control and sewage treatment, etc.

- We actively carried out product innovation of green investment banking. A green leasing asset securitization product was launched, and the first Green+Poverty Alleviation and green airport debt financing instrument were issued.

Use of Proceeds from Green Financial Bonds

On 13 October 2015, we issued green financial bonds at an equivalent of USD1 billion on the London Stock Exchange. As of 31 December 2019, other than the 5-year USD bond, the 3-year USD bond and 2-year RMB bond were due.

- The net proceeds from the green financial bonds had been fully invested in two categories of green industry projects including clean transportation and renewable energy. To be specific, in the first category, the proceeds had been invested in subway construction projects, and in the second category, the proceeds had been invested in wind power, photovoltaic and biomass power generation projects.

- The estimated environmental benefits from the investment of such net proceeds in renewable energy projects were alternative to fossil energy of 1.2865 million tons per year and reduction in carbon dioxide emission of 3.0876 million tons per year[1].

Cross-border Financial Service

In active response to the national strategy of "Opening-up", we supported the "Belt and Road Initiative", RMB internationalization and establishment of free trade zone. We gave great support to the transformation and upgrading of foreign trade and foreign investment, and continued to enhance our comprehensive cross-border financial service system. Our cross-border business achieved steady growth. At the end of 2019, the total assets of our overseas branches and subsidiaries reached USD140.78 billion, representing an increase of 5.9% compared to the end of the previous year. Net profit of our overseas branches and subsidiaries for 2019 was USD0.63 billion.

- The international settlement and trade financing business maintained steady growth. We improved the "Easy Construction Finance" product series to meet customers' needs for financing, credit, trading, settlement and others in all the business processes. In 2019, the volume of the international settlement conducted by domestic branches reached USD970.7 billion. The total volume of international trade financing (including financing with domestic letter of credit) reached USD111.2 billion.

- We strongly supported the "Belt and Road Initiative" and "Going Global" of enterprises. We strengthened cooperation with China Export & Credit Insurance Corporation, policy banks and banks in areas along the Belt and Road, and actively promoted the marketing and service for "Going Global" customers and key projects. In 2019, the volume of related businesses amounted to USD39.2 billion, involving 95 countries and regions.

- The cross-border RMB business achieved rapid development, with a total volume of RMB1,378.1 billion, representing an increase of 24.5% compared to the previous year. We had 19 thousand customers for cross-border RMB business, representing an increase of 14% compared to the end of the previous year. Actively playing its role as RMB clearing bank, Dubai Branch strengthened the cooperation with UAE banking industry and supported the development of offshore RMB market. The total amount of RMB clearing business of Dubai Branch amounted to RMB53.02 billion in 2019, representing a year-on-year increase of 8.1%.

Integrated Operation

We have established an integrated operation platform covering fund management, securities and investment banking, financial leasing, life insurance, debt-to-equity swap and wealth management business, and continuously promoted the implementation of integrated operation strategy.

In 2019, our six subsidiaries of integrated operation (namely ABC-CA Fund Management Co., Ltd., ABC International Holdings Limited, ABC Financial Leasing Co., Ltd., ABC Life Insurance Co., Ltd., ABC Financial Asset Investment Co., Ltd. and Agricultural Bank of China Wealth Management Co., Ltd.) focused on principal businesses, delved into respective professional territory and operated prudently regarding the overall development strategy of the Group. Their market competitiveness steadily improved and synergy of the Group's integrated operation was achieved gradually.

- ABC-CA Fund Management Co., Ltd. enhanced risk control and compliance management, endeavoured to improve its research and investment capability, enriched the product series and expanded marketing, which was consequent on steady improvement in its market competitiveness. The scale of the public offering fund reached RMB231.5 billion, including RMB137 billion of non-monetary funds, ranking 17th in the market. It had 58 public offering funds and 89 special-account products. It posted outstanding performance in equity funds, with an average yield of 46.1%.

- ABC International Holdings Limited maintained its leading position among its comparable peers in terms of indicators of core investment banking business. In 2019, it completed 38 IPOs for companies including Shenwan Hongyuan Group Co., Ltd., Poly Property Management Co., Ltd., Powerlong Commercial Management Holdings Limited, Bank of Guizhou Co., Ltd. and Sichuan Languang Justbon Services Group Co., Ltd. It ranked fourth

1 *Source: Agricultural Bank of China Report on the Use of Proceeds from Green Bond and Independent limited assurance statement to the directors of Agricultural Bank of China.*

among all Chinese and foreign investment banks and first among investment banks owned by the four large commercial banks in terms of the number of sponsored projects, and remained among the top 10 in the Hong Kong market in terms of the underwriting amount for five consecutive years. Leveraging the advantage of synergy between the Bank and its subsidiaries, it completed 56 bond underwriting projects, with the total number of underwriting projects representing a year-on-year increase of 64%.

- ABC Financial Leasing Co., Ltd. further implemented the development strategies in respect of the four major areas, i.e., "Sannong", aviation, new energy and infrastructure construction. As a result, its major business indicators maintained a favourable trend as a whole, asset quality and asset structure continued to be improved and remarkable results were achieved in its business transformation. At the end of 2019, the balance of its leasing assets amounted to RMB50.741 billion. Adhering to the business concept of "green leasing", it further innovated business models in green travel, clean energy and energy conservation and emission reduction. It issued green financial bonds of RMB3 billion for the first time to support the development of green leasing. In 2019, its investment in green leasing accounted for more than 50% of its total leasing investment.

- ABC Life Insurance Co., Ltd. steadily developed and further expanded its business. In 2019, its total premium income was RMB23,941 million, representing a year-on-year increase of 31.8%. It continuously improved the product series, promoted the business transformation and further optimized business structure. In 2019, it recorded RMB7,863 million of regularly-paid premium, representing a year-on-year increase of 8.6%. It ranked first among all bank-controlled life insurance companies in terms of total regularly-paid premium amount, percentage of regularly-paid premium and standard premium of personal insurance. Dedicated to fulfilling its social responsibilities, ABC Life Insurance Co., Ltd. settled a total of 0.217 million claims in 2019, involving a total amount of RMB0.69 billion, representing a year-on-year increase of 22%.

- To serve the supply-side structural reform and the high-quality development of the real economy, ABC Financial Asset Investment Co., Ltd. actively carried out the implementation of market-oriented debt-to-equity swap business to effectively reduce the asset-liability ratio and financial burden of debt-to-equity swap enterprises, and improve their corporate governance and management quality. At the end of 2019, ABC Financial Asset Investment Co., Ltd. completed a total of 169 debt-to-equity swap projects, amounting to RMB234.4 billion, representing an increase of 121 projects and RMB167.2 billion as compared to the previous year, respectively. ABC Financial Asset Investment Co., Ltd. held leading positions among comparable peers both in terms of the cumulative and increased amount of debt-to-equity swap projects[1].

- Adhering to steady development philosophy and being oriented on customers, Agricultural Bank of China Wealth Management Co., Ltd. is committed to building itself into a first-class asset management institution with best customer experience.

First, it promoted product transformation and enriched the product series. The series of "4 + 2" products were established, which included the four conventional product series of "cash management + fixed income + mixed + equity" and the two featured product series of "Huinong + ESG", and the net-worth product lines were continuously enriched.

Second, it improved the classification of customers to achieve layered management of customers. According to the principle of penetrating identification, it distinguished two types of customers, the unspecified public investors and qualified investors, and sold wealth management products to investors compatible with their respective risk identification and risk-bearing capabilities.

Third, it enhanced research and investment capabilities and promoted the application of research results. A research system covering macro policies, macroeconomics and asset allocation was preliminarily established to conduct cross-market and multi-strategy research. It improved the investment and research integrated operation mechanism and promoted the application of research results into investment decisions.

Fourth, it carried out steady investments to meet diversified needs of customers. It strengthened its fixed income investment, optimized its equity investment and refined special account investment. Wealth management funds were mainly invested in fixed income assets, serving the real economy and national strategies and meeting the diversified investment and financing needs of the Group's principal business and customers.

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1 *We adjusted the statistical method in accordance with the relevant regulations issued by the National Development and Reform Commission.*

Fifth, it established a centralized trading system to effectively support investment operations. The centralized trading system covering funds, inter-banks, interest rates, credit, funds and other types of products was preliminarily established, realizing the isolation of investment risks, to effectively support the operation of investment and transactions of various wealth management products.

Sixth, it enhanced the level of risk control and improved the comprehensive risk management. Management of credit risks, market risks, operational risks and compliance risks were comprehensively improved to secure the healthy and sustainable development of wealth management business.

Seventh, it strengthened the construction of IT systems and established an operation management system. It strengthened the support of science and technology for integrated investment and research, intelligent marketing, intelligent investment advisory, intelligent customer service and risk management. A full-process operation management system for wealth management products was established covering issue, investment and maturity to ensure the smooth operation of wealth management business.

Distribution Channels

During the Reporting Period, we accelerated the strategic transformation of branch outlets, vigorously developed online channels and improved remote channel functions of customer service centers. We explored to achieve customers sharing, real-time information sharing as well as seamless connection of services among three channels including offline, online and remote ones.

Offline Channels

During the reporting period, we continued to transform our branch outlets into more intelligent ones with less labor forces and promoted the integrated development of online and offline businesses. The capabilities of marketing, risk management and control, value creation and market competitiveness of our branch outlets were improved comprehensively.

- We continued to promote the transformation of branch outlets, which focused on "Four Reductions, Two Improvements and One Modification" (i.e., reduction in areas of branch outlets, equipment, counter staff and cost, improvements in capabilities of marketing and risk management and control and modification of our operational systems and processes). As at the end of 2019, all of the 22 thousand branch outlets completed intelligent transformation, 17.6 thousand counters of cash service had been removed and 24.1 thousand counter staff had been transferred to marketing service positions.

- We established 5G Smart Banking branch outlets featuring "Smart Transactions, Smart Identification, Smart Authorization and Smart Risk Control". 5G Smart Banking branch outlets had been established in Xiongan New Area, Shenzhen and other places to improve services for smart cities and smart government affairs.

- We innovated the operating mode, service mode and operation mode of branch outlets. We created a new mode of "1 + N" offline operation with a super counter as the core and other equipment as supplement. A new marketing and service mode of branch outlets with "Smart Shelf + Business Circle + Scene" based on smart shelf and a new digital operation mode of smart branch outlets with "Super Counter + Mobile Equipment + Online + Scene" based on 5G technology were established.

Online Channels

Mobile Banking

As at the end of 2019, the total number of personal mobile banking customers reached 310 million, up by 20.6% as compared to the end of the previous year, and the transaction volume in 2019 was RMB61.83 trillion, representing a year-on-year increase of 26.2%. The total number of corporate mobile banking customers reached 1.84 million, up by 97.8% as compared to the end of the previous year, and the transaction volume in 2019 was RMB1.24 trillion, 9.3 times of that in the previous year.

Internet Banking

As at the end of 2019, the number of registered customers in personal internet banking was 312 million, representing an increase of 17.7% as compared to the end of the previous year, and the transaction volume in 2019 reached RMB33.55 trillion. The number of customers of the corporate financial service platform reached 7.23 million, representing an increase of 16.6% as compared to the end of the previous year, and the transaction volume in 2019 reached RMB180.8 trillion.

Self-service Banking

We promoted the equipment management system and the intelligent service system for branch outlets and built intelligent terminal application stores to further promote the integrated, intelligent and comprehensive service and equipment management of branch outlets. As at the end of 2019, we had 83.8 thousand sets of cash-related self-service facilities and 35.5 thousand sets of self-service terminals, and the number of daily average transactions was 17.74 million in 2019.

Remote channels

We accelerated the construction of cloud service centres for remote banking, completed the integration of the call service platform of the customer centre and comprehensively improved the capabilities of integrated operation and customer service.

- We enhanced our customer service and collaboration capabilities significantly. In 2019, 0.34 billion calls were received by our telephone banking from customers, among which, 0.24 billion calls were provided with interactive voice response, 0.1 billion calls were transferred to the customer service centres and 92 million calls were handled by customer service staff. The customer satisfaction rate reached 99.59%.

- We accelerated the digital transformation and upgraded the smart robot services. We embed the smart robot into online service scenarios such as online banking, mobile banking and WeChat banking. In 2019, our smart robot served 21.61 million customers, including 0.69 million customers through internet banking channels, 12.59 million customers through mobile banking channels, and 8.33 million customers through WeChat banking channels.

- We accelerated the construction of remote video customer service and piloted and promoted the account opening business for corporate customers through remote video verification, and 9,255 accounts were opened through remote video.

FinTech

During the reporting period, we strengthened the tracking, research, and introduction of frontier technologies related to FinTech. Focusing on serving “Sannong” and the real economy, and prevention and mitigation of financial risks, we continuously increased FinTech innovations and application to boost innovations in products, services, and business models to effectively empower our digital transformation strategy. In 2019, the total investment in IT amounted to RMB12.79 billion.

FinTech Innovation

- **Regarding application of mobile internet technology,** we successively completed iteration of “Chunfen Version” (version 4.0), “Mangzhong Version” (version 4.1) and the version integrating new and old frameworks (version 4.2) of mobile banking and provided special service zones for private banking and Tibetan-based service and other special financial services for particular customer groups or special regions. We continuously improved product functions and expanded service scenes, fulfilling the intelligent service and synergy with scene-based finance.

- **Regarding application of AI technology,** we recorded an increase of more than four times in response rate of wealth management product marketing, and a decrease of more than 30% in customer loss rate in sub-branches piloting the early warning for customer loss. The accuracy rate was more than 95% in respect of identification of high-risk credit card addresses based on intelligent risk control by NLP (Natural Language Processing) and the accuracy rate was 99.99% in respect of voucher classification by OCR (Optical Character Recognition) during after-event supervision.

- **Regarding application of block chain technology,** we launched the first pension consortium block chain in China and jointly rolled out an application system for the pension block chain with Taiping Pension Company Limited, which shortened processing time from 12 days to 3 days. We launched "E-account", an online supply-chain financing product, providing core enterprises and suppliers on supply-chains with whole-process online financial services, covering signing, division, transfer, factoring financing and collection and payment at maturity of receivables.

- **Regarding application of Big Data technology,** we upgraded and expanded the Big Data platform, of which the number of master database nodes expanded to 112 and relevant performance improved by 177%. In addition, we promoted the application of the data analysis and mining platform and the branch-based data mart, and launched the management cockpit system to assist managers at all levels with operation decision-making by visible core indicators.

- **Regarding application of cloud computing,** we facilitated the unified management, flexible scheduling, agile delivery, elastic scaling and intensive utilization of IT infrastructure. The foundation environment of the development and testing cloud in the new-generation infrastructure cloud platform had been constructed and delivered. The application cloud platform commenced operation in Beijing and Shanghai, with 41 applications systems launched.

- **Regarding application of cyber security technology,** security tools such as Web application firewalls, server intrusion prevention and threat intelligence analysis platform were introduced to continuously strengthen capabilities of network security protection. The project of the basic platform for situation awareness was implemented, forming 71 sets of rules for association analysis, which comprehensively improved the detectability of cyber security attacking. We promoted the application of the new generation of terminal security protection project in our office terminals.

Improvement of Technological Level of Our Operation and Management

- We promoted the smart credit 2.0 project and launched the system of special seal for electronic loan contract, realizing whole-process electronic operation and shortening the time for processing a single loan to less than 20 minutes, which obviously improved the efficiency of our credit business.

- The mobile credit system (Mobile C3) featured three major functions, i.e. mobile approval, information inquiry and onsite operation. The C3 was additionally applied in three branches including Tokyo, Seoul and Macao, which further improved our capability of global credit risk management.

- We built a bank-wide platform for monitoring, early earning and prevention of cases, achieving the collection and post-mortem of our cases and significant risk events. The monitoring model cluster for prevention of case was built to achieve early warning of and timely response to potential risks of cases.

Ensuring the safe operation of our information system

- We promoted the construction of "two cities and three centers" and established a disaster recovery system covering all important information systems. We carried out disaster recovery drill for the core system, which enabled switching without perception of our customers.

- We promoted the network construction for channel domain covering all branch outlets, adopting technology including segment routing and software-defined WAN earlier than our peers in backbone network to realize intelligent scheduling of network traffic, bearing of various business data and transmission by sharing IPv4/IPv6, which improved the bandwidth availability ratio by 25%.

- We started construction of the integrated operation and maintenance platform based on the idea of "one portal (unified portal), one center (configuration center) and four platforms (platforms of monitoring, management, operation and operation and maintenance data analysis)".

- During the reporting period, our transaction volume from operations increased rapidly. The number of daily average transactions handled by our core systems reached 699 million and the highest number of daily transactions reached 880 million. The utilization rate of our core systems during major business hours reached 100%, maintaining stable and sustainable service operating capabilities.

Consumer Interests Protection

Adhering to the philosophy of "Consistently Putting Customers First", we integrated consumer interests protection in various aspects of corporate governance and included it into our business development strategies and corporate culture. Pursuant to changes of laws, regulations and regulatory provisions, as well as needs of business development, we formulated or revised relevant rules on consumer interests protection. We implemented the examination mechanism for consumer interests protection in relation to products and services to ensure fair, just and honest treatment for consumers during various stages of products and services, including design and development, pricing management and formulation of agreements. We carried out the "Year of Services Improvement for Transformation" activity and focused on the financial service needs of special consumer groups. We strengthened the management on complaints of customers and advanced the implementation of the industrial standard related to classification of complaints from financial consumers. We maintained open channels for our customers to voice, and optimized synergy of customer service systems to improve the normalization and standardization level of complaints management. We responded to customers' demands promptly and promoted the effective operation of the complaint handling mechanism. As a result, our settlement rate of complaints from customers and customer satisfaction remained at a relatively high level. We publicized and popularized financial knowledge through multiple channels and forms on a regular basis. We launched over 46,000 activities to popularize financial knowledge, in which over 22,000 branch outlets and over 0.35 million employees were engaged. These activities reached over 70 million persons.

Data Security and Customer Information Protection

We engaged external professional advisory agencies to build a comprehensive security protection system in terms of privacy policies, internal policies, and technical safeguards to ensure the security of customer information.

- We formulated bank-wide privacy policies. Our privacy policies for personal customers and corporate customers were formulated to stipulate the rights and obligations of customers and the Bank in information collection, processing and protection, clarify the customer's rights to manage their information including the right to access, correct, or delete their information, and the right to opt out of marketing use, and establish a supporting customer rights response process, so as to secure customers' information according to mature industrial security standards.

- We improved the internal management policies. We formulated or revised a series of rules and administrative measures including the basic system of data governance, measures for customer information protection, and implementation rules for personal and corporate customer information protection.

- We improved the technical protection system. We comprehensively applied tools and technologies such as terminal protection, traffic monitoring, and email leak prevention to improve our data security protection capabilities.

- We engaged professional advisory agencies. In line with the EU General Data Protection Regulation (GDPR), we engaged a law firm and a management consultancy to conduct a comprehensive assessment on our personal information protection in the business and system, and to make professional recommendations for improving our personal data protection system.

- We strengthened trainings on data security. We organized thematic trainings for employees from the head office and branches and produced short videos on privacy and data protection to raise the awareness of employees across the Bank on data security and privacy protection.

Human Resources Management and Organization Management

Human Resources Management

Human Resources Reform

During the reporting period, adhering to a market-oriented approach, we implemented the requirements of digital transformation and continued to deepen the reform of human resources, so as to improve the efficiency of our human resources continuously.

- We established an organization structure that met the requirements of digital transformation. We set up a digital transformation office, specified coordination divisions for digital transformation in our business departments, data analysis teams in the tier-1 branches and the research and development departments in Xi'an and Wuhan (tier-2 departments) under the research and development centre.

- We set up the ABC wealth management subsidiary and the pension financial centre to promote the development of emerging businesses.

- We reorganized the internal control and compliance supervision department and set up a separate legal department to provide organizational supporting for preventing and mitigating financial risk.

- We downsized the internal departments in branches and sub-branches by reducing the proportions of the middle and back offices and their staff. We improved the control policy of management personnel and the policy of transfer of surplus tellers at branch outlets to increase the frontline staff for our businesses and operations.

Development and Cultivation of Human Resources

During the reporting period, aiming at building a talent pool of competent and professional officials and focusing on the training and development of versatile financial talents, we actively implemented the strategy of powering the Bank with talent force.

- We cultivated talents of technology and business by exchange. We exchanged deputy managers between business departments and technology departments of the Head Office, and appointed more technology professionals as deputy presidents of branches at all levels. We formulated a talent team development plan for the digital transformation, accelerating the development of four types of talents including product manager, customer manager, data analyst, and technology project manager.

- We cultivated and selected outstanding young leaders to build leadership teams of branches at all levels with reasonable distribution by age and diversity of professional advantages. We paid more attention to the experience in foundation-level branch outlets and optimized the career path for personnel at and below the section level. We implemented the young talents development program V3.0 to accelerate the cultivation of youth talent teams in foundation-level branch outlets covering urban and rural areas.

- We promoted the cultivation of professional staff in a coordinated manner. We implemented the project of "retention of staff by attracting hearts". We improved the "dual-channel" promotion mechanism for management and professional positions, filling positions at the senior specialist level and above with over 1,300 professionals.

- We steadily promoted the transformation and enhancement of employees in foundation-level institutions, and reduced positions reasonably, so as to further optimize the staffing in foundation-level branch outlets.

- Focusing on digital transformation, transformation of employees in foundation-level branch outlets, and position transfer of counter managers, we continued to increase trainings for employees. In 2019, a total of 13.7 thousand sessions of training programs were organized by the Bank and attended by 0.79 million participants. We promoted the upgrade of the online college and the construction of the mobile APP of the Agricultural Bank of China University, improved the internal trainer certification system, and promoted learning through organizing exams with 0.146 million employees of the Bank taking position qualification examinations.

Management of Remuneration

During the reporting period, we formulated and adjusted our remuneration policy in strict compliance with relevant laws and regulations, regulatory requirements and corporate governance requirements of the Bank. Our overall remuneration level was determined in accordance with factors including the efficiency of the Bank and the total annual remuneration was reviewed and approved by the Board of Directors of the Bank, as required by relevant national regulations. We formulated the annual remuneration plan in strict compliance with regulatory requirements and corporate governance requirements, according to which we managed and allocated the total remuneration of institutions at all levels under the Bank and remuneration of employees.

- The total remuneration allocated to institutions at all levels under the Bank was determined on the basis of their operating efficiency, performance assessment result and completion status of key tasks. Performance assessment indicators include efficiency indicators, risk indicators and other sustainable development indicators, which comprehensively reflected their long-term performance and risk profiles.

- We established and improved the remuneration allocation mechanism reflecting both current performance and responsibility for long-term risk, linking employees' current and long-term responsibilities and contributions with the Bank's development and lagging risks. Our employee remuneration policy was applicable to all contracted employees. The employee remuneration primarily was comprised of basic salary, position salary and performance salary, which was linked to position value, employee performance assessment results, etc. We established the system of deferred payment, recall and deduction of performance salary for employees with significant impact on risk profiles. For those who violate laws and disciplines or are responsible for significant risk losses, we will deduct, recall and cease the payment of the performance salary and deferred remuneration for the corresponding period based on the severity.

- We continued to deepen the reform of the remuneration allocation mechanism, to optimize resource allocation and improve internal allocation structure. We took into account both efficiency and fairness in remuneration allocation, strengthened incentives for the major strategies and the reforms in key areas, increased incentives for profit-generating institutions, and enhanced the priority and ensuring to frontline staff at foundation-level branch outlets. We improved long-term incentives and constraints, as well as welfare, and enhanced compliance management, to implemented targeted incentives for key positions and skeleton talents.

- Please refer to "Corporate Governance — Board of Directors and Special Committees" for the structure and authority of the remuneration management committee of the Board of Directors. Please refer to "Note IV. 6. Operating Expenses and 31. Other Liabilities (1) Staff Costs Payable" to the Consolidated Financial Statements for the total annual remuneration and the remuneration distribution structure. Please refer to "Directors, Supervisors and Senior Management — Annual Remuneration" for details of the remuneration of the Board of Directors and the senior management.

Information on Employees

We had a total of 464,011 employees (and 7,240 dispatched employees) at the end of 2019, representing a decrease of 9,680 employees as compared to the end of the previous year. Among them, 735 employees were employed by our overseas branches, subsidiaries and representative offices, and 8,459 employees were employed by the subsidiaries of integrated operations and the rural banks.

Distribution of Employees by Regions

	31 December 2019	
	Number of Employees	Percentage (%)
Head Office	10,678	2.3
Yangtze River Delta	63,647	13.7
Pearl River Delta	50,858	11.0
Bohai Rim	66,738	14.4
Central China	95,807	20.6
Northeastern China	46,065	9.9
Western China	121,024	26.1
Overseas Branches, Subsidiaries and Representative Offices	735	0.2
Subsidiaries with Integrated Operations and Rural Banks	8,459	1.8
Total	**464,011**	**100.0**

Distribution of Employees by Education Background

	31 December 2019	
	Number of Employees	Percentage (%)
Doctorate Degree	528	0.1
Master's Degree	28,408	6.1
Bachelor's Degree	234,804	50.6
College and Vocational School	161,158	34.7
Below College	39,113	8.4
Total	**464,011**	**100.0**

Distribution of Employees by Departments

	31 December 2019	
	Number of Employees	Percentage (%)
Management	120,419	25.9
Risk Management	17,184	3.7
Finance	20,904	4.5
Administration	17,099	3.7
Sales/Marketing	120,899	26.1
Trading	375	0.1
Information Technology	7,351	1.6
Tellers/Counter Staff	104,409	22.5
Technicians	29,415	6.3
Others	25,956	5.6
Total	**464,011**	**100.0**

Distribution of Employees by Age

	31 December 2019	
	Number of Employees	Percentage (%)
30 or below	89,697	19.3
31–40	88,018	19.0
41–50	159,282	34.3
51 or above	127,014	27.4
Total	**464,011**	**100.0**

Distribution of Employees by Gender

	31 December 2019	
	Number of Employees	Percentage (%)
Male	252,296	54.4
Female	211,715	45.6
Total	**464,011**	**100.0**

Organization Management

Domestic Branch Outlets

As at the end of 2019, we had 23,149 domestic branch outlets, including the Head Office, Business Department of the Head Office, three specialized institutions managed by the Head Office, four training institutes, 37 tier-1 branches (including five branches directly managed by the Head Office), 390 tier-2 branches (including business departments of branches in capital cities of provinces and business departments of provincial branches), 3,445 tier-1 sub-branches (including business departments in municipalities, business departments of branches directly managed by the Head Office and business departments of tier-2 branches), 19,216 foundation-level branch outlets and 52 other establishments.

Number of Domestic Branch Outlets by Regions

	31 December 2019	
	Number of Domestic Branch Outlets	Percentage (%)
Head Office[1]	9	–
Yangtze River Delta	3,024	13.1
Pearl River Delta	2,500	10.8
Bohai Rim	3,317	14.3
Central China	5,203	22.5
Northeastern China	2,259	9.8
Western China	6,837	29.5
Total	**23,149**	**100.0**

Note: 1. *Organizations of the Head Office include the Head Office, Business Department of the Head Office, Private Banking Department, Credit Card Centre, Bills Business Department, Beijing Advanced-Level Academy, Changchun Training Institute, Tianjin Training Institute and Wuhan Training Institute.*

Overseas Branch Outlets

As at the end of 2019, we had a total of 13 overseas branches and four overseas representative offices, including branches in Hong Kong, Singapore, Seoul, New York, Dubai International Financial Centre (DIFC), Tokyo, Frankfurt, Sydney, Luxemburg, Dubai, London, Macao and Hanoi, and the representative offices in Vancouver, Hanoi, Taipei and Sao Paulo.

Major Subsidiaries

ABC-CA Fund Management Co., Ltd.

ABC-CA Fund Management Co., Ltd. was established in March 2008 with a registered capital of RMB1.75 billion, 51.67% of which was held by the Bank. Its businesses include fund-raising, sales of fund and asset management, and its major products include stock funds, mixed funds, bond funds and monetary market funds. At 31 December 2019, the total assets and net assets of ABC-CA Fund Management Co., Ltd. amounted to RMB3,595 million and RMB3,167 million, respectively. It recorded a net profit of RMB267 million for 2019.

ABC International Holdings Limited

ABC International Holdings Limited was established in Hong Kong in November 2009 with a registered capital of HKD4,113 million, 100% of which was held by the Bank. ABC International Holdings Limited is eligible to engage in providing comprehensive and integrated financial services in Hong Kong, including sponsor and underwriter for listing, issuance and underwriting of bonds, financial consultation, asset management, direct investment, institutional sales, securities brokerage and securities consultation, and is also eligible to engage in various capital market businesses in mainland China other than A-share sponsor for listing. At 31 December 2019, the total assets and net assets of ABC International Holdings Limited amounted to HKD39,389 million and HKD8,383 million, respectively. It recorded a net profit of HKD1,367 million for 2019.

ABC Financial Leasing Co., Ltd.

ABC Financial Leasing Co., Ltd. was established in September 2010 with a registered capital of RMB9.5 billion, 100% of which was held by the Bank. The principal scope of business includes financial leasing, transfer and acceptance of financial leasing assets, fixed-income securities investment business, acceptance of leasing deposits from lessees, absorbing time deposit with a maturity of three months or above from non-bank shareholders, interbank lending, borrowing from financial institutions, overseas borrowings, selling and disposal of leased items, economic consultation, establishment of project companies in domestic bonded zones to carry out financial leasing business, provision of guarantee for external financing to subsidiaries and project companies, and other businesses approved by the CBIRC. At 31 December 2019, the total assets and net assets of ABC Financial Leasing Co., Ltd. amounted to RMB54,751 million and RMB9,732 million, respectively. It recorded a net profit of RMB232 million for 2019.

ABC Life Insurance Co., Ltd.

The registered capital of ABC Life Insurance Co., Ltd. was RMB2,950 million, 51% of which was held by the Bank. Its principal scope of business includes various types of personal insurance such as life insurance, health insurance and accident insurance; reinsurance business for the abovementioned businesses; businesses with the application of insurance funds as permitted by the laws and regulations of the PRC; and other businesses approved by the CBIRC. At 31 December 2019, the total assets and net assets of ABC Life Insurance Co., Ltd. amounted to RMB88,450 million and RMB6,605 million, respectively. It recorded a net profit of RMB1,402 million for 2019[1].

ABC Financial Asset Investment Company Limited

The registered capital of ABC Financial Asset Investment Company Limited was RMB10 billion, which was 100% held by the Bank. Its principal scope of business includes: focusing on debt-to-equity and ancillary supporting business, conducting public fund raising from qualified public investors for debt-to-equity in accordance with relevant laws and regulations, issuance of special financial bonds for debt-to-equity, as well as other businesses as approved by the CBIRC. At 31 December 2019, the total assets and net assets of ABC Financial Asset Investment Company Limited amounted to RMB98.876 billion and RMB10.904 billion, respectively. It recorded a net profit of RMB550 million for 2019.

Agricultural Bank of China Wealth Management Co., Ltd.

Agricultural Bank of China Wealth Management Co., Ltd. was established in Beijing in July 2019 with a registered capital of RMB12 billion, 100% of which was held by the Bank. The principal scope of business includes public offering of wealth management products to the general public, investment and management of properties entrusted by investors; private placement of wealth management products to qualified investors, investment and management of properties entrusted by investors; wealth management advisory and consulting services; and other businesses approved by the CBIRC. At 31 December 2019, the total assets and net assets of Agricultural Bank of China Wealth Management Co., Ltd. amounted to RMB12.447 billion and RMB12.307 billion, respectively. It recorded a net profit of RMB296 million for 2019.

China Agricultural Finance Co., Ltd.

The registered capital of China Agricultural Finance Co., Ltd. was HKD588.79 million, 100% of which was held by the Bank.

Agricultural Bank of China (UK) Limited

Agricultural Bank of China (UK) Limited is a wholly-owned subsidiary of the Bank incorporated in the United Kingdom, with a registered capital of USD100 million. According to our strategy of overseas business development, we were undergoing procedures related to the closure of Agricultural Bank of China (UK) Limited during the reporting period.

Agricultural Bank of China (Luxembourg) Limited

Agricultural Bank of China (Luxembourg) Limited is a wholly-owned subsidiary of the Bank incorporated in Luxembourg, with a registered capital of EUR20 million. Its scope of business includes wholesale banking business such as international settlement, corporate deposits, syndicated loans, bilateral loans, trade financing and foreign exchange trading. At 31 December 2019, Agricultural Bank of China (Luxembourg) Limited had total assets of USD29 million. It recorded a net loss of USD0.02 million for 2019.

Agricultural Bank of China (Moscow) Limited

Agricultural Bank of China (Moscow) Limited is a wholly-owned subsidiary of our Bank incorporated in Russia, with a registered capital of RUB7,556 million. Its scope of business includes wholesale banking business such as international settlement, corporate deposits, syndicated loans, bilateral loans, trade financing and foreign exchange trading. At 31 December 2019, Agricultural Bank of China (Moscow) Limited had total assets of USD0.23 billion and recorded a net profit of USD3.5 million for 2019.

1 *In order to keep in line with the Group's disclosure standards, the data is in accordance with the new financial instrument standard (IFRS 9), which is different from the data in accordance with the financial instrument standard (IAS 39) currently adopted by the insurance industry.*

ABC Hubei Hanchuan Rural Bank Limited Liability Company

ABC Hubei Hanchuan Rural Bank Limited Liability Company was established in August 2008 in Hanchuan, Hubei Province, with a registered capital of RMB31 million, 50% of which was held by the Bank. At 31 December 2019, the total assets and net assets of ABC Hubei Hanchuan Rural Bank Limited Liability Company amounted to RMB315 million and RMB63 million, respectively. It recorded a net profit of RMB0.481 million for 2019.

ABC Hexigten Rural Bank Limited Liability Company

ABC Hexigten Rural Bank Limited Liability Company was established in August 2008 in Hexigten Banner, Chifeng City, Inner Mongolia Autonomous Region, with a registered capital of RMB19.60 million, 51.02% of which was held by the Bank. At 31 December 2019, the total assets and net assets of ABC Hexigten Rural Bank Limited Liability Company amounted to RMB168 million and RMB38 million, respectively. It recorded a net profit of RMB2.3128 million for 2019.

ABC Ansai Rural Bank Limited Liability Company

ABC Ansai Rural Bank Limited Liability Company was established in March 2010 in Ansai County, Yanan City, Shaanxi Province, with a registered capital of RMB40 million, 51% of which was held by the Bank. At 31 December 2019, the total assets and net assets of ABC Ansai Rural Bank Limited Liability Company amounted to RMB537 million and RMB66 million, respectively. It recorded a net profit of RMB0.9896 million for 2019.

ABC Jixi Rural Bank Limited Liability Company

ABC Jixi Rural Bank Limited Liability Company was established in May 2010 in Jixi County, Xuancheng City, Anhui Province, with a registered capital of RMB29.40 million, 51.02% of which was held by the Bank. At 31 December 2019, the total assets and net assets of ABC Jixi Rural Bank Limited Liability Company amounted to RMB284 million and RMB42 million, respectively. It recorded a net profit of RMB0.5498 million for 2019.

ABC Zhejiang Yongkang Rural Bank Limited Liability Company

ABC Zhejiang Yongkang Rural Bank Limited Liability Company was established in June 2012 in Yongkang City, Jinhua City, Zhejiang Province, with a registered capital of RMB210 million, 51% of which was held by the Bank. At 31 December 2019, the total assets and net assets of ABC Zhejiang Yongkang Rural Bank Limited Liability Company amounted to RMB584 million and RMB254 million, respectively. It recorded a net profit of RMB5.0728 million for 2019.

ABC Xiamen Tong'an Rural Bank Limited Liability Company

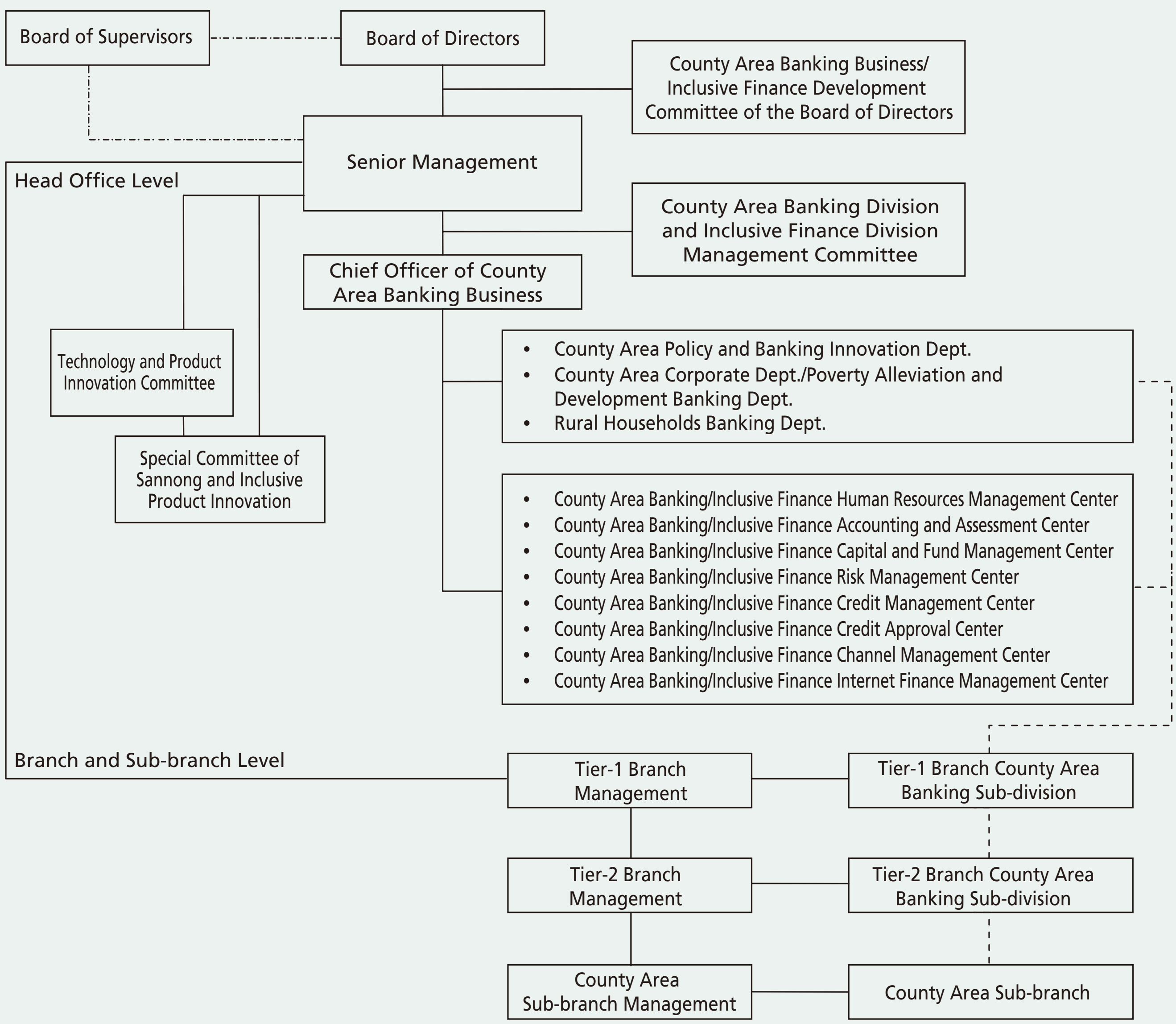
ABC Xiamen Tong'an Rural Bank Limited Liability Company was established in June 2012 in Tong'an District, Xiamen City, Fujian Province, with a registered capital of RMB100 million, 51% of which was held by the Bank. At 31 December 2019, the total assets and net assets of ABC Xiamen Tong'an Rural Bank Limited Liability Company amounted to RMB1.093 billion and RMB173 million, respectively. It recorded a net profit of RMB15.3738 million for 2019.

County Area Banking Business

We provide customers in County Areas with comprehensive financial services through all our branch outlets in counties and county-level cities (i.e. County Areas) in China. We refer to such business as the County Area Banking Business or Sannong Banking Business. During the reporting period, following our strategic positioning of serving "Sannong" to promote businesses in County Areas, we fully implemented the national decisions and arrangements to win the battle against poverty and the strategy of rural vitalization, carried out rectification of problems discovered during the special inspection by the central government on the fight against poverty, promoted the "Sannong" services and financial poverty alleviation steadily, thoroughly implemented the digital transformation of "Sannong" and County Area Banking Business, practically enhanced the innovation of "Sannong" products and development of channels, and further strengthened the supporting capability of the County Area Banking Division. The development of County Area Banking Business remained stable with a favourable trend, and our service capabilities and market competitiveness were effectively enhanced.

Management Structure and Management Mechanism

Management Structure Chart of County Area Banking Division



We continued to deepen the reform of the County Area Banking Division and established the division management model in line with the characteristics of the County Area Banking Business, which included "County + Agriculture-related" as our areas of management, "Departments + Centres" as our organizational structure, "Double Committees + Double assessment"[1] as our governance mechanism, "Six Separate"[2] as our management mechanism, and "External policy + Internal policy"[3] to enhance development momentum.

- We improved differentiated policies. We optimized the separate assessment plans of the divisions, and improved the assessment for internet financial services for "Sannong". We continued to give preferential policies to the divisions in terms of credit scale, economic capital, fixed assets, etc., and provided special strategic expenses to financial services for key areas related to rural vitalization.

- We inspired the potential of human resources in County Areas. We strengthened the leadership of sub-branches in County Areas, and launched the young talents development program V3.0, through which we established a new pattern with characteristics of urban-rural integration, circumstance development and complementation for the discovery, cultivation, selection and appointment of outstanding young talents in County Areas.

- We optimized the credit policy system. Focusing on the central government's implementation of strategy for rural vitalization, we formulated annual guidelines on "Sannong" credit policy, and introduced credit policies for the seed industry, forestry, pig production, natural rubber and other industries and special support policies for rural collective economic organizations. We implemented differentiated regional credit policies according to local circumstance to support regional economic development. We streamlined the separate channels for the approval of County Area Banking Business to improve the efficiency of examination and approval.

- We enhanced risk management. We formulated annual risk management policy for loans in County Areas, strengthened compliance risk management of loans for poverty alleviation, and strictly controlled the use of credit of high-risk industries and customers with large credit exposures. We adopted FinTech to enhance our credit risk management and control capabilities in County Areas. We promoted the special governance of high-risk sub-branches in County Areas steadily. At the end of 2019, the number of sub-branches in County Areas with non-performing loan ratio exceeding 5% decreased by 59 as compared to the end of the previous year.

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1 *"Double Committees" refer to the County Area Banking Business/Inclusive Finance Development Committee established at the level of Board of Directors and the County Area Banking Division and Inclusive Finance Division Management Committee established at the level of the senior management. "Double assessment" means that 8 centres are appraised for their department performances in respect of, both the management of businesses line across the Bank and their supporting to County Area Banking Business.*

2 *"Six Separate Management Mechanisms" refer to separate credit management mechanism, separate capital management mechanism, separate accounting mechanism, separate risk allowance and write-off mechanism, separate resources allocation mechanism, separate assessment and incentive & constraint mechanism.*

3 *"Internal Policies" refer to the supportive preferential policies for the County Area Banking Division implemented by us, including separate credit plans of County Areas, separate arrangements for Sannong fixed assets investment budget, separate approval for total wages of County Area Banking Division. "External Policies" refers to the special supportive policies for us implemented by the Chinese government, including preferential value-added tax rates, differentiated deposit reserve ratio.*

County Area Corporate Banking Business

During the reporting period, we continued to conduct the "Seven Actions"[1] and "Eight Marketing Campaigns"[2] for rural vitalization, increased credit, accelerated product innovations, and promoted business transformation to effectively support the development of the County Areas' real economy. At the end of 2019, the balance of deposits from corporate customers in County Areas was RMB2,140,452 million, representing an increase of RMB42,299 million as compared to the end of the previous year. Loans to corporate customers in County Areas (excluding discount bills) amounted to RMB2,486,427 million, representing an increase of RMB207,821 million as compared to the end of the previous year.

- We increased loans to key areas of rural vitalization. The balance of urbanization loans, water conservancy loans and tourism loans in County Areas increased by RMB70.3 billion, RMB19.1 billion, and RMB13.7 billion for 2019, respectively. The balance of loans for leading agricultural industrialization enterprises amounted to RMB143.3 billion, and our financial service coverage for leading agricultural industrialization enterprises at the provincial levels or above reached 61%.

- We enhanced innovations in County Area corporate products. Bank-wide products such as loans to key villages in rural tourism and loans to parks for rural vitalization were introduced. We actively built a tier-1 branches-centred "Sannong" product innovation platform, and developed a number of regional featured products such as" Ceramics Enterprise Loans in Hunan Province" and "Jinxiu Loans".

- We promoted the digital transformation of County Area corporate banking business. We actively promoted and marketed six featured scene-based projects related to agricultural industrial chain, industrial parks, professional markets, County Area tourism, featured industries, and government affairs and people's livelihood. We vigorously promoted and developed financial service platforms such as "Huinong e-Tong", "Smart Tourism", and "Poverty Alleviation Mall". We provided supply chain financial services such as data-based internet loan to key customers such as New Hope and Mengniu.

County Area Retail Banking Business

During the reporting period, to meet financial needs of retail customers in key areas of rural vitalization, we strengthened financial services to rural households, promoted the quality and efficiency of the Huinongtong Project, and continued to enhance our service capabilities for County Area Retail Banking Business. At the end of 2019, the balance of deposits from retail customers in County Areas amounted to RMB5,587,815 million, representing an increase of RMB538,070 million as compared to the end of the previous year. Loans to retail customers in County Areas amounted to RMB1,926,798 million, representing an increase of RMB286,506 million as compared to the end of the previous year.

- We increased support for new-type agricultural entities, optimized credit products for rural households to purchase and build their houses, and steadily promoted the loans pledged with "Two Rights". The balance of loans extended to large-scale professional operators and family farmers amounted to RMB119.8 billion, representing an increase of RMB37.8 billion as compared to the end of the previous year. The balance of Anjiadai loans for rural households amounted to RMB564 billion, representing an increase of RMB80.2 billion as compared to the end of the previous year.

- We promote the expansion of "ABC Huinong E-loan". We expanded internal and external data sources, and accelerated the information registration of rural households. The brand influence of the "ABC Huinong E-loan" was significantly improved. At the end of 2019, the balance of "ABC Huinong E-loan" amounted to RMB198.6 billion, representing an increase of RMB111.4 billion as compared to the end of the previous year. The number of households with credit lines amounted to 1.74 million, representing an increase of 1.00 million as compared to the end of the previous year.

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1 *The "Seven Actions" to serve rural vitalization strategy refer to the services provided by us in the areas related to integrated development of industries in rural areas, reform of the rural property rights system, ensuring national food security, fighting against poverty, constructing attractive and habitable rural areas, developing industries to support enjoyable county lifestyles, and the green development of "Sannong" and County Areas.*

2 *The "Eight Marketing Campaigns" refer to the campaign of "Ten Billion Financing for one Hundred Companies" that supports the leading agricultural industrialization enterprises, the campaign of "Deepening Promotion of 10 Thousand Cooperatives" that supports specialized cooperatives of rural people, the campaign of "Hundred Cities and Thousand Towns" that supports new-type urbanization in the County Areas, the campaign of "Top 100 Markets" that supports merchants in the commodity markets of the County Areas, the campaign of "100 Tourism Counties" that supports the development of tourism industry in County Areas, the "Major Water Conservancy Marketing Campaign" that supports infrastructure construction of major water conservancy, the campaign of "Top 100 featured agriculture production areas" that supports the featured agriculture and the campaign of "New-type Industrialization Demonstration Base in the County Areas" that supports new-type industrialization in County Areas.*

- We implemented the quality and efficiency improvement action for the Jinsui Huinongtong Project. The Internet-based upgrade of 0.6 million Huinongtong service stations had been fully completed, achieving full coverage of the Huinong E-tong platform over the Huinongtong service stations. The digital transformation and upgrading of Huinongtong project was promoted by expanding application scenes, enriching service functions and strengthening scientific and technological support. At the end of 2019, the number of merchants in the Internet-based application scenes for the rural households amounted to 42.2 thousand.

Financial Poverty Alleviation

2019 Annual Plan

- In 2019, the Bank strived to achieve the goals of providing no less than RMB100 billion new loans to 832 key counties for national poverty alleviation and no less than RMB40 billion new loans for targeted poverty alleviation.

- We will focus on the targeted financial poverty alleviation. We provided more loans and financial services to poor people with work capacity, income and demand for loans. Targeted loans with preferential conditions were provided to quality customers and key projects with capability to alleviate poverty, which combined both poor households and industry entities' interests. "Three Regions and Three Prefectures" was designated to be the most important areas for financial poverty alleviation in areas of extreme poverty. Great efforts were dedicated to designated poor counties for poverty alleviation. For Xiushan County and Raoyang County counties which were lifted out of poverty, the policies for them remained unchanged and our efforts for poverty alleviation were not reduced.

- Innovations in financial poverty alleviation were promoted. In view of the diversified financial demands in poor areas, innovation in featured poverty alleviation products and policy were promoted. The typical models of financial poverty alleviation, such as small loan for poverty alleviation, credit enhancement by the government for poverty alleviation and featured industry for poverty alleviation were promoted, so as to increase loans for poverty alleviation.

- Capabilities of delivering basic financial services were enhanced. Through various channels, such as branch outlets, Huinongtong service stations and internet banking, we further increased the coverage of channels over administrative villages in poor areas. The Jinsui Huinongtong Project and "No.1 Project" for Providing Internet Financial Service for Sannong were strongly promoted to extend our service networks continuously.

Measures and Achievements

- Loans to poor areas were increased. At the end of 2019, the balance of loans in the 832 key counties of national poverty alleviation was RMB1,091.44 billion, representing an increase of RMB167.55 billion, or 18.1%, as compared to the end of the previous year. The balance of loans[1] for targeted poverty alleviation was RMB394.19 billion, representing an increase of RMB64.16 billion, or 19.4%, as compared to the end of the previous year. The balance of loans in areas of extreme poverty[2] was RMB402.63 billion, representing an increase of RMB68.82 billion, or 20.6%, as compared to the end of the previous year. Among them, the balance of loans in areas of extreme poverty in "Three Regions and Three Prefectures" was RMB112.77 billion, representing an increase of RMB17.54 billion, or 18.4%, as compared to the end of the previous year.

- Preferential policies were strengthened and preferential resources were allocated. We steadily promoted rectification of problems discovered during the special inspection on the fight against poverty, by introducing 93 relevant policies and measures for financial poverty alleviation, and formulating 20 preferential policies to support the fight against poverty in areas of extreme poverty. We opened a "green passage" for the approval of credit projects in the poor areas, ensured financial expense in the areas of extreme poverty, and implemented preferential interest rates for targeted poverty alleviation loans in the poor areas. We established and improved the assessment system for financial poverty alleviation, and increased the weight of financial poverty alleviation assessment indicators. We moderately lowered the educational requirements for the recruitment of personnel in key counties of poverty alleviation and in extreme poor counties. In 2019, our sub-branches in key counties of national poverty alleviation recruited 1,993 employees and sub-branches in extreme poor counties recruited 928 employees.

- Products Innovations for financial poverty alleviation were enhanced. For credit products innovations for targeted poverty alleviation in "Three Regions and Three Prefectures" in the areas of extreme poverty, in the designated counties for poverty alleviation and in the key counties for assistance, we authorized tier-1 branches to approve independently. In 2019, we innovatively launched a total of 17 financial products for poverty alleviation. In the poor areas, the number of Sannong product innovation bases increased by 14 to 34.

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1 *According to the Notice of the People's Bank of China on Issues Concerning the Financial Statistical System for Financial Institutions for 2019 (Yin Fa [2018] No. 346), the Bank adjusted the statistical methods for targeted poverty alleviation loans.*

2 *In 2019, the Bank adjusted the scope of statistics for the relevant institutions of the areas of extreme poverty.*

- The service network in the poor areas was improved. We constructed an integrated service network including branch outlets, self-service outlets, "Huinongtong" service stations, online channels and movable services. We set up 57 new branch outlets and 46 self-service outlets in villages and towns in the poor areas. We stepped up efforts to promote Mobile Banking, Internet Banking and "Huinong e-Tong" platform in the poor areas. The coverage rate of electronic machines in administrative villages in the key counties of national poverty alleviation, and in areas of extreme poverty in "Three Regions and Three Prefectures" reached 86.6% and 87.9%, representing an increase of 16.7 and 35.3 percentage points, respectively, as compared to the end of the previous year. In the counties of extreme poverty in "Three Regions and Three Prefectures", we filled the blank of financial services in 190 villages and towns with movable financial service vehicles.

- Poverty alleviation collaboration between branches in the eastern and western regions was promoted. 12 branches in the eastern regions collaborated with 12 poor areas in "Three Regions and Three Prefectures", that 39 investment projects and 7 enterprises were introduced. 100 sub-branches in the eastern regions established pairing assistance relationship for targeted poverty alleviation with 100 sub-branches in counties in the poor areas. The sub-branches exchange personnel to provide coordinated financial services for poverty alleviation between the eastern and western regions.

- We promoted poverty alleviation through consumption and education. Labor unions and back offices of the Bank purchased featured products of RMB70.17 million from the poor areas. We established a "poverty alleviation mall" on the Huinong e-Tong platform, held exhibitions for featured products from the poor areas, and coordinated to establish the supply-buyer relationship between customers and enterprises and farmers in the poor areas, with an accumulative sales of RMB0.73 billion on products in poor areas under the assistance of the Bank. We carried out the "Jinsui Yuanmeng" activity, that the Bank and its employees made donations to 3,832 freshmen from ratified and registered poor families in the counties of extreme poverty in "Three Regions and Three Prefectures", the designated counties for poverty alleviation and the key counties for assistance.

- The guidance and assistance of targeted poverty alleviation were enhanced. At the end of 2019, the balance of loans in the four designated poverty alleviation counties was RMB10.37 billion, representing an increase of RMB1.53 billion, or 17.4% as compared to the end of the previous year. The total amount of direct assistance funds in 2019 was RMB111.25 million, which was 6.2 times of that of 2018. We introduced free assistance funds of RMB23.58 million to the designated counties for poverty alleviation, and coordinated the implementation of seven investment projects, with the actual investment amounting to RMB370 million.

2020 Annual Plan

- We will continue to thoroughly implement the national decisions and arrangements of the fight against poverty alleviation. In accordance with the "Four Don'ts" requirement, we will effectively maintain the stability of poverty alleviation policies, accelerate innovations in financial poverty alleviation products, services, management and system as well as mechanism, and strive to improve the quality and efficiency of financial poverty alleviation.

- In 2020, we will strive to achieve the goal of providing more than RMB100 billion new loans in 832 key counties of national poverty alleviation, meet regulatory requirements on loans granted in targeted poverty alleviation and in the areas of extreme poverty. We will further extend the service network in the poor areas, and further enrich the financial poverty alleviation product system.

- We will advance synergies between service for fight against poverty and that for rural vitalization, and effectively fulfill our corporate social responsibility.

Financial Position

Assets and Liabilities

At 31 December 2019, the total assets of the County Area Banking Business reached RMB8,699,905 million, representing an increase of 7.8% as compared to the end of the previous year. The total loans and advances to customers reached RMB4,553,104 million, representing an increase of 13.7% as compared to the end of the previous year. The balance of deposits from customers reached RMB7,960,558 million, representing an increase of 7.9% as compared to the end of the previous year.

The table below presents the major items of assets and liabilities of the County Area Banking Business at the dates indicated.

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	**4,553,104**	**–**	4,005,882	–
Allowance for impairment losses on loans	**(226,412)**	**–**	(210,395)	–
Loans and advances to customers, net	**4,326,692**	**49.7**	3,795,487	47.0
Intra-bank balance[1]	**3,622,774**	**41.6**	3,603,324	44.7
Other assets	**750,439**	**8.7**	668,563	8.3
Total assets	**8,699,905**	**100.0**	8,067,374	100.0
Deposits from customers	**7,960,558**	**98.5**	7,380,598	97.7
Other liabilities	**125,058**	**1.5**	173,006	2.3
Total liabilities	**8,085,616**	**100.0**	7,553,604	100.0

Note: 1. *Intra-bank balance refers to funds provided by our County Area Banking Business to other business segments within the Bank through internal funds transfers.*

Profit

In 2019, the profit before tax of our County Area Banking Business increased by 41.5% to RMB97,772 million as compared to the previous year, primarily due to a decrease in the credit impairment losses for our County Area Banking Business as compared to the previous year.

The table below presents the major income items of the County Area Banking Business for the years indicated.

In millions of RMB, except for percentages

	2019	2018	Increase/ (decrease)	Growth Rate (%)
External interest income	**199,258**	175,438	23,820	13.6
Less: External interest expense	**116,959**	93,223	23,736	25.5
Interest income from intra-bank balance[1]	**115,125**	111,567	3,558	3.2
Net interest income	**197,424**	193,782	3,642	1.9
Net fee and commission income	**34,592**	30,405	4,187	13.8
Other non-interest income	**4,724**	4,253	471	11.1
Operating income	**236,740**	228,440	8,300	3.6
Less: Operating expenses	**90,654**	86,542	4,112	4.8
Credit impairment losses	**48,228**	72,661	(24,433)	-33.6
Impairment losses on other assets	**86**	137	(51)	-37.2
Total profit before tax	**97,772**	69,100	28,672	41.5

Note: 1. *Interest income from intra-bank balance represents the interest income earned on funds provided by our County Area Banking Business to other business segments of the Bank through internal funds transfer pricing, which is determined based on the market interest rate.*

Key Financial Indicators

In 2019, the interest spread between deposits and loans of County Area Banking Business was 3.08%, 27 basis points higher than that of the Bank. At 31 December 2019, the non-performing loan ratio of the County Area Banking Business was 1.58%, representing a decrease of 0.5 percentage point as compared to the end of the previous year. The allowance to non-performing loans was 315.18% and the allowance to loan ratio was 4.99%.

The tables below set out the key financial indicators of the County Area Banking Business at the dates or for the periods indicated.

Unit: %

Item	2019	2018
Average yield of loans	**4.59**	4.60
Average cost of deposits	**1.51**	1.30
Net fee and commission income to operating income	**14.61**	13.31
Cost-to-income ratio	**37.37**	37.25

Item	31 December 2019	31 December 2018
Loan-to-deposit ratio	**57.20**	54.28
Non-performing loan ratio	**1.58**	2.08
Allowance to non-performing loans	**315.18**	252.94
Allowance to loan ratio	**4.99**	5.25

Risk Management and Internal Control

Risk Management

Comprehensive Risk Management System

Comprehensive risk management refers to the timely identification, measurement, monitoring, control and reporting of all types of risks in business operation through the integration of elements including risk appetite, policies and rules, organizations, tools and models, data systems and risk culture in line with the principle of comprehensive coverage, whole-process management and overall participation, so as to ensure effective risk management in decision-making, implementation and supervision in the whole bank.

Under the complex and challenging risk situation in 2019, we continued to improve the comprehensive risk management system to ensure effective risk management. We strengthened credit risk management in key areas and controlled our asset quality. The "Clean-up Plan" was successfully completed, with steady declines in both the balance and ratio of non-performing loans. Industry-specific limit management was made, with our credit structure further optimizing. The market risk management system was further improved and supervision on market risk exposure limits was enhanced, so that our market risk arising from financial market businesses remained stable overall. Prevention and control of operational risk and cases of compliance violations were further strengthened, risk management in relation to information technology was enhanced and our business continuity management was continuously well carried out. We strengthened the construction of a risk management information system, promoting aggregation of effective risk data and risk reporting in accordance with the regulatory requirements.

Risk Appetite

Risk appetite is a term that refers to the levels and types of risks acceptable to and tolerable for the Bank as determined by the Board of Directors in order to achieve the strategic targets of the Bank, which depends on the expectations and constraints of our major stakeholders, external operating environment and actual conditions of the Bank.

The Bank adopts a prudent risk appetite, operates strictly in compliance with laws and regulations, and insists on maintaining a balance among capital, risk and gains, as well as consistency in security, profitability and liquidity. At the same time, by adopting a neutral risk bearing policy neither overly aggressive nor conservative, we seek to achieve moderate returns through undertaking an appropriate level of risk, and maintain sufficient risk provisions and capital adequacy for risk resilience. We improve the comprehensive risk management system continuously and actively facilitate the implementation of advanced approaches of capital management to maintain good regulatory ratings and external ratings to provide assurance for realizing the strategic objectives and operation plans of the Bank.

Risk Management Organization Structure

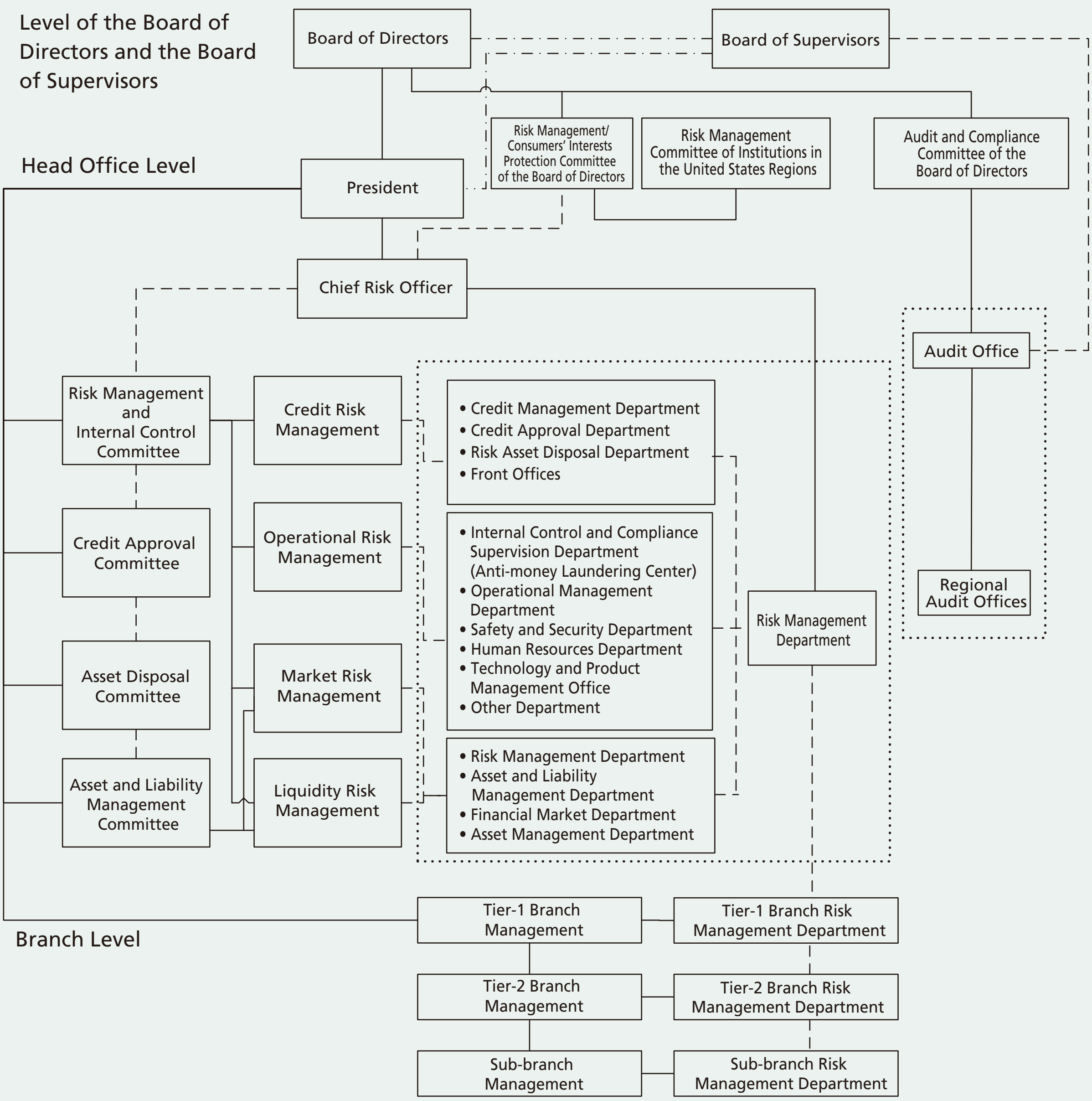
The Board of Directors assumes the ultimate responsibility for risk management. The Risk Management/Consumers' Interests Protection Committee, the Audit and Compliance Committee and the Risk Management Committee of Institutions in the United States Regions under the Board of Directors perform the relevant risk management functions, review the key risk management issues and supervise and evaluate the establishment of risk management system and the risk condition of the Bank.

The senior management is the organizer and executor of risk management of the Bank. Under the senior management, we have various risk management committees with different functions, including Risk Management and Internal Control Committee, Credit Approval Committee, Asset and Liability Management Committee and Asset Disposal Committee. Among them, the Risk Management and Internal Control Committee is primarily responsible for organizing and coordinating risk management and compliance management across the Bank, considering and approving material risk management and compliance management issues.

The Board of Supervisors is responsible for risk management supervision. It supervises and inspects on due diligence of the Board of Directors and the senior management in risk management and urges them to make rectifications. It includes relevant supervision and inspection information into the work report of the Board of Supervisors and regularly reports to the shareholders' general meeting.

Based on the principle of "overall coverage", we established the "matrix" risk management organizational system and the "Three Lines of Defense" risk management comprised of the risk bearing departments, risk management departments and internal audit departments. In 2019, we further promoted integrated risk management of the parent company and the subsidiaries, optimized the management frameworks of credit risk, market risk and operational risk and made continuous efforts to improve the risk management mechanism for the business units directly operated by the Head Office.

Risk Management Organization Structure



Risk Management Rules System

In 2019, we continued to refine our risk management policies system. For comprehensive risk management, we formulated risk management fundamental policies, further specifying the "Three Lines of Defense" for comprehensive risk management and management on certain type of risk and corresponding requirements, procedures and methods. We revised the management measures on risk reporting to further regulate the risk reporting work. For credit risk management, we formulated the management measures on unsecured loans to corporate customers, management measures on online credit business and management measures on credit risk reporting. We improved the credit and post-disbursement management rules system for the overseas branches and established the credit risk management framework for the subsidiaries. For market risk management, we revised the management measures on market risk monitoring and reporting and management measures on market risk limits. Meanwhile, we worked out annual policies on customer rating, asset classification, capital transaction and market risk and IT risk management, so as to provide effective guidance for daily risk management.

Risk Analysis Report

In 2019, in light of the domestic and international economic and financial environment, we comprehensively analysed various risk profiles. We enhanced risk analysis reports on key areas, industries, customers and businesses. We improved the comprehensiveness, accuracy and timeliness of risk analysis reports by such instruments and methods including internal rating, risk limits, economic capital and stress testing. We conducted prospective analysis on the future risk trends and proposed measures.

Credit Risk

Credit risk is the risk of economic loss arising from the failure of counterparty to fulfil its obligations to perform contractual liabilities. The Bank's credit risk is primarily originated from loan portfolios, investment portfolios, guarantee business and various other on- and off-balance sheet credit risk exposures.

Credit Risk Management

In 2019, we continuously optimized the credit structure. Focusing on serving national strategies and the real economy, we increased credit in the areas related to "stabilizing growth and economic restructuring" and "new drivers" for economic growth. Moreover, we strengthened the risk prevention and control in key areas and the industry-specific credit exposure limits management, thereby timely mitigating various potential risks, and diversified the channels for collection and disposal of non-performing loans, thus maintaining our assets quality stable.

Credit Risk Management Structure

The organizational structure of our credit risk management mainly comprises the Board of Directors and its Risk Management/Consumers' Interests Protection Committee, the senior management and its Risk Management and Internal Control Committee, Credit Approval Committee, Asset Disposal Committee, as well as Credit Management Department, Credit Approval Department, Risk Management Department and various front offices, forming a credit risk management structure characterized with centralized and unified management and multi-level authorization.

Risk Management of Corporate Banking Business

We refined the credit policy system. We revised the credit management measures on working capital, fixed assets and project financing. We formulated or revised credit policies related to industries such as port, airport and biomass power generation, regulating corporate customer credit management. Moreover, we rolled out differentiated credit policies, with a focus on supporting the national strategic development of major regions including the Guangdong-Hong Kong-Macao Greater Bay Area, Xiongan New Area and the Yangtze River Economic Belt.

We kept innovating credit management mode to reduce risk incidence rate. We worked out the implementation plan for the digital transformation of credit management, took the lead in formulating the management measures for online credit business in the industry, and established a basic online credit system that meets the logic requirements of Internet and Big Data. In response to the development trend of FinTech, we promoted the whole-process and intelligent transformation of our offline business.

We improved the allocation of credit resources. We formulated the Opinions on Implementation of Further Adjusting and Optimizing the Credit Structure (2019–2021), clarifying the goals and strategies for the allocation of credit resources, and taking multiple measures to make good use of credit increment and revitalize existing loans. We leveraged "two models". Firstly, we deepened the application of the RAROC (Risk Adjusted Return on Capital) model, and conducted multi-dimensional, multi-level, and multi-perspective analysis of our credit structure, to provide scientific basis for the supply and allocation of credit resources. Secondly, we built an innovative multi-dimensional and multi-indicator model for industrial credit asset allocation, shifting from single industry research to industry portfolio research, and strengthening target management, so as to better match our credit resource allocation with economic structural adjustment.

We strengthened the post-disbursement management and the collection and disposal of non-performing assets. We strengthened post-disbursement management of key customers and monitoring customers with large credit exposures, to mitigate major risks timely. We continued to strengthen the collection and disposal of non-performing loans by implementing the strategy of "more collection, more write-offs, more restructuring, and targeted transfer in batches". In addition, we strengthened "head office-to-head office" cooperation, and implemented "cross-provincial" package transfer to reduce transfer losses.

Risk Management of Retail Banking Business

We improved the policy system by revising the management measures including personal guarantee and work instructions for mortgage registration. We conducted classification and evaluation of personal loan operation centres to improve credit efficiency and prevent and control operational risks. We monitored and analysed key products to effectively control potential risks. We improved the intelligent risk management of retail banking business, by promoting the application of the intelligent risk control system, upgrading the risk monitoring system for online personal loan, launching BoEing security prevention and control project for online loans, and upgrading the second-generation of credit reporting system. Moreover, we conducted special inspections on risks of false use and false mortgages, organized due diligence supervision and inspections on multiple loans for one purpose, strengthened compliance operation and anti-money laundering and prevented external fraud. For major problems identified during internal and external inspections, we enhanced follow-up supervision and rectification. We strengthened our management of overdue loans, collecting a number of 2.11 million loans from customers throughout the year by telephone and door-to-door collections.

Risk Management of Credit Card Business

We continued to improve the smart risk control system, which was intelligent, differentiated, intensified, and integrated of the Head Office and branches to support stable and sustainable development of our business. We strengthened monitoring and early warning, putting into operation the intelligent anti-fraud platform to promptly cut off the risks of card issuance fraud and transaction fraud. We improved risk identification rules and models and established a tracking evaluation mechanism after disposal to enhance identification of high-risk customers. We strengthened industry-specific risk prevention and control, building a special examination and approval team to keep carrying out differentiated analysis and control over high-risk areas. We improved the integrated collection system of the Head Office and branches. We optimized the collection system featuring combination of collection by our own and entrusted collection based on the principle of "centralized collection by the Head Office and regional collection by branches", so as to improve the collection efficiency. We enhanced whole-process risk management for special installment business, working out risk strategies for special installment business focusing on "control of person, property and scenes" and intensifying support of Big Data.

Risk Management of Treasury Business

We refined the measures on risk management for treasury business and the whole-process risk management mechanism. By constantly monitoring the risks related to our existing customers and their transaction counterparties and timely updating the list of customers that required special attention, we dynamically adjusted the strategy in response to risks. We monitored the transaction prices related to financial market business and continued to establish the unified platform for management of market risk exposure limits. We did not trigger the risk exposure limits in the whole year. We worked out plans for disposal of existing non-standard assets and improved management of credit bond before, during and after investment. We improved our systemic risk control capability, and Phase I of our global investment transaction management platform went into operation smoothly. We improved the system of integrated risk monitoring and reporting by the Group for treasury business, establishing the monthly risk reporting mechanism of the subsidiaries and overseas branches and subsidiaries for treasury business.

Loan Risk Classification

We formulated and refined relevant regulations on loan risk classification in accordance with the *Guidelines of Loan Credit Risk Classification* issued by the CBIRC. We comprehensively assessed the recoverability of loans when due and classified the loans by taking into account of factors, including the borrower's repayment ability, repayment record, willingness to repay the loan, profitability of the loan project, and the reliability of the secondary repayment sources.

We adopted two classification management systems for loans: the five-category classification system and the 12-category classification system. Corporate loans were mainly managed with 12-category classification system. Comprehensive evaluations of customer default risk and debt transaction risk objectively reflected the risk level of loans. The evaluations were made with more details in preparing the annual classification policies at the beginning of the year. Specified requirements for classification standards and management of loans to core corporate customers were provided to earnestly improve the foreseeability and sensitivity of risk identification. Retail loans were managed with the five-category classification system. The credit management system automatically classified the loans based on the length of period by which payments of principal or interest were overdue and the types of collaterals, allowing for a more objective risk assessment. Large retail loans to private businesses were classified manually on a quarterly basis to enhance risk sensitivity. In addition, the classification was timely adjusted based on the risk information collected in the credit management to reflect loan quality objectively.

Credit Risk Analysis

Distribution of Loans by Collaterals

In millions of RMB, except for percentages

Item	31 December 2019 Amount	31 December 2019 Percentage of total loans (%)	31 December 2018 Amount	31 December 2018 Percentage of total loans (%)
Loans secured by mortgages	**5,898,736**	**44.3**	5,452,275	45.8
Loans secured by pledges	**2,131,098**	**16.0**	1,884,346	15.8
Guaranteed loans	**1,856,415**	**13.9**	1,366,955	11.5
Unsecured loans	**3,443,297**	**25.8**	3,210,049	26.9
Sub-Total	**13,329,546**	**100.0**	11,913,625	100.0
Accrued interest	**30,642**	**–**	27,060	–
Total	**13,360,188**	**–**	11,940,685	–

Distribution of Overdue Loans by Overdue Period

In millions of RMB, except for percentages

Item	31 December 2019 Amount	31 December 2019 Percentage of total loans (%)	31 December 2018 Amount	31 December 2018 Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	**71,118**	**0.5**	79,458	0.7
Overdue for 91 to 360 days	**49,650**	**0.4**	57,026	0.5
Overdue for 361 days to 3 years (including 3 years)	**47,787**	**0.4**	50,632	0.4
Overdue for more than 3 years	**14,438**	**0.1**	15,816	0.1
Total	**182,993**	**1.4**	202,932	1.7

Loan Concentration

In millions of RMB, except for percentages

Top ten single borrowers	Industry	Amount	Percentage of total loans (%)
Borrower A	Transportation, logistics and postal services	117,031	0.88
Borrower B	Transportation, logistics and postal services	38,700	0.29
Borrower C	Transportation, logistics and postal services	30,864	0.23
Borrower D	Transportation, logistics and postal services	30,216	0.22
Borrower E	Transportation, logistics and postal services	24,143	0.18
Borrower F	Transportation, logistics and postal services	22,348	0.17
Borrower G	Finance	22,000	0.16
Borrower H	Transportation, logistics and postal services	21,122	0.16
Borrower I	Transportation, logistics and postal services	19,592	0.15
Borrower J	Production and supply of power, heat, gas and water	19,572	0.15
Total		**345,588**	**2.59**

At 31 December 2019, we fulfilled the regulatory requirements as total loans to our largest single borrower represented 4.68% of our net capital and total loans to our ten largest single borrowers represented 13.83% of our net capital.

Large Risk Exposures

In 2019, pursuant to the requirements of the *Administrative Measures for Large Risk Exposures of Commercial Banks* issued by the CBIRC, we continued to promote the management of large risk exposures. We conducted measurement and monitoring, reporting to the regulation authorities and optimizing IT system in respect of large risk exposures management on an orderly basis, with our capability to manage large risk exposures further improved.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	**12,843,935**	**96.36**	11,397,204	95.67
Special mention	**298,401**	**2.24**	326,419	2.74
Non-performing loans	**187,210**	**1.40**	190,002	1.59
Substandard	**66,462**	**0.50**	45,388	0.38
Doubtful	**103,763**	**0.78**	126,274	1.06
Loss	**16,985**	**0.12**	18,340	0.15
Subtotal	**13,329,546**	**100.00**	11,913,625	100.00
Accrued interest	**30,642**	**–**	27,060	–
Total	**13,360,188**	**–**	11,940,685	–

At 31 December 2019, the balance of our non-performing loans was RMB187.21 billion, representing a decrease of RMB2.792 billion as compared to the end of the previous year. The non-performing loan ratio decreased by 0.19 percentage point to 1.40% as compared to the end of the previous year. The balance of special mention loans was RMB298.401 billion, representing a decrease of RMB28.018 billion as compared to the end of the previous year. Special mention loans accounted for 2.24% of the total loans, representing a decrease of 0.50 percentage point as compared to the end of the previous year.

The Three-year "Clean-up Plan" Ended With a Success

In early 2017, we launched the strategic "Clean-up Plan" and kept intensifying efforts in "disposing of the existing non-performing loans and reducing the inflow of additional non-performing loans", with an aim to effectively improve our asset quality in three years. Over the past three years, strengthening the deployment and implementation of the "Clean-up Plan", we formed an effective working mechanism and achieved good performance.

Firstly, we dynamically monitored and controlled risks, and improved the pertinence and effectiveness of risk control by leveraging risk management tools including rating, classification, impairment allowance and economic capital.

Secondly, we improved the structure of credit assets and reduced risk exposures of high-risk industries. We strengthened financial services in key strategic areas of China, actively supported the high-quality development of the manufacturing industry, continued to enhance financial services for "Sannong", and made efforts to alleviate and solve difficulties of small and micro enterprises, as a result of which, our credit structure remained stable and grew with a favourable trend. Moreover, we intensified credit risk management in key areas, promoted risk prevention and control of group customers with large credit amount, and effectively controlled risk exposures in industries with excess production capacity. In addition, we implemented "customer-tailored" risk resolution scheme, as a result of which, our non-performing loan formation ratio continuously decreased in the past years.

Thirdly, adhering to taking multiple measures and based on cash collection, we sped up the write-off of bad debts. We kept intensifying efforts in disposing of non-performing assets and improved the effectiveness of disposal by combination of market-oriented disposal means including transfer in batches, debt-to-equity swaps and non-performing asset securitization.

Fourthly, we strengthened risk management through FinTech empowerment. Based on a unified credit risk profiles of customers, we integrated internal and external data, improved credit approval and extension management and strengthened early warning of risks, to prevent and control risks in a forward-looking manner.

Fifthly, we strengthened planning and assessments to make our branches well control their asset quality.

In the past three years, we recorded good performance in our asset quality. At 31 December 2019, the balance of non-performing loans and the non-performing loan ratio decreased by RMB43.624 billion and 0.97 percentage point, respectively, as compared to the beginning of 2017.

Distribution of Non-Performing Loans by Product Type

In millions of RMB, except for percentages

Item	31 December 2019 Amount	Percentage (%)	Non-performing loan ratio (%)	31 December 2018 Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	148,695	79.4	2.10	154,548	81.3	2.37
Short-term corporate loans	81,488	43.5	3.70	98,184	51.7	4.50
Medium- and long-term corporate loans	67,207	35.9	1.37	56,364	29.6	1.30
Discounted bills	21	–	–	–	–	–
Retail loans	31,699	16.9	0.59	30,196	15.9	0.65
Residential mortgage loans	12,386	6.6	0.30	11,285	5.9	0.31
Credit card balances	7,465	4.0	1.57	6,310	3.3	1.66
Personal consumption loans	1,746	0.9	1.04	1,276	0.7	0.81
Loans to private business	4,281	2.3	1.62	5,516	2.9	2.56
Loans to rural households	5,785	3.1	1.80	5,759	3.1	2.30
Others	36	–	4.92	50	–	5.18
Overseas and others	6,795	3.7	1.62	5,258	2.8	1.35
Total	187,210	100.0	1.40	190,002	100.0	1.59

At 31 December 2019, the balance of our corporate non-performing loans was RMB148,695 million, representing a decrease of RMB5,853 million as compared to the end of the previous year; the non-performing loan ratio decreased by 0.27 percentage point to 2.10%. The balance of our retail non-performing loans was RMB31,699 million, representing an increase of RMB1,503 million as compared to the end of the previous year; the non-performing loan ratio decreased by 0.06 percentage point to 0.59%.

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

Item	31 December 2019 Amount	Percentage (%)	Non-performing loan ratio (%)	31 December 2018 Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	60,529	40.7	5.06	72,033	46.6	6.02
Production and supply of power, heat, gas and water	5,725	3.8	0.67	4,561	3.0	0.54
Real estate	10,038	6.8	1.45	8,450	5.5	1.38
Transportation, logistics and postal services	12,630	8.5	0.77	7,045	4.6	0.51
Wholesale and retail	30,541	20.5	9.83	34,687	22.4	10.73
Water, environment and public utilities management	659	0.4	0.13	1,082	0.7	0.25
Construction	2,543	1.7	1.13	4,935	3.2	2.06
Mining	4,697	3.2	2.34	5,994	3.9	3.06
Leasing and commercial services	15,150	10.2	1.46	7,871	5.1	0.86
Finance	87	0.1	0.05	142	0.1	0.09
Information transmission, software and IT service	84	0.1	0.30	111	0.1	0.37
Others	6,012	4.0	2.92	7,637	4.8	4.09
Total	148,695	100.0	2.10	154,548	100.0	2.37

Distribution of Non-Performing Loans by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2019			31 December 2018		
	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Head Office	**6**	**–**	**–**	7	–	–
Yangtze River Delta	**29,228**	**15.6**	**0.98**	27,776	14.6	1.04
Pearl River Delta	**16,805**	**9.0**	**0.79**	19,249	10.1	1.03
Bohai Rim	**46,883**	**25.1**	**2.34**	53,114	27.9	2.90
Central China	**35,969**	**19.2**	**1.81**	28,691	15.1	1.64
Northeast China	**8,987**	**4.8**	**1.79**	9,419	5.0	2.05
Western China	**42,537**	**22.7**	**1.43**	46,488	24.5	1.76
Overseas and others	**6,795**	**3.6**	**1.62**	5,258	2.8	1.35
Total	**187,210**	**100.0**	**1.40**	190,002	100.0	1.59

Changes in the Allowance for Impairment Losses on Loans

In millions of RMB

Item	2019			
	Stage I	Stage II	Stage III	Total
	12-month expected credit losses	Lifetime expected credit losses		
31 December 2018	**269,164**	**68,464**	**148,984**	**486,612**
Transfer				
Stage I to stage II	(7,791)	7,791	–	–
Stage II to stage III	–	(24,546)	24,546	–
Stage II to stage I	6,921	(6,921)	–	–
Stage III to stage II	–	3,872	(3,872)	–
Originated or purchased financial assets	123,577	–	–	123,577
Remeasurement	37,603	21,276	54,182	113,061
Repayment and transfer-out	(65,429)	(12,216)	(41,092)	(118,737)
Write-offs	–	–	(51,398)	(51,398)
31 December 2019	**364,045**	**57,720**	**131,350**	**553,115**

Notes: 1. For details of the impairment models of three stages, please refer to "Note IV. 17 Loans and advances to customers".
2. The table includes the allowance for impairment losses measured at fair value through other comprehensive income.

Market Risk

Market risk refers to the risk of losses in the on- and off-balance sheet businesses of banks as a result of an adverse change in market prices. Market risk comprises, but not limited to, interest rate risk, exchange rate risk, stock price risk and commodity price risk. The Bank is exposed to market risks, primarily including interest rate risk and exchange rate risk. The Bank's organizational structure of market risk management comprises the Board of Directors and its Risk Management/Consumers' Interests Protection Committee, the senior management and its Risk Management and Internal Control Committee, the Risk Management Department, the Asset and Liability Management Department and other departments (institutions) bearing market risks.

During the reporting period, we optimized the functions of our market risk management system, carried out comprehensive validation of Internal Model Approach and strengthened the guarantee for customers' performance of derivative transaction contracts. As at 31 December 2019, our exposures from different proprietary transactions were kept at relatively low levels and our exposures to market risk were under control.

Market Risk Exposure Limit Management

Our market risk exposure limits are classified into directive limits and indicative limits.

In 2019, we further enhanced market risk exposure limit management. We set different market risk exposure limits based on parameters such as the types of products and risks and kept refining the indicators of limits. We also leveraged the systems to measure, monitor and report risk exposure limits automatically. During the reporting period, the market risk exposure limits of the Bank were all kept within the designated ranges.

Segregation of Trading Book and Banking Book

To enhance the effectiveness of market risk management and the accuracy of the measurement of regulatory capital for market risk, we classified all of the on- and off-balance sheet assets and liabilities into either the trading book or the banking book. The trading book includes the financial instruments and commodity positions held for trading or hedging against the risk of other items in the trading book. Any other positions are classified into the banking book.

Market Risk Management for Trading Book

We managed the market risk of the trading book through various approaches such as Value at Risk (VaR), exposure limit management, sensitivity analysis, duration analysis, exposure analysis and stress testing.

We adopted a historical simulation method with a confidence interval of 99% based on a holding period of one day and historical data for 250 days to measure the VaR for the trading book of the Head Office and domestic and overseas branches of the Bank. Based on the different circumstances of domestic and overseas markets, we selected applicable parameters for the models and risk factors in order to actually reflect the levels of market risks. We verified the accuracy and reliability of the risk measurement models through data analysis, parallel modeling and back-testing.

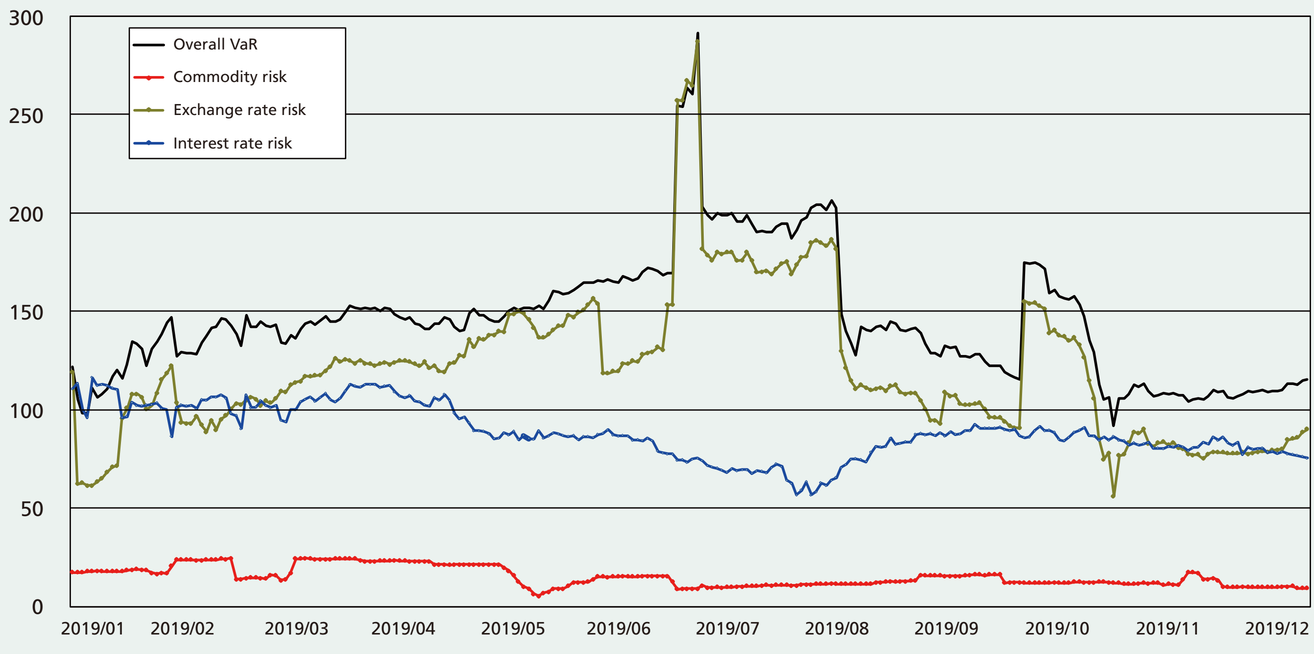
VaR Analysis for the Trading Book

In millions of RMB

	2019				2018			
Item	**At the end of the period**	**Average**	**Maximum**	**Minimum**	At the end of the period	Average	Maximum	Minimum
Interest rate risk	**75**	**89**	**116**	**57**	109	76	119	44
Exchange rate risk[1]	**90**	**120**	**287**	**56**	123	117	300	12
Commodity risk	**9**	**15**	**25**	**5**	17	14	19	9
Overall VaR	**115**	**146**	**291**	**92**	120	134	252	57

Note: 1. According to the Capital Rules for Commercial Banks (Provisional), VaR relating to gold was reflected in exchange rate risk.

Change in VaR of Trading Book in 2019



During the reporting period, the VaR of interest rate risk fell slightly, as a result of the average balance of the bond portfolio remaining stable and with a decrease in the maturity of the bond portfolio. The VaR of exchange rate increased slightly as compared with the corresponding period of the previous year, as a result of the price of gold rising with an increase in the gold positions at home and abroad. The scale of silver portfolio increased, resulting in the VaR of commodity risk being slightly higher than that in the corresponding period of the previous year.

Market Risk Management for Banking Book

The Bank managed market risk of the banking book through comprehensive use of technical measures such as exposure limit management, stress testing, scenario analysis and gap analysis.

Interest Rate Risk Management

Interest rate risk refers to risk of losses in income or economic value or of the banking book as a result of adverse changes of the interest rate level or term structure. The interest rate risk of the banking book of the Bank primarily arises from the mismatch of the maturity or re-pricing dates of interest-rate-sensitive assets and liabilities in the banking book and inconsistencies in the change of the benchmark interest rate on which assets and liabilities are based.

Since LPR reform of the PBOC, we, according to regulatory requirements, implemented relevant policies, by upgrading our business system, revising standard loan contract, improving the pricing mechanism for internal and external interest rates, and comprehensively promoting application of LPR, accomplishing in general the application of LPR method for loan pricing and during the whole process. After the reform of LPR, the benchmark interest rate was more connected with the market interest rate and the frequency and range of fluctuation both increased. We strengthened monitoring and forecast of the external interest rate environment, timely adjusted the pricing strategies for internal and external interest rates, improved the product portfolio and term structure of assets and liabilities and actively adjusted the risk structure by using interest rate options, so as to reduce the adverse effect of interest rate changes on our economic value and income. During the reporting period, our overall interest rate risk remained stable with all risk exposure limits kept within the ranges of regulatory requirements and our management objectives.

Exchange Rate Risk Management

Exchange rate risk refers to the risk arising from currency mismatches of assets and liabilities of banks. Exchange rate risk mainly consists of the trading exchange rate risk that could be hedged, and the exchange rate risk caused by assets and liabilities (the "non-trading exchange rate risk"), which is hardly to be avoided in operations.

In 2019, we performed monitoring on exchange rate risk exposures and sensitivity analysis regularly and continuously refined measurement on exchange rate risk and our management information system. Through proper matching of foreign currencies, we flexibly adjusted the trading exchange rate risk exposure, while maintaining the non-trading exchange rate risk exposure stable. Therefore, our exchange rate risk exposure was controlled within a reasonable range.

Interest Rate Risk Analysis

At 31 December 2019, the accumulative negative gap with interest rate sensitivity due within one year of the Bank amounted to RMB1,121,355 million, representing a decrease of RMB476,113 million in absolute terms as compared to the end of the previous year.

Interest Rate Risk Gap

In millions of RMB

	Within 1 month	1–3 months	3–12 months	Subtotal of 1 year and below	1–5 years	Over 5 years	Non-interest earning
31 December 2019	**(3,911,081)**	**308,220**	**2,481,506**	**(1,121,355)**	**814,042**	**1,986,997**	**79,447**
31 December 2018	(3,394,064)	385,096	1,411,500	(1,597,468)	1,214,752	1,830,838	34,524

Note: Please refer to "Note IV. 44.3 Market Risk" to the Consolidated Financial Statements for more details.

Interest Rate Sensitivity Analysis

In millions of RMB

Movements in basis points	31 December 2019 Movements in net interest income	31 December 2019 Movements in other comprehensive income	31 December 2018 Movements in net interest income	31 December 2018 Movements in other comprehensive income
Increased by 100 basis points	**(25,607)**	**(42,579)**	(24,024)	(67,879)
Decreased by 100 basis points	**25,607**	**42,579**	24,024	67,879

The interest rate sensitivity analysis above indicates the movements within the next twelve months in net interest income and other comprehensive income under various interest rate conditions, assuming that there is a parallel shift in the yield curve and without taking into account any risk management measures adopted by the management to reduce interest rate risk.

Based on the composition of the assets and liabilities of the Bank at 31 December 2019, if the interest rates instantaneously increase (or decrease) by 100 basis points, the net interest income and other comprehensive income of the Bank would decrease (or increase) by RMB25,607 million and RMB42,579 million, respectively.

Exchange Rate Risk Analysis

The Bank's exchange rate risk is mainly the exposure risk arising from the exchange rate of USD against RMB.

In 2019, the mid-point rate of RMB against USD depreciated accumulatively by 1,130 basis points or 1.62%. At the end of 2019, the Bank's positive foreign exchange exposure of on- and off-balance sheet was USD3,542 million, representing an increase of USD1,289 million in absolute terms as compared to the end of the previous year.

Foreign Exchange Exposure

In millions of RMB (USD)

	31 December 2019 RMB	31 December 2019 USD equivalent	31 December 2018 RMB	31 December 2018 USD equivalent
Net foreign exchange exposure of on-balance sheet financial assets/liabilities	**50,482**	**7,236**	13,131	1,913
Net foreign exchange exposure of off-balance sheet financial assets/liabilities	**(25,767)**	**(3,694)**	2,335	340

Note: 1. Please refer to "Note IV. 44.3 Market Risk" to the Consolidated Financial Statements for more details.

Exchange Rate Sensitivity Analysis

In millions of RMB

Currency	Increase/decrease in exchange rate of foreign currency against RMB	Impact on profit before tax 31 December 2019	Impact on profit before tax 31 December 2018
USD	+5%	**1,346**	(110)
	-5%	**(1,346)**	110
HKD	+5%	**(832)**	(644)
	-5%	**832**	644

The non-RMB denominated assets and liabilities of the Bank were primarily denominated in USD and HKD. Based on the on- and off-balance sheet exchange rate exposure at the end of the reporting period, the profit before tax of the Bank will increase (or decrease) by RMB1,346 million if USD appreciates (or depreciates) by 5% against RMB.

Liquidity Risk

Liquidity risk refers to the risk of being unable to timely acquire sufficient funds at a reasonable cost by commercial banks to settle amounts due, fulfil other payment obligations and satisfy other funding needs during the ordinary course of business. The major factors affecting liquidity risk include negative impacts of market liquidity, deposit withdrawal by customers, loans withdrawal by customers, imbalance between asset and liability structures, debtor's default, difficulty in asset realization, weakening in financing ability, etc.

Liquidity Risk Management

Liquidity Risk Management Governance Structure

The liquidity risk management governance structure of the Bank consists of the decision-making system, the execution system and the supervision system. Among which, the decision-making system consists of the Board of Directors and its Risk Management/Consumers' Interests Protection Committee and the senior management; the execution system consists of liquidity management departments, departments managing asset and liability businesses, information and technology departments, etc; and the supervision system consists of the Board of Supervisors, the audit office, the internal control and compliance supervision department and the legal affairs department.

Liquidity Risk Management Strategy and Policy

We adhered to a prudent liquidity management strategy. We formulated our liquidity risk management policy, following regulatory requirements, external macroeconomic environment and business development conditions. We effectively maintained balance among liquidity, security and profitability, on condition of the guaranteed security of liquidity.

Liquidity Risk Management Objectives

The objectives of our liquidity risk management were to effectively identify, measure, monitor and report liquidity risk by establishing a scientific and refined liquidity risk management system; to timely fulfil the liquidity needs of assets, liabilities and off-balance sheet businesses and for the payment obligations under ordinary operating conditions or under stress; and to effectively balance both capital efficiency and security of liquidity while preventing the overall liquidity risk of the Group.

Liquidity Risk Management Method

We paid close attention to changes in external economic and financial situation, monetary policies and market liquidity, continued to monitor the liquidity condition across the Bank, and forecasted changes and trends. We strengthened the asset-liability management to mitigate risks related to mismatch of maturity. We secured the sources of core deposits and facilitated the use of financial instruments, to keep our financing channels smooth in the market. We improved the liquidity management mechanism through strengthening the monitoring, early warning and overall allocation of funds. With a moderate reserve level, we satisfied various payment demands. In addition, we refined the functions of the liquidity management system to improve our electronic management.

Stress Testing Situation

Based on the market condition and operation practice, we set liquidity risk stress scenarios based on full consideration of various risk factors which may affect the liquidity. We conducted stress testing quarterly. According to the testing results, under the prescribed stress scenarios, we have passed all the shortest survival period tests as required by regulatory authorities.

Main Factors Affecting Liquidity Risk

In 2019, the internal and external liquidity situations faced by the Bank were complicated and ever-changing. Global trade frictions brought about more uncertainties, global economic growth continued to slow down and major economies all cut their interest rates. The financial supply-side structural reform continued to advance and counter-cyclical adjustments were made. The market funds were structurally tight with greater fluctuations in market interest rate. We faced increasingly more challenges in our liquidity risk management such as increased volatility of liabilities, greater pressure from maturity mismatch management and structural optimization of assets and liabilities, and increased difficulty in balancing the liquidity, security and profitability.

Liquidity Risk Analysis

During the reporting period, we managed cash flows brought by maturing fund properly and the overall liquidity was sufficient, secured and under control. At the end of 2019, we fulfilled the regulatory requirements with liquidity ratios for RMB and foreign currency of 57.74% and 112.07%, respectively. The average of the liquidity coverage ratio over the fourth quarter in 2019 increased by 5.5 percentage points to 125.6% as compared to the previous quarter. At the end of 2019, the net stable funding ratio was 128.2%, with available stable funding of RMB17,318.3 billion in numerator and the required stable funding of RMB13,508.5 billion in denominator.

Liquidity Gap Analysis

The table below presents the Bank's net position of liquidity as at the dates indicated.

In millions of RMB

	Past due	On demand	Within 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
31 December 2019	**25,889**	**(11,586,444)**	**536,345**	**(724,010)**	**(800)**	**3,066,681**	**8,144,318**	**2,297,152**	**1,759,131**
31 December 2018	20,466	(10,794,068)	221,913	(979,235)	(71,719)	3,467,506	7,108,745	2,509,038	1,482,646

Note: Please refer to "Note IV. 44.2 Liquidity risk to the Consolidated Financial Statements" for more details.

For details of liquidity coverage ratio and net stable funding ratio of the Bank, please refer to "Appendix I Liquidity Coverage Ratio Information" and "Appendix III Net Stable Funding Ratio Information", respectively.

Operational Risk

Operational Risk Management

Operational risk refers to the risk of loss resulting from inadequate or problematic internal procedures, from human or information technology system related factors, or from external affairs, including legal risk, but not including strategy risk or reputation risk.

During the reporting period, we reinforced the implementation of operational risk management rules. The operational risk management information system was optimized by improving its automatic data aggregation technology. The operational risk management tools were applied and self-assessments on operational risk and special assessments on business outsourcing risk were conducted to increase the initiative and perceptiveness of our risk prevention and control. We analyzed our operational risk condition on a quarterly basis. We continuously strengthened prevention of cases of compliance violations in our weak and high-risk areas, and launched monitoring, analyzing, tracking of and supervising on major operational risk events. We strengthened the operational risk management of the Group with strengthened supervision, guidance, assessment and evaluation on Domestic Operations and Overseas Operations as well as subsidiaries.

Legal Risk Management

Legal risk refers to any risk of banks suffering from adverse consequences including legal liabilities, loss of rights and reputational damage due to the breach of laws, administrative rules and regulations, or terms of contracts of its business operations and legal failure to duly regulate and exercise rights or external legal factors. Legal risk includes risk directly resulted from legal factors, as well as the risk associated with other forms of risks.

In 2019, we continued to promote law-based governance. We consolidated the legal safeguards for our reform and development by serving our digital transformation, "Sannong", inclusive finance, liberalization of the interest rate and intellectual property protection with legal support. To prevent and mitigate major risks, we enhanced the handling of material litigations and risk events at home, addressed the litigation-concerned risks abroad prudently, improved the mechanism of solving regulatory cases, and properly settled disputes in relation to intellectual property. For the overseas institutions, legitimacy assessments on cross-border data were conducted to strengthen their legal risk management. For the subsidiaries, we augmented the guidance on the legal risk management, and established an integrated legal risk management system at Group level. To raise our staff's awareness of laws and rules, we explored the formulation of a checklist system for popularised legal responsibilities, and organized contests to test and extend staff's legal knowledge as well as a series of activities with the slogan "Popularize Laws to Serve Overall Situation".

Reputational Risk

Reputational risk refers to the risk resulting from negative feedback from related stakeholders due to the operation, management or other actions of the Bank or external events.

In 2019, we revised the management measures on reputational risk to strengthen the Group's integrated reputational risk management. We strengthened the inspection and early warning of reputational risk and updated the list for public opinion management, to improve the refined management of reputational risk. We improved the regular trainings and exercises to improve employees' awareness of reputational risks and their media response skills. We strengthened positive publicity and guidance to establish a good brand image. According to regulatory requirements, we explored and carried out research on measurement of capital for reputational risk.

Country Risk

Country risk represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank or otherwise leads to business losses to the Bank in that country or region or other losses to the Bank.

Confronted with a complex and changing international environment in 2019, we closely followed and monitored country risk situation. We continued to improve the management systems and managed country risk effectively through tools and approaches such as country risk rating, exposure analysis, limit approval and stress testing.

Risk Consolidated

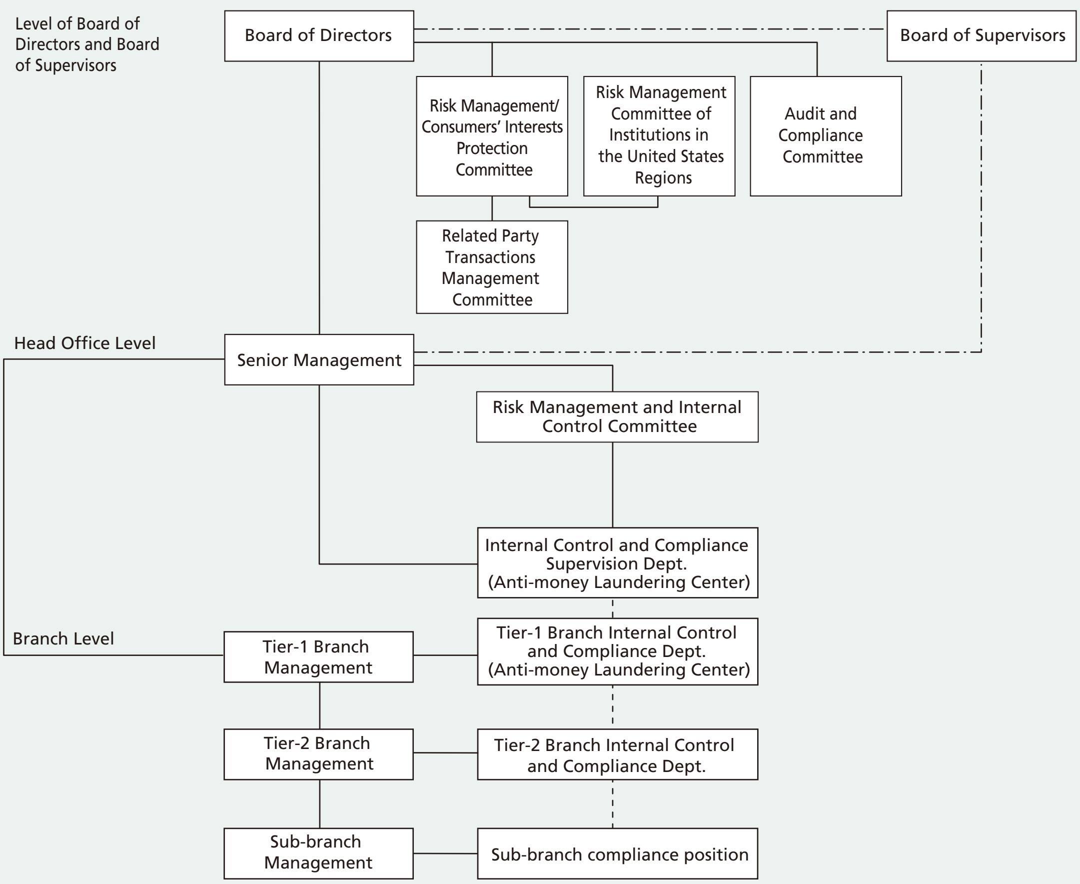
We continuously promoted the risk consolidation management of the Group and advanced the integration of risk management of the parent company and subsidiaries. We instructed the subsidiaries to revise their basic risk management systems, risk appetite statements and risk management policies based on the "One Company One Policy" principle, improved the comprehensive risk management framework, and specified the risk limitations and annual work priorities. We promoted the establishment and implementation of the mechanism for sharing risk information of large corporate clients and strategic coordination between the Bank and the subsidiaries. We continuously strengthened risk monitoring, risk management assessment, risk assessment and evaluation, and risk management training for our subsidiaries.

Internal Control

The objectives of our internal control are to reasonably ensure legal and compliant operation and management, make financial reporting and related information truthful and complete, ensure effective risk management and asset security, improve operational efficiency and effectiveness, and facilitate the fulfillment of our business goals and development strategies.

Pursuant to the *Internal Control Guidelines for Commercial Banks* issued by the CBIRC, the *Basic Rules on Enterprise Internal Control* jointly issued by five ministries including the MOF as well as its supporting guidelines, and other regulatory requirements on internal control, the Board of Directors is responsible for establishing a sound internal control mechanism, implementing it effectively, evaluating its effectiveness, and truthfully disclosing internal control evaluation reports. The Audit and Compliance Management Committee, the Risk Management/Consumers' Interests Protection Committee, the Risk Management Committee of Institutions in the United States Regions, and the Related Party Transactions Management Committee established under the Board of Directors are responsible for performing the corresponding duties related to internal control management. The senior management is responsible for the daily operation of internal control. The Board of Supervisors supervises the establishment and implementation of internal control by the Board of Directors and the senior management.

Our Internal Control Management Structure



During the reporting period, the Board of Directors, the Board of Supervisors, the senior management and the subordinate professional committees duly performed their duties regarding internal control management and supervision, remained committed to internal control management, and focused on improving the effectiveness of internal control, so as to furnish the legal compliance of the operation with safeguards.

- Developing a compliance culture. We revised the employee code of conduct and called on our staff to be more aware of the value of compliance. We leveraged the roles of such compliance culture to guide, restrict, unite and inspire.

- Optimizing our internal control rules system. We carried out post-evaluation of rules. We continuously improved our basic rules, administrative measures and operating rules at multiple levels. In addition, we planned the formulation, revision and abolition of rules, standardized the drafting of rules and reviewed more strictly to improve the quality of our rules.

- Strengthening compliance risk management. We formulated the operating procedures to conduct compliance risk assessments and compliance tests to comprehensively evaluate the design and operation of compliance management mechanisms. We strengthened integrated management of the Group by developing an action plan for the establishment of a long-term mechanism for compliance management of our overseas institutions, exploring intra-group transaction limit management, and strengthening the internal authorization management of our subsidiaries.

- Continuously improving the quality and effectiveness of inspection and rectification. We strengthened the planning and management of supervision and inspection work with more efficient allocation of inspection resources. Besides, we made rectification based on the inspection results during the special inspection on the fight against poverty, and thoroughly rectified problems identified by all sorts of internal and external inspections to promote our operations. We formulated the working rules of accountability committee under the senior management to advance stricter management and compliance operations of the Bank.

- Attaching great importance to enhancing employees' awareness of anti-corruption and anti-bribery. We extensively and intensively inspected risks to prevent risks relating to corruption and bribery cases, and reported cases and pursued relevant persons for accountability in a serious manner. We duly inspected our businesses and managed our employees to promptly reveal illegal activities and potential risks.

- Formulated three-year "Sharp Arrow Plan", sharpening the "Four Sharp Arrows" to prevent cases of violations.

"Sharp Arrow Plan" to Prevent Cases of Violations

In 2019, we formulated the Three-Year "Sharp Arrow Plan" for Prevention of Cases of Violations of Agricultural Bank of China (2020–2022), stating the concepts, objectives and principles of prevention of cases of violations. The "four sharp arrows" refer to the "Two-line" risk and compliance management responsibilities of business lines and personnel, the management basics and foundation-level management, the "Three Lines and One Grid", and the prevention of cases of violations by means of technology. Focusing on the "four sharp arrows", we deployed our work on prevention of cases of violations across the Bank. We will make efforts to prevent risks related to cases of violations, and gradually reduce the number of cases and the amount of money involved, and thus safeguard the development of our operations.

Firstly, we will strengthen the "Two-line" risk and compliance management responsibilities of business lines and personnel which will be further applied to branches and sub-branches and be assessed and evaluated. Our branches and sub-branches at different levels will sign liability statements for prevention of cases of violations to boost their sense of responsibility for prevention of cases of violations among all personnel.

Secondly, we will promote to strengthen the management basics and foundation-level management. We will continue to control the cases related to key areas to consolidate the foundation of business management. We will work on fifteen key tasks focusing on case study, self-investigation and self-correcting as well as the long-term mechanism for prevention of cases of violations. We will organize "Hold Reverence, Defend Integrity and Promote Compliance" activities to alert and educate staff and will establish benchmark branch outlets to help foundation-level banks to build up their capacity to operate in compliance.

Thirdly, we will deepen the application of "Three Lines and One Grid". We will accelerate to upgrade and optimize the "Three Lines and One Grid" system while enlarging its coverage and enhancing its effectiveness. We will pay close attention to employees' behavior in order to identify abnormal behavior and potential risk in a timely manner. We will revise the employee code of conduct and conduct special training on prevention of cases of violations to raise the awareness of compliance among all employees.

Fourthly, we will accelerate to increase our capability to prevent cases of violations by means of technology. Focusing on system and data, we will continue to improve our internal control and compliance management information system, launch a monitoring and alerting platform for prevention of cases of violations, and forward the data governance for the Big Data platform. Cross-business line and cross-level teams will be set up to monitor risks related to case of violations. The cases will be conducted post-mortem promptly in order to optimize our models for preventing risks related to cases of violations.

Anti-money Laundering

In 2019, we vigorously promoted the construction of our compliance management system and capability for global anti-money laundering with reference to the highest international standards and best practices within the industry, to effectively prevent the risks of money laundering and terrorist financing.

- A three-year development plan for the global anti-money laundering center was formulated. We will promote the action plan for the construction of a global anti-money laundering system and strive to build a policy center, a monitoring center and an information center for anti-money laundering compliance management at home and abroad.

- We strengthened customer identification and money-laundering risk management and control. An annual institutional money laundering risk assessment and a customer and product money laundering risk assessment were carried out. We revised and improved various operating procedures for due diligence of customers.

- We improved our ability to monitor and analyze money laundering risks continuously. We established a money-laundering risk investigation and information discussion mechanism to carry out risk clue collection, analysis, investigation and control and optimize suspicious transaction monitoring models.

- We improved the global sanctions compliance management policy system, clarified sanctions risk appetite and management strategies, screened sanctions lists, and continuously improved the effectiveness of sanctions risk management and control.

- We established an intelligent management system for anti-money laundering. A multi-dimensional data analysis tool was applied to accelerate the application of intelligent technology in the identification of customers and risk evaluation.

- We strengthened trainings on anti-money laundering compliance and encouraged employees to pass the Certified Anti-Money Laundering Specialist certification to continuously improve employees' capabilities to perform their duties.

Self-appraisal Report on Internal Control

The Board of Directors has considered and approved the 2019 *Self-appraisal Report on Internal Control*, details of which are published on the website of the Shanghai Stock Exchange.

Internal Control Audit Report

PricewaterhouseCoopers Zhong Tian LLP issued an unqualified Internal Control Audit Report based on its audit of the effectiveness of the Group's internal control over financial reporting as at 31 December 2019 in accordance with the relevant regulations, details of which are published on the website of the Shanghai Stock Exchange.

Capital Management

During the reporting period, we formulated and implemented our capital plan for 2019–2021 in accordance with the regulatory requirements of the *Capital Rules for Commercial Banks (Provisional)*, focused on capital's restriction and guidance on business, improved our long-term mechanism of capital management, and maintained prudent capital adequacy ratios.

We formulated the *Three-Year Action Plan of Improving the Bank's Capital Adequacy Ratio* (the "Capital Consolidation Plan"), which specified the target capital adequacy ratio for 2017–2019. Focusing on both capital replenishment and capital conservation, we formulated the working plan for improving capital adequacy ratios, and proposed specific measures to improve the capital management system. During the reporting period, we implemented the "Capital Consolidation Plan" steadily, and our capital adequacy ratios increased steadily.

As one of the Global Systemically Important Banks, we completed the annual updates of the *Recovery Plan of Agricultural Bank of China Limited* and the *Disposal Plan of Agricultural Bank of China Limited* in accordance with the requirements of the Financial Stability Board (FSB) and other relevant international and domestic regulatory requirements, which have been submitted to and approved by the working group for cross-border crisis management which is comprised of domestic and overseas regulatory authorities. During the reporting period, we continued to improve the establishment of internal capital adequacy assessment process (ICAAP), completed the internal capital adequacy assessment for 2019, and carried out the specialized audit of ICAAP for 2019, in order to continuously consolidate the foundation for capital management.

We implemented advanced approach of capital management and measured capital adequacy ratio with advanced measurement approach and other approaches in the parallel implementation period according to the requirements of the CBIRC.

Management of Capital Financing

During the reporting period, we improved the capital replenishment system. To replenish capital, we proactively expanded external sources as well as through retaining profit.

In March and April 2019, we completed issuance of two batches of tier-2 capital bonds in the inter-bank bond market of China, in amount of RMB60 billion each batch and RMB120 billion in total. After deducting expenses in relation to the issuance, the proceeds were fully used to replenish our Tier 2 capital. In August and September 2019, we issued RMB85 billion and RMB35 billion write-down undated capital bonds in the inter-bank bond market of China, respectively. After deducting expenses in relation to the issuance, the proceeds were fully used to replenish our additional Tier 1 capital.

In May 2019, we fully redeemed the 15-year subordinated bond issued in May 2009 in the amount of RMB25 billion. In August 2019, we fully redeemed the 10-year tier-2 capital bond issued in August 2014 in the amount of RMB30 billion.

For details of such issuance and redemptions, please refer to the relevant announcements published on the websites of Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk).

Management of Economic Capital

During the reporting period, we constrained total capital, optimized asset structure, and controlled the growth of risk-weighted assets, in an effort to achieve capital-intensive development. We continued to improve the mechanism for allocation of economic capital, emphasizing the guidance of strategic objectives and the idea of value return, continuously improved the assessment and evaluation system for economic capital, and optimized the application of the economic capital management system, to enhance the sophistication of capital management and application of economic capital.

Capital Adequacy Ratio and Leverage Ratio

For details of the capital adequacy ratio of the Bank and credit risk exposures after risk mitigation, please refer to the *2019 Capital Adequacy Ratio Report* published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange by the Bank. For details of the leverage ratio of the Bank, please refer to "Appendix II Leverage Ratio Information".

Corporate Social Responsibility

In 2019, following the philosophy of "Giving priority to CSR, Benefiting the People, Shouldering responsibilities, Promoting societal prosperity", we actively performed social responsibilities, promoted coordinated and sustainable development of economy, environment and society, and strived to achieve harmony and mutual progress with each of the stakeholders.

Economic Responsibility

We supported fighting against poverty. Building upon the development foundation and resource endowment in poor areas, we innovated the models of poverty alleviation, continuously extended more loans to poor areas and reduced the interest rate for targeted poverty alleviation loans to help the poor shake off poverty and increase income. At the end of 2019, the balance of targeted poverty alleviation loans was RMB394.19 billion, representing an increase of 19.4% compared to the end of the previous year. For extreme poverty areas, we created a new service channel named "five-sphere integrated services network", promoted poverty alleviation collaboration between eastern and western regions, and carried out poverty alleviation through consumption and education, etc., playing the leading role of financial poverty alleviation. In the extreme poverty counties in the "Three Regions and Three Prefectures", we provided mobile financial services for a total of 190 villages and towns without financial services previously. We propelled steadily poverty alleviation in designated areas and differentiated poverty alleviation, and consolidated the achievements of poverty alleviation.

We served for the rural vitalization strategy. Focusing on the general requirements for "thriving businesses, pleasant living environments, social etiquette and civility, effective governance and prosperity", we provided stronger policy supports, propelled integrated development of rural industries and supported construction of "beautiful countryside" to promote transformation and upgrading of agriculture, modernization and beautification of rural areas and enrichment of rural households. We also improved and upgraded the "No. 1 Project" for Providing Internet Financial Services for Sannong and built online and offline integrated channels for basic financial services in rural areas, to make modern financial services to benefit more rural households. At the end of 2019, "ABC Huinong E-loan" recorded a loan balance of RMB198,622 million and benefited more than 1,737.8 thousand rural households.

We supported national economy and people's livelihood. We actively supported the "Belt and Road Initiative" and served strategies for development of major regions such as the coordinated development of Beijing-Tianjin-Hebei Region, Yangtze River Economic Belt and Guangdong-Hong Kong-Macao Greater Bay Area. We strongly supported for the development of advanced manufacturing industry, and established the first sub-branch featuring financial services for advanced manufacturing industry. We vigorously developed inclusive financial services through building a product system of "ABC Small and Micro E-loan" and developing "ABC Industrial E-loan" and other supply chain financial services to meet the financing needs of small and micro customers at different levels and under different scenes. At the end of 2019, the balance of inclusive loans to small and micro enterprises reached RMB592.3 billion. We proactively participated in undertakings relating to people's livelihood in areas such as culture and education, medical care, housing, pension, etc.

Environmental Responsibility

We developed green finance. We innovated green finance products, and supported the development of energy conservation and environmental protection industry, clean production industry, clean energy industry and other green industries to promote the industrial structure transferring to resource-saving and environment-friendly type and to help make "the sky bluer, mountains greener, water cleaner and environment more beautiful". In the year, we recorded the loan balance of our green credit business of RMB1,191 billion and issued two tranches of green asset securitization products involving RMB2.71 billion. In 2019, we, as the lead underwriter, issued the first green debt financing instrument for poverty alleviation in China — the first tranche of ultra-short-term green financing bonds (for poverty alleviation) in 2019 of China Longyuan Power Group Corporation Limited, with an issuance scale of RMB500 million.

We practiced green operation. We promoted green office practice and encouraged our employees to adopt a green and environmental-friendly working pattern to proactively reduce energy consumption for office work. In 2019, direct greenhouse gas emissions of the institutions of our Head Office in Beijing were 1,143.71 tons. We also implemented green procurement by leading our suppliers to set up a green development concept and giving priority to suppliers adopting green production and logistics models, providing environmental-friendly products and services and promoting green corporate culture.

We organized green activities. We guide our staff to put the environmental protection concepts into practice. In 2019, we organized a total of 3,588 events of green public welfare activities with a total of 59,698 participants, including afforestation, garbage classification and Mother River protection.

Social Responsibility

We enhanced service quality. Focusing on building an outlet-based financial ecosphere, we innovated our network service models and launched the first batch of "5G + Scenes" smart branch outlets to provide customers with accessible financial services anywhere and anytime. We accelerated construction of open banking platforms, built a scene-based brand "ABC Wisdom+", and launched a series of service scene including smart travel, smart property management, smart hospital, and smart campus. We also developed a sound data security protection system from such aspects as privacy policies, internal policies and technical safeguard to secure customers' information and continuously enhance our ability in preventing financial crimes. Besides, we maintain efficient communications with customers with complaints, responsively responded to customers' demands and strived to improve customer complaint settlement rate and customers satisfaction.

We attached importance on employees' development. Implementing a strategy of talent development for digital transformation, we formulated and executed the *Talent Development Plan for 2019–2022*, enhanced differential trainings, and actively expanded training methods, including online video, mobile APP and micro-courses, to update employees' knowledge structure. In 2019, we provided training for 0.79 million employees. Caring about the life of our employees, we integrated collective assistance and instant assistance, having helped nearly 30 thousand employees with difficulties.

We promoted social harmony. We organized activities to publicize public financial knowledge. In 2019, we cumulatively organized 46,000 various collective publicity activities, including "3·15 Consumer Rights Protection Publicity Week" and "Young Bankers", with participants exceeding 70 million. We also actively organized volunteer activities. We had organized the public welfare activity of "Small Credits • Great Dreams" for five consecutive years, and "My Voice, Your Eyes", our team for helping the blind, assisted "The Cinema for the Blind" in setting its Guinness World Record. Moreover, we provided emergency rescue and financial support for areas attacked by typhoon "Lekima" and other disasters, contributing our efforts to the harmonious development of our society.

In addition, due to our business nature, current environmental laws and regulations do not have a significant impact on the Bank.

For further details of the environmental information and performance of social responsibility of the Bank, please refer to the *2019 Corporate Social Responsibility Report* of the Bank published separately.

Changes in Share Capital of Ordinary Shares

Details of Changes in Share Capital

Unit: Share

	31 December 2018		Increase/decrease during the reporting period (+, -)			31 December 2019	
	Number of Shares	Percentage[4] (%)	New Shares Issued	Others	Subtotal	Number of Shares	Percentage[4] (%)
I. Shares held subject to restrictions on sales[2]	25,188,916,873	7.20	–	–	–	**25,188,916,873**	**7.20**
1. State-owned[3]	19,959,672,543	5.70	–	–	–	**19,959,672,543**	**5.70**
2. State-owned legal entity[3]	5,037,783,373	1.44	–	–	–	**5,037,783,373**	**1.44**
3. Other domestic shares[3]	191,460,957	0.05	–	–	–	**191,460,957**	**0.05**
II. Shares held not subject to restrictions on sales	324,794,117,000	92.80	–	–	–	**324,794,117,000**	**92.80**
1. RMB-dominated ordinary shares	294,055,293,904	84.02	–	–	–	**294,055,293,904**	**84.02**
2. Foreign-invested shares listed overseas[3]	30,738,823,096	8.78	–	–	–	**30,738,823,096**	**8.78**
III. Total number of shares	349,983,033,873	100.00	–	–	–	**349,983,033,873**	**100.00**

Notes: 1. The data above are derived from the equity structure table issued by China Securities Depository and Clearing Corporation Limited.

2. "Shares held subject to restrictions on sales" refers to the shares held by shareholders who are subject to restrictions on sales in accordance with laws, regulations, rules or commitments.

3. "State-owned" in this table refers to the shares held by the MOF and Huijin. "State-owned legal entity" refers to the shares held by China National Tobacco Corporation, Shanghai Haiyan Investment Management Company Limited, Zhongwei Capital Holding Company Limited and China National Tobacco Corporation Hubei Province Company. "Other domestic shares" refer to the shares held by New China Life Insurance Company Limited. "Foreign-invested shares listed overseas" refer to the H shares as defined in the No.5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Shareholding (Revision 2007) of the CSRC.

4. Rounding errors may arise in the "Percentage" column of the table above as the figures are rounded to the nearest decimal number.

The trading date of shares held subject to restrictions on sales

Unit: Share

Date	Number of new shares for trading upon the expiry of the restrictions on sales	Balance of shares held subject to restrictions on sales	Balance of shares held not subject to restrictions on sales	Description
2 July 2021	5,229,244,330	19,959,672,543	330,023,361,330	China National Tobacco Corporation, Shanghai Haiyan Investment Management Company Limited, Zhongwei Capital Holding Company Limited, China National Tobacco Corporation Hubei Province Company and New China Life Insurance Company Limited
2 July 2023	19,959,672,543	–	349,983,033,873	Huijin, MOF

The shareholdings of the shareholders subject to restrictions on sales and the terms of restrictions on sales

Unit: Share

No.	Shareholders subject to restrictions on sales	Number of shares held subject to restrictions on sales	Date of trading	Number of new shares for trading	Restrictions on sales
1	Huijin	10,082,342,569	2 July 2023	–	Five years from the date of acquisition of equity
2	MOF	9,877,329,974	2 July 2023	–	Five years from the date of acquisition of equity
3	China National Tobacco Corporation	2,518,891,687	2 July 2021	–	36 months from the date of the end of the private placement
4	Shanghai Haiyan Investment Management Company Limited	1,259,445,843	2 July 2021	–	36 months from the date of the end of the private placement
5	Zhongwei Capital Holding Company Limited	755,667,506	2 July 2021	–	36 months from the date of the end of the private placement
6	China National Tobacco Corporation Hubei Province Company	503,778,337	2 July 2021	–	36 months from the date of the end of the private placement
7	New China Life Insurance Company Limited	191,460,957	2 July 2021	–	36 months from the date of the end of the private placement

Details of Issuance and Listing of Securities

Issuance of Securities

For issuance of other securities of the Bank during the reporting period, please refer to "Note IV. 30 Debt Securities Issued" to the Consolidated Financial Statements for details.

Employee Shares

The Bank had no employee shares.

Particulars of Holders of Ordinary Shares

Number of Shareholders and Particulars of Shareholdings

At the end of the reporting period, the Bank had a total of 389,690 shareholders, including 22,819 holders of H Shares and 366,871 holders of A Shares. As at 29 February 2020 (being the last day of the month preceding the month in which the Bank's A Share annual report is published), the Bank had a total of 412,607 shareholders, including 22,760 holders of H Shares and 389,847 holders of A Shares.

Particulars of shareholdings of the top 10 shareholders (the shareholdings of holders of H Shares are based on the number of shares as set out in the register of members of the Bank maintained by its H Share registrar)

Unit: Share

Total number of shareholders	**389,690** (as set out in the registers of shareholders of A Shares and H Shares at 31 December 2019)

Particulars of shareholdings of the top 10 shareholders (the data below are based on the shareholders registered at 31 December 2019)

Name of shareholders	Nature of shareholders	Type of shares	Increase/ decrease during the reporting period (+, –)	Shareholding percentage (%)	Total number of shares held	Number of shares held subject to restrictions on sales	Number of shares pledged or locked-up
Huijin	State-owned	A Shares	–	40.03	140,087,446,351	10,082,342,569	None
MOF	State-owned	A Shares	-13,723,909,471	35.29	123,515,185,240	9,877,329,974	None
HKSCC Nominees Limited	Overseas legal entity	H Shares	-9,018,145	8.73	30,561,081,146	–	Unknown
SSF	State-owned	A Shares	+13,723,909,471	6.72	23,520,968,297	–	None
China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu	Others	A Shares	+2,001,050,149	0.73	2,554,275,099	–	None
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	Others	A Shares	+796,565,637	0.73	2,539,312,027	–	None
China National Tobacco Corporation	State-owned legal entity	A Shares	–	0.72	2,518,891,687	2,518,891,687	None
China Securities Finance Corporation Limited	State-owned legal entity	A Shares	–	0.53	1,842,751,186	–	None
Hong Kong Securities Clearing Company Limited	Overseas legal entity	A Shares	+516,626,524	0.40	1,395,843,555	–	None
Shanghai Haiyan Investment Management Company Limited	State-owned legal entity	A Shares	–	0.36	1,259,445,843	1,259,445,843	None

Notes: 1. *The total number of shares held by HKSCC Nominees Limited represents the number of H Shares held by it in aggregate as a nominee on behalf of all institutional and individual investors registered with it as at 31 December 2019.*

2. *The number of shares held by Hong Kong Securities Clearing Company Limited represents the A Shares (northbound shares of Shanghai-Hong Kong Stock Connect) held by it as a nominee for and on behalf of investors from Hong Kong and overseas.*

3. *Pursuant to the Notice on the Full Implementation of Transferring Part of State-owned Capital to Replenish Social Security Funds (Cai Zi [2019] No. 49) jointly issued by the MOF, Ministry of Human Resources and Social Security, State-owned Assets Supervision and Administration Commission of the State Council, State Taxation Administration, and the CSRC, the MOF transferred 13,723,909,471 shares to the state-owned capital transfer account of the SSF on one-off basis. In compliance with the Notice of the State Council on Printing and Distributing the Implementation Plan of Transferring Part of State-owned Capital to Replenish Social Security Funds (Guo Fa [2017] No. 49), the SSF shall be obligated to observe a lock-up period not less than three years from the date on which the shares are credited to the account. According to the Simplified Report on Changes in Equity provided by the SSF to the Bank, the SSF also held 805,709,096 H shares of the Bank.*

4. *Among the shareholders listed above, both "China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu" and "China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu" are under the management of China Life Insurance Company Limited; China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited. Save as mentioned above, the Bank is not aware of any connections between the shareholders above or whether they are parties acting in concert. The number of shares held by "China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu" and "China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu" amounted to 5,093,587,126 in aggregate, accounting for 1.46% of the total share capital of the Bank. The number of shares held by China National Tobacco Corporation and Shanghai Haiyan Investment Management Company Limited amounted to 3,778,337,530 in aggregate, accounting for 1.08% of the total share capital of the Bank.*

Particulars of shareholdings of the top 10 shareholders not subject to restrictions on sales (the data below are based on the shareholders registered at 31 December 2019)

Unit: Share

Name of shareholder	Number of shares held not subject to restrictions on sales	Type of shares
Huijin	130,005,103,782	A Shares
MOF	113,637,855,266	A Shares
HKSCC Nominees Limited	30,561,081,146	H Shares
SSF	23,520,968,297	A Shares
China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu	2,554,275,099	A Shares
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	2,539,312,027	A Shares
China Securities Finance Corporation Limited	1,842,751,186	A Shares
Hong Kong Securities Clearing Company Limited	1,395,843,555	A Shares
Central Huijin Asset Management Ltd.	1,255,434,700	A Shares
Wutongshu Investment Platform Co., Ltd.	980,723,700	A Shares

Notes: 1. The total number of shares held by HKSCC Nominees Limited represents the number of H Shares in aggregate held by it as a nominee on behalf of all institutional and individual investors registered with it as at 31 December 2019.

2. The number of shares held by Hong Kong Securities Clearing Company Limited represents the A Shares (northbound shares of Shanghai-Hong Kong Stock Connect) held by it as a nominee for and on behalf of investors from Hong Kong and overseas.

3. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. Both "China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu" and "China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu" are under the management of China Life Insurance Company Limited. Save as mentioned above, the Bank is not aware of any connections between the shareholders above or between such shareholders and the top 10 shareholders or whether they are parties acting in concert.

Particulars of Substantial Shareholders

During the reporting period, the Bank's substantial shareholders and controlling shareholders remained unchanged. The Bank had no *de facto* controller.

MOF

The MOF, established in October 1949, is a ministry under the State Council and is empowered to be responsible for macro-economic control and regulation of state finance and taxation policies.

As at 31 December 2019, the MOF held 123,515,185,240 shares of the Bank, representing 35.29% of the total share capital of the Bank.

Huijin

Huijin was established on 16 December 2003 as a wholly state-owned company through state investment in accordance with the Company Law of the PRC with a registered capital of RMB828,209 million. The registered address of Huijin is New Poly Plaza, 1 Chaoyangmen Beidajie, Dongcheng District, Beijing. The unified social credit code of Huijin is 911000007109329615 and its legal representative is Mr. PENG Chun. The State Council has authorized Huijin to make equity investments in major state-owned financial institutions to preserve and increase the value of these state-owned financial assets. Huijin can exercise rights and assume obligations on major state-owned financial institutions as an investor on behalf of the state to the extent of its capital contribution. Huijin does not engage in other commercial activities nor intervene in the normal operations of major state-owned financial institutions which are controlled by Huijin.

As Huijin is not able to provide its audited financial report for 2019 until the completion of the audits of the financial statements of its investees, the following financial data are the audited data for 2018. As of 31 December 2018, the total assets of Huijin amounted to RMB4,753,591,974.3 thousand, total liabilities were RMB491,246,057.6 thousand, and the owners' equity was RMB4,262,345,916.7 thousand. The net profit for 2018 was RMB469,472,211.3 thousand. The net cash flows generated from operating activities, investment activities and financing activities for 2018 amounted to RMB16,032,756.3 thousand.

As at 31 December 2019, the direct shareholdings of Huijin in its investees were as follows:

Type of Institutions	No.	Name of Institutions	Shareholding of Huijin
Bank	1	China Development Bank Corporation	34.68%
	2	Industrial and Commercial Bank of China Limited ★☆	34.71%
	3	Agricultural Bank of China Limited ★☆	40.03%
	4	Bank of China Limited ★☆	64.02%
	5	China Construction Bank Corporation ★☆	57.11%
	6	China Everbright Bank Company Limited ★☆	19.53%
	7	HengFeng Bank Co., Ltd.	53.95%
Comprehensive institution	8	China Everbright Group Ltd.	55.67%
	9	China Jianyin Investment Limited	100.00%
	10	China Galaxy Financial Holding Co., Ltd.	69.07%
	11	Shenwan Hongyuan Group Co., Ltd. ★☆	20.05%
Insurance institution	12	China Export & Credit Insurance Corporation	73.63%
	13	China Reinsurance (Group) Corporation ☆	71.56%
	14	New China Life Insurance Company Limited ★☆	31.34%
Securities institution	15	China International Capital Corporation Limited ☆	44.32%
	16	China Securities Co., Ltd. ★☆	31.21%
Others	17	Jiantou Zhongxin Asset Management Co., Ltd.	70.00%
	18	Guotai Junan Investment Management Co., Ltd.	14.54%

Notes: 1. ★represents A share listed company; ☆represents H share listed company.

2. Apart from the above investees, Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. Central Huijin Asset Management Ltd. was established and incorporated in Beijing in November 2015 with a registered capital of RMB5 billion. It is engaged in asset management business.

As at 31 December 2019, Huijin held 140,087,446,351 shares of the Bank, representing 40.03% of the total share capital of the Bank. During the reporting period, Huijin nominated Mr. WU Jiangtao as a Non-executive Director of the Bank.

SSF

The SSF, a public institution managed by the MOF, was founded in August 2000. Its registered address is South Tower, Fortune Time Plaza, No.11 Fenghui Garden, Xicheng District, Beijing and its legal representative is LIU Wei. With the approval of the State Council and in accordance with the requirements by the MOF and the Ministry of Human Resources and Social Security, the SSF is entrusted to manage the following funds: the national social security fund, the central subsidy funds for individual accounts, part of the basic endowment insurance funds for enterprise employees, the basic endowment insurance fund and part of the transferred state-owned capital.

Pursuant to the *Notice on the Full Implementation of Transferring Part of State-owned Capital to Replenish Social Security Funds (Cai Zi [2019] No. 49)* jointly issued by the MOF, the Ministry of Human Resources and Social Security, State-owned Assets Supervision and Administration Commission of the State Council, State Taxation Administration, and the CSRC, during the reporting period, the MOF transferred 13,723,909,471 shares to the state-owned capital transfer account of the SSF on one-off basis.

Except for MOF, Huijin and SSF, there was no other substantial shareholder who held a shareholding of 5% or above in the Bank as at 31 December 2019.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

As at 31 December 2019, the Bank received notifications from the following persons regarding their interests or short positions in shares and underlying shares of the Bank. Such interests or short positions were recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong, details of which are set out below:

Unit: Share

Name	Capacity	Interests and short positions	Nature	Percentage of issued class shares (%)	Percentage of total issued shares (%)
Huijin	Beneficial owner	140,087,446,351 (A Shares)	Long position	43.88	40.03
	Interest of controlled entity	1,255,434,700 (A Shares)	Long position	0.39	0.36
MOF	Beneficial owner/nominee[1]	133,312,244,066 (A Shares)[2]	Long position	41.76	38.09
SSF	Beneficial owner	23,520,968,297 (A Shares)	Long position	7.37	6.72
The Bank of New York Mellon Corporation	Interest of controlled entity	2,528,604,097 (H Shares)	Long position	8.23	0.72
		2,475,577,852 (H Shares)	Shares available for lending	8.05	0.71
Qatar Investment Authority	Interest of controlled entity	2,448,859,255 (H Shares)[3]	Long position	7.97	0.70
Qatar Holding LLC	Beneficial owner	2,408,696,255 (H Shares)[3]	Long position	7.84	0.69
BlackRock, Inc.	Interest of controlled entity	2,151,249,908 (H Shares)[4]	Long position	6.99	0.61
		7,326,000 (H Shares)	Short position	0.02	0.00
Citigroup Inc.	Person with secured interests in shares	1,851,234 (H Shares)[5]	Long position	0.01	0.00
	Interest of controlled entity	91,693,261 (H Shares)[5]	Long position	0.30	0.03
		41,306,379 (H Shares)	Short position	0.13	0.01
	Approved lending agent	1,462,864,843 (H Shares)[5]	Shares available for lending	4.75	0.42

Notes:

1. *9,797,058,826 A Shares are held by the SSF, but the voting rights of these shares were transferred to the MOF according to the share subscription agreement dated 21 April 2010 and the Approval on the Proposed Transfer of State-owned Shares of the Agricultural Bank of China issued by the MOF on 5 May 2010.*
2. *According to the register of members of the Bank at 31 December 2019, the MOF held 123,515,185,240 A Shares of the Bank, representing 38.69% of the issued A Shares and 35.29% of the total issued shares of the Bank, respectively.*
3. *Qatar Investment Authority is deemed to be interested in 2,448,859,255 H Shares in aggregate held by Qatar Holding LLC and QSMA1 LLC, both of which are wholly-owned subsidiaries of Qatar Investment Authority.*
4. *BlackRock, Inc. is deemed to be interested in 2,151,249,908 H Shares in aggregate, both directly and indirectly held by BlackRock Investment Management, LLC and BlackRock Financial Management, Inc., both of which are wholly-owned subsidiaries of BlackRock, Inc.*
5. *Citigroup Inc. is deemed to be interested in 1,556,409,338 H Shares in aggregate, both directly and indirectly held by Citicorp LLC and Citibank, N.A., both of which are wholly-owned subsidiaries of Citigroup Inc.*

Issuance and Listing of Preference Shares

Stock code of preference shares	Stock name of preference shares	Issuance date	Issuance price (in RMB)	Coupon rate[1]	Number of preference shares issued	Listing date	Number of preference shares approved to be listed	Transfer deadline	Proceeds raised (in RMB)	Use of proceeds
360001	農行優1	2014/10/31	100 per share	5.32%	400 million shares	2014/11/28	400 million shares	N/A	40 billion	Replenish the additional Tier 1 capital
360009	農行優2	2015/3/6	100 per share	4.84%	400 million shares	2015/3/27	400 million shares	N/A	40 billion	Replenish the additional Tier 1 capital

Note: 1. During the second dividend period beginning from 5 November 2019, the coupon rate of "農行優1" will be 5.32%; During the second dividend period beginning from 11 March 2020, the coupon rate of "農行優2" will be 4.84%.

For the terms and details of the issuance of the preference shares above, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank.

Number of Holders of Preference Shares and their Shareholdings

As at the end of the reporting period, we had a total of 25 holders[1] of the preference shares "農行優1" (stock code: 360001). As at 29 February 2020 (being the last day of the month preceding the month in which the Bank's A Share annual report is published), we had a total of 25 holders of the preference shares "農行優1" (stock code: 360001).

1 The number of the holders of preference shares was calculated by the number of qualified investors that hold the preference shares. When calculating the number of qualified investors, an asset management institution that purchases or transfers the preference shares through two or more products under its control will be counted as one.

Particulars of Shareholding of the Top 10 Holders of Preference Shares "農行優1" (Stock Code: 360001)

Unit: Share

Name of shareholders[1]	Nature of shareholders[2]	Type of shares	Increase/decrease during the reporting period[3] (+, –)	Number of preference shares held	Shareholding percentage[4] (%)	Number of preference shares subject to pledge or lock-up
Bank of Communications Schroder Fund Management Co., Ltd.	Other	Domestic preference shares	–	60,000,000	15.00	None
China Merchants Fund Management Co., Ltd.	Other	Domestic preference shares	–	49,000,000	12.25	None
Beijing Tiandi Fangzhong Asset Management Co., Ltd.	Other	Domestic preference shares	–	35,000,000	8.75	None
PICC Life Insurance Company Limited	Other	Domestic preference shares	–	30,000,000	7.50	None
Ping An Life Insurance Company of China, Ltd.	Other	Domestic preference shares	–	30,000,000	7.50	None
Hexie Health Insurance Co., Ltd.	Other	Domestic preference shares	–	30,000,000	7.50	None
Beijing International Trust Co., Ltd.	Other	Domestic preference shares	–	30,000,000	7.50	None
Zhonghai Trust Co., Ltd.	Other	Domestic preference shares	–	20,000,000	5.00	None
Bank of Ningbo Co., Ltd.	Other	Domestic preference shares	–	15,000,000	3.75	None
Bank of Beijing Scotiabank Asset Management Co., Ltd.	Other	Domestic preference shares	–	12,000,000	3.00	None

Notes:
1. *The Bank is not aware of any connections between the above holders of preference shares, and between the above holders of preferences shares and the top 10 holders of ordinary shares, or whether they are parties acting in concert.*
2. *According to the No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report (Revision 2017), "Particulars of holders of preference shares should indicate the entities which hold shares on behalf of the states and foreign holders". Except for the entities which hold shares on behalf of the states and foreign holders, the nature of other holders of preference shares are "others".*
3. *"Increase/decrease during the reporting period (+, –)" refers to the change of shareholding due to secondary market transactions.*
4. *"Shareholding percentage" refers to the percentage of "農行優1" held by the holders of preference shares to the total number of "農行優1" (i.e. 400 million shares).*

As at the end of the reporting period, the Bank had a total of 32 holders of preference shares "農行優2" (stock code: 360009). As at 29 February 2020 (being the last day of the month preceding the month in which the Bank's A Share annual report is published), the Bank had a total of 32 holders of preference shares "農行優2" (stock code: 360009).

Particulars of Shareholding of the Top 10 Holders of Preference Shares "農行優2" (Stock Code: 360009)

Unit: Share

Name of shareholders[1]	Nature of shareholders[2]	Type of shares	Increase/ decrease during the reporting period[3] (+, –)	Number of preference shares held	Shareholding percentage[4] (%)	Number of preference shares subject to pledge or lock-up
China Life Insurance Company Limited	Other	Domestic preference shares	–	50,000,000	12.50	None
China National Tobacco Corporation	Other	Domestic preference shares	–	50,000,000	12.50	None
Beijing Chance Capital Management Co., Ltd.	Other	Domestic preference shares	–	25,000,000	6.25	None
Maxwealth Fund Management Co., Ltd.	Other	Domestic preference shares	–	25,000,000	6.25	None
China Mobile Communications Corporation	Other	Domestic preference shares	–	20,000,000	5.00	None
Bank of Communications Schroder Fund Management Co., Ltd.	Other	Domestic preference shares	–	20,000,000	5.00	None
Bank of China Limited, Shanghai Branch	Other	Domestic preference shares	–	20,000,000	5.00	None
China National Tobacco Corporation Jiangsu Province Company	Other	Domestic preference shares	–	20,000,000	5.00	None
China National Tobacco Corporation Yunnan Province Company	Other	Domestic preference shares	–	20,000,000	5.00	None
Shanghai Tobacco Group Co., Ltd.	Other	Domestic preference shares	–	15,700,000	3.93	None

Notes: 1. China National Tobacco Corporation Jiangsu Province Company, China National Tobacco Corporation Yunnan Province Company and Shanghai Tobacco Group Co., Ltd. are wholly-owned subsidiaries of China National Tobacco Corporation. China National Tobacco Corporation is the de facto controller of Shanghai Haiyan Investment Management Company Limited. China Life Insurance Company Limited — Traditional — Common assurance product — 005L — CT001 Hu and China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu are managed by China Life Insurance Company Limited. Save as mentioned above, the Bank is not aware of any connections between the above shareholders of preference shares, and between the above shareholders of preferences shares and the top 10 shareholders of ordinary shares, or whether they are parties acting in concert.

2. According to the No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report (Revision 2017), "Particulars of holders of preference shares should indicate the entities which hold shares on behalf of the states and foreign holders". Except for the entities which hold shares on behalf of the states and foreign holders, the nature of other holders of preference shares are "others".

3. "Increase/decrease during the reporting period (+, –)" refers to the change of shareholding due to secondary market transactions.

4. "Shareholding percentage" refers to the percentage of "農行優2" held by the holders of preference shares to the total number of "農行優2" (i.e. 400 million shares).

The preferences shares "農行優1" and "農行優2" of the Bank are shares not subject to restrictions on sale, and the top 10 holders of preferences shares "農行優1" and "農行優2" who are not subject to restrictions on sale are the same as the top 10 holders of preferences shares.

Profit Distribution of Preference Shares

Dividends on our preference shares will be paid in cash and shall be paid annually. When we resolve to cancel part or all of the dividends to holders of preference shares, the undistributed dividends of current period shall not be accumulated to subsequent dividend periods. The holders of our preference shares, upon receiving dividends at the agreed rate, shall not participate in the distribution of the remaining profit attributable to the holders of ordinary shares.

During the reporting period, on 11 March 2019, we paid cash dividends of RMB5.50 (tax inclusive) per preference share and RMB2.2 billion (tax inclusive) in aggregate (calculated by a coupon rate of 5.50%) to all holders of "農行優2" (stock code: 360009) whose names appeared on the register of members at the close of business on 8 March 2019. On 5 November 2019, we paid cash dividends of RMB6.00 (tax inclusive) per preference share and RMB2.4 billion (tax inclusive) in aggregate (calculated by a coupon rate of 6.00%), to all holders of "農行優1" (stock code: 360001) whose names appeared on the register of members at the close of business on 4 November 2019.

On 11 March 2020, we paid cash dividends of RMB5.50 (tax inclusive) per preference share and RMB2.2 billion (tax inclusive) in aggregate (calculated by a coupon rate of 5.50%) to all holders of "農行優2" (stock code: 360009) whose names appeared on the register of members at the close of business on 10 March 2020.

For details of the distribution of dividends above, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange and the Bank.

Redemption and Conversion of Preference Shares

During the reporting period, there was no redemption or conversion of the preference shares issued by the Bank.

Restoration of Voting Rights of Preference Shares

During the reporting period, there was no restoration of voting rights of the preference shares issued by the Bank.

Accounting Policies

In accordance with *Accounting Standards for Enterprises No. 22 — Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 37 — Presentation of Financial Instruments and the Provisions on Differentiating Financial Liabilities and Equity Instruments and Related Accounting Treatment* issued by the MOF, as well as the *International Financial Reporting Standard 9 — Financial Instruments* and the *International Accounting Standard 32 — Financial Instruments Presentation* promulgated by International Accounting Standards Board, we are of the view that the terms of preference shares "農行優1" (stock code: 360001) and "農行優2" (stock code: 360009) meet the definition of equity instruments.

Directors, Supervisors and Senior Management

Basic Information

Name	Position	Gender	Age	Tenure
Incumbent Directors				
ZHOU Mubing	Chairman of the Board of Directors, Executive Director	Male	62	2016.07–2022.07
ZHANG Qingsong	Vice Chairman of the Board of Directors, Executive Director and President	Male	54	2020.01–2023.01
ZHANG Keqiu	Executive Director, Executive Vice President	Female	56	2019.04–2022.04
XU Jiandong	Non-executive Director	Male	56	2015.02–2020.12
CHEN Jianbo	Non-executive Director	Male	56	2015.01–2020.12
LIAO Luming	Non-executive Director	Male	56	2017.08–2020.08
LI Qiyun	Non-executive Director	Male	56	2018.06–2021.06
LI Wei	Non-executive Director	Male	53	2019.05–2022.05
WU Jiangtao	Non-executive Director	Male	48	2019.07–2022.07
XIAO Xing	Independent Non-executive Director	Female	49	2015.03–2021.05
WANG Xinxin	Independent Non-executive Director	Male	67	2016.05–2022.05
HUANG Zhenzhong	Independent Non-executive Director	Male	55	2017.09–2020.09
LEUNG KO May Yee, Margaret	Independent Non-executive Director	Female	67	2019.07–2022.07
LIU Shouying	Independent Non-executive Director	Male	55	2019.07–2022.07
Incumbent Supervisors				
WANG Jingdong	Chairman of the Board of Supervisors, Supervisor Representing Shareholders	Male	57	2018.11–2021.11
WANG Xingchun	Supervisor Representing Shareholders	Male	56	2014.06–2020.06
XIA Taili	Supervisor Representing Employees	Male	57	2018.08–2021.08
SHAO Lihong	Supervisor Representing Employees	Male	47	2018.08–2021.08
WU Gang	Supervisor Representing Employees	Male	54	2019.10–2022.10
LI Wang	External Supervisor	Male	56	2015.06–2021.11
ZHANG Jie	External Supervisor	Male	55	2018.11–2021.11
LIU Hongxia	External Supervisor	Female	56	2018.11–2021.11
Incumbent Senior Management				
ZHANG Qingsong	Vice Chairman of the Board of Directors, Executive Director and President	Male	54	2019.11–
ZHANG Xuguang	Executive Vice President	Male	55	2019.12–
ZHANG Keqiu	Executive Director, Executive Vice President	Female	56	2017.07–
ZHAN Dongsheng	Executive Vice President	Male	54	2019.04–
CUI Yong	Executive Vice President	Male	50	2019.05–
LI Zhicheng	Chief Risk Officer	Male	57	2017.02–
Former Directors, Supervisors and Senior Management				
WANG Wei	Former Executive Director, Executive Vice President	Male	57	2018.02–2019.11
CAI Dong	Former Executive Director, Executive Vice President	Male	51	2019.06–2019.10
HU Xiaohui	Former Non-executive Director	Male	60	2015.01–2019.01
WEN Tiejun	Former Independent Non-executive Director	Male	68	2011.05–2019.08
Francis YUEN Tin-fan	Former Independent Non-executive Director	Male	67	2013.03–2019.08
LIU Chengxu	Former Supervisor Representing Employees	Male	57	2016.07–2019.10
GONG Chao	Former Secretary of the Party Discipline Committee	Male	60	2012.03–2019.01
ZHOU Wanfu	Former Secretary to the Board of Directors	Male	54	2018.04–2020.03

Notes: 1. Please refer to "Changes in Directors, Supervisors and Senior Management" in this section for information related to the changes in the Directors, Supervisors and senior management of the Bank.

2. The terms of office of Mr. WANG Wei and Mr. CAI Dong as a former Executive Director of the Bank are set out in the table above. Their terms of office as a former Executive Vice President of the Bank began in December 2013 and in May 2019, respectively.

Biography of Directors, Supervisors and Senior Management

Biography of Directors

ZHOU Mubing Chairman of the Board of Directors, Executive Director

Mr. ZHOU Mubing received a doctor's degree in economics from Renmin University of China and holds a certificate of senior economist. Mr. ZHOU has served as the Chairman of the Board of Directors and an Executive Director of the Bank since July 2016. Mr. ZHOU successively worked in several places, including the production team of Rongchang County of Sichuan Province, Sichuan Rongchang County No. 4 Middle School and Sichuan Finance and Economics College as a teacher, and the State Commission for Restructuring the Economic Systems. Mr. ZHOU served successively in several positions in Industrial and Commercial Bank of China, including an assistant president of the Hainan Branch and concurrently the president of the Yangpu Branch, a director of Policy and Research Department of the head office and the president of the Fujian Branch. Mr. ZHOU served successively as a deputy chief executive, an acting chief executive and a chief executive of Yubei District in Chongqing Municipality, the director general of General Office of Chongqing Municipal Government, and the secretary general of Chongqing Municipal Government. Mr. ZHOU was appointed as a vice mayor of Chongqing Municipality in March 2004 and a vice chairman of the China Banking Regulatory Commission in December 2010.

ZHANG Qingsong Vice Chairman of the Board of Directors, Executive Director, President

Mr. ZHANG Qingsong received a master's degree majoring in economics from the Graduate School of the People's Bank of China and is an associate researcher. He was appointed as the President of the Bank in November 2019 and has served as the Vice Chairman of the Board of Directors, Executive Director and President since January 2020. He successively served in several positions in the Bank of China, including the deputy general manager of the Asset – Liability Management Department, deputy general manager of the Treasury, director of the Global Markets Department, director of the Global Markets Unit, general manager of the Global Markets Unit, general manager of the Hong Kong Trading Center (Hong Kong Branch), general manager of Singapore Branch and general manager of the Clearing Department of the head office. He was appointed as the executive vice president of the Bank of China in November 2016, and an executive director as well as the vice president of the Bank of China in August 2018. He was appointed as the vice chairman and president of the Export-Import Bank of China in December 2018.

ZHANG Keqiu Executive Director, Executive Vice President

Ms. ZHANG Keqiu received a master's degree in economics from Nankai University. Ms. ZHANG is a senior accountant and an expert entitled to Government Special Allowance granted by the State Council. She was appointed as the secretary to the Board of Directors of the Bank in June 2015, as an Executive Vice President and the secretary to the Board of Directors of the Bank in July 2017, and as an Executive Vice President of the Bank in April 2018. Ms. ZHANG has served as an Executive Director and an Executive Vice President of the Bank since April 2019. Ms. ZHANG had previously served in various positions in the Bank, including the general manager of Asset and Liability Management Department, the general manager of Finance and Accounting Department and the chief financial officer. Ms. ZHANG is concurrently a deputy secretary-general of executive committee of the Banking Accounting Society of China and the vice chairperson of the fifth session of the board of directors of China National Bond Association.

XU Jiandong   Non-executive Director

Mr. XU Jiandong holds a bachelor's degree. He currently works with Central Huijin Investment Ltd. Mr. XU has served as a Non-executive Director of the Bank since February 2015. Mr. XU successively served in several positions in the State Administration of Foreign Exchange (the "SAFE"), including a deputy director of the Market Exchange Rate Division of the Balance of Payment Department, a director of the Banking Foreign Exchange Balance of Payment Management Division of the Balance of Payment Department, and a deputy counsel of the Balance of Payment Department. He also previously served as a deputy director of the Financial Affairs Office of Jilin Province and a deputy counsel of the Management and Inspection Department of the SAFE.

CHEN Jianbo   Non-executive Director

Mr. CHEN Jianbo received a doctor's degree in management from Renmin University of China. He currently works with Central Huijin Investment Ltd. Mr. CHEN has served as a Non-executive Director of the Bank since January 2015. He previously served as an assistant research fellow and deputy director of the Rural Policy Research Office of the Secretariat of the Central Committee and the Enterprise Research Division of the Development Research Department of the Rural Development Research Center of the State Council; a director and research fellow of the Rural Department of the Development Research Center of the State Council; and a counsel for the Central Financial Affairs Leading Group Office and the Rural Group 1 of the Central Rural Affairs Leading Group Office.

LIAO Luming   Non-executive Director

Mr. LIAO Luming received a doctor's degree in public finance from the Public Finance Science Institute of the MOF. He currently works with Central Huijin Investment Ltd. Mr. LIAO has served as a Non-executive Director of the Bank since August 2017. He started working at the MOF in August 1985, and served successively as a director clerk of the Research Division, a deputy director and a director of the Information Division, and a director of the News Division at the General Office of MOF. He was appointed as a deputy director of the General Office of MOF in January 2003, a bureau level cadre of the Party Committee of MOF in January 2012 and an executive vice secretary (bureau level) of the Party Committee of MOF in February 2012.

LI Qiyun   Non-executive Director

Mr. LI Qiyun holds a master's degree in quantitative economics from the Information Department of Renmin University of China, and is a senior engineer. He currently works with Central Huijin Investment Ltd. Mr. LI has served as a Non-executive Director of the Bank since June 2018. He previously served as an assistant engineer and engineer at the Computing Center of the MOF, a deputy director, senior engineer, deputy chief engineer (director level) and deputy general manager (deputy bureau level) of the Information Network Center of the MOF.

LI Wei Non-executive Director

Mr. LI Wei graduated from Zhejiang University of Finance and Economics with a bachelor's degree in finance and is a senior accountant. He currently works with Central Huijin Investment Ltd., and has served as a Non-executive Director of the Bank since May 2019. He previously served as a deputy director clerk, a director clerk and a deputy director of the Budget Office of Ningbo Finance and Taxation Bureau, as well as a deputy director, a director, an assistant commissioner and a deputy supervisor of the First Division of the Office of the Ministry of Finance in Ningbo.

WU Jiangtao Non-executive Director

Mr. WU Jiangtao holds a doctor's degree from the Chinese Academy of Fiscal Sciences of the MOF and is a senior accountant. He currently works with Central Huijin Investment Ltd. Mr. WU has served as a Non-executive Director of the Bank since July 2019. He previously served as a project manager, a deputy department manager, a department manager, and a partner of Chongqing Pan-China Certified Public Accountants Co., Ltd., as well as a deputy general manager of the audit department of the head office of Hua Xia Bank Co., Ltd. and deputy president of the Beijing branch. Since September 2016, he has served as a general manager of the audit department of the head office of Hua Xia Bank Co., Ltd.

XIAO Xing Independent Non-executive Director

Ms. XIAO Xing holds a doctor's degree in accounting. She currently works as a professor and the head of Tsinghua SEM Department of Accounting and a vice dean of the Institute for Global Private Equity of Tsinghua University. She has served as an Independent Non-executive Director of the Bank since March 2015. She visited Harvard University, Massachusetts Institute of Technology as well as University of Wisconsin for study and as a senior visiting scholar. She was elected as a Fulbright scholar in 2011. Ms. XIAO Xing previously served as a member of the expert panel of China Development Bank, an independent advisory expert for the World Bank, an independent director of Beijing Thunisoft Co., Ltd. and an independent director of Goertek Inc., etc. She concurrently serves as a member of China National MPAcc Education Steering Committee, a member of the MPAcc Education Steering Committee of the Ministry of Education, and an independent director of Mango Excellent Media Co., Ltd., Bloomage Biotech Co., Ltd. and Aixin Life Insurance Co., Ltd.

WANG Xinxin Independent Non-executive Director

Mr. WANG Xinxin holds a master's degree in law and is currently a teacher in the Economic Law Teaching and Research Office of the School of Law, and a professor and supervisor for Ph.D. candidates of Renmin University of China. He has served as an Independent Non-executive Director of the Bank since May 2016. He previously worked in NPC Financial and Economic Committee as a member of the Drafting Group for Enterprise Bankruptcy Law. He concurrently serves as the director of Bankruptcy Law Research Center of Renmin University of China, the president of Beijing Bankruptcy Law Society, the honorary president of Enterprise Bankruptcy and Reorganization Panel of Shandong Law Society, the honorary president of Bankruptcy Law Panel of Guangdong Law Society, the honorary president of Bankruptcy and Reorganization Panel of Shanxi Law Society, the honorary president of Enterprise Bankruptcy and Reorganization Panel of Hunan Law Society, a consultant for the Bankruptcy Law Research Institute of the Shanghai Law Society, a consultant for the Bankruptcy Law Research Institute of the Henan Law Society, an executive member of Economic Law Research Institute of the China Law Society and an executive member of the Beijing Law Society. Mr. WANG Xinxin is a consultant in the Drafting Group for Judicial Interpretations of Bankruptcy Law, one of the first chief researchers of Judicial Case Research Institute of the Supreme People's Court. He has served in the United Nations Commission on International Trade Law Working Group V (Insolvency Law) as an expert advisor to PRC delegation since 2015. He also serves as an independent director of each of Unisplendour Corporation Limited, Hainan Jingliang Holdings Co., Ltd. and Cnano Technology Limited.

HUANG Zhenzhong Independent Non-executive Director

Mr. HUANG Zhenzhong holds a doctor's degree in law. He is currently a professor and a supervisor for Ph.D. candidates of the School of Law in Beijing Normal University, and a deputy director of Chinese Entrepreneurs Crime Prevention Research Center. He has served as an Independent Non-executive Director of the Bank since September 2017. He previously served as a vice director and a senior economist of the Enterprise Reform Division at the Asset Management Department of Sinopec Group, a deputy head of School of Law and a director of the Legal Counsel Office in School of Law of Beijing Normal University, and a deputy chief prosecutor, a member of the Committee of Inspection of the Procuratorate of Tibet Autonomous Region and an independent director of Ciwen Media Co., Ltd. He is currently the vice chairman of China – ASEAN Legal Cooperation Center, an executive director of the Energy Law Research Committee of China Law Society, an arbitrator of China International Economic and Trade Arbitration Commission, a panel mediator with the Mediation Center of China Chamber of International Commerce, an arbitrator of Tianjin Arbitration Commission, an arbitrator of Hainan Arbitration Commission, a lifetime honorary director of Beijing Jingshi Law Firm, a member of the Chartered Institute of Arbitrators, and an independent director of Sinopec Oilfield Equipment Corporation, CECEP Solar Energy Technology Co., Ltd. and Yunnan Jinggu Forestry Co., Ltd.

LEUNG KO May Yee, Margaret　Independent Non-executive Director

Ms. LEUNG KO May Yee, Margaret, holds a Bachelor's Degree in Economics, Accounting and Business Administration from the University of Hong Kong. Ms. Leung was awarded Silver Bauhinia Star and Justice of the Peace by the HKSAR. She has served as an Independent Non-executive Director of the Bank since July 2019. She previously served as a vice chairman and the chief executive of Chong Hing Bank Limited, a vice chairman and the chief executive of Hang Seng Bank Limited, the general manager and global co-head of Industrial and Commercial Business of HSBC Group, a director of HSBC, and a director of Wells Fargo HSBC Trade Bank; she was an independent non-executive director of China Construction Bank, Hong Kong Exchanges and Clearing Limited, QBE Insurance Group Limited (listed on the Australian Securities Exchange), etc. She currently serves as an independent non-executive director of First Pacific Company Limited, Li & Fung Limited and Sun Hung Kai Properties Limited., and a member of the National Committee of the Chinese People's Political Consultative Conference.

Liu Shouying　Independent Non-executive Director

Mr. LIU Shouying serves as a second-level professor and supervisor for Ph.D. candidates in School of Economics, Renmin University of China, vice president of the Chinese Association of Agro-Technical Economics, executive director of the China Land Science Society, and vice president of China International Association for Urban and Rural Development. He has served as an Independent Non-executive Director of the Bank since July 2019. He previously served as a deputy secretary-general of the Academic Committee of the Development Research Center of the State Council, a deputy minister of the Rural Economic Research Department, a director of the Urban and Rural Coordination Fundamental Area of the Development Research Center of the State Council, and the president and chief editor of China Economic Times.

Biography of Supervisors

WANG Jingdong Chairman of the Board of Supervisors, Supervisor Representing Shareholders

Mr. WANG Jingdong holds a bachelor's degree in agronomy from Huazhong Agricultural College and is a senior engineer. He has served as the Chairman of the Board of Supervisors and a Supervisor Representing Shareholders of the Bank since November 2018. He successively worked in the Ministry of Agriculture, Animal Husbandry and Fisheries, the State Economic Commission and State Agriculture Investment Corporation. Mr. WANG successively served in several positions in China Development Bank, including an executive vice president of the Heilongjiang branch, a vice general manager of the human resources department of the head office, the general manager of the project appraisal department III of the head office, the president of Beijing branch and the general manager of human resources department of the head office. He served as an executive vice president of Industrial and Commercial Bank of China Limited since December 2013 and an executive director and executive vice president of Industrial and Commercial Bank of China Limited since December 2016.

WANG Xingchun Supervisor Representing Shareholders

Mr. WANG Xingchun received a master's degree in economics from the Graduate School of the PBOC and is a senior economist. He has served as a Supervisor Representing Shareholders of the Bank since June 2014. Mr. WANG previously served successively in several positions in the Bank, including a deputy director of the Policy Research Division of the Research Office, a director of the Policy Research Division of the Development Planning Department, an assistant to general manager of the Development Planning Department and the Market Development Department, a deputy general manager of the Market Development Department and a deputy general manager of Training Department. He was appointed as a vice president of Tianjin Training Institute of the Bank in February 2002, the general manager of the Legal Affairs Department of the Bank in November 2003, the general manager of the Legal and Compliance Department of the Bank in June 2006, the general manager of the Legal Affairs Department of the Bank in July 2008, a Supervisor Representing Employees and the general manager of the Legal Affairs Department of the Bank in April 2009, a Supervisor Representing Employees and the director general of the Audit Office's Affiliated Office of the Bank in March 2011, the director general of the Audit Office's Affiliated Office of the Bank in July 2011, and the director of Office of the Board of Supervisors in March 2014.

XIA Taili Supervisor Representing Employees

Mr. XIA Taili graduated with a college diploma and has served as a Supervisor Representing Employees of the Bank since August 2018. He previously served as a director of the Second Division and the General Division in the Second Discipline Inspection Office of the Central Commission for Discipline Inspection, a deputy bureau level discipline inspection commissioner and a supervisor in the Second Discipline Inspection Office of the Central Commission for Discipline Inspection, a deputy bureau level discipline inspection commissioner and a supervisor in the Seventh Discipline Inspection Office of the Central Commission for Discipline Inspection. Mr. XIA previously served successively in several positions in the Bank, including the dean of the Office of the Leading Group of Inspection Work in February 2013, the deputy secretary of the Party Discipline Committee and the general manager of the Inspection and Supervision Department in April 2014, and a Supervisor Representing Employees, the deputy secretary of the Party Discipline Committee and the general manager of the Inspection and Supervision Department in December 2014, and a Supervisor Representing Employees, the deputy secretary of the Party Discipline Committee and the president of the Inspection and Supervision Bureau in March 2015, and a Supervisor Representing Employees, the deputy secretary of the Party Discipline Committee, the president of the Inspection and Supervision Bureau and the dean of the Office of the Leading Group of Inspection Work in September 2015, the deputy secretary of the Party Discipline Committee, the president of the Inspection and Supervision Bureau and the dean of the Office of the Leading Group of Inspection Work in January 2018, and a Supervisor Representing Employees, the deputy chief of the Discipline Inspection and Supervision Team of the Central Commission for Discipline Inspection and National Commission of Supervision stationed in the Bank in April 2019.

SHAO Lihong Supervisor Representing Employees

Mr. SHAO Lihong, holds a master's degree in economics and is a senior economist. He has served as a Supervisor Representing Employees of the Bank since August 2018. Mr. SHAO previously served successively in several positions in the Bank, including the deputy director level secretary of the Secretariat of the Office, the deputy director of the Real Estate Development Division, the Real Estate Development Division II and the General Business Division of the Real Estate Credit Department, the director of the Individual Housing Business Division of the Real Estate Credit Department, the director of the Housing Credit Division of the Individual Business Department, the director of the Housing Credit Division of the Housing Finance and Retail Credit Department, the deputy general manager of the Housing Finance and Retail Credit Department, the deputy general manager of the Retail Banking Department. He served as the director of the Trade Union Affairs Department/United Front Work Department of the Bank in April 2018.

WU Gang Supervisor Representing Employees

Mr. WU Gang holds a master's degree from Tianjin University specialising in management engineering and is a senior economist. He has been serving as a Supervisor Representing Employees of the Bank since October 2019. He previously served as the assistant to the general manager and the deputy general manager of the corporate banking department of the Bank, the general manager of the Big Client Department/Business Department and concurrently the member of party committee and vice president of the Beijing Branch. He served as the secretary of party committee and president of the Henan Branch in June 2014. He has been the general manager of Audit Office of the Head Office since May 2018.

LI Wang External Supervisor

Mr. LI Wang holds a doctor's degree in law. He has served as an External Supervisor of the Bank since June 2015. He has worked in the School of Law of Tsinghua University since November 1997 and is now a professor and supervisor for Ph.D. candidates for the university. He previously worked as a teaching assistant at the Faculty of Law of Kyoto University and as a lawyer at Sakamoto Law Firm in Japan, Oh-Ebashi LPC & Partners in Japan and J&R Law Firm in Beijing. He concurrently serves as a lawyer at the Tiantai Law Firm in Beijing and an independent director of Beijing Capital Land Ltd.

ZHANG Jie External Supervisor

Mr. ZHANG Jie holds a doctor's degree in economics. He has served as an External Supervisor of the Bank since November 2018. He is a distinguished professor of the "Changjiang Scholars Programme" of the Ministry of Education, an Outstanding Teacher in the national "Ten Thousand Talent Program", and an expert entitled to Government Special Allowance granted by the State Council. He previously served as the dean of the School of Finance of Shaanxi Finance and Economic Institute, a deputy dean of the School of Economics and Finance of Xi'an Jiaotong University and a deputy dean of the School of Finance of Renmin University of China, etc. He currently serves as a second-level professor, a supervisor for Ph.D. candidates and the president of the International Monetary Institute (IMI) of the School of Finance of Renmin University of China, executive member of China Society for Finance and Banking, China International Finance Society, China Urban Financial Society and China Rural Financial Society, etc.

LIU Hongxia External Supervisor

Ms. LIU Hongxia holds a doctor's degree in management. She has served as an External Supervisor of the Bank since November 2018. From 1999 until now, she has been working as a professor, a supervisor for Ph.D. candidates, and a co-advisor for postdoctoral at the School of Accounting of Central University of Finance and Economics. She previously worked as a teaching assistant at Beijing Institute of Finance and Trade, a lecturer of Shandong University of Finance, an auditor of Zhongzhou Certified Public Accountants in Beijing, and a deputy professor of Central Financial Management Cadre College. She previously served as independent director for China Merchants Bank, Fangda Special Steel Technology Co., Ltd., Beijing AriTime Intelligent Control Co., Ltd., Shanghai New Huang Pu Real Estate Co., Ltd., and Langold Real Estate Co., Ltd., etc. She currently serves as an independent director of Cinda Real Estate Co., Ltd., Nanjing Tanker Corporation of China Changjiang National Shipping Group Co. Ltd., Joyoung Co., Ltd., Shandong Humon Smelting Co., Ltd., Hebei Xingtai Rural Commercial Bank Company Limited, etc.

Biography of Senior Management

Please see "Biography of Directors" for biographical details of Mr. ZHANG Qingsong and Ms. ZHANG Keqiu. The biographical details of other members of the senior management are as follows:

ZHANG Xuguang Executive Vice President

Mr. ZHANG Xuguang, received a master's degree in law from Peking University and a master's degree in law from Minnesota State University in the United States, and is a senior economist. He has served as an Executive Vice President of the Bank since December 2019. He worked for China National Aero-Technology Import & Export Corporation. In addition, Mr. ZHANG previously served as the vice president of Tianjin branch and the deputy general director of the Executive Office, and the president of the Guangxi Zhuang Autonomous Region branch of the China Development Bank. Mr. ZHANG also served as the president of China Development Bank Capital Co., Ltd. and the investment director of China Development Bank. In December 2013, he was appointed as an executive vice president of China Development Bank.

ZHAN Dongsheng Executive Vice President

Mr. ZHAN Dongsheng received a bachelor's degree in agronomy from Southwest Agriculture University, and is a senior agricultural economist. Since April 2019, he has served as an Executive Vice President of the Bank. He worked at the Ministry of Agriculture, and successively served as an assistant inspector and an inspector of the rural area group under the Office of the Central Leading Group on Finance and Economics. Mr. ZHAN also successively served as the deputy general manager and general manager of Sannong Policy and Planning Department, the general manager of the Office, as well as the president of Sichuan Branch of the Bank. Concurrently, he works as the director of Shanghai Management Department of the Bank.

CUI Yong Executive Vice President

Mr. CUI Yong received a bachelor's degree in engineering from Xi'an Highway Institute and is a senior economist. He has served as an Executive Vice President of the Bank since May 2019. Mr. CUI successively worked at the Ministry of Transport and the National Development and Reform Commission. He also served in various positions in the Industrial and Commercial Bank of China, including the deputy general manager of the first corporate business department, the vice president of Qingdao branch, the president of Xiamen branch, the vice president of Beijing branch, and the general manager of the corporate banking department of the head office. Mr. CUI previously held concurrent posts as the secretary general of the Syndications Committee of the China Banking Association and an expert of the National Association of Financial Market Institutional Investors. Mr. CUI concurrently serves as an executive vice president of the Payment & Clearing Association of China.

LI Zhicheng Chief Risk Officer

Mr. LI Zhicheng received a master's degree in economics from Shaanxi College of Finance and Economics. Mr. LI has served as the Chief Risk Officer of the Bank since February 2017. Mr. LI previously served in several positions in the Bank, including an assistant president of Wuhan Cadre Management College of the Bank, a deputy director of Research Office of the Head Office and a vice president of Hebei Branch. From June 2005, Mr. LI successively served as the director of Research Office of the Bank, the president of Jilin Branch and the president of Jiangsu Branch. From July 2014, Mr. LI served as Chief Investment Officer of the Bank and concurrently held the position of general manager of Hong Kong Branch.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On 9 January 2019, Mr. HU Xiaohui resigned as a Non-executive Director of the Bank due to his age.

On 1 March 2019, Ms. ZHANG Keqiu was elected as an Executive Director of the Bank, Ms. LEUNG KO May Yee, Margaret and Mr. LIU Shouying were elected as Independent Non-executive Directors of the Bank and Mr. LI Wei was elected as a Non-executive Director of the Bank at the 2019 First Extraordinary General Meeting of the Bank. The qualifications of Ms. ZHANG Keqiu, Ms. LEUNG KO May Yee, Margaret, Mr. LIU Shouying and Mr. LI Wei were ratified by the CBIRC on 1 April 2019, 30 July 2019, 29 July 2019, and 21 May 2019, respectively.

On 30 May 2019, Mr. ZHOU Mubing was reelected as an Executive Director of the Bank and Mr. WANG Xinxin was reelected as an Independent Non-executive Director of the Bank at the 2018 Annual General Meeting of the Bank.

On 30 May 2019, Mr. CAI Dong was elected as an Executive Director of the Bank, Mr. WU Jiangtao was elected as a Non-executive Director of the Bank at the 2018 Annual General Meeting of the Bank. The qualification of Mr. CAI Dong and Mr. WU Jiangtao were ratified by the CBIRC on 28 June 2019 and 29 July 2019, respectively.

On 30 August 2019, Mr. WEN Tiejun and Mr. Francis YUEN Tin-fan ceased to be Independent Non-executive Directors of the Bank due to the expiration of their terms of office.

On 14 October 2019, Mr. CAI Dong resigned as an Executive Director of the Bank due to work arrangements.

On 28 November 2019, Ms. WANG Wei resigned as an Executive Director of the Bank due to work arrangements.

On 13 December 2019, Mr. ZHANG Qingsong was elected as an Executive Director of the Bank at the 2019 Second Extraordinary General Meeting of the Bank and Mr. ZHANG Qingsong was elected as the Vice Chairman of the Board of Directors of the Bank at the meeting of the Board of Directors on the same day. The qualification of Mr. ZHANG Qingsong was ratified by the CBIRC on 14 January 2020.

Changes in Supervisors

On 9 October 2019, Mr. WU Gang was elected as a Supervisor Representing Employees of the Bank at the Employee Congress of the Bank, and Mr. LIU Chengxu ceased to be a Supervisor Representing Employees of the Bank due to the expiration of his term of office.

Changes in Senior Management

On 2 January 2019, Mr. GONG Chao ceased to be the Secretary of the Party Discipline Committee of the Bank.

On 20 February 2019, Mr. ZHAN Dongsheng was appointed as an Executive Vice President of the Bank by the Board of Directors of the Bank. The qualification of Mr. ZHAN Dongsheng was ratified by the CBIRC on 29 April 2019.

On 11 April 2019, Mr. CAI Dong was appointed as an Executive Vice President of the Bank by the Board of Directors of the Bank. The qualification of Mr. CAI Dong was ratified by the CBIRC on 10 May 2019.

On 11 April 2019, Mr. CUI Yong was appointed as an Executive Vice President of the Bank by the Board of Directors of the Bank. The qualification of Mr. CUI Yong was ratified by the CBIRC on 10 May 2019.

On 14 October 2019, Mr. CAI Dong resigned as an Executive Vice President of the Bank due to work arrangements.

On 25 October 2019, Mr. ZHANG Qingsong was appointed as the President of the Bank by the Board of Directors of the Bank. The qualification of Mr. ZHANG Qingsong was ratified by the CBIRC on 11 November 2019.

On 28 November 2019, Mr. WANG Wei resigned as an Executive Vice President of the Bank due to work arrangements.

On 5 December 2019, Mr. ZHANG Xuguang was appointed as an Executive Vice President of the Bank by the Board of Directors of the Bank. The qualification of Mr. ZHANG Xuguang was ratified by the CBIRC on 23 December 2019.

On 24 March 2020, Mr. ZHOU Wanfu resigned as the Secretary to the Board of Directors of the Bank and the Company Secretary of the Bank due to work arrangements. Prior to the appointment of the new Secretary to the Board of Directors by the Bank and the approval of his/her eligibility by the CBIRC, Mr. LI Zhicheng, the Chief Risk Officer of the Bank, will perform the duties of the Secretary to the Board of Directors of the Bank.

Annual Remuneration

According to relevant government regulations, since 1 January 2015, the remuneration of the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors as well as the Executive Vice Presidents of the Bank shall be paid in line with the *Interim Administration Measures for the Remuneration of Person in-charge in State-controlled Financial Enterprises*, which we followed accordingly to pay the salaries. The final remuneration of the Directors, Supervisors and senior management for 2019 is still subject to confirmation and will be disclosed in further announcement published by the Bank.

The remuneration paid to the Directors, Supervisors and senior management of the Bank for 2019 is set out in the table below.

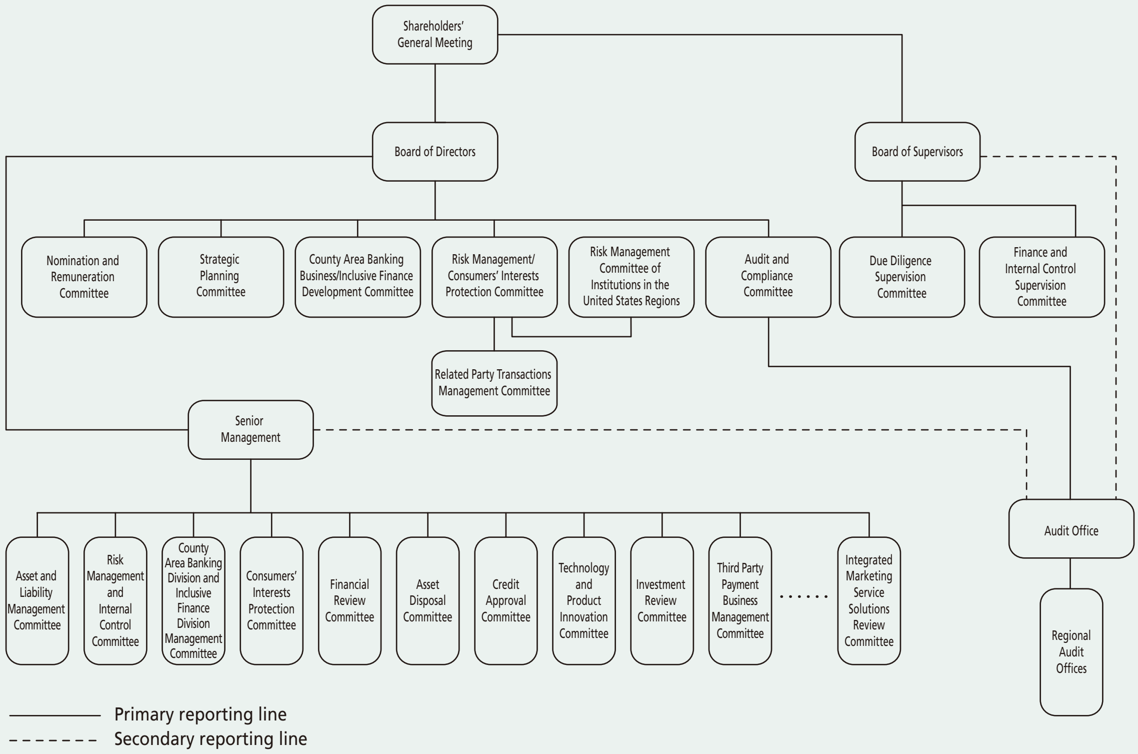
Name	Position	Tenure	Remuneration paid in 2019 (Unit: RMB Ten Thousand)				Whether receiving remuneration from shareholders or other related parties (Y/N)
			Salaries paid (before tax) (1)	Social insurance, enterprise annuity and housing fund payable by the Bank (2)	Director's fee/ Supervisor's fee (3)	Total (4)=(1)+(2)+(3)	
ZHOU Mubing	Chairman of the Board of Directors, Executive Director	2016.07–2022.07	57.90	16.18	–	74.08	N
ZHANG Qingsong	Vice Chairman of the Board of Directors, Executive Director, President	2020.01–2023.01	14.48	4.03	–	18.51	N
ZHANG Keqiu	Executive Director, Executive Vice President	2019.04–2022.04	52.11	15.81	–	67.92	N
XU Jiandong	Non-executive Director	2015.02–2020.12	–	–	–	–	Y
CHEN Jianbo	Non-executive Director	2015.01–2020.12	–	–	–	–	Y
LIAO Luming	Non-executive Director	2017.08–2020.08	–	–	–	–	Y
LI Qiyun	Non-executive Director	2018.06–2021.06	–	–	–	–	Y
LI Wei	Non-executive Director	2019.05–2022.05	–	–	–	–	Y
WU Jiangtao	Non-executive Director	2019.07–2022.07	–	–	–	–	Y
XIAO Xing	Independent Non-executive Director	2015.03–2021.05	–	–	38.00	38.00	Y
WANG Xinxin	Independent Non-executive Director	2016.05–2022.05	–	–	36.67	36.67	Y
HUANG Zhenzhong	Independent Non-executive Director	2017.09–2020.09	–	–	36.67	36.67	Y
LEUNG KO May Yee, Margaret	Independent Non-executive Director	2019.07–2022.07	–	–	14.50	14.50	Y
LIU Shouying	Independent Non-executive Director	2019.07–2022.07	–	–	14.57	14.57	N
WANG Jingdong	Chairman of the Board of Supervisors, Supervisor Representing Shareholders	2018.11–2021.11	57.90	16.18	–	74.08	N
WANG Xingchun	Supervisor Representing Shareholders	2014.06–2020.06	–	–	–	–	N
XIA Taili	Supervisor Representing Employees	2018.08–2021.08	–	–	5.00	5.00	N
SHAO Lihong	Supervisor Representing Employees	2018.08–2021.08	–	–	5.00	5.00	N
WU Gang	Supervisor Representing Employees	2019.10–2022.10	–	–	1.25	1.25	N
LI Wang	External Supervisor	2015.06–2021.11	–	–	28.00	28.00	Y
ZHANG Jie	External Supervisor	2018.11–2021.11	–	–	31.00	31.00	N
LIU Hongxia	External Supervisor	2018.11–2021.11	–	–	30.00	30.00	Y
ZHANG Xuguang	Executive Vice President	2019.12–	4.34	1.32	–	5.66	N
ZHAN Dongsheng	Executive Vice President	2019.04–	47.77	14.46	–	62.23	N
CUI Yong	Executive Vice President	2019.05–	39.09	12.29	–	51.38	N
LI Zhicheng	Chief Risk Officer	2017.02–	97.39	22.26	–	119.65	N

Notes:

1. *The Directors, Supervisors and senior management members of the Bank who are also our employees are entitled to receive remuneration from the Bank. The remuneration package includes salary, bonus and contributions to all kinds of social insurance and housing fund payable by the Bank. The Independent Non-executive Directors of the Bank are entitled to receive director's fee. The External Supervisors of the Bank are entitled to receive supervisor's fee. The Chairman of the Board of Directors, Executive Directors and senior management members of the Bank do not receive any remuneration from any subsidiary of the Bank. For Supervisors Representing Employees of the Bank, the amount set forth above only includes fee for their services as Supervisors.*
2. *Mr. XU Jiandong, Mr. CHEN Jianbo, Mr. LIAO Luming, Mr. LI Qiyun, Mr. LI Wei, and Mr. WU Jiangtao, as our Non-executive Directors, did not receive any remuneration from the Bank.*
3. *Mr. WANG Wei, the former Executive Director and Executive Vice President of the Bank, received a remuneration of RMB622.7 thousand during his term of office in the Bank in 2019.*
4. *Mr. CAI Dong, the former Executive Director and Executive Vice President of the Bank, received a remuneration of RMB395.4 thousand during his term of office in the Bank in 2019.*
5. *Mr. HU Xiaohui, the former Non-executive Director, did not receive the director's fee from the Bank.*
6. *Mr. WEN Tiejun, the former Independent Non-executive Director, received a director's fee of RMB271.8 thousand from the Bank in 2019.*
7. *Mr. Francis YUEN Tin-fan, the former Independent Non-executive Director, received a director's fee of RMB251.9 thousand from the Bank in 2019.*
8. *Mr. WANG Xingchun did not receive any fee from the Bank in 2019 as our Supervisor Representing Shareholders.*
9. *Mr. LIU Chengxu, the former Supervisor Representing Employees, received a supervisor's fee of RMB41.8 thousand from the Bank in 2019.*
10. *Mr. GONG Chao, the former Secretary of the Party Discipline Committee, received a remuneration of RMB56.9 thousand during his term of office in the Bank in 2019.*
11. *Mr. ZHOU Wanfu, the former Secretary to the Board of Directors, received a remuneration of RMB1,191.8 thousand during his term of office in the Bank in 2019.*
12. *The total remuneration (before tax) paid to the Directors, Supervisors and senior management, including former Directors, Supervisors and senior management, by the Bank in 2019 was RMB9,974.0 thousand.*

As at the end of reporting period, Mr. ZHOU Wanfu, the then Secretary to the Board of Directors of the Bank, held 10,000 A share of the Bank. Other than him, none of the Directors, Supervisors or senior management members of the Bank held or purchased any share of the Bank. During the reporting period, none of the Directors, Supervisors and senior management members of the Bank held any share option of the Bank, or was granted restricted shares of the Bank.

Corporate Governance Structure



Note: Responsibilities of the Risk Management Committee of Institutions in the United States Regions are concurrently assumed by the Risk Management/Consumers' Interests Protection Committee

Corporate Governance Structure Chart of the Bank

Responsibilities of the Shareholders' General Meeting

As our authority of power, our shareholders' general meeting is formed by all shareholders. Our shareholders' general meeting is responsible for, among other things, deciding on our business policies and investments plans; electing, replacing and dismissing Directors and deciding on matters concerning the remuneration of the relevant Directors; electing, replacing and dismissing External Supervisors and Supervisors representing shareholders, and deciding on matters concerning the remuneration of the relevant Supervisors; examining and approving work report of the Board of Directors and work report of the Board of Supervisors; examining and approving our annual financial budget and final accounts, and profit distribution and loss appropriation plans; adopting resolutions concerning the increase or reduction of our registered capital, the issue and listing of corporate bonds and other negotiable securities, merger, division, dissolution, liquidation, change of corporate form and repurchase of ordinary shares; and amending the Articles of Association as well as considering and adopting the rules of procedures for a shareholders' general meeting, the rules of procedures for the Board of Directors and the rules of procedures for the Board of Supervisors, etc.

Responsibilities of the Board of Directors

As our decision-making organ, the Board of Directors is accountable to, and shall report its work to, the shareholders' general meeting. The Board of Directors is responsible for, among other things, convening the shareholders' general meeting and reporting to the shareholders' general meeting; implementing the resolutions of the shareholders' general meeting; deciding on our development strategies, business plans and investment proposals; formulating our annual financial budget and final accounts, proposals on profit distribution and loss appropriation, proposals on the increase or reduction of registered capital and financial restructuring, the capital replenishment plans including, among other things, the issue and listing of corporate bonds and other negotiable securities; formulating proposals on merger, division, dissolution or change of the corporate form; formulating proposals on the ordinary share repurchase; establishing and supervising the implementation of our basic management systems and policies; establishing and improving basic management systems for risk management and internal control; considering and approving the general risk management report and the plan on allocation of risk-based capital, and evaluating the effectiveness of our risk management; formulating amendments to our Articles of Association, the rules of procedures for a shareholders' general meeting and the rules of procedures for the Board of Directors and establishing the relevant corporate governance system; appointing or dismissing the President and the Secretary to the Board of Directors; appointing and dismissing the Vice President and other senior management members (excluding the Secretary to the Board of Directors) nominated by the President; assessing and improving our corporate governance; and managing the affairs related to our information disclosure.

Responsibilities of the Board of Supervisors

As our supervisory organ, the Board of Supervisors is accountable to and shall report to the shareholders' general meeting. The Board of Supervisors is responsible for, among other things, supervising the performance of the Board of Directors and the senior management, supervising the duty of performance of Directors and senior management members and questioning accordingly, and urging Directors and senior management members to correct their acts which impair our benefits; conducting audit on resigning Directors and senior management members as necessary; formulating the compensation and allowance distribution plan for supervisors and submitting the plan to the shareholders' general meeting for approval; supervising the financial activities, business decisions, risk management and internal control, and advising on our internal auditing work; reviewing financial and accounting reports, operation reports and profit distribution proposals to be submitted by the Board of Directors to the shareholders' general meeting; supervising the implementation of strategic plans, policies and general management administrations for the development of County Area Banking Business; submitting proposals to the shareholders' general meeting; nominating supervisors representing shareholders, external supervisors and independent directors; formulating amendment to the rules of procedures of the Board of Supervisors; supervising the compliance of the appointment, dismissal and reappointment of external auditing firms and the fairness of the terms of engagement and remuneration, as well as the independence and effectiveness of external audit.

Responsibilities of the Senior Management

As our executive organ, the senior management is accountable to the Board of Directors and shall submit themselves to the supervision of the Board of Supervisors. The senior management is responsible for, among other things, taking charge of our operation and management, and making arrangements to implement Board resolutions; formulating our basic management systems and policies, and establishing our specific rules and regulations (other than internal audit rules and regulations); formulating our business plans and investment proposals, and to make arrangements for their implementation after they are approved by the Board of Directors; formulating our annual financial budget and final accounts, risk capital allocation plans, profit distribution plans, loss appropriation plans, plans for increase or reduction of registered capital, plans for issuance of corporate bonds or other negotiable securities and listing plans, and shares repurchase plans, and making proposals to the Board of Directors.

For detailed responsibilities of the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management, please refer to the Articles of Association.

Development of Corporate Governance

With the target of building an international first-class commercial banking group, we continued to modernize our corporate governance through optimizing the structure, mechanism and policy system for corporate governance, so as to continuously consolidate our foundation of corporate governance in respect of managing risks, improving our return and achieving our sustainable development. In compliance with laws and regulations, we strictly followed the principle that each governance body operates independently, counterbalances effectively, and cooperates and coordinates efficiently. We constantly optimized the modern corporate governance mechanism in which the Board of Directors rationally makes decision, the Board of Supervisors strictly makes supervision and the senior management efficiently makes execution.

Organizational Structure of Corporate Governance

During the reporting period, we continued to improve our organizational structure of corporate governance, optimized the functions, enhanced our ability to perform duties, and continuously improved our governance mechanism of counterbalance. We appointed and re-appointed certain Directors and Supervisors, and made adjustments to the composition of the Board of Directors, Board of Supervisors and the special committees of each of them. Moreover, we made adjustments to the composition of the senior management and improved the responsibilities of special committees of the senior management.

Mechanism of Corporate Governance

We fully leveraged the role of the Board of Directors in making scientific decisions and taking the lead in making strategies. Our Board of Directors fully leveraged its key role in corporate governance, aiming to enhance effectiveness of corporate governance and to promote our value creation. During the reporting period, following the principle of seeking progress while working to keep performance stable, adhering to the new vision for development and focusing on serving the real economy, our Board of Directors continued to promote our value creation and sustainable development capability. It devoted effort to financial services for supply-side structural reform, strengthened financial poverty alleviation and financial services for "Sannong". It continued to deepen reform and innovation in key areas, and led our transformation and development by taking digital transformation as the first business strategy. It strengthened comprehensive risk management, effectively prevented and mitigated risks, and adhered to a strict approach to risk limitation. Our Board of Directors also carried forward building the Board in a standardized manner and kept improving the capability of Directors to perform their duties.

Our Board of Supervisors fully performed its duties of supervision. During the reporting period, focusing on serving the real economy, preventing financial risks, advancing business transformation and continuously deepening reforms and etc., the Board of Supervisors emphasized its supervision over the quality and efficiency of our services in the areas such as supporting national key development strategies, serving "Sannong", financial poverty alleviation, promoting inclusive finance development and supporting private enterprises, and put forward relevant supervision suggestions accordingly. The Board of Supervisors continuously strengthened due diligence supervision on the Board of Directors, the senior management and their members. The Board of Supervisors also enhanced financial supervision to promote business transformation. The Board of Supervisors strengthened supervision on risks and internal control to continuously improve the effectiveness of internal control.

We strived to enhance the effectiveness of execution of our senior management. During the reporting period, strictly abiding by the authorization from the Board of the Directors, the senior management effectively executed all decisions made by the Board of Directors, under the comprehensive supervision by the Board of Supervisors. It implemented the national strategic deployment and the "Six Dimension Strategy" for governing and developing the Bank to serve the real economy. It fulfilled social responsibilities of serving "Sannong" and provided financial services for the fight against poverty and rural vitalization. Steady progress has been made in the three major plans which are the "Clean-up Plan", the "Capital Consolidation Plan" and the "Efficiency Enhancement Plan", successively accomplishing our established goals. The senior management comprehensively promoted digital transformation, through technology empowerment. It continued to consolidate the management basics to ensure that our steady and compliance businesses development. Efforts have been made to bolster areas of weaknesses in business operations to consolidate the foundation for our sustainable development.

Improving Corporate Governance System

We further improved our system for corporate governance. During the reporting period, in accordance with the laws, regulations, and latest regulatory requirements, we comprehensively assessed the corporate governance system and initiated amendments to documents related to corporate governance.

Corporate Governance Code

We fully complied with all the principles and code provisions of the *Corporate Governance Code* set out in Appendix 14 to the Hong Kong Listing Rules during the reporting period.

The Board of Directors actively performed its corporate governance duties, continuously refined the relevant systems for corporate governance, and continuously assessed and improved our corporate governance. The committees under the Board of Directors performed their duties strictly in accordance with the applicable requirements of corporate governance.

Self-assessment on Corporate Governance

In accordance with the corporate governance supervision and evaluation measures of the CBIRC, we conducted self-assessment on our corporate governance work in 2019, involving eight aspects, such as governance of shareholders, governance of the Board of Directors, governance of the Board of Supervisors and the management, governance of related party transactions and governance of other stakeholders. Results of the self-assessment presented that the main bodies of corporate governance of our Bank performed their respective duties and responsibilities with effective counterbalance under an effectively-working corporate governance mechanism.

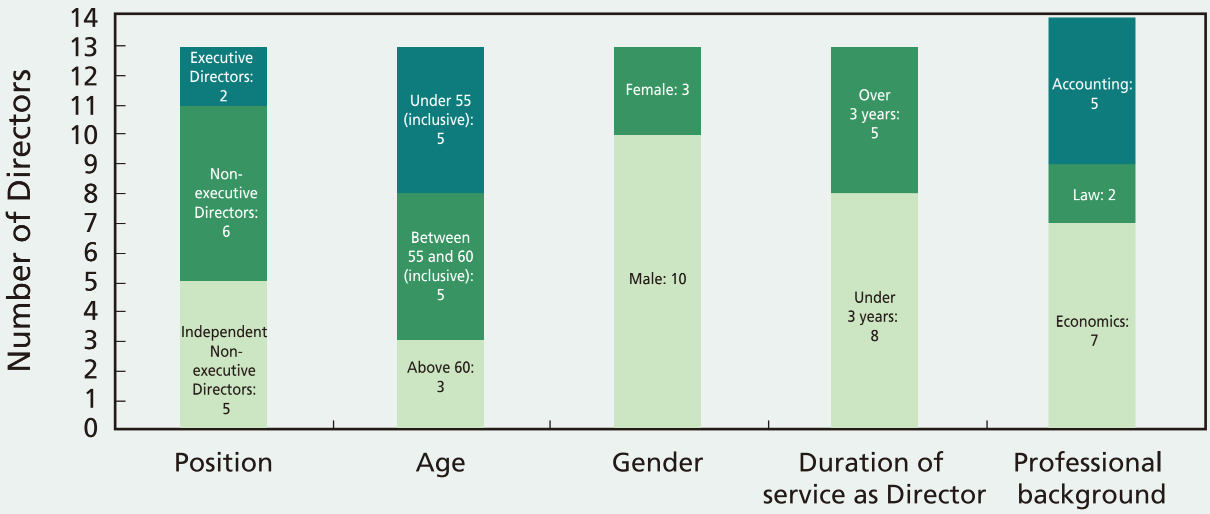
Board of Directors and Special Committees

Composition of the Board of Directors

As at the end of the reporting period, the Board of Directors comprised 13 directors, including two Executive Directors, namely Mr. ZHOU Mubing and Ms. ZHANG Keqiu; six Non-executive Directors, namely Mr. XU Jiandong, Mr. CHEN Jianbo, Mr. LIAO Luming, Mr. LI Qiyun, Mr. LI Wei and Mr. WU Jiangtao; and five Independent Non-executive Directors, namely Ms. XIAO Xing, Mr. WANG Xinxin, Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret, and Mr. LIU Shouying. Details of the incumbent Directors are set out in "Directors, Supervisors and Senior Management".

We have formulated a diversity policy related to the composition of the Board of Directors, which specifies our opinions of upholding the diversity of the composition of the Board of Directors, and the approaches adopted by us to achieve such diversity. We acknowledged and appreciated the benefits of diversity of the composition of the Board of Directors, and regarded the diversity of the composition of the Board of Directors as a critical factor in achieving our strategic goals, maintaining our competitive strengths and achieving our sustainable development. We considered the diversity of the composition of the Board of Directors from various aspects, including talents, skills, industry experience, cultural and education background, gender, age, race and other factors, when deciding the composition of the Board of Directors. All appointments of Directors shall be decided after taking into consideration of talents, skills and experience required for the overall operation of the Board of Directors.

Particulars of Diversity of the Board of Directors



Note: Ms. LEUNG KO May Yee, Margaret has both professional backgrounds in economics and accounting.

The Board of Directors was composed of experts from diversified professions such as accounting, law and economics, and was diversified in terms of gender, age, duration of service, etc, which effectively improved the ability of the Board of Directors in decision-making and strategic management.

Meetings of the Board of Directors

The Board of Directors considers matters by way of meetings of the Board of Directors. During the reporting period, the Board of Directors convened a total of 11 meetings, at which 75 proposals, including the final financial account for 2018, the annual report for 2018 and the nominations of Directors, were considered.

During the reporting period, the attendance of Directors at the shareholders' general meetings, meetings of the Board of Directors and special committees of the Board of Directors is listed below:

Number of attendance in person[1]/meetings requiring attendance

			Meetings of Special Committees of the Board of Directors						
Directors	Shareholders' General Meetings	Meetings of the Board of Directors	Strategic Planning Committee	County Area Banking Business/ Inclusive Finance Development Committee	Nomination and Remuneration Committee	Audit and Compliance Committee	Risk Management/ Consumers' Interests Protection Committee	Related Party Transactions Management Committee	Risk Management Committee of Institutions in the United States Regions
Executive Director									
ZHOU Mubing	3/3	11/11	6/6						
ZHANG Keqiu	2/2	7/8	2/3				1/2		1/1
Non-executive Directors									
XU Jiandong	3/3	11/11	3/3		7/7		3/4		2/3
CHEN Jianbo	3/3	11/11	6/6	2/2			6/6		4/4
LIAO Luming	3/3	11/11	3/3	2/2	5/5		6/6		4/4
LI Qiyun	3/3	11/11	6/6				6/6	1/1	4/4
LI Wei	2/2	5/5			2/2	2/2			
WU Jiangtao	1/1	5/5				1/2	1/2		1/1
Independent Non-executive Directors									
XIAO Xing	3/3	7/11	1/3	2/2	4/7	6/6			
WANG Xinxin	3/3	8/11			4/7		4/6	1/1	3/4
HUANG Zhenzhong	3/3	10/11			7/7		5/6	1/1	3/4
LEUNG KO May Yee, Margaret	1/1	5/5				2/2	2/2		1/1
LIU Shouying	1/1	4/5			2/2	2/2			
Former Directors									
WANG Wei	2/2	6/9	3/5	2/2					
CAI Dong	0/0	1/1							
WEN Tiejun	2/2	6/7	2/3	2/2	5/5	4/4			
Francis YUEN Tin-fan	2/2	7/7				4/4	4/4	1/1	3/3
HU Xiaohui	0/0	0/0							

Note: 1. Attendance in person includes attendance on site and attendance by way of electronic communication such as telephone and video conference. During the reporting period, the Directors who did not attend the meetings of the Board of Directors or special committees in person thereof had designated other Directors as proxies to attend and to vote on their behalf at the meetings.

Independence of and Performance of Duties by Independent Non-executive Directors

There are explicit stipulations on the independence of Independent Non-executive Director in the Articles of Association and the working system for independent directors of the Bank, which require that Independent Non-executive Directors perform their duties independently and make independent and objective judgments without being affected by the substantial shareholders or de facto controllers of the Bank or other entities or individuals which are materially interested in the Bank.

As at the end of the reporting period, the qualification, number and composition of the Independent Non-executive Directors were in full compliance with the applicable regulatory requirements. Majority of the Nomination and Remuneration Committee, Audit and Compliance Committee, and Related Party Transaction Management Committee were Independent Non-executive Directors. The Independent Non-executive Directors were not involved in any business or financial interests of the Bank or its subsidiaries, and did not take any managerial position in the Bank. We have received annual independence confirmations from all Independent Non-executive Directors and confirmed their independence.

During the reporting period, the Independent Non-executive Directors attended the meetings of the Board of Directors and the special committees thereof, and provided independent and objective advice on various important decisions, such as risk management and annual audit project plan by taking advantage of their professional capabilities and working experiences. The Independent Non-executive Directors actively strengthened the communication with the senior management, business departments and external auditors and thoroughly studied our operation and management by attending important work meetings, special reports of important businesses and seminars with external auditors. They earnestly performed their duties with integrity and diligence, complied with the work measures for Independent Non-executive Directors, provided strong support to the Board of Directors for making rational decisions, and protected the interests of the Bank and its shareholders. We highly valued the opinions and advice from the Independent Non-executive Directors and actively implemented such opinions and advice.

During the reporting period, the Independent Non-executive Directors did not raise objection to any resolution of the Board of Directors or special committees. Details were disclosed in the *Working Report of Independent Non-executive Directors* for 2019, which was published on the website of the Shanghai Stock Exchange.

Special Committees of the Board of Directors

The Board of Directors has established the Strategic Planning Committee, the County Area Banking Business/Inclusive Finance Development Committee, the Nomination and Remuneration Committee, the Audit and Compliance Committee, the Risk Management/Consumers' Interests Protection Committee (with the Related Party Transactions Management Committee thereunder) and the Risk Management Committee of Institutions in the United States Regions (responsibilities of which are concurrently assumed by the Risk Management/Consumers' Interests Protection Committee). During the reporting period, the adjustments[1] to the composition of the special committees of the Board of Directors were listed below:

In January 2019, Mr. HU Xiaohui resigned as a member of the Strategic Planning Committee, the County Area Banking Business/Inclusive Finance Development Committee and the Audit and Compliance Committee;

In August 2019, the Board of Directors of the Bank reviewed and approved the proposal on Adjusting the Chairmen and Members of the Special Committees of the Board of Directors to adjust the positions of Mr. CAI Dong, Ms. ZHANG Keqiu, Ms. XIAO Xing, Mr. WANG Xinxin, Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret, Mr. LIU Shouying, Mr. XU Jiandong, Mr. LIAO Luming, Mr. LI Wei, and Mr. WU Jiangtao. Mr. WEN Tiejun and Mr. Francis YUEN Tin-fan ceased to hold relevant positions of the special committees of the Board of Directors of the Bank due to the expiration of their term of office. For details, please refer to the announcements issued by the Bank on the website of the Hong Kong Stock Exchange on 30 August 2019 and the website of the Shanghai Stock Exchange on 31 August 2019;

In October 2019, Mr. CAI Dong resigned as a member of the Strategic Planning Committee, the Risk Management/Consumers' Interests Protection Committee, and the Risk Management Committee of Institutions in the United States Regions;

In November 2019, Mr. WANG Wei resigned as a member of the Strategic Planning Committee and a member of the County Area Banking Business/Inclusive Finance Development Committee.

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1 *From January 2020, ZHANG Qingsong served as a member of the Strategic Planning Committee, the Chairman and a member of the County Area Banking Business/Inclusive Finance Development Committee and a member of the Nomination and Remuneration Committee.*

Strategic Planning Committee

As at the end of the reporting period, the Strategic Planning Committee of the Board of Directors comprised seven Directors, including Mr. ZHOU Mubing (Chairman of the Board of Directors), Ms. ZHANG Keqiu (Executive Director), Mr. XU Jiandong, Mr. CHEN Jianbo, Mr. LIAO Luming, and Mr. LI Qiyun (all are Non-executive Directors) and Ms. XIAO Xing (Independent Non-executive Director). Mr. ZHOU Mubing, the Chairman of the Board of Directors, is the chairman of the Strategic Planning Committee of the Board of Directors. The primary duties of the Strategic Planning Committee are to review the overall strategic development plan and specific strategic development plans, major investment and financing plans, establishment of legal entities and other material matters critical to our development and to make suggestions to the Board of Directors.

During the reporting period, the Strategic Planning Committee of the Board of Directors convened six meetings and reviewed seventeen proposals, including the operation plan for 2019, the fixed assets investment budget for 2019 and the issue of write-down undated capital bonds. The Strategic Planning Committee provided relevant advice and suggestions on aspects including the issue of capital bonds and written-off of bad debts.

County Area Banking Business/Inclusive Finance Development Committee

As at the end of the reporting period, the County Area Banking Business/Inclusive Finance Development Committee of the Board of Directors comprised six Directors, including Mr. CHEN Jianbo, Mr. LIAO Luming, Mr. LI Wei and Mr. WU Jiangtao (all are Non-executive Directors), as well as Ms. XIAO Xing and Mr. LIU Shouying (both are Independent Non-executive Directors). The primary duties of the County Area Banking Business/Inclusive Finance Development Committee are to review the strategic development plan, policies and basic management rules, risk management strategic plan and other major matters in relation to the development of the County Area Banking Business/Inclusive Finance, as well as supervise the implementation of the strategic development plan, policies and basic management rules of the County Area Banking Business/Inclusive Finance, and to provide suggestions to the Board of Directors.

During the reporting period, the County Area Banking Business/Inclusive Finance Development Committee of the Board of Directors convened two meetings, reviewed three proposals including the Management Charter of the Inclusive Finance Business Department and the Special Evaluation Plan of Inclusive Financial Business for 2019, and listened to reports on the forecast of the County Area Banking Division's financial target in 2019. The County Area Banking Business/Inclusive Finance Development Committee conducted thorough discussions and studies on the contribution of the County Area Banking Business to the profit of the Bank and its cost-to-income ratio, and provided relevant advice and suggestions.

Nomination and Remuneration Committee

As at the end of the reporting period, the Nomination and Remuneration Committee of the Board of Directors comprised six Directors, including Mr. Xu Jiandong, Mr. LI Wei (both are Non-executive Directors), Ms. XIAO Xing, Mr. WANG Xinxin, Mr. HUANG Zhenzhong and Mr. LIU Shouying (all are Independent Non-executive Directors). Mr. WANG Xinxin is the chairman of the Nomination and Remuneration Committee of the Board of Directors. The primary duties of the Nomination and Remuneration Committee are to formulate standards and procedures for election of directors, chairman and members of special committees and senior management members, and to make recommendations regarding the proposed candidates for directors and senior management members and their qualifications to the Board of Directors, as well as to formulate the remuneration policies for directors and senior management members, and to submit the remuneration packages to the Board of Directors for consideration.

The Articles of Association set out the procedures and methods of the nomination of Directors and have specific requirements for the appointment of Independent Non-executive Directors. Please refer to, among other things, articles 138 and 148 of the Articles of Association for details. The Articles of Association are published on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Bank. During the reporting period, the Bank elected its Directors in strict compliance with the Articles of Association.

When nominating candidates of Directors, the Nomination and Remuneration Committee of the Board of Directors mainly takes into account their qualifications, compliance record with laws, administrative regulations, rules and the Articles of Association, capability of diligent performance, understanding of our operation and management and willingness to accept supervision of their performance by the Board of Supervisors and the requirement of the diversity of the composition of the Board of Directors. Please refer to "Board of Directors and Special Committees — Composition of the Board of Directors" for the details of our policy on diversity of the composition of the Board of Directors.

The quorum of the attendees of meeting of the Nomination and Remuneration Committee shall be more than two-thirds of all its members, and any resolution at such meeting shall be passed by favorable votes from more than half of its members.

During the reporting period, the Nomination and Remuneration Committee of the Board of Directors convened seven meetings and considered seventeen proposals including the nominations of Directors and confirmation on appointments of members of the special committees of the Board of Directors, and listened to the notification of the Board of Supervisors on the results of the performance evaluation of the Board of Directors, the senior management and their members in 2018.

Audit and Compliance Committee

As at the end of the reporting period, the Audit and Compliance Committee of the Board of Directors comprised five Directors, including Mr. LI Wei and Mr. WU Jiangtao (both are Non-executive Directors), Ms. XIAO Xing, Ms. LEUNG KO May Yee, Margaret and Mr. LIU Shouying (all are Independent Non-executive Director). Ms. XIAO Xing is the chairman of the Audit and Compliance Committee of the Board of Directors. The primary duties of the Audit and Compliance Committee are to review our internal control and management policy, material financial and accounting policies, audit general managements systems and regulations, medium- and long-term audit plan and annual work plan, and to make suggestions to the Board of Directors; as well as to review and approve our general policy on prevention of cases of violations, and to effectively review and supervise our prevention of cases of violations.

The performance of the Audit and Compliance Committee was disclosed in the *Annual Performance Report of Audit and Compliance Committee*, which was published on the website of the Shanghai Stock Exchange.

Risk Management/Consumers' Interests Protection Committee

As at the end of the reporting period, the Risk Management/Consumers' Interests Protection Committee of the Board of Directors comprised eight Directors, including Ms. ZHANG Keqiu (Executive Director), Mr. CHEN Jianbo, Mr. LIAO Luming, Mr. LI Qiyun and Mr. WU Jiangtao (all are Non-executive Directors), Mr. WANG Xinxin, Mr. HUANG Zhenzhong and Ms. LEUNG KO May Yee, Margaret (all are Independent Non-executive Directors). Mr. HUANG Zhenzhong is the chairman of the Risk Management/Consumers' Interests Protection Committee of the Board of Directors. The primary duties of the Risk Management/Consumers' Interests Protection Committee are to review our strategic plan of risk management, risk appetite, material risk management policies, risk management report and allocation plan of risk-weighted capital, to review our strategies, policies and objectives of consumer protection, to continuously supervise the risk management system, to supervise and evaluate risk management and consumers' interests protection, and to provide suggestions to the Board of Directors.

During the reporting period, the Risk Management/Consumers' Interests Protection Committee of the Board of Directors convened six meetings, reviewed eight proposals including the comprehensive risk management report, reputation risk management measures, and country risk management measures, and listened to eight reports including management of liquidity risk in 2018, the operation of IRB system and the validation of the advanced approach on capital management and the work for protecting customers' interest in the first half of 2019. The Risk Management/Consumers' Interests Protection Committee reviewed our overall risk condition regularly and provided relevant advice and suggestions on the risk control, which include credit risks, market risks and operating risks and etc.

Related Party Transactions Management Committee

As at the end of the reporting period, the Related Party Transactions Management Committee of the Board of Directors comprised four Directors, including Mr. LI Qiyun (Non-executive Director), Mr. Wang Xinxin, Mr. HUANG Zhenzhong and Ms. LEUNG KO May Yee, Margaret (all are Independent Non-executive Directors). Mr. HUANG Zhenzhong is the chairman of the Related Party Transactions Management Committee. The primary duties of the Related Party Transactions Management Committee are to identify our related parties, review our general management system for related party transactions, review and record the related party transactions, and make suggestions to the Board of Directors.

During the reporting period, the Related Party Transactions Management Committee of the Board of Directors convened one meeting, reviewed one proposal of the list of related parties, and listened to the report in relation to related party transactions management for 2018. The Related Party Transactions Management Committee reviewed and approved the information of our related parties and provided relevant advice and suggestions on the enhancement of the management of our related parties and the transactions.

Risk Management Committee of Institutions in the United States Regions

As at the end of the reporting period, the Risk Management Committee of Institutions in the United States Regions of the Board of Directors consisted of eight Directors, including Ms. ZHANG Keqiu (Executive Director), Mr. CHEN Jianbo, Mr. LIAO Luming, Mr. LI Qiyun and Mr. WU Jiangtao (all are Non-executive Directors), Mr. WANG Xinxin, Mr. HUANG Zhenzhong and Ms. LEUNG KO May Yee, Margaret (all are Independent Non-executive Directors). Mr. HUANG Zhenzhong is the chairman of the Risk Management Committee of Institutions in the United States Regions. The primary duties of the Risk Management Committee of Institutions in the United States Regions are to review and approve the risk management policies in relation to businesses in the United States regions and supervise its implementation, as well as to review issues identified in the internal and external inspection of institution in the United States regions and the report on relevant rectification, and other matters authorized by the Board of Directors. Responsibilities of the Risk Management Committee of Institutions in the United States Regions are concurrently assumed by the Risk Management/Consumers' Interests Protection Committee.

During the reporting period, the Risk Management Committee of Institutions in the United States Regions of the Board of Directors convened four meetings, reviewed four proposals including the basic risk management policies of the New York Branch, and anti-money laundering compliance policy of the New York Branch and listened to six reports including the rectification and the risk and compliance work of the New York Branch. The Risk Management Committee of Institutions in the United States Regions reviewed the risks in relation to business in the United States regions and their rectification progress regularly and provided relevant advice and suggestions.

Specific Statement and Independent Opinion of Independent Non-executive Directors on the Guarantee Business of the Bank

Specific Statement and Independent Opinion of Independent Non-executive Directors on the Guarantee Business of the Bank

Pursuant to the relevant provisions set forth in *the Notice Regarding Certain Issues of Regulating Fund Transfers Between Listed Companies and Their Related Parties and the Guarantee Business of Listed Companies (Zheng Jian Fa [2003] No. 56)* issued by the CSRC and the relevant requirements of the Shanghai Stock Exchange, as the Independent Non-executive Directors of Agricultural Bank of China Limited, we have reviewed the guarantee business of the Bank based on the principles of justice, fairness and objectivity, and hereby issue our specific statements and opinions as follows:

According to our review, the guarantee business of the Bank is mainly to issue letters of guarantee, which has been approved by the PBOC and the CBIRC as one of the ordinary businesses within the scope of daily operations of the Bank. At 31 December 2019, the balance of the guarantee business of the Bank (including letters of guarantee issued and guarantees by the Group) amounted to RMB216,229 million.

The Bank has attached great importance to the risk management of the guarantee business and formulated strict regulations in respect of the credit standard of guarantees, and the operational procedure and approval process of the guarantee business. We believe that the Bank has effectively controlled the risks on the guarantee business.

Independent Non-executive Directors of Agricultural Bank of China Limited
XIAO Xing, WANG Xinxin, HUANG Zhenzhong,
LEUNG KO May Yee, Margaret and LIU Shouying

Responsibilities of Directors on Consolidated Financial Statements

The Directors acknowledged their responsibility for preparing the consolidated financial statements of each accounting period, and they are of the view that such consolidated financial statements give a true and fair view of the financial position, operating results and cash flows of the Group.

During the reporting period, we complied with relevant laws, regulations and the requirements of the listing rules of places where our shares are listed, and published the annual report for 2018 and the first quarterly report, interim report and third quarterly report for 2019.

Risk Management and Internal Control

The Board of Directors is responsible for establishing sound and effective risk management and internal control measures and supervising and assessing the implementation of our internal control and risk management systems and the risk level, as well as reviewing the effectiveness of such systems. Such systems are in place to provide reasonable, though not absolute, assurance against material misstatement or loss, and to manage rather than eliminate the risk of failure to achieve business objectives. During the reporting period, the Board of the Directors reviewed the adequacy and effectiveness of our risk management and internal control measures through the Audit and Compliance Committee, Risk Management/Consumers' Interests Protection Committee, Risk Management Committee of Institutions in the United States Regions and Related Party Transactions Management Committee established under it. Based on consideration and review of reports from the relevant special committees of the Board of Directors, the Board of the Directors considered that our risk management and internal control were adequate and effective.

For details of our risk management and internal control, please refer to "Discussion and Analysis — Risk Management and Internal Control".

Training of Directors and Secretary to the Board of Directors

In 2019, all of the Directors actively participated in special trainings organized by regulatory authority and the Bank, in accordance with the Hong Kong Listing Rules and the domestic regulatory requirements. The Directors also improved their professional expertise through various ways, including compiling and publishing professional books and articles, attending forums and seminars, giving public lectures and conducting field investigation on domestic and overseas industry peers as well as our branch outlets. During the reporting period, the Bank organized joint training for the Directors and Supervisors, through which the Directors participated in special trainings on corporate governance and anti-money laundering compliance, sharing seminars on exchange of macroeconomic and market perspectives, on-site teaching of digital transformation, and special investigation on serving Sannong. During the reporting period, Mr. ZHOU Wanfu, the then secretary to the Board of Directors and company secretary, attended relevant professional trainings of more than fifteen hours, which was in compliance with the relevant regulatory requirements.

Shareholders' General Meeting

During the reporting period, we held one annual general meeting and two extraordinary general meetings at which 19 proposals were considered and approved, and three reports were listened. Detailed information is as follows:

On 1 March 2019, we held the First Extraordinary General Meeting for 2019 in Beijing, at which five proposals were considered and approved, including the fixed assets investment budget for 2019 and the election of Directors.

On 30 May 2019, we held the 2018 Annual General Meeting in Beijing, at which ten proposals were considered and approved, including the final financial accounts for 2018 and the profit distribution plan for 2018, and listened to three reports including the 2018 working report of Independent Non-executive Directors and the report on the management of related transactions.

On 13 December 2019, we held the Second Extraordinary General Meeting for 2019 in Beijing, at which four proposals were considered and approved, including the remuneration plan for Directors and Supervisors for 2018 and the election of Directors.

The above shareholders' general meetings were convened and held in strict compliance with the laws, regulations and listing rules of Hong Kong and the PRC. The Directors, Supervisors and the senior management members attended the meetings and discussed with shareholders about matters concerned by the shareholders. We published the announcements on the poll results and legal advice of the above general meetings in a timely manner in accordance with regulatory requirements. The announcements on the poll results of general meetings were published on the website of the Hong Kong Stock Exchange on 1 March 2019, 30 May 2019 and 13 December 2019, respectively, and on the website of the Shanghai Stock Exchange and in the newspaper designated by us for information disclosure on 2 March 2019, 31 May 2019 and 14 December 2019, respectively.

Chairman of the Board of Directors and President of the Bank

Pursuant to code provision A.2.1 of the *Corporate Governance Code* in Appendix 14 to the Hong Kong Listing Rules and the Articles of Association, the roles of the Chairman and the President shall be separate. The Chairman shall not be held concurrently by the legal representative or the person-in-charge of any controlling shareholder of the Bank.

Mr. ZHOU Mubing serves as the Chairman of the Board of Directors and our legal representative, and is responsible for leading the Board of Directors in considering development strategies and other material issues such as business strategies and our overall development.

Mr. ZHANG Qingsong serves as the President of the Bank, who is in charge of our management of business operation. The President is appointed by, and accountable to, the Board of Directors, and shall perform duties in accordance with the Articles of Association and the authorization of the Board of Directors.

The roles of the Chairman and the President are separate and independent, with clear division of responsibilities.

Securities Transactions by Directors and Supervisors

We have adopted a code of conduct for securities transactions by Directors and Supervisors with terms no less strictly than those set out in the *Model Code for Securities Transactions by Directors of Listed Issuers* in Appendix 10 to the Hong Kong Listing Rules. The Directors and Supervisors of the Bank have confirmed that they have complied with such code of conduct throughout the year ended 31 December 2019.

Terms of Directors

We strictly comply with the requirements of the Hong Kong Listing Rules and the Articles of Association in respect of the election and term of Directors. Each Director shall be elected at the shareholders' general meetings with a term of three years from the date of ratification by the CBIRC. A Director may serve consecutive terms if being re-elected upon the expiration of the previous term, and the consecutive term shall commence from the date of approval at the shareholders' general meeting. The term of an Independent Non-executive Director shall not exceed six years on an aggregated basis.

Appraisal and Incentive Mechanisms for Senior Management

For the details of the appraisal and incentive systems for the senior management during the reporting period, please refer to "Report of the Board of Directors — Remuneration of Directors, Supervisors and Senior Management".

Auditors' Engagement and Remuneration

As approved by the 2018 Annual General Meeting of the Bank, we engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers to provide us with domestic and international audit service for 2019, respectively. These auditors have provided audit services for us for seven consecutive years from 2013 to 2019.

In 2019, a total fee of RMB122.30 million was paid to PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers by us for the Group's financial statements audit service, including RMB9.78 million for internal control audit service. In 2019, a total fee of RMB13.56 million was paid to PricewaterhouseCoopers and its network member firms by us for providing financial statement audit service to our subsidiaries and overseas branches. In 2019, a total fee of RMB21.53 million was paid to PricewaterhouseCoopers and its network member firms by us for providing non-audit professional services including compliance advisory service.

Shareholders' Rights

Convening of Extraordinary General Meetings

We protect shareholders' rights strictly in compliance with the regulatory requirements and basic corporate governance rules. Shareholders who individually or jointly hold more than 10% of the total voting shares of the Bank (the "Requesting Shareholders") may request the Board of Directors to convene an extraordinary general meeting in writing, and propose to the Board of Directors in writing. If the Board of Directors refuses to convene an extraordinary general meeting or fails to give its responses within 10 days upon receipt of the proposal, the Requesting Shareholders may request the Board of Supervisors to convene an extraordinary general meeting in writing and propose to the Board of Supervisors in writing. If the Board of Supervisors fails to give the notice of such extraordinary general meeting within the prescribed period, shareholders who individually or jointly hold 10% or more of the total voting shares of the Bank for not less than 90 consecutive days shall be entitled to convene and preside over an extraordinary general meeting.

Enquiries

Shareholders may deliver enquiries to the Board of Directors and have the right to obtain the relevant information pursuant to the Articles of Association. Shareholders may inspect copies of the minutes of the shareholders' general meetings free of charge during the business hours of the Bank. Shareholders who request to inspect or obtain the relevant information shall provide us with written documents evidencing the class and number of shares held by them, and we shall provide such information so requested upon verification of such shareholders' identities. The Office of the Board of Directors is responsible for aiding the Board of Directors in its daily affairs. If shareholders have any enquiries, please contact the Office of the Board of Directors.

Proposals to the Shareholders' General Meetings

Shareholders who individually or jointly hold more than 3% of the total voting shares of the Bank (the "Proposing Shareholders") may submit proposals to the shareholders' general meetings. Proposing Shareholders shall submit provisional proposals to the Board of Directors in writing 10 days prior to the date of shareholders' general meetings. The Office of the Board of Directors is responsible for organizing shareholders' general meetings, preparing documents and taking minutes of the meetings.

Protection of Minority Shareholders' Interests

The Bank applies itself to safeguard the legitimate interests of all shareholders and ensures equal treatment to minority shareholders on one-share-one-vote basis. The minority shareholders equally enjoy right to know, voting right, proposal right, dividend right as well as right to convene a shareholders' meeting and to attend such meeting. Where a significant matter impacting the interests of minority shareholders is considered at a shareholders' general meeting, the votes shall be counted separately and disclosed in time. The Independent Non-executive Directors of the Bank shall express objective, impartial and independent advice to the Board of Directors or the Shareholders' General Meeting, when they are of the view that certain matter being considered may impair the interests of the minority shareholders.

Special Regulations of Holders of Preference Shares

The holders of preference shares are entitled to vote in the event of the following: (1) any amendments to the provisions regarding preference shares in the Articles of Association; (2) any decrease or series of decreases representing in aggregate more than 10% of the registered capital of the Bank; (3) any merger, division, dissolution or change in corporate form of the Bank; (4) any issuance of preference shares by the Bank; (5) any other circumstances specified by laws, administrative regulations and the Articles of Association of the Bank.

Upon the occurrence of any of the circumstances above, holders of preference shares shall have the right to attend shareholders' general meetings. The notice of such meetings shall be delivered to holders of preference shares following notice procedure for holders of ordinary shares set forth in the Articles of Association.

When the Bank fails to pay dividends on preference shares for a total of three financial years or for two consecutive financial years, holders of preference shares shall have the right to attend the shareholders' general meetings and vote with holders of ordinary shares jointly, starting from the day following the date on which the shareholders' general meeting resolves to not distribute dividends on preference shares as agreed in the profit distribution plan of that year. The voting rights shall be restored until the date on which all dividends for such preference shares of that year are distributed.

Significant Changes to the Articles of Association during the Reporting Period

There was no significant change to the Articles of Association during the reporting period.

Information Disclosure and Investor Relations

Information Disclosure

During the reporting period, we disclosed periodic reports and temporary announcements in accordance with laws and regulations, enhanced the information disclosures of environmental, social and corporate governance and continuously improved the transparency of information disclosure. We closely followed regulatory requirements and optimized the operating rules of information disclosure in a timely manner, continuously making the information disclosure more institutionalized, streamlined and standardized. In 2019, we disclosed over 317 documents on the Shanghai Stock Exchange and the Hong Kong Stock Exchange in aggregate, and the assessments on our information disclosure by the Shanghai Stock Exchange have been "A" for five consecutive years.

We continued to strengthen the management of inside information and enhance the compliance awareness of insiders. We also arranged annual self-examination on inside trading and carried out registration and filling for insiders.

During the reporting period, we had no rectification for any material accounting errors, no omission of material information and no amendment required for any preliminary results announcement.

Investor Relations

We continued to improve the management of investor relations to ensure an effective and smooth communication channel with the capital market. We delivered our development strategies, operating results and hot topics in capital market to investors in a timely manner, through results announcement press conferences, roadshows, reverse roadshows, participating in capital market summits, receipting investors' visits, day of collective reception of investors, investors hotlines, the Shanghai Securities E-platform and our email address open to investors, which effectively enhanced our communication with the capital market. In June 2019, we held a reverse roadshow themed inclusive finance and "No. 1 Project" for Providing Internet Financial Services for Sannong, which fully demonstrated our business advantages and highlights, achieved good market response and improved our market image and investor recognition.

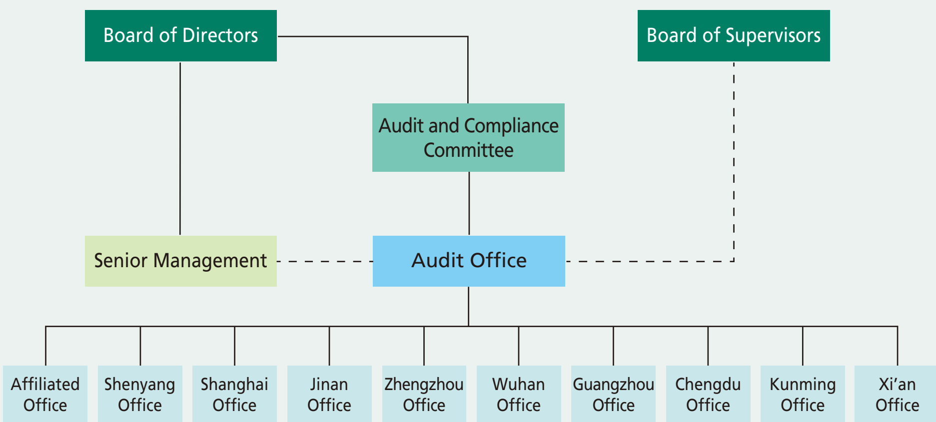
If investors have any enquiries, or if shareholders have any aforesaid suggestions, enquiries or proposals, please contact:

The Office of the Board of Directors of Agricultural Bank of China Limited
Address: No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, China
Telephone: 86-10-85109619
Facsimile: 86-10-85126571
E-mail: ir@abchina.com

Internal Audit

We have established an audit department which is accountable to and shall report to the Board of Directors and its Audit and Compliance Committee. Such audit department is under the guidance of and shall report the audit results to the Board of Supervisors and the senior management. The audit department performs audits and assessments on operations and management, business activities and performance across the Bank based on the risk-oriented principles. The audit department consists of the Audit Office at the Head Office and ten regional offices. The Audit Office is responsible for the organization, management and reporting of internal audit works across the Bank. The regional offices under the Audit Office perform internal audit for their respective branches and shall be accountable to and report to the Audit Office. Besides, audit divisions were established in the tier-1 branches excluding those in which the ten Regional Audit Offices station, while independent internal audit functions were instituted in the overseas operation institutions.

The chart below shows our organizational structure of internal audit:



During the reporting period, in accordance with the strategic decisions of the Board of Directors and the external regulatory requirements, based on the risk-oriented principles, we carried out the risk management audit with a focus on credit business, finance and accounting, intermediary business and internal control. We conducted specific audits on various aspects, including targeted poverty alleviation, consolidated management at group level, anti-money laundering and sanction compliance, protection of interests of consumers, performance appraisal and remuneration management, related party transactions and general control of IT. We steadily promoted the audit for overseas institutions, standardized the audit on responsibilities of the senior management and carried out supervision on the rectification of problems identified during the internal audit. We continuously promoted the development and application of Big Data audit platform, facilitated the digital transformation of audit and strengthened skill trainings for audit personnel. As a result, we effectively facilitated the implementation of strategic decisions, the improvement of our basics of management and the steady growth of business across the Bank.

Principal Business and Business Review

Our principal business is to provide banking and related financial services. Details of our business operations and business review as required by Schedule 5 to the Hong Kong *Companies Ordinance* are set out in relevant sections including "Discussion and Analysis", "Corporate Governance", "Significant Events", "Notes to the Consolidated Financial Statements" and this "Report of the Board of Directors".

In particular, please refer to "Discussion and Analysis — Business Review" and "Risk Management and Internal Control" for our business review, discussion and analysis of the performance for the reporting year, principal risks and uncertainties faced by us and future business development. Please refer to "Discussion and Analysis — Financial Statement Analysis" for the analysis of the financial key performance indicators. Please refer to "Discussion and Analysis — Business Review — Consumer Interests Protection" and "Corporate Social Responsibility" for the environmental and social performance and policies of the Bank. Please refer to "Discussion and Analysis — Risk Management and Internal Control" for the compliance with the relevant laws and regulations that would have a significant impact on the Bank. Please refer to "Discussion and Analysis — Human Resources Management and Organization Management", "Discussion and Analysis — Business Review — Consumer Interests Protection" and "Corporate Governance — Information Disclosure and Investor Relationship" for the Bank's relationships with its employees, clients and shareholders.

Profits and Dividends Distribution

Our profit for the year ended 31 December 2019 is set out in "Discussion and Analysis — Financial Statement Analysis".

Upon approval at the 2018 Annual General Meeting, we distributed cash dividend of RMB1.739 (tax inclusive) per ten shares, with a total amount of RMB60,862 million (tax inclusive), to shareholders of A Shares and H Shares on our registers of members at the close of business on 18 June 2019.

The Board of Directors proposed distribution of cash dividends of RMB1.819 (tax inclusive) for each ten shares of 349,983,033,873 ordinary shares for 2019 with a total amount of approximately RMB63,662 million (tax inclusive). The distribution plan will be submitted for approval at the 2019 Annual General Meeting. Once approved, the above-mentioned dividends will be paid to the holders of A Shares and H Shares, whose names appear on our registers of members on 9 July 2020. The register of transfers of H Shares will be closed from 4 July 2020 to 9 July 2020 (both days inclusive). In order to qualify for the proposed distribution of cash dividends, holders of H Shares are required to deposit the transfer documents together with the relevant share certificates at our H Share registrar, Computershare Hong Kong Investor Services Limited located at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on 3 July 2020. Dividends of A Shares are expected to be paid on 10 July 2020 and dividends of H Shares are expected to be paid before or on 31 July 2020. A separate announcement will be published if there is any change to the aforesaid dates. The table below sets out our cash dividend payment for the preceding three years.

In millions of RMB, except for percentages

	2018	2017	2016
Cash dividend (tax inclusive)	60,862	57,911	55,215
Cash dividend payment ratio[1] (%)	30.0	30.0	30.0

Note: 1. Representing cash dividend (tax inclusive) divided by the net profit attributable to equity holders of the Bank for the reporting period.

Pursuant to the *Notice of the State Administration of Taxation on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 045* (Guo Shui Han [2011] No. 348), individuals who are resident outside the PRC and who hold shares issued in Hong Kong by domestic non-foreign invested enterprises enjoy preferential tax rate in accordance with the tax conventions between Mainland China and the country where the residents reside and the tax arrangements between the Mainland China and Hong Kong (Macao). Individual shareholders will be generally subject to a withholding tax rate of 10% when domestic non-foreign invested enterprises which issue shares in Hong Kong distribute dividends to their shareholders, unless otherwise required by the regulations of relevant tax laws and tax conventions.

Pursuant to the *Notice on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises* (Guo Shui Han [2008] No. 897) of the State Administration of Taxation, we are obliged to withhold and pay enterprise income tax at the rate of 10% from dividends paid or payable for H Shares when distributing dividends to non-resident enterprise shareholders of H Shares.

No tax is payable in Hong Kong in respect of dividends paid by us according to the current practice of the Hong Kong Inland Revenue Department.

Shareholders are recommended to consult their tax advisers regarding the tax implication in the PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares of the Bank.

The Dividends Distribution Policy and Implementation of the Cash Dividend Policy

We make profit distribution with a focus on providing reasonable return on investments by the investors, and maintaining continuity and consistency of the profit distribution policy, as well as having interests of all shareholders and our sustainable development. We may make dividends distribution in cash or shares or by a combination of both. Our profit distribution prioritizes cash dividend distribution. We may also make interim profit distribution when we meet the conditions to do so.

The formulation and implementation of our cash dividend policy comply with our Articles of Association and the resolutions of the shareholders' general meetings. The procedure and mechanism of relevant resolutions are complete, and the distribution standards and proportion are clearly stated. Independent Non-executive Directors have diligently fulfilled their duties and expressed their opinions. The minority shareholders have opportunities to fully express their opinions and appeals, and their legitimate interests have been adequately protected.

Reserves

Details of the changes of reserves for the year ended 31 December 2019 are set out in "Consolidated Statement of Changes in Equity" in the financial statements.

Financial Summary

Summary of operating results, assets and liabilities for the five years ended 31 December 2019 is set out in "Basic Corporate Information and Major Financial Indicators".

Donations

During the year ended 31 December 2019, our external donations (domestic) amounted to RMB119 million.

Fixed Assets

Details of the changes of fixed assets for the year ended 31 December 2019 are set out in "Note IV. 21 Property and Equipment" to the Consolidated Financial Statement.

Subsidiaries

Particulars of our principal subsidiaries at 31 December 2019 are set out in "Discussion and Analysis — Business Review".

Share Capital and Public Float

At 31 December 2019, our total share capital of ordinary shares amounted to 349,983,033,873 shares, including 319,244,210,777 A Shares and 30,738,823,096 H Shares. At the date of this report, we maintained sufficient public float in compliance with the minimum requirement of the Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange upon our listing.

Purchase, Sale or Redemption of the Bank's Shares

For the year ended 31 December 2019, neither the Bank nor its subsidiaries purchased, sold or redeemed any of its listed shares.

Pre-emptive Rights

There is no mandatory provision in relation to pre-emptive rights in the Articles of Association. According to the Articles of Association, we are entitled to increase the registered capital by issuing shares through public or non-public offering, allotting new shares to the existing shareholders (except holders of our preference shares), transferring the capital reserve funds to increase share capital and through other methods as permitted by laws, administrative regulations and relevant authorities.

Major Customers

For the year ended 31 December 2019, the five largest customers of the Bank accounted for less than 30% of the interest income and other operating income of the Bank.

Use of Proceeds

All the proceeds were used to supplement capital to support the ongoing growth of our business as disclosed in the relevant prospectuses, offering documents and other documents.

Significant Projects Invested by Non-raised Capital

For the year ended 31 December 2019, we had no significant projects invested by non-raised capital.

Directors' and Supervisors' Interests in Material Transactions, Arrangements or Contracts

For the year ended 31 December 2019, none of our Directors or Supervisors or parties related to such Directors and Supervisors had any material interests, either directly or indirectly, in any material transaction, arrangement or contract regarding our business to which the Bank or any of its subsidiaries was a party. None of our Directors or Supervisors has entered into any service contract with the Bank or any of its subsidiaries, pursuant to which the Bank needs to pay compensation (other than statutory compensation) for terminating the contract within one year.

Directors' Interests in Competing Businesses

None of our Directors held any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Bank.

Directors' and Supervisors' Rights to Subscribe for Shares or Debentures

For the year ended 31 December 2019, we did not grant any right to acquire shares or debentures to any Director or Supervisor, nor were any of such rights exercised by any Director or Supervisor. Neither the Bank nor its subsidiaries entered into any agreement or arrangement enabling the Directors or Supervisors to acquire benefits by means of the acquisition of shares or debentures of the Bank or any other body corporate.

Interests in Shares, Underlying Shares and Debentures Held by Directors and Supervisors

None of our Directors or Supervisors of the Bank had any interests or short positions (including interests and short positions which they are deemed to have under such provisions of the *Securities and Futures Ordinance* of Hong Kong) in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the *Securities and Futures Ordinance* of Hong Kong) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the *Securities and Futures Ordinance* of Hong Kong, or any interests or short positions which were required to be recorded in the register referred to in Section 352 of the *Securities and Futures Ordinance* of Hong Kong, or any interests or short positions which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 to the Hong Kong Listing Rules. For the interests and short positions of substantial shareholders of the Bank and other persons, please refer to "Changes in Share Capital and Shareholdings of Substantial Shareholders".

Related Party Transactions

In 2019, we implemented regulation and management of related party transactions strictly in compliance with the regulatory requirements of CBIRC and the securities laws of the PRC and the listing rules of Shanghai and Hong Kong. During the reporting period, our related party transactions were conducted on normal commercial terms and in accordance with laws and regulations. Our pricing for interest rates followed fair business principles, and no impairment of the interest of the Bank or the minority shareholders was identified.

In 2019, we conducted various related party transactions with connected persons (as defined in the Hong Kong Listing Rules) of the Bank in the ordinary course of business. Such transactions satisfied the applicable exemption conditions set out in Rule 14A.73 under the Hong Kong Listing Rules, and therefore were fully exempted from compliance with the requirements of shareholders' approval, annual review and all requirements in relation to disclosures.

For the related party transactions defined under CSRC and accounting standards, please refer to "Note IV. 40 Related Party Transactions" to the Consolidated Financial Statements.

Remuneration of Directors, Supervisors and Senior Management

The remuneration of the senior management shall be reviewed and approved by the Board of Directors and the remuneration of Directors and Supervisors shall be considered and approved by the Shareholders' General Meeting. For details of the remuneration standards, please refer to "Directors, Supervisors and Senior Management — Annual Remuneration". Performance-based annual remunerations of the Directors, Supervisors and senior management members shall be determined with reference to the results of an annual performance assessment; their tenure incentive bonus shall be determined by an assessment on their performance during terms of office after they leave their posts. We did not formulate any share incentive plan for the Directors, Supervisors and senior management members.

Permitted Indemnity Provisions

According to the Articles of Association, we will undertake the civil liability arising from the discharge of the duties of our Directors, Supervisors and senior management members to the largest extent permitted by, or unless prohibited by, the applicable laws and administrative regulations, except that such Directors, Supervisors and senior management members were proven to have failed to perform their duties honestly or in good faith. We have maintained liability insurance for potential liabilities that may arise from the indemnification clams against the misconducts of the Directors, Supervisors and senior management members.

During the reporting period, we have renewed the liability insurance for our Directors, Supervisors and senior management members.

Equity-linked Agreement

We issued preference shares "農行優1" (stock code: 360001) and "農行優2" (stock code: 360009) on 31 October 2014 and 6 March 2015, respectively.

We set the events triggering mandatory conversion of the preference shares "農行優1" and "農行優2" into ordinary A Shares, respectively, in accordance with relevant regulations, including:

(i) If our Common Equity Tier 1 ("CET1") capital adequacy ratio decreases to 5.125% (or below), the preference shares will be fully or partially converted into ordinary A Shares, in order to restore our CET1 capital adequacy ratio to above 5.125%.

(ii) All preference shares issued will be converted into ordinary A Shares upon the earlier occurrence of the following two situations:

   (a) the CBIRC is of the view that we can no longer subsist if the preference shares are not converted;

   (b) relevant authorities consider that we could not subsist without capital injection from public sector or any support to the same effect.

If any of the triggering events above happens and all of preference shares "農行優1" and "農行優2" are mandatorily converted into ordinary A Shares at the conversion price, the number of ordinary A Shares upon conversion will not exceed 32,520,325,204 shares. No events have happened so far which would trigger the mandatory conversion of the preference shares "農行優1" or "農行優2" into ordinary A Shares.

During the reporting period, except for the above disclosure, we did not enter into, nor did there subsist, any other equity-linked agreement.

Issued Debentures

For details of issued debentures during the reporting period, please refer to "Note IV. 30 Debt Securities Issued to the Consolidated Financial Statements".

Financial, Business and Family Relationship among Directors

The Directors had no relationship (including financial, business, familial or other material relationships) with each other.

Employee Benefit Plans

For details of employee benefit plans, please refer to "Note IV. 31 Other Liabilities (1) Staff Cost Payable to the Consolidated Financial Statements".

Management Contracts

Except for the service contracts with our management personnel, we have not entered into any contract with any person, company or legal entity to manage or handle the whole or any material part of its businesses.

Auditors

The consolidated financial statements of the Group for 2019 prepared in accordance with CASs and IFRSs have been audited by PricewaterhouseCoopers Zhong Tian LLP[1] and PricewaterhouseCoopers[2], respectively, in accordance with the China Standards on Auditing and International Standards on Auditing, both of which are unqualified audit opinions.

By Order of the Board of Directors

ZHOU Mubing
Chairman of the Board of Directors
30 March 2020

Notes: 1. PricewaterhouseCoopers Zhong Tian LLP is Recognised Public Interest Entity Auditor under Financial Reporting Council Ordinance in Hong Kong.

2. PricewaterhouseCoopers is Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance in Hong Kong.

Composition of the Board of Supervisors

As at the end of the reporting period, the Board of Supervisors of the Bank comprised eight Supervisors, including two Supervisors Representing Shareholders, namely Mr. WANG Jingdong and Mr. WANG Xingchun, three Supervisors Representing Employees, namely Mr. XIA Taili, Mr. SHAO Lihong and Mr. WU Gang, and three External Supervisors, namely Mr. LI Wang, Mr. ZHANG Jie and Ms. LIU Hongxia. Details of the incumbent Supervisors are set out in "Directors, Supervisors and Senior Management".

Operation of the Board of Supervisors

The Board of Supervisors considers matters by way of meetings of the Board of Supervisors. The meetings of the Board of Supervisors consist of regular meetings and extraordinary meetings. Regular meetings of the Board of Supervisors shall be convened at least four times each year.

The Office of Board of Supervisors is the office to carry out regular tasks of the Board of Supervisors. It is responsible for arranging meetings of the Board of Supervisors and special committees thereof and preparing documents and minutes for those meetings, as well as conducting daily supervision according to the requirements of the Board of Supervisors.

We have established the Due Diligence Supervision Committee and the Finance and Internal Control Supervision Committee under the Board of Supervisors.

Due Diligence Supervision Committee

At the end of the reporting period, the Due Diligence Supervision Committee comprised six Supervisors, namely Mr. WANG Jingdong, Mr. WANG Xingchun, Mr. XIA Taili, Mr. WU Gang, Mr. LI Wang and Mr. ZHANG Jie. The Due Diligence Supervision Committee is chaired by Mr. WANG Jingdong.

The Due Diligence Supervision Committee shall operate under the authorization of the Board of Supervisors and report to the Board of Supervisors.

The main responsibilities of the Due Diligence Supervision Committee are as follows:

- to formulate the implementation plans for supervising the duty of due diligence performance of the Board of Directors, the senior management and their members and carry out such plan upon submission to and approval of the Board of Supervisors;
- to submit a review report on the duty of due diligence performance of the Board of Directors, the senior management and their members and to provide advices in respect thereof to the Board of Supervisors;
- to formulate the audit report of any resigning director and senior management member, if so required, and make suggestions to the Board of Supervisors;
- to provide recommendations on the candidates of Supervisors Representing Shareholders, External Supervisors, independent directors and members of each specialized committee to the Board of Supervisors;
- to formulate the assessment policy and assess the performance of supervisors, and provide recommendations in respect thereof to the Board of Supervisors;
- to make proposals on the compensation and allowance packages plan for supervisors and submit the plan to the Board of Supervisors for approval;
- to review and handle the relevant matters or documents or information reported or provided by the Board of Directors, the senior management or any of their members;
- to perform other duties as required by the laws, administrative regulations, departmental rules and as authorized by the Board of Supervisors.

Finance and Internal Control Supervision Committee

At the end of the reporting period, the Finance and Internal Control Supervision Committee comprised six Supervisors, namely Mr. WANG Jingdong, Mr. WANG Xingchun, Mr. XIA Taili, Mr. SHAO Lihong, Mr. ZHANG Jie and Ms. LIU Hongxia. The Finance and Internal Control Supervision Committee is chaired by Ms. LIU Hongxia.

The Finance and Internal Control Supervision Committee shall operate under the authorization of the Board of Supervisors and report to the Board of Supervisors.

The main responsibilities of the Finance and Internal Control Supervision Committee are as follows:

- to formulate and carry out the working and implementation plans of the Finance and Internal Control Supervision Committee of the Board of Supervisors upon approval of the Board of Supervisors;

- to supervise the implementation of the development strategy plan, policy and basic management system of the County Area Banking Business of the Bank and evaluate the effectiveness and provide recommendation in respect thereof to the Board of Supervisors;

- to oversee and review the financial reports, operation reports of the Bank and profit distribution proposals formulated by the Board of Directors and provide recommendations in respect thereof to the Board of Supervisors;

- to formulate and implement the plans of the Board of Supervisors to monitor the financial activities, business decisions, risk management and internal control of the Bank upon the approval of the Board of Supervisors, and recommend to the Board of Supervisors for engagement of an external auditing firm to perform audit on the Bank when necessary;

- to guide the performance of internal audit department of the Bank;

- to review and handle the relevant matters or documents or information reported or provided by the Board of Directors, the senior management or any of their members;

- to supervise the compliance of the appointment, dismissal and reappointment of external auditing firms and the fairness of the terms of engagement and remunerations, as well as the independence and effectiveness of external audit, and make suggestions to the Board of Supervisors; and

- to perform other duties as required by the laws, administrative regulations, departmental rules and as authorized by the Board of Supervisors.

Meetings of the Board of Supervisors and its Special Committees

During the reporting period, the Board of Supervisors held five meetings, considered and approved 22 proposals including the annual report for 2018 and its abstract, and listened to 18 work reports.

The Due Diligence Supervision Committee held three meetings, considered and approved six proposals including the report of evaluation on due diligence of the Board of Directors, the Board of Supervisors, the senior management and their members for 2018, and listened to two work reports.

The Finance and Internal Control Supervision Committee held four meetings to consider and approve seven proposals including final financial accounts for 2018, and listened to thirteen work reports.

The attendance of Supervisors at meetings of the Board of Supervisors and its special committees during the reporting period is listed below:

Number of attendance in person[1]/meeting requiring attendance

Supervisors	Meeting of the Board of Supervisors	Special Committees under the Board of Supervisors: Due Diligence Supervision Committee	Special Committees under the Board of Supervisors: Finance and Internal Control Supervision Committee
Supervisors			
WANG Jingdong	5/5	3/3	3/4
WANG Xingchun	5/5	3/3	4/4
XIA Taili	4/5	2/3	4/4
SHAO Lihong	4/5		3/4
WU Gang	2/2	1/1	
LI Wang	5/5	3/3	
ZHANG Jie	4/5	2/3	4/4
LIU Hongxia	4/5		4/4
Former Supervisors			
LIU Chengxu	2/3	2/2	

Note: 1. Attendance in person includes attendance on site and attendance by way of electronic communication such as telephone and video conference. During the reporting period, the Supervisors who did not attend the meetings of the Board of Supervisors or special committees in person thereof had designated other Supervisors as proxies to attend and to vote on their behalf at the meetings.

Work of Board of Supervisors

Proceedings of meetings of the Board of Supervisors

The meetings covered due diligence supervision, financial supervision, internal control supervision and risk supervision. **Firstly,** we conducted supervision and evaluation on the due diligence of the Board of Directors and the senior management and their members, and organised annual self-evaluation on the due diligence of the Board of Supervisors and its members. **Secondly,** we debriefed financial reports as well as the business plans and execution reports on regular basis, and reviewed and expressed independent opinions on periodic reports, final financial accounts proposals and profit distribution plans. **Thirdly,** we tightened the supervision on the due diligence of the Board of Directors and the senior management on internal control and improvement of the internal control systems. We regularly debriefed monitoring reports on major findings during internal and external inspections and related rectifications, and followed up with anti-money laundering, compliance management of foreign exchange policies, and rectification of the New York branch. **Fourthly,** we continued to enhance the supervision on comprehensive risk management at the group level, debriefed special reports on comprehensive risk management and liquidity risk management, to promote the establishment and improvement of a comprehensive risk management system. We studied the changes in asset quality and risk exposures in key areas, to strengthen supervision on credit risk management.

Supervisory investigations on priorities

The Board of Supervisors completely implemented decisions and plans of the Central Committee of the Communist Party of China and the State Council, while tracking the economic and financial conditions and market changes of China. Focusing on serving the real economy, preventing and controlling financial risks, deepening operation transformation and continuously deepening reforms, the Board of Supervisors carried out supervisory investigations on serving "Sannong", fight against poverty, reform of branches in provincial capitals, internal control and prevention of cases of violations, risk management in key areas, the formulation and implementation of rules and regulations involving interests of employees, and the establishment and operation of the consolidated management mechanism of subsidiaries, further looked into the effectiveness, problems and difficulties of related work, and put forward recommendations for improvement. The senior management valued the results of investigations, conducted research and evaluation on the issues raised, proposed specific implementation measures, and optimized and adjusted relevant policies.

Relentless pursuit of high supervision efficiency

Firstly, in order to promote standardized supervision and improve its effectiveness, the Board of Supervisors formulated the *Working Rules of the Board of Supervisors (Provisional)* based on practices, making it clear that the opinions on supervision will be submitted to the Board of Directors and the senior management in the form of Recommendations of the Board of Supervisors. **Secondly,** the Board of Supervisors conducted due diligence interviews. The supervisors conducted interviews with the Directors, and in some tier-1 branches and related departments of the Head Office, to receive opinions and suggestions from different levels on the Bank's reform and development and the due diligence of the Board of Directors, the Board of Supervisors and the senior management, through which the Board of Supervisors enhanced the adequacy and effectiveness of due diligence evaluation, and further enhanced its due diligence supervision and evaluation system. **Thirdly,** the Board of Supervisors organized trainings for supervisors to study the national policies, and to understand the latest regulatory requirements on corporate governance and anti-money laundering compliance policies, through which the supervisors became more aware of national policies and enhanced their compliance awareness and professional capabilities to perform their duties. **Fourthly,** Supervisors Representing Employees were re-elected based on the needs of work. The percentages of External Supervisors and Supervisors Representing Employees both met regulatory requirements.

Work of External Supervisors

During the reporting period, the External Supervisors performed their supervisory duties diligently in accordance with the Articles of Association. They reviewed the relevant proposals, listened to working reports, and carried out supervising inspections. They attended all meetings of the Board of Supervisors and special committees thereof, and provided professional, rigorous and independent advice and opinions. The External Supervisors played active roles in enhancing the corporate governance and improving our operation management.

Independent Opinions of the Board of Supervisors

Operation Compliance

During the reporting period, we strictly adhered to operation compliance in accordance with applicable laws and regulations, and continuously optimized our internal control system. The Directors and the senior management members performed their duties diligently. The Board of Supervisors did not find any act by the Directors and the senior management members in performance of their duties that might breach the laws, regulations and the Articles of Association or impair the interests of the Bank.

Annual Report

The preparation and review procedures of this annual report were in compliance with laws, administrative regulations and regulatory requirements. The report gives a true, accurate and complete view of the consolidated financial position and operating results of the Group.

County Area Banking Business

During the reporting period, our indicators of County Area Banking Business met the regulatory standards.

Asset Acquisition and Disposal

During the reporting period, the Board of Supervisors did not find any insider trading or any act which might result in the impairment of the interests of the shareholders or loss of our assets in the process of asset acquisition or disposal by the Bank.

Related Party Transactions

During the reporting period, the Board of Supervisors did not find any act in the related party transactions that might result in the impairment of the interests of the Bank.

Internal Control

The Board of Supervisors had no objection to the conclusion of the 2019 Internal Control Assessment Report of Agricultural Bank of China Limited.

Due Diligence Evaluation of Directors and Senior Management Members

As at the end of 2019, the Bank had 19 incumbent directors and senior management members, among whom, 1 senior management member not participating in the due diligence evaluation due to short service term, 17 directors and senior management members turned out to be satisfactory in the due diligence evaluation, and 1 director turned out to be basically satisfactory in the due diligence evaluation.

Saved as disclosed above, the Board of Supervisors had no objection to the matters subject to its supervision during the reporting period.

By Order of the Board of Supervisors

WANG Jingdong
Chairman of the Board of Supervisors
30 March 2020

Material Litigations and Arbitrations

During the reporting period, there were no litigations or arbitrations with material impact on our business operation.

As at 31 December 2019, the value of the claims of the pending litigations or arbitrations in which we were involved as a defendant, a respondent or a third person amounted to approximately RMB5,478 million. Our management believes that we have fully accrued provision for potential losses arising from the aforesaid litigations or arbitrations, and they will not have any material adverse effect on our financial position or operating results.

Major Asset Acquisition, Disposal and Merger

During the reporting period, we did not carry out any major asset acquisition, disposal or merger.

Implementation of Share Incentive Plan

During the reporting period, we did not implement any share incentive scheme, including share appreciation rights scheme of the management and employee share ownership scheme.

Material Related Party Transactions

During the reporting period, we did not enter into any material related party transaction.

Details and Performance of Material Contracts

Material custody, contract and lease

During the reporting period, we did not enter into any material custody, contracting or leasing arrangements on the assets of other companies, which were subject to disclosure and no other companies entered into any material custody, contracting or leasing arrangements on our assets, which were subject to disclosure.

Material guarantees

The provision of guarantees is one of our off-balance-sheet businesses in our usual course of business. During the reporting period, we did not have any material guarantee that was required to be disclosed, except for the financial guarantee services within the business scope as approved by the PBOC and the CBIRC.

Major Centralised Procurement

There were no centralised procurement which had material impact on our cost and expenses.

Misappropriation of Funds by Controlling Shareholders and Other Related Parties

None of our controlling shareholders or other related parties misappropriated any of our funds. PricewaterhouseCoopers Zhong Tian LLP issued the *Special Report on Misappropriation of Funds by Controlling Shareholders and Other Related Parties of Agricultural Bank of China Limited for the year of 2019*.

Penalties Imposed on the Bank and Directors, Supervisors, Senior Management Members and Controlling Shareholders of the Bank

In the recent three years, there was no penalty from securities regulatory authorities in relation to incumbent Directors, Supervisors and senior management members, or former Directors, Supervisors and senior management members during the reporting period.

During the reporting period, neither the Bank nor any of our Directors, Supervisors, senior management members nor controlling shareholders was investigated by competent authorities, subject to compulsory measures imposed by authorities or disciplinary authorities, or to be transferred to judicial authorities for prosecution or held criminally liable, investigated, punished, barred from the market or disqualified by the CSRC, subject to material administrative punishments imposed by environmental protection, safe production supervision, tax or other administrative authorities, or publicly denounced by any stock exchanges.

Integrity of the Bank and Controlling Shareholders

There were no judicial decisions with large amount in effect to be performed, or, any outstanding debt with large amount matured and to be paid, by the Bank or its controlling shareholders.

Material Equity Investments and Material Non-equity Investments in Progress

In 2018, we entered into the *Promoters' Agreement on National Financing Guarantee Fund Co., Ltd.*, pursuant to which, we will invest RMB3 billion in National Financing Guarantee Fund Co., Ltd. for 4.5386% of its registered capital, which will be paid up annually in four years from 2018. In November 2018, we completed the first contribution of RMB0.75 billion. In June 2019, we completed the second contribution of RMB0.75 billion.

In November 2018, the Board of Directors of the Bank considered and approved the proposed contribution of not exceeding RMB12 billion to establish Agricultural Bank of China Wealth Management Co., Ltd., which would be 100% held by the Bank. In January 2019, the application for the establishment of Agricultural Bank of China Wealth Management Co., Ltd. was approved by the CBIRC. In July 2019, Agricultural Bank of China Wealth Management Co., Ltd was approved to commence operation.

During the reporting period, saved as disclosed above, we did not have any other material equity and non-equity investment.

Financial Poverty Alleviation

Please refer to "Discussion and Analysis — County Area Banking Business — Financial Poverty Alleviation".

Issuance Plans of Write-down Undated Capital Bonds and Write-down Eligible Tier-2 Capital Instruments

The Bank proposed to issue the write-down undated capital bonds of not exceeding RMB120 billion and the write-down eligible tier-2 capital instruments of not exceeding the equivalent of RMB40 billion. The proceeds from the issuance will be used to replenish the additional tier 1 and tier 2 capital of the Bank, respectively. The proposed issuance had been considered and approved at the meeting of the Board of Directors held on 10 January 2020 and the extraordinary Shareholders' General Meeting held on 28 February 2020. In addition, the issuance shall be subject to the approval of the relevant regulatory authorities.

Commitments

Subject of Commitment	Commitment	Details of commitment	Date of commitment	Due date of commitment	Performance up to date
Huijin	Non-competition commitment	(1) So long as Huijin continues to hold any of our shares or is deemed to be a controlling shareholder or a connected person of a controlling shareholder or de facto controller of the Bank in accordance with the laws or listing rules of China or of the place where our shares are listed, it will not engage or participate in any competing commercial banking activities in China or abroad. If Huijin engages or participates in any competing commercial banking activities or activities which evolve into competing commercial banking activities in China or abroad, it will immediately cease to participate in, manage or engage in such competing commercial banking activities. (2) If Huijin obtains any governmental approval, authorization or license to operate commercial banking activities directly, or obtains any other opportunities to operate commercial banking activities, Huijin will immediately relinquish such approval, authorization or license, and will not operate any commercial banking activities. (3) Notwithstanding the above provisions (1) and (2), Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/banking industry, may through its investments in other companies and in any form (including but not limited to its wholly-owned entities, joint ventures, contractual joint ventures, or through its direct or indirect ownership of shares or other interests in such companies), operate or participate in any competing commercial banking activities in China or abroad. (4) Huijin, as a state-owned investment vehicle established by the PRC government to invest in financial/banking industry, will treat its investments in commercial banks on an equal footing, and will not confer upon any commercial banks any governmental approval, authorization or license to operate commercial banking activities or any business opportunities it obtains or may obtain, nor will it take advantage of its status as a holder of our shares or the information obtained by virtue of such status to make decisions or judgments against us or in favor of other commercial banks, and will avoid such circumstances' arising. It will exercise its shareholder's rights in our maximum or best interests as if we were its sole investment in a commercial bank, and will exercise its commercial judgment as our shareholder to maximize our best interests, and such judgment shall not be affected by its investments in other commercial banks.	15 July 2010	Valid for long time	Continuous commitment and duly performed

In compliance with the *Notice of the State Council on Printing and Distributing the Implementation Plan of Transferring Part of State-owned Capital to Replenish Social Security Funds (Guo Fa [2017] No. 49)*, the SSF shall be obligated to observe a lock-up period not less than three years from the date on which the shares are credited to the account. As at 31 December 2019, the SSF Strictly fulfilled the above commitment, and there was no violation of the commitment.

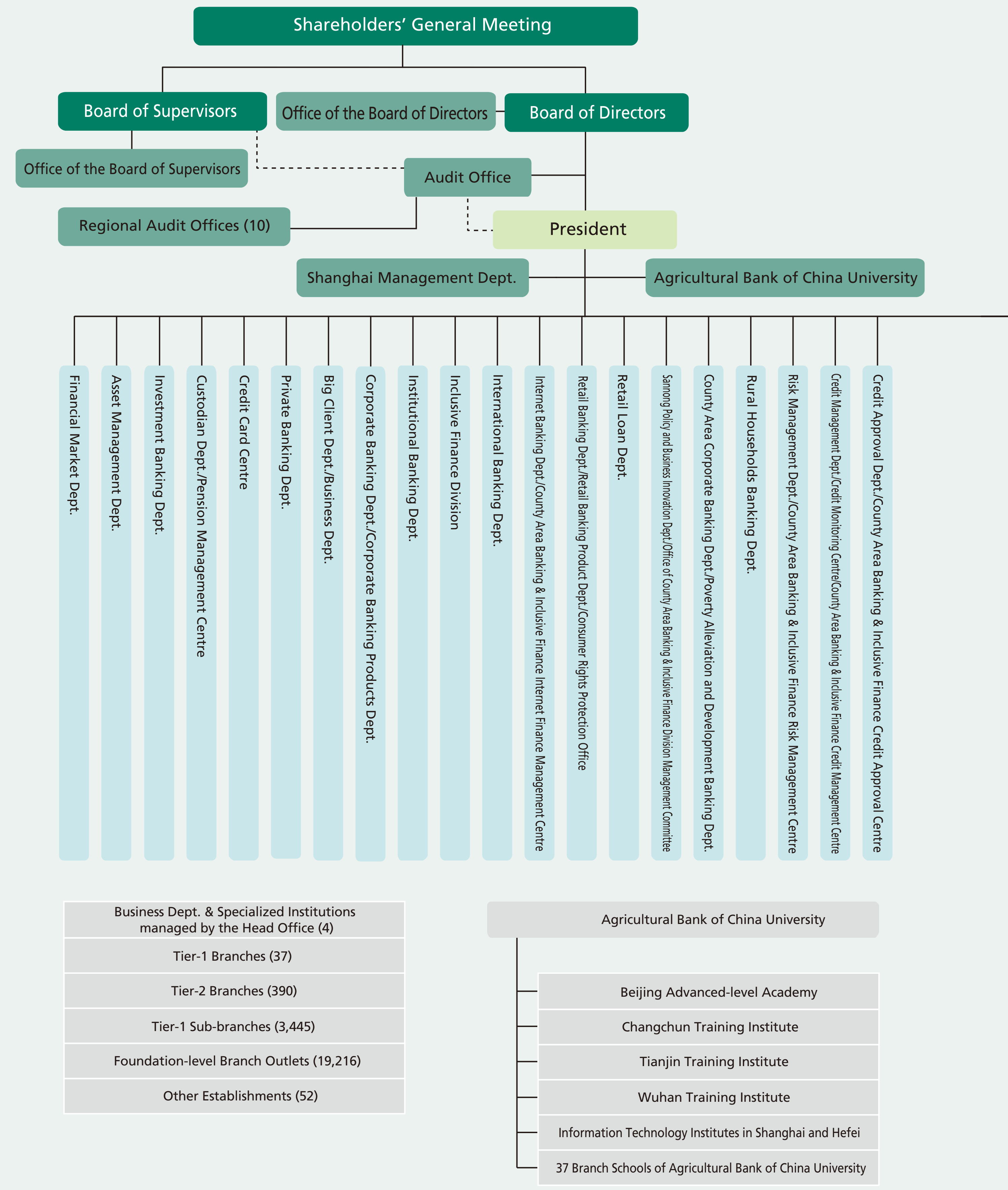
Honors and Awards

Organizations	Honors and Awards
21st Century Business Herald	Best Asset Management Bank of 2019 Best Private Bank of 2019 Excellent Retail Bank of Asia in 2019 Outstanding FinTech Bank of 2019 Outstanding Corporate Culture Award of 2019 Golden Fan Award of Excellent Board of Directors for 2019
hexun.com	2019 Outstanding Financial Institution
China Times	Retail Bank of 2019 (State-owned commercial banks)
The Economic Observer	2019 Most Respected Enterprise
The Paper	Financial Institution of the Year FinTech Institution of the Year
people.cn	The 14th Annual Corporate Social Responsibility Enterprise of the Year
China Investment Network	Golden Jubilee Award 2019 Best Large Bank
The Asset	Most Innovative Digital Collaboration Most Innovative Risk Management Project Most Innovative Public Sector System Most Innovative Retail Payment Project Best Domestic M&A Deal Rank No. 1 of Top Investment House in G3 Asian Bonds for Commercial and Investment Bank in China/Hong Kong
AsiaMoney	Best Private Bank for Impact Investing Overall Best National Retail Bank Award Best Retail Bank for Online Banking Award Best Transaction bank for Domestic Cash Management Award Best Chinese Bank in Middle East and Africa for the Belt and Road Initiative Best Individual the Belt and Road Initiative Project or Initiative in Middle East and Africa ("950MW Concentrated Solar Thermal Power Plant in Dubai, UAE" supported by the Agricultural Bank of China Dubai Financial Center Branch)
The Banker	Global Bank of the Year 2019 Bank of the Year 2019 in Asia-Pacific Bank of the Year 2019 in China

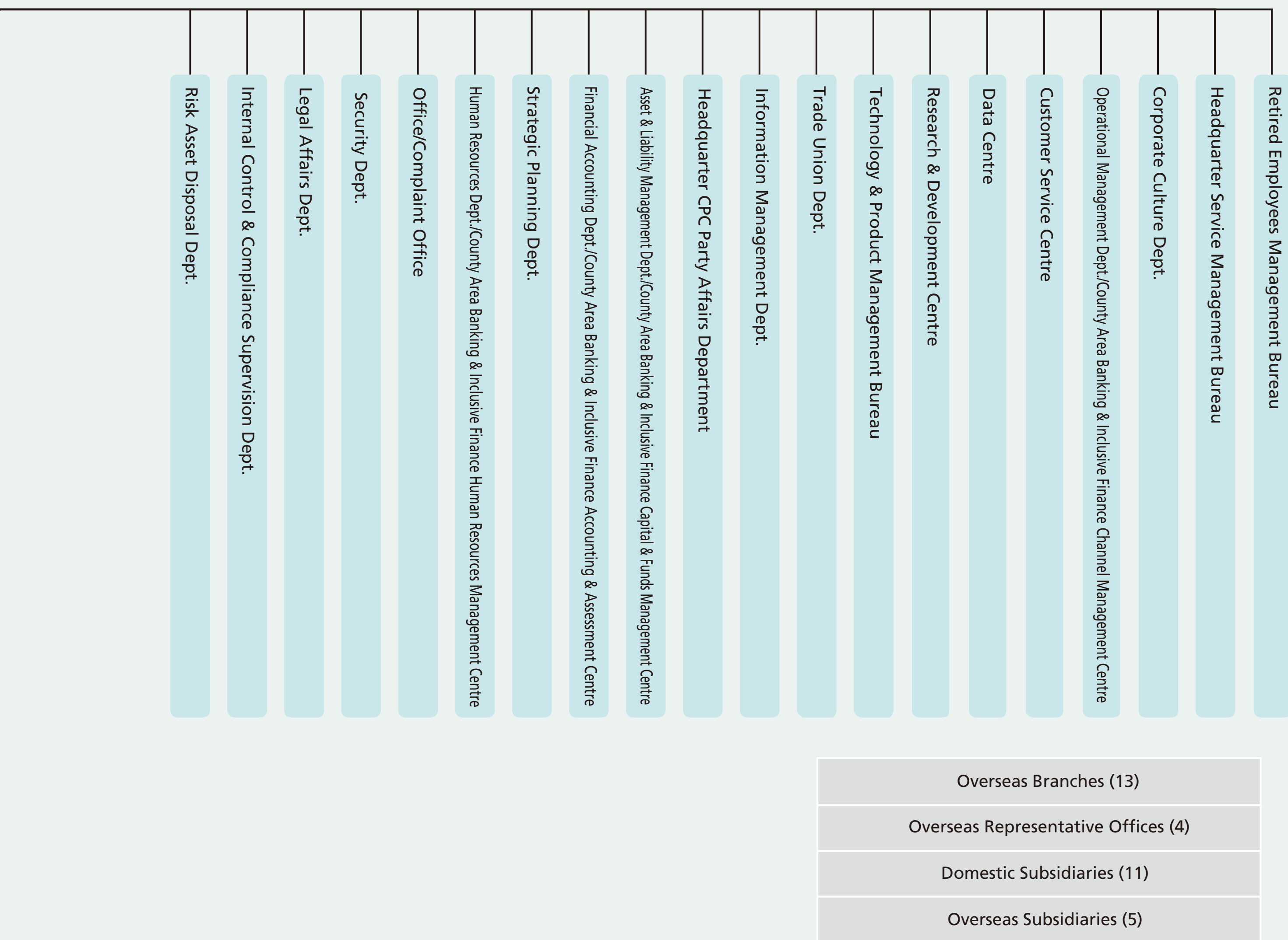
Honors and Awards

Organizations	Honors and Awards
Securities Times	National Bank of China in 2019 2019 Asset Custodian Bank 2019 Ageing Finance Service Bank 2019 All-round Bank Investment Banking Business Top 100 Listed Companies on the Main Board Capital Operation Benchmark of Listed Companies
China Business	2019 Inclusive Finance Service Bank of Excellent Competitiveness
Global Finance	Best Bank for SOE Reform
China Network	Excellent Pioneering Organization for Poverty Alleviation
China Banking Association	"Effectiveness Award" for Three Major Challenges of Top 100 Social Responsibility Evaluation in 2018 "Best Inclusive Financial Effectiveness Award" of Top 100 Social Responsibility Evaluation in 2018 "Best Green Finance Effectiveness Award" of Top 100 Social Responsibility Evaluation in 2018 Best Performance Award of Popularising Financial Knowledge for Banking in 2019 Best Performance of Syndicated Loan in 2019
PBOC	The First Prize of the Science and Technology Development of People's Bank of China in 2018 (Two-site and three-center project based on remote disaster recovery)
China Central Depository & Clearing Co., Ltd.	2018 Top 100 Settlement — Outstanding Self-employed Agency Award
caishiv.com	Outstanding Demonstration Product Award of Green Financial Asset Securitization
China Foreign Exchange Trade System	Core Interbank Local Currency Market Trader, Outstanding Currency Market Dealer, and Outstanding Bond Market Trader in 2019
Shanghai Securities News	"Gold Finance" Asset Management Excellence Award
China Securities Journal	Golden Bull Wealth Management Bank in 2018
Financial Computerizing	2019 Outstanding Innovation in Finance Technology Award
Directors & Boards	Special Contribution to Board Governance Chairman with the Most Strategic Vision

Organizational Chart



Organizational Chart



Domestic Institutions

- **BEIJING BRANCH**
ADD: 13 Chaoyangmen North Avenue
Dongcheng District
Beijing 100010
PRC
TEL: 010-68358266
FAX: 010-61128239

- **TIANJIN BRANCH**
ADD: Zeng 6 No. 3 Zijinshan Road
Hexi District
Tianjin 300074
PRC
TEL: 022-23338701
FAX: 022-23338733

- **HEBEI BRANCH**
ADD: 39 Ziqiang Road
Shijiazhuang
Hebei Province 050000
PRC
TEL: 0311-87016962
FAX: 0311-87019961

- **SHANXI BRANCH**
ADD: 33 Southern Inner Ring Road West
Taiyuan
Shanxi Province 030024
PRC
TEL: 0351-6240801
FAX: 0351-4956999

- **INNER MONGOLIA BRANCH**
ADD: 83 Zhelimu Road
Hohhot
Inner Mongolia 010010
PRC
TEL: 0471-6903401
FAX: 0471-6904750

- **LIAONING BRANCH**
ADD: 27 Qingnian North Avenue
Shenyang
Liaoning Province 110013
PRC
TEL: 024-22550004
FAX: 024-22550007

- **JILIN BRANCH**
ADD: 926 Renmin Avenue
Changchun
Jilin Province 130051
PRC
TEL: 0431-82093001
FAX: 0431-82093517

- **HEILONGJIANG BRANCH**
ADD: 131 Xidazhi Street
Nangang District
Harbin
Heilongjiang Province 150006
PRC
TEL: 0451-86208845
FAX: 0451-86216843

- **SHANGHAI BRANCH**
ADD: 9 Yincheng Road
Pudong New District
Shanghai 200120
PRC
TEL: 021-53961888
FAX: 021-53961900

- **JIANGSU BRANCH**
ADD: 357 Hongwu Road
Nanjing
Jiangsu Province 210002
PRC
TEL: 025-84571888
FAX: 025-84577017

- **ZHEJIANG BRANCH**

ADD: 100 Jiangjing Road
Jianggan District
Hangzhou
Zhejiang Province 310003
PRC
TEL: 0571-87226000
FAX: 0571-87226177

- **ANHUI BRANCH**

ADD: 1888 Chengdu Road
Hefei
Anhui Province 230091
PRC
TEL: 0551-62843475
FAX: 0551-62843573

- **FUJIAN BRANCH**

ADD: 177 Hualin Road
Fuzhou
Fujian Province 350003
PRC
TEL: 0591-87909908
FAX: 0591-87909620

- **JIANGXI BRANCH**

ADD: 339 Zhongshan Road
Nanchang
Jiangxi Province 330008
PRC
TEL: 0791-86693775
FAX: 0791-86693972

- **SHANDONG BRANCH**

ADD: 168 Jingqi Road
Ji'nan
Shandong Province 250001
PRC
TEL: 0531-85858888
FAX: 0531-82056558

- **HENAN BRANCH**

ADD: 16 Outer Ring Road
CBD Zhengdong New District
Zhengzhou
Henan Province 450016
PRC
TEL: 0371-69196850
FAX: 0371-69196724

- **HUBEI BRANCH**

ADD: Block A
66 Zhongbei Road
Wuchang District
Wuhan
Hubei Province 430071
PRC
TEL: 027-87326666
FAX: 027-87326693

- **HUNAN BRANCH**

ADD: 540 Furongzhong Road
Section 1
Changsha
Hunan Province 410005
PRC
TEL: 0731-84300265
FAX: 0731-84300261

- **GUANGDONG BRANCH**

ADD: 425 East Zhujiang Road
Zhujiang New Town
Tianhe District
Guangzhou
Guangdong Province 510623
PRC
TEL: 020-38008008
FAX: 020-38008210

- **GUANGXI BRANCH**

ADD: 56 Jinhu Road
Nanning
Guangxi Autonomous Region 530028
PRC
TEL: 0771-2106036
FAX: 0771-2106035

- **HAINAN BRANCH**

ADD: 11 Guoxing Avenue
Haikou
Hainan Province 570203
PRC
TEL: 0898-66777728
FAX: 0898-66791452

- **SICHUAN BRANCH**

ADD: 666 Tianfu Third Street
Chengdu
Sichuan Province 610000
PRC
TEL: 028-61016035
FAX: 028-61016019

- **CHONGQING BRANCH**

ADD: 1 Jiangbeichengnan Avenue
Jiangbei District,
Chongqing 400020
TEL: 023-63551188
FAX: 023-63844275

- **GUIZHOU BRANCH**

ADD: West Fourth Tower
Convention and Exhibition Business District
Changling North Road
Guiyang
Guizhou Province 550081
PRC
TEL: 0851-87119657
FAX: 0851-85221009

- **YUNNAN BRANCH**

ADD: 36 Chuangjin Road
Kunming
Yunnan Province 650051
PRC
TEL: 0871-63203405
FAX: 0871-63203584

- **TIBET BRANCH**

ADD: 44 West Jinzhu Road
Lhasa
Tibet 850000
PRC
TEL: 0891-6959822
FAX: 0891-6959822

- **SHAANXI BRANCH**

ADD: 31 Tangyan Road
Gaoxin District
Xi'an
Shaanxi Province 710065
PRC
TEL: 029-88990821
FAX: 029-88990819

- **GANSU BRANCH**

ADD: 108 North Jinchang Road
Lanzhou
Gansu Province 730030
PRC
TEL: 0931-8895082
FAX: 0931-8895040

- **QINGHAI BRANCH**

ADD: 96 Huanghe Road
Xining
Qinghai Province 810001
PRC
TEL: 0971-6145105
FAX: 0971-6114575

- **NINGXIA BRANCH**

ADD: 95 West Jiefang Street
Xingqing District
Yinchuan
Ningxia Autonomous Region 750001
PRC
TEL: 0951-6027614
FAX: 0951-6027430

- **XINJIANG BRANCH**

ADD: 66 South Jiefang Road
Urumqi 830002
PRC
TEL: 0991-2369407
FAX: 0991-2815229

List of Branches and Institutions

- **XINJIANG PRODUCTION AND CONSTRUCTION CORPS BRANCH**
ADD: 173 South Jiefang Road
Urumqi 830002
PRC
TEL: 0991-2217109
FAX: 0991-2217300

- **DALIAN BRANCH**
ADD: 10 Zhongshan Road
Zhongshan District
Dalian
Liaoning Province 116001
PRC
TEL: 0411-82510089
FAX: 0411-82510646

- **QINGDAO BRANCH**
ADD: 19 Shandong Road
Qingdao
Shandong Province 266071
PRC
TEL: 0532-85802215
FAX: 0532-85814102

- **NINGBO BRANCH**
ADD: 518 East Zhongshan Road
Ningbo
Zhejiang Province 315040
PRC
TEL: 0574-87363537
FAX: 0574-87363537

- **XIAMEN BRANCH**
ADD: 98–100 Jiahe Road
Siming District
Xiamen
Fujian Province 361009
PRC
TEL: 0592-5578855
FAX: 0592-5578899

- **SHENZHEN BRANCH**
ADD: 5008 East Shennan Road
Shenzhen
Guangdong Province 518001
PRC
TEL: 0775-25590960
FAX: 0755-25572255

- **BEIJING ADVANCED-LEVEL ACADEMY**
ADD: 5 Hongluo East Road
Huairou District
Beijing 101400
PRC
TEL: 010-60682727
FAX: 010-60682727

- **TIANJIN TRAINING INSTITUTE**
ADD: 88 South Weijin Road
Nankai District
Tianjin 300381
PRC
TEL: 022-23381289
FAX: 022-23389307

- **CHANGCHUN TRAINING INSTITUTE**
ADD: 1408 Qianjin Avenue
Chaoyang District
Changchun
Jilin Province 130012
PRC
TEL: 0431-86822002
FAX: 0431-86822002

- **WUHAN TRAINING INSTITUTE**
ADD: 186 Zhongbei Road
Wuchang District
Wuhan
Hubei Province 430077
PRC
TEL: 027-86783669
FAX: 027-86795502

- **SUZHOU BRANCH**
ADD: 65 Shishan Road
New District
Suzhou
Jiangsu Province 215011
PRC
TEL: 0512-68258999
FAX: 0512-68417800

- **XIONGAN BRANCH**
ADD: No. 48, Yonggui South Street
Rongcheng County
Baoding City
Hebei Province 071700
PRC
TEL: 0312-6587088
FAX: 0312-6587088

- **ABC-CA FUND MANAGEMENT CO., LTD.**
ADD: 50/F, No. 9 Yincheng Road,
China (Shanghai) Pilot Free Trade Zone
Shanghai 200120
PRC
TEL: 021-61095588
FAX: 021-61095556

- **ABC FINANCIAL LEASING CO., LTD.**

ADD: 5–6/F, 518 East Yan'an Road
Huangpu District
Shanghai 200001
PRC
TEL: 021-20686888
FAX: 021-58958611

- **ABC LIFE INSURANCE CO., LTD.**

ADD: Block A, Minsheng Financial Center
28 Jianguomen Nei Avenue
Dongcheng District
Beijing 100005
PRC
TEL: 010-82828899
FAX: 010-82827966

- **ABC FINANCIAL ASSET INVESTMENT COMPANY LIMITED**

ADD: No. 23, Fuxing Road Jia
Haidian District
Beijing 100036
PRC
TEL: 010-85101290
FAX: 010-65287757

- **AGRICULTURAL BANK OF CHINA WEALTH MANAGEMENT CO., LTD.**

ADD: 11/F, Block B,
Minsheng Financial Center
28 Jianguomen Nei Avenue
Dongcheng District
Beijing 100005
PRC
TEL: 010-85106735
FAX: 010-85108390

- **ABC HUBEI HANCHUAN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: Jianshece Road
Xinhe Town
Hanchuan
Hubei Province 431600
PRC
TEL: 0712-8412338
FAX: 0712-8412338

- **ABC HEXIGTEN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: Jiefang Road Middle Section
Jingpeng Township
Hexigten 025350
PRC
TEL: 0476-5263191
FAX: 0476-5263191

- **ABC ANSAI RURAL BANK LIMITED LIABILITY COMPANY**

ADD: Shop A-02, Jinmingmeidi Community
Yingbin Road
Ansai County
Shaanxi Province 717400
PRC
TEL: 0911-6229906
FAX: 0911-6229906

- **ABC JIXI RURAL BANK LIMITED LIABILITY COMPANY**

ADD: 40 Yangzhi North Road
Jixi County
Xuancheng
Anhui Province 245300
PRC
TEL: 0563-8158913
FAX: 0563-8158916

- **ABC XIAMEN TONG'AN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: No. 185–199 Zhaoyuan Community
Committee Complex Building
Zhaoyuan Road
Tong'an District
Xiamen
Fujian Province 361100
PRC
TEL: 0592-7319223
FAX: 0592-7319221

- **ABC ZHEJIANG YONGKANG RURAL BANK LIMITED LIABILITY COMPANY**

ADD: 1/F, Jinsong Building
Headquarters Center
Yongkang
Zhejiang Province 321300
PRC
TEL: 0579-87017378
FAX: 0579-87017378

Overseas Institutions

- **HONG KONG BRANCH**

ADD: 25/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong, PRC
TEL: 00852-28618000
FAX: 00852-28660133

- **SINGAPORE BRANCH**

ADD: 7 Temasek Boulevard #30-01/02/03, Suntec Tower 1, 038987, Singapore
TEL: 0065-65355255
FAX: 0065-65387960

- **SEOUL BRANCH**

ADD: 14F Seoul Finance Center, 136, Sejong-daero, Jung-gu, Seoul, 04520, Korea
TEL: 0082-2-37883900
FAX: 0082-2-37883901

- **NEW YORK BRANCH**

ADD: 277 Park Ave, 30th Floor, New York, NY, 10172, USA
TEL: 001-212-8888998
FAX: 001-646-7385291

- **DUBAI INTERNATIONAL FINANCIAL CENTRE (DIFC) BRANCH**

ADD: Office 2901, Level 29, Al Fattan Currency House Tower 2, DIFC, Dubai, 124803, UAE
TEL: 00971-45676900
FAX: 00971-45676910

- **DUBAI BRANCH**

ADD: Office No. 201, Second Floor, Building No. 1, Emaar Business Park, Sheikh Mohamed bin Zayed Road, Dubai, 336760, UAE
TEL: 00971-45676901
FAX: 00971-45676909

- **TOKYO BRANCH**

ADD: Yusen Building, 2-3-2 Marunouchi, 100-0005, Japan
TEL: 0081-3-62506911
FAX: 0081-3-62506924

- **FRANKFURT BRANCH**

ADD: Ulmenstrasse 37–39, Frankfurt am Main, 60325, Germany
TEL: 0049-69-401255-0
FAX: 0049-69-401255-139

- **SYDNEY BRANCH**

ADD: Level 18, Chifley Tower, 2 Chifley Square, Sydney NSW, 2000, Australia
TEL: 0061-2-82278888
FAX: 0061-2-82278800

- **LUXEMBOURG BRANCH**

ADD: 65, Boulevard Grande-Duchesse Charlotte, 1331, Luxembourg
TEL: 00352-279559900
FAX: 00352-279550005

- **LONDON BRANCH**

ADD: 7/F, 1 Bartholomew Lane, London, EC2N 2AX, UK
TEL: 0044-20-73748900
FAX: 0044-20-73746425

- **MACAO BRANCH**

ADD: Avenida Doutor Mário Soares, No.300–322, Edifício Finance and IT Center of Macao, 21 andar, em Macao
TEL: 00853-8599-5599
FAX: 00853-8599-5590

- **HANOI BRANCH**

ADD: Unit 901–907, 9th Floor, TNR Building,
54A Nguyen Chi Thanh,
Lang Thuong Ward, Dong Da District,
Hanoi, Vietnam
TEL: 0084-24-39460599
FAX: 0044-24-39460587

- **ABC INTERNATIONAL HOLDINGS LIMITED**

ADD: 16/F, Agricultural Bank of China Tower,
50 Connaught Road Central, Hong Kong,
PRC
TEL: 00852-36660000
FAX: 00852-36660009

- **CHINA AGRICULTURAL FINANCE CO., LTD**

ADD: 26/F, Agricultural Bank of China Tower,
50 Connaught Road Central, Hong Kong,
PRC
TEL: 00852-28631916
FAX: 00852-28661936

- **AGRICULTURAL BANK OF CHINA (UK) LIMITED**

ADD: 7/F, 1 Bartholomew Lane, London,
EC2N 2AX, UK
TEL: 0044-20-73748900
FAX: 0044-20-73746425

- **AGRICULTURAL BANK OF CHINA (LUXEMBOURG) LIMITED**

ADD: 65, Boulevard Grande-Duchesse Charlotte,
1331, Luxembourg
TEL: 00352-279559900
FAX: 00352-279550005

- **AGRICULTURAL BANK OF CHINA (MOSCOW) LIMITED**

ADD: Floor 4, Lesnaya Street 5B, Moscow, 125047,
Russia
TEL: 007-499-9295599
FAX: 007-499-9290180

- **VANCOUVER REPRESENTATIVE OFFICE**

ADD: Suite 2220, 510 W. Georgia Street,
Vancouver, BC, V6B 0M3, Canada
TEL: 001-604-6828468
FAX: 001-888-3899279

- **HANOI REPRESENTATIVE OFFICE**

ADD: Unit 901–907, 9th Floor, TNR Building,
54A Nguyen Chi Thanh,
Lang Thuong Ward, Dong Da District,
Hanoi, Vietnam
TEL: 0084-4-39460599
FAX: 0084-4-39460587

- **TAIPEI REPRESENTATIVE OFFICE**

ADD: 3203, No. 333, Keelung Road, Sec. 1,
Xinyi District, Taipei City, 11012, Taiwan
TEL: 00886-2-27293636
FAX: 00886-2-23452020

- **SAO PAULO REPRESENTATIVE OFFICE**

ADD: 4/F, No. 86 Sao Tome Road
(Corporate Plaza), Vila Olimpia,
Sao Paulo, 04551-080, Brazil
TEL: 0055-11-31818526

Appendix I Liquidity Coverage Ratio Information

The Bank disclosed the following information of liquidity coverage ratio in accordance with relevant regulations of the CBIRC.

Regulatory Requirements of Liquidity Coverage Ratio

In accordance with the *Rules on Liquidity Risk Management of Commercial Banks* issued by the CBIRC, it is required that the liquidity coverage ratio of commercial banks should be no less than 100%. In addition, in accordance with the *Rules on Disclosure for Liquidity Coverage Ratio Information of Commercial Banks*, commercial banks are required to disclose the liquidity coverage ratio information at the same frequency as the frequency at which they issue the financial report, and starting from 2017, to disclose the simple arithmetic average of the liquidity coverage ratios based on daily data of every quarter and the number of daily data adopted in calculation of such average.

Liquidity Coverage Ratio

The Bank calculated the liquidity coverage ratio in accordance with the *Rules on Liquidity Risk Management of Commercial Banks* and applicable calculation requirements. The average of daily liquidity coverage ratio of the Bank was 125.6% in the fourth quarter of 2019, representing an increase of 5.5 percentage points over the previous quarter, and 92 numerical values of liquidity coverage ratios were used in calculating such average. Our high-quality liquid assets are mainly cash, excess reserve with the central bank able to be withdrawn under stress conditions, and bonds falling within the Level 1 and Level 2 assets as defined in the *Rules on Liquidity Risk Management of Commercial Banks*.

Appendix I Liquidity Coverage Ratio Information

The averages of the daily liquidity coverage ratio and individual line items over the fourth quarter in 2019 are as follows:

In millions of RMB, except for percentages

Item		Total unweighted value	Total weighted value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		4,795,414
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	11,528,794	1,067,628
3	*Stable deposits*	1,704,977	85,246
4	*Less Stable deposits*	9,823,817	982,382
5	Unsecured wholesale funding, of which:	6,890,802	2,687,408
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	3,153,463	775,132
7	*Non-operational deposits (all counterparties)*	3,694,533	1,869,470
8	*Unsecured debt*	42,806	42,806
9	Secured wholesale funding		13,502
10	Additional requirements, of which:	2,625,637	820,347
11	*Outflows related to derivative exposures and other collateral requirements*	672,415	672,415
12	*Outflows related to loss of funding on debt products*	65	65
13	*Credit and liquidity facilities*	1,953,157	147,867
14	Other contractual funding obligations	120,560	120,560
15	Other contingent funding obligations	1,485,411	67,115
16	TOTAL CASH OUTFLOWS		4,776,560
CASH INFLOWS			
17	Secured lending (e.g. reverse repos and borrowed securities)	182,318	179,614
18	Inflows from fully performing exposures	931,644	461,185
19	Other cash inflows	763,419	763,419
20	TOTAL CASH INFLOWS	1,877,381	1,404,218
			Total Adjusted Value
21	TOTAL HQLA		4,230,135
22	TOTAL NET CASH OUTFLOWS		3,372,342
23	LIQUIDITY COVERAGE RATIO (%)		125.6%

Appendix II Leverage Ratio Information

As at 31 December 2019, the Bank's leverage ratio, calculated in accordance with the *Rules for the Administration of the Leverage Ratio of Commercial Banks (amended)* by the CBIRC, was 7.09%, higher than the regulatory requirement.

In millions of RMB, except for percentages

Item	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Tier 1 capital, net	**1,940,478**	1,910,079	1,724,878	1,725,849
Adjusted on-and off-balance sheet assets	**27,369,508**	27,202,211	26,148,038	25,565,737
Leverage ratio	**7.09%**	7.02%	6.60%	6.75%

In millions of RMB

No.	Item	Balance
1	Total consolidated assets	24,878,288
2	Adjustment for consolidation	(73,445)
3	Adjustment for clients' assets	–
4	Adjustment for derivatives	26,109
5	Adjustment for securities financing transactions	5,074
6	Adjustment for off-balance sheet items	2,541,365
7	Other adjustments	(7,883)
8	**Adjusted on-and off-balance sheet assets**	**27,369,508**

In millions of RMB, except for percentages

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	24,073,214
2	Less: deductions from Tier 1 capital	(7,883)
3	**Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)**	**24,065,331**
4	Replacement cost of all derivatives (net of eligible margin)	24,511
5	Potential exposure of all derivatives	26,825
6	Gross-up of collaterals deducted from the balance sheet	–
7	Less: receivables assets resulting from providing eligible margin	(327)
8	Less: derivative assets resulting from transactions with the central counterparty when providing clearance services to client	–
9	Notional principal amount of written credit derivatives	45
10	Less: deductible amounts of written credit derivative assets	–
11	**Derivative assets**	**51,054**
12	Securities financing transaction assets for accounting purpose	706,684
13	Less: deductible amounts of securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction	5,074
15	Securities financing transaction assets resulting from agent transaction	–
16	**Securities financing transaction assets**	**711,758**
17	Off-balance sheet items	4,743,864
18	Less: Adjustments for conversion to credit equivalent amounts	(2,202,499)
19	**Adjusted off-balance sheet items**	**2,541,365**
20	Tier 1 capital, net	1,940,478
21	Adjusted on- and off-balance sheet assets	27,369,508
22	**Leverage ratio**	**7.09%**

Appendix III Net Stable Funding Ratio Information

The Bank disclosed the following information of net stable funding ratio in accordance with relevant regulations of the CBIRC.

Regulatory Requirements of Net Stable Funding Ratio

In accordance with the *Rules on Liquidity Risk Management of Commercial Banks* issued by the CBIRC, it is required that the net stable funding ratio of commercial banks should be no less than 100%. In addition, as required by the *Rules on Disclosure of Net Stable Funding Ratio Information of Commercial Banks*, commercial banks shall disclose the net stable funding ratio information of the latest two quarters in a financial report or on their official websites on a semiannual basis at least.

Net Stable Funding Ratio

The Bank calculated net stable funding ratio in accordance with the *Rules on Liquidity Risk Management of Commercial Banks* and applicable statistical requirements. The net stable funding ratio of the Bank in the third quarter of 2019 decreased by 0.5 percentage point to 129.1% compared to the previous quarter, with a weighted value of RMB17,285.8 billion for available stable funds and a weighted value of RMB13,390.2 billion for required stable funds. In the fourth quarter of 2019, the net stable funding ratio decreased by 0.9 percentage point to 128.2% compared to the previous quarter, with a weighted value of RMB17,318.3 billion for available stable funds and a weighted value of RMB13,508.5 billion for required stable funds.

The net stable funding ratios of the third quarter of 2019 and the fourth quarter of 2019 and all related individual items were set out in the following table:

Net Stable Funding Ratio of the Third Quarter of 2019

In millions of RMB, except for percentages

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
Available stable funding (ASF) item						
1	Capital	1,917,569	–	–	244,889	2,162,458
2	Regulatory capital	1,917,569	–	–	199,889	2,117,458
3	Other capital instruments	–	–	–	45,000	45,000
4	Retail deposits and deposits from small business customers	9,671,477	2,101,936	173	27	10,686,604
5	Stable deposits	1,806,993	–	–	–	1,716,644
6	Less stable deposits	7,864,484	2,101,936	173	27	8,969,960
7	Wholesale funding	6,639,574	1,798,297	481,559	317,876	4,198,107
8	Operational deposits	2,315,519	–	–	–	1,157,759
9	Other wholesale funding	4,324,055	1,798,297	481,559	317,876	3,040,348
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other Liabilities	161	1,593,048	198,690	183,333	238,615
12	NSFR derivative liabilities				44,063	
13	All other liabilities and equity not included in the above categories	161	1,593,048	198,690	139,270	238,615
14	Total ASF					17,285,784

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					810,389
16	Deposits held at other financial institutions for operational purpose	185	114,322	84,040	–	99,273
17	Performing loans and securities	2,709	3,289,762	2,151,392	9,084,365	10,176,483
18	Performing loans to financial institutions secured by Level 1 HQLA	–	–	–	112,055	112,055
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	466	707,160	249,658	52,639	283,714
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	6	2,404,513	1,746,654	4,760,635	6,076,014
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	592,684	45,757	208,612	448,535
22	Performing residential mortgages, of which:	1	90,967	92,126	3,847,468	3,361,874
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	1	68	131	106	170
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,236	87,122	62,954	311,568	342,826
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	107,271	577,658	648,760	922,176	2,126,459
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		3,880			3,298
29	NSFR derivative assets		42,466			–
30	NSFR derivative liabilities before deduction of variation margin posted[1]		11,370			11,370
31	All other assets not included in the above categories	107,271	577,658	648,760	875,830	2,111,791
32	Off-balance sheet items		3,697,936			177,582
33	Total RSF					13,390,186
34	Net stable funding ratio (%)					129.1%

[1] *In the unweighted cell, the amount of derivative liabilities is reported, that is, the proportion of NSFR derivative liabilities before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted item 30 is not included in the unweighted item 26 "other assets" aggregate.*

Appendix III Net Stable Funding Ratio Information

Net Stable Funding Ratio of the Fourth Quarter of 2019

In millions of RMB, except for percentages

No.		Unweighted value by residual maturity				Total weighted value
		No maturity	Less than 6 months	6–12 months	Over 1 year	
Available stable funding (ASF) item						
1	Capital	1,948,665	–	–	244,889	2,193,554
2	Regulatory capital	1,948,665	–	–	199,889	2,148,554
3	Other capital instruments	–	–	–	45,000	45,000
4	Retail deposits and deposits from small business customers	9,712,785	2,033,536	186	26	10,666,568
5	Stable deposits	1,893,705	–	–	–	1,799,020
6	Less stable deposits	7,819,080	2,033,536	186	26	8,867,548
7	Wholesale funding	6,611,941	1,654,872	600,276	315,201	4,240,135
8	Operational deposits	2,484,823	–	–	–	1,242,411
9	Other wholesale funding	4,127,118	1,654,872	600,276	315,201	2,997,724
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	202	1,717,344	151,551	185,784	218,056
12	NSFR derivative liabilities				43,503	
13	All other liabilities and equity not included in the above categories	202	1,717,344	151,551	142,281	218,056
14	Total ASF					17,318,314
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					896,117
16	Deposits held at other financial institutions for operational purpose	2,654	129,416	88,991	–	110,530
17	Performing loans and securities	11,875	3,595,218	2,034,468	9,345,383	10,394,197
18	Performing loans to financial institutions secured by Level 1 HQLA	–	–	–	185,449	185,449
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	9,631	1,067,252	174,756	55,702	304,970
20	Performing loans to retail and small business customers, loans to non-financial corporate clients, and loans to sovereigns, central banks and PSEs, of which:	7	2,350,345	1,711,223	4,821,147	6,097,491
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	611,528	61,197	184,359	449,642

Appendix III Net Stable Funding Ratio Information

No.		Unweighted value by residual maturity: No maturity	Less than 6 months	6–12 months	Over 1 year	Total weighted value
22	Performing residential mortgages, of which:	1	92,218	93,877	3,971,513	3,468,808
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	1	86	100	133	181
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,236	85,403	54,612	311,572	337,479
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	162,978	476,946	599,230	745,839	1,916,376
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,020	867
29	NSFR derivative assets				44,172	669
30	NSFR derivative liabilities before deduction of variation margin posted[1]				10,918	10,918
31	All other assets not included in the above categories	162,978	476,946	599,230	700,647	1,903,922
32	Off-balance sheet items				3,971,804	191,264
33	Total RSF					13,508,486
34	Net stable funding ratio (%)					128.2%

1 *In the unweighted cell, the amount of derivative liabilities is reported, that is, the proportion of NSFR derivative liabilities before deducting variation margin posted. There is no need to differentiate by maturities. The unweighted item 30 is not included in the unweighted item 26 "other assets" aggregate.*

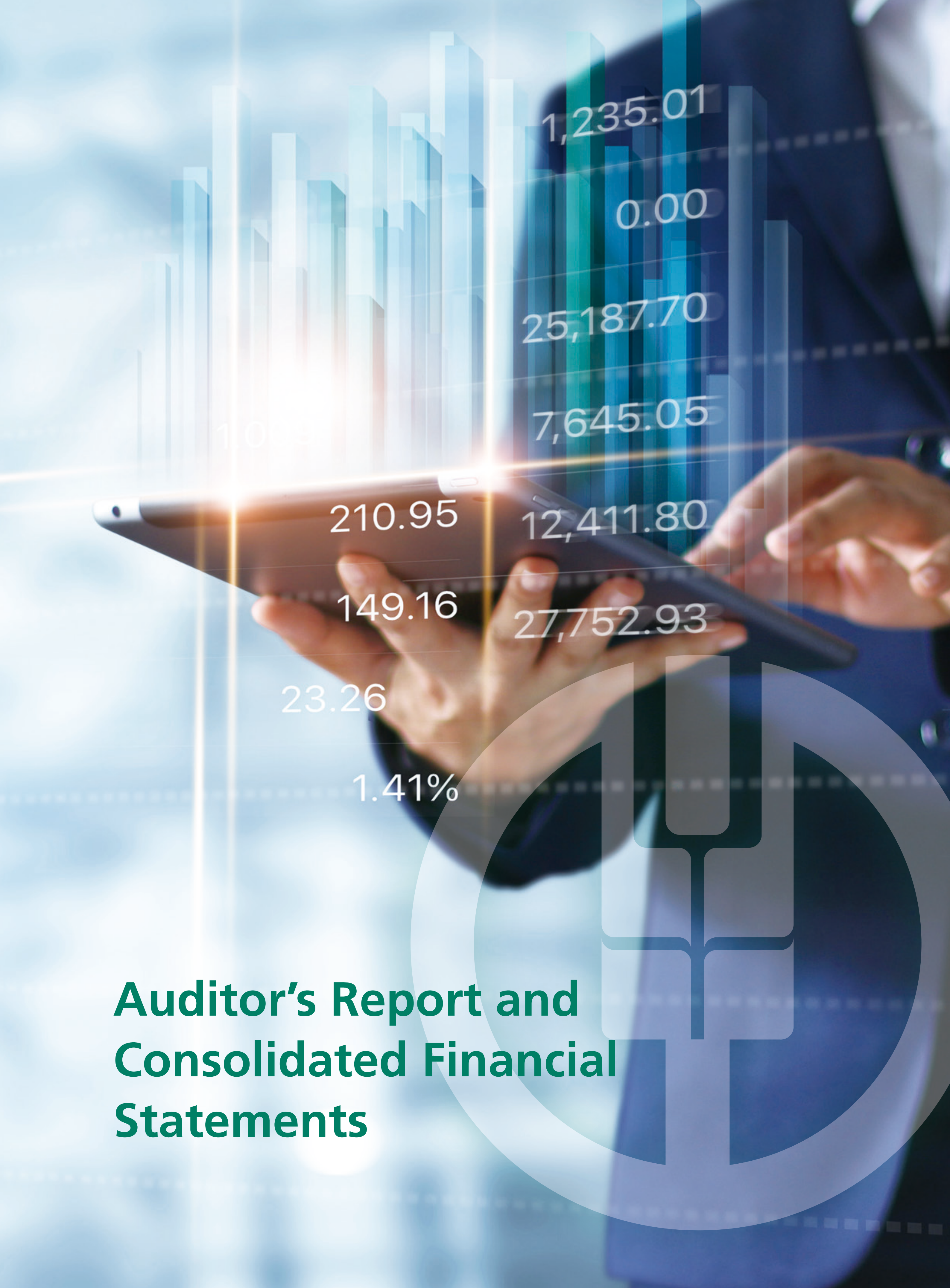
Appendix IV The Indicators for Assessing Global Systematic Importance of Commercial Banks

The following disclosure was made in accordance with the relevant requirements of the *Guidelines for the Disclosure of Indicators for Assessing Global Systematic Importance of Commercial Banks* promulgated by the CBIRC.

Assessment Indicators of the Global Systematic Importance of Commercial Banks

In millions of RMB

Category	Item	Balance/ Amount in 2019
Size	1. Total adjusted on- and off-balance sheet assets	27,369,508
Interconnectedness	2. Intra-financial system assets	1,783,370
	3. Intra-financial system liabilities	1,950,322
	4. Securities outstanding	2,576,967
Substitutability	5. Payments activity (from the beginning of the year to the end of the reporting period)	314,230,204
	6. Assets under custody	9,883,859
	7. Underwritten transactions (from the beginning of the year to the end of the reporting period)	749,706
Complexity	8. Notional amount of OTC derivatives	3,106,650
	9. Trading and available-for-sale securities	253,919
	10. Level 3 assets	87,562
Global (cross-jurisdictional activity)	11. Cross-jurisdictional claims	450,622
	12. Cross-jurisdictional liabilities	523,181



Auditor's Report and Consolidated Financial Statements

pwc 羅兵咸永道

To the Shareholders of Agricultural Bank of China Limited

(Incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 158 to 317, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethis Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

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

Key audit matters identified in our audit are summarized as follows:

- Measurement of expected credit losses for loans and advances to customers
- Consolidation of structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers	
Refer to Note II 8.5, Note III 1, Note IV 8, Note IV 17 and Note IV 44.1 to the consolidated financial statements. As at 31 December 2019, the carrying amount of Group's loans and advances to customers was RMB12,819.61 billion, of which RMB12,279.22 billion were measured at amortized cost and RMB540.39 billion were measured at fair value through other comprehensive income. A loss allowance of RMB540.58 billion was recognized for loans and advances to customers measured at amortized cost and a loss allowance of RMB12.54 billion was recognized for loans and advances to customers measured at fair value through other comprehensive income in the Group's consolidated statement of financial position. The credit impairment losses on loans and advances to customers recognized in the Group's consolidated income statement for the year ended 31 December 2019 amounted to RMB131.83 billion. The loss allowances for loans and advances to customers represent the management's best estimates at the balance sheet date of expected credit losses under International Financial Reporting Standard 9: Financial Instruments expected credit losses ("ECL") models. The Group assessed whether the credit risk of loans and advances to customers had increased significantly since their initial recognition, and applied a three-stage impairment approach to calculate their ECL. For corporate loans and advances classified into stages I and II and for all personal loans, management assessed ECL using the risk parameter modelling approach that incorporated key parameters (including probability of default, loss given default, exposure at default, etc.). For corporate loans and advances in stage III, management assessed ECL by estimating the future cash flows from the loans.	We evaluated and tested the design and operating effectiveness of the internal controls relating to the measurement of expected credit losses for loans and advances to customers, primarily including: (1) Internal controls over ECL models, including the selection, approval and application of modelling methodology; and ongoing monitoring and optimization of the models; (2) Review and approval of significant management judgements and assumptions, including portfolio segmentation, model selections, key parameters estimation, determination of significant increase in credit risk, identification of default and credit-impaired assets and forward-looking measurement; (3) Internal controls over the accuracy and completeness of data used by the models; (4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and advances in stage III; (5) Internal controls over the information systems for ECL measurement; (6) Review and approval of the measurement result of expected credit losses for loans and advances to customers. We reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the significant judgements and assumptions involved, including portfolio segmentation, models selections, key parameters estimation (including probability of default, loss given default, exposure at default etc.) and so on. We examined the ECL calculation engines on a sample basis, to validate whether or not the ECL calculation engines reflect the management's modelling methodologies.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers (Continued)	
The measurement of ECL for loans and advances to customers involves significant management judgments and assumptions, primarily including: (1) Segmentation of portfolio based on credit risk characteristics, selection of appropriate models and determination of relevant key parameters; (2) Determination of whether or not there was a significant increase in credit risk, default or credit-impaired; (3) Inputs and assumptions used to estimate the impact of forward looking information and multiple economic scenarios; (4) Estimation of future cash flows for corporate loans and advances in stage III. The Group established internal controls for the measurement of ECL. Measurement of ECL for loans and advances to customers involved complex models and significant management judgements over parameters and data inputs, and hence was identified as a key audit matter.	We performed substantive testing over a sample of loans and advances to customers, and considered financial and non-financial information, relevant external evidence and other factors of the borrowers, to assess the appropriateness of management's identification of significant increase in credit risk, defaults and credit-impaired loans. For forward-looking measurement, we reviewed management's analysis of their selection of economic indicators, economic scenarios and weightings assigned. We assessed the reasonableness of the parameters and inputs used in the forward looking and multiple economic scenarios models. We performed sensitivity analysis of the economic indicators, economic scenarios and weightings assigned. For corporate loans and advances in stage III, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance. We examined critical data elements to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness. We also tested the interfaces of the major data transfer between the ECL calculation engines and relevant information systems, to verify their accuracy and completeness. Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of ECL for loans and advances to customers, the models, key parameters, significant judgement and assumptions adopted by management and the measurement results were considered acceptable.

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities	
Refer to Note II 2, Note III 5 and Note IV 41 to the consolidated financial statements. Structured entities primarily included Wealth Management Products ("WMPs"), securitization products, funds, trust investment plans and asset management plans issued, managed and/or invested by the Group. As at 31 December 2019, total assets of the consolidated structured entities and the carrying amount of unconsolidated structured entities invested by the Group included in the consolidated statement of financial position amounted to RMB464.48 billion and RMB73.52 billion, respectively. In addition, as at 31 December 2019, total assets of non-principal guaranteed WMPs, funds and asset management plans sponsored and managed by the Group which were not consolidated and not included in the consolidated statement of financial position amounted to RMB1,960.70 billion and RMB478.34 billion, respectively. Management had determined whether the Group had control of certain structured entities based on their assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities. The significant judgement exercised by management in assessing whether the Group had control of structured entities and the amount of such structured entities resulted in this matter being identified as a key area of audit focus.	We evaluated and tested the design and operating effectiveness of the Group's relevant controls over consolidation assessment of structured entities, including approval of transaction structure, review and approval of contractual terms, variable return computations, and consolidation assessment results. We selected samples of structured entities and assessed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities. We performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned by the Group as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. We also assessed whether the Group acted as a principal or an agent, through analysis of the scope of the Group's decision-making authority over the sampled structured entities, the remuneration to which the Group was entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities. Based on the procedures performed, we found management's consolidation judgment of these structured entities acceptable.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Kin.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

Consolidated Income Statement

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
	IV	**2019**	2018
Interest income	1	**859,141**	784,724
Interest expense	1	**(372,270)**	(306,964)
Net interest income	1	**486,871**	477,760
Fee and commission income	2	**103,011**	91,525
Fee and commission expense	2	**(16,085)**	(13,384)
Net fee and commission income	2	**86,926**	78,141
Net trading gain	3	**19,067**	16,069
Net gain on financial investments	4	**5,793**	8,460
Net gain on derecognition of financial assets measured at amortized cost		**–**	30
Other operating income	5	**30,693**	22,097
Operating income		**629,350**	602,557
Operating expenses	6	**(224,096)**	(213,963)
Credit impairment losses	8	**(138,605)**	(136,647)
Impairment losses on other assets		**(118)**	(251)
Operating profit		**266,531**	251,696
Share of result of associates and joint ventures	20	**45**	(22)
Profit before tax		**266,576**	251,674
Income tax expense	9	**(53,652)**	(49,043)
Profit for the year		**212,924**	202,631
Attributable to:			
Equity holders of the Bank		**212,098**	202,783
Non-controlling interests		**826**	(152)
		212,924	202,631
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in RMB yuan per share)			
— Basic and diluted	11	**0.59**	0.59

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2019	2018
Profit for the year	**212,924**	202,631
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on financial assets at fair value through other comprehensive income	**9,239**	35,360
Loss allowance on financial assets at fair value through other comprehensive income	**5,637**	3,243
Income tax impact for fair value changes and loss allowance on financial assets at fair value through other comprehensive income	**(4,206)**	(9,290)
Foreign currency translation differences	**746**	1,505
Subtotal	**11,416**	30,818
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on other equity investments designated at fair value through other comprehensive income	**383**	196
Income tax impact for fair value changes on other equity investments designated at fair value through other comprehensive income	**(98)**	(47)
Subtotal	**285**	149
Other comprehensive income, net of tax	**11,701**	30,967
Total comprehensive income for the year	**224,625**	233,598
Total comprehensive income attributable to:		
Equity holders of the Bank	**223,536**	233,079
Non-controlling interests	**1,089**	519
	224,625	233,598

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	As at 31 December 2019	2018
Assets			
Cash and balances with central banks	12	**2,699,895**	2,805,107
Deposits with banks and other financial institutions	13	**235,742**	109,728
Precious metals		**30,063**	21,268
Placements with and loans to banks and other financial institutions	14	**523,183**	552,013
Derivative financial assets	15	**24,944**	36,944
Financial assets held under resale agreements	16	**708,551**	371,001
Loans and advances to customers	17	**12,819,610**	11,461,542
Financial investments	18		
Financial assets at fair value through profit or loss		**801,361**	643,245
Debt instrument investments at amortized cost		**4,946,741**	4,503,698
Other debt instrument and other equity investments at fair value through other comprehensive income		**1,674,828**	1,738,132
Investment in associates and joint ventures	20	**6,672**	4,005
Property and equipment	21	**152,484**	152,452
Goodwill		**1,381**	1,381
Deferred tax assets	22	**120,952**	113,293
Other assets	23	**131,881**	95,662
Total assets		**24,878,288**	22,609,471
Liabilities			
Borrowings from central banks	24	**608,536**	561,195
Deposits from banks and other financial institutions	25	**1,503,909**	1,124,322
Placements from banks and other financial institutions	26	**325,363**	325,541
Financial liabilities at fair value through profit or loss	27	**330,627**	286,303
Derivative financial liabilities	15	**29,548**	34,554
Financial assets sold under repurchase agreements	28	**53,197**	157,101
Due to customers	29	**18,542,861**	17,346,290
Debt securities issued	30	**1,108,212**	780,673
Deferred tax liabilities	22	**520**	139
Other liabilities	31	**415,753**	318,566
Total liabilities		**22,918,526**	20,934,684

Consolidated Statement of Financial Position (Continued)

As at 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	As at 31 December 2019	2018
Equity			
Ordinary shares	32	**349,983**	349,983
Other equity instruments	33	**199,886**	79,899
Preference shares		**79,899**	79,899
Perpetual bonds		**119,987**	–
Capital reserve	34	**173,556**	173,556
Investment revaluation reserve	35	**29,684**	18,992
Surplus reserve	36	**174,910**	154,257
General reserve	37	**277,016**	239,190
Retained earnings		**741,101**	652,944
Foreign currency translation reserve		**2,219**	1,473
Equity attributable to equity holders of the Bank		**1,948,355**	1,670,294
Non-controlling interests		**11,407**	4,493
Total equity		**1,959,762**	1,674,787
Total equity and liabilities		**24,878,288**	22,609,471

The accompanying notes form an integral part of these consolidated financial statements.

Approved and authorized for issue by the Board of Directors on 30 March 2020.

中国农业银行股份有限公司

周慕冰

Chairman

Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

		Total equity attributable to equity holders of the Bank										
	Notes IV	Ordinary shares	Other equity instruments	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at 31 December 2018		**349,983**	**79,899**	**173,556**	**18,992**	**154,257**	**239,190**	**652,944**	**1,473**	**1,670,294**	**4,493**	**1,674,787**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**212,098**	**–**	**212,098**	**826**	**212,924**
Other comprehensive income		**–**	**–**	**–**	**10,692**	**–**	**–**	**–**	**746**	**11,438**	**263**	**11,701**
Total comprehensive income for the year		**–**	**–**	**–**	**10,692**	**–**	**–**	**212,098**	**746**	**223,536**	**1,089**	**224,625**
Capital contribution from equity holders	33	**–**	**119,987**	**–**	**–**	**–**	**–**	**–**	**–**	**119,987**	**5,825**	**125,812**
Appropriation to surplus reserve	36	**–**	**–**	**–**	**–**	**20,653**	**–**	**(20,653)**	**–**	**–**	**–**	**–**
Appropriation to general reserve	37	**–**	**–**	**–**	**–**	**–**	**37,826**	**(37,826)**	**–**	**–**	**–**	**–**
Dividends paid to ordinary equity holders	10	**–**	**–**	**–**	**–**	**–**	**–**	**(60,862)**	**–**	**(60,862)**	**–**	**(60,862)**
Dividends paid to preference shareholders	10	**–**	**–**	**–**	**–**	**–**	**–**	**(4,600)**	**–**	**(4,600)**	**–**	**(4,600)**
As at 31 December 2019		**349,983**	**199,886**	**173,556**	**29,684**	**174,910**	**277,016**	**741,101**	**2,219**	**1,948,355**	**11,407**	**1,959,762**
As at 31 December 2017		324,794	79,899	98,773	(19,690)	134,348	230,750	577,573	(32)	1,426,415	2,982	1,429,397
Change in accounting policy		–	–	–	9,891	–	(95)	(36,457)	–	(26,661)	244	(26,417)
As at 1 January 2018		324,794	79,899	98,773	(9,799)	134,348	230,655	541,116	(32)	1,399,754	3,226	1,402,980
Profit for the year		–	–	–	–	–	–	202,783	–	202,783	(152)	202,631
Other comprehensive income		–	–	–	28,791	–	–	–	1,505	30,296	671	30,967
Total comprehensive income for the year		–	–	–	28,791	–	–	202,783	1,505	233,079	519	233,598
Capital contribution from equity holders	32	25,189	–	74,783	–	–	–	–	–	99,972	749	100,721
Appropriation to surplus reserve	36	–	–	–	–	19,909	–	(19,909)	–	–	–	–
Appropriation to general reserve	37	–	–	–	–	–	8,535	(8,535)	–	–	–	–
Dividends paid to ordinary equity holders	10	–	–	–	–	–	–	(57,911)	–	(57,911)	–	(57,911)
Dividends paid to preference shareholders	10	–	–	–	–	–	–	(4,600)	–	(4,600)	–	(4,600)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	(1)	(1)
As at 31 December 2018		349,983	79,899	173,556	18,992	154,257	239,190	652,944	1,473	1,670,294	4,493	1,674,787

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**266,576**	251,674
Adjustments for:		
Amortization of intangible assets and other assets	**1,934**	2,309
Depreciation of property, equipment and right-of-use assets	**16,777**	14,104
Credit impairment losses	**138,605**	136,647
Impairment losses on other assets	**118**	251
Interest income arising from investment securities	**(232,571)**	(216,118)
Interest expense on debt securities issued	**31,375**	23,094
Revaluation gain on financial instruments at fair value through profit or loss	**(9,641)**	(5,120)
Net gain on investment securities	**(494)**	(351)
Share of result of associates and joint ventures	**(45)**	22
Net gain on disposal of property, equipment and other assets	**(1,217)**	(1,068)
Net foreign exchange gain	**(8,135)**	(6,733)
	203,282	198,711
Net change in operating assets and operating liabilities:		
Net decrease in balances with central banks, deposits with banks and other financial institutions	**173,726**	266,843
Net increase in placements with and loans to banks and other financial institutions	**(42,279)**	(75,015)
Net decrease in financial assets held under resale agreements	**15,474**	23,004
Net increase in loans and advances to customers	**(1,442,873)**	(1,238,775)
Net increase in borrowings from central banks	**49,587**	86,098
Net (decrease)/increase in placements from banks and other financial institutions	**(98)**	43,764
Net increase in due to customers and deposits from banks and other financial institutions	**1,551,818**	1,093,590
(Increase)/Decrease in other operating assets	**(148,837)**	3,365
Increase/(Decrease) in other operating liabilities	**46,446**	(247,938)
Cash from operations	**406,246**	153,647
Income tax paid	**(53,675)**	(47,720)
NET CASH FROM OPERATING ACTIVITIES	**352,571**	105,927

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2019
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	Year ended 31 December 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		**1,731,574**	1,868,019
Cash received from interest income arising from investment securities		**223,034**	199,604
Cash received from disposal of property, equipment and other assets		**1,178**	5,605
Cash paid for purchase of investment securities		**(2,169,824)**	(2,491,466)
Increase in investment in associates and joint ventures		**(2,657)**	(3,801)
Cash paid for purchase of property, equipment and other assets		**(14,110)**	(17,048)
NET CASH USED IN INVESTING ACTIVITIES		**(230,805)**	(439,087)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from issues of shares		**–**	100,007
Cash payments for transaction cost of shares issued		**–**	(36)
Contribution from issues of other equity instruments		**120,000**	–
Cash payments for transaction cost of other equity instruments issued		**(13)**	–
Cash received from debt securities issued		**1,465,652**	1,310,162
Repayments of debt securities issued		**(1,141,046)**	(1,021,557)
Cash payments for interest on debt securities issued		**(28,441)**	(21,844)
Cash payments for transaction cost of debt securities issued		**(63)**	(96)
Cash payments for principal portion and interest portion of lease liability		**(4,687)**	N/A
Capital contribution from non-controlling interests		**5,825**	749
Dividends paid to ordinary shareholders		**(60,862)**	(57,911)
Dividends paid to preference shareholders		**(4,600)**	(4,600)
Dividends paid to non-controlling interests		**–**	(1)
NET CASH FROM FINANCING ACTIVITIES		**351,765**	304,873
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**473,531**	(28,287)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		**978,441**	1,001,246
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**2,609**	5,482
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	38	**1,454,581**	978,441
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**582,522**	515,982
Interest paid		**(318,125)**	(286,484)

The accompanying notes form an integral part of these consolidated financial statements.

I GENERAL INFORMATION

Agricultural Bank of China Limited (the "Bank") is the successor entity to the Agricultural Bank of China (the "Predecessor Entity") which was a wholly state-owned commercial bank approved for setup by the People's Bank of China (the "PBOC") and founded on 23 February 1979 in the People's Republic of China (the "PRC"). On 15 January 2009, the Bank was established after the completion of the financial restructuring of the Predecessor Entity. The Bank's establishment was authorized by the PBOC. The Bank was listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on 15 July 2010 and 16 July 2010, respectively.

The Bank operates under financial services certificate No. B0002H111000001 issued by the China Banking and Insurance Regulatory Commission (the former "China Banking and Regulatory Commission, CBRC" and "China Insurance Regulatory Commission, CIRC", the "CBIRC"), and business license No. 911100001000054748 issued by Beijing Administration of Industry and Commerce. The registered office of the Bank is located at No. 69 Jianguomen Nei Avenue, Dongcheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively, the "Group") include Renminbi ("RMB") and foreign currency deposits, loans, clearing and settlement services, assets custodian services, fund management, financial leasing services, insurance services and other services as approved by relevant regulators, and the provision of related services by its overseas establishments as approved by the respective local regulators.

The head office and domestic branches of the Bank and its subsidiaries operating in the Mainland China are referred to as the "Domestic Operations". Branches and subsidiaries registered and operating outside of the Mainland China are referred to as the "Overseas Operations".

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.622) for this financial year and the comparative period.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note III.

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basic of preparation (Continued)

1.1 Other amendments to the accounting standards effective in 2019 relevant to and adopted by the Group

The following amendments have been adopted by the Group for the first time during the financial year ended 31 December 2019.

(1)	IFRS 16	Leases
(2)	IFRIC 23	Uncertainty over Income Tax Treatments
(3)	Amendments to IFRS 9	Prepayment Features with Negative Compensation and Modifications of Financial Liabilities
(4)	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23	The Annual Improvements to IFRSs 2015–2017 Cycle
(5)	Amendments to IAS 19	Employee Benefits' Regarding Plan Amendment, Curtailment or Settlement
(6)	Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures

(1) IFRS 16: Leases

The Group has adopted IFRS 16 as issued by the IASB with the transition date of 1 January 2019. As permitted under the specific transitional provisions in the standard, the Group did not restated comparative figures. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

The specific accounting policies affected by the new leasing rules are as follows:

The implementation of the new leasing rules mainly affects the Group as the lessee.

According to the requirements of IFRS 16, the Group recognized the right-of-use assets at the commencement date, and recognized the lease liabilities at the present value of the outstanding lease payments. The Group's right-of-use assets mainly include operation buildings. The right-of-use assets are measured at costs comprising the following: the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, any initial direct costs, restoration costs and less any lease incentives received. If the Group could reasonably determine the ownership of the leased asset when the lease term expires, the right-of-use assets are depreciated over the asset's remaining useful life. Otherwise, the right-of-use assets are depreciated over the shorter period of the asset's useful life and the lease term on a straight-line basis. When the recoverable costs of right-of-use assets are lower than the carrying amount, the value of right-of-use assets will be decreased down to the recoverable costs.

Short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Leases of low value assets are the underlying assets are of low value when new.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basic of preparation (Continued)

1.1 *Other amendments to the accounting standards effective in 2019 relevant to and adopted by the Group (Continued)*

(1) IFRS 16: Leases (Continued)

The impact of the Group's implementation of the new lease rules are as follows:

The Group has recognized the lease liabilities in relation to leases which had previously be classified as 'operating leases' under the principles of IAS 17 leases as of 31 December 2018. The lease liabilities were measured at the present value of the remaining lease payment discounted by the lessee's incremental borrowing rate on the date of initial application, and the amount of the practical expedients, contracts reassessed as lease contracts and adjustments as a result of a different treatment of extension and termination options was taken into account during the process of calculation. The difference between the lease liabilities recognized on 1 January 2019 and the remaining lease payments of non-cancellable operating lease commitments on 31 December 2018 is RMB178 million. The incremental borrowing rate applied to the lease liabilities recognized under each non-cancellable operating lease commitment was based on upon the yield-to-maturity of bonds with the similar maturities issued by each lessee in the Group, comprehensively considering the remaining lease term, lease business scale and guarantee conditions. The right-of-use assets were measured at the amount equal to lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018. In addition, in applying new leasing rules for the first time, the Group has used the practical expedients permitted by the standard, mainly including the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, not recognizing lease liabilities and right-of-use assets for short-term leases and low-value leases.

On 1 January 2019, the Group recognized the right-of-use assets amounted RMB11,095 million and lease liabilities amounted RMB10,428 million. The implementation of IFRS 16 does not have any impact on net asset of the Group as at 1 January 2019.

(2) IFRIC 23: Uncertainty over Income Tax Treatments

In June 2017 the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The adoption of this interpretation did not have a significant impact on the Group's consolidated financial statements.

(3) Amendments to IFRS 9: Prepayment Features with Negative Compensation and Modifications of Financial Liabilities

On 12 October 2017, the IASB issued amendments to IFRS 9: Prepayment Features with Negative Compensation and Modifications of Financial Liabilities. These amendments permit more assets to be measured at amortized cost than under the previous version of IFRS 9, in particular some prepayable financial assets. These amendments also clarify the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

(4) Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23: The Annual Improvements to IFRSs 2015–2017 Cycle

The Annual Improvements to IFRSs 2015–2017 Cycle include a number of amendments to various IFRSs, including the amendments to IFRS 3 — Business Combinations, the amendments to IFRS 11 — Joint Arrangements, the amendments to IAS 12 — Income taxes and IAS 23 — Borrowing Costs. The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basic of preparation (Continued)

1.1 Other amendments to the accounting standards effective in 2019 relevant to and adopted by the Group (Continued)

(5) Amendments to IAS 19: Employee Benefits' Regarding Plan Amendment, Curtailment or Settlement

On 8 February 2018, the IASB issued amendments to IAS 19: Employee Benefits regarding plan amendment, curtailment or settlement to require an entity to determine the amount of any past service cost, or gain or loss on settlement by measuring the net defined benefit liability before and after the amendment, using current assumptions and the fair value of plan assets at the time of the amendment. The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

(6) Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

On 12 October 2017, the IASB issued amendments to IAS 28: Investments in Associates and Joint Ventures to clarify that companies account for long-term interests in an associate or joint venture — to which the equity method is not applied — using IFRS 9. The adoption of the amendments did not have a significant impact on the Group's consolidated financial statements.

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2019

The Group has not adopted the following new and amended standards that have been issued but are not yet effective.

			Effective for annual periods beginning on or after
(1)	Amendments to IAS 1 and IAS 8	The Definition of Material	1 January 2020
(2)	Amendments to IFRS 3	The Definition of A Business	1 January 2020
(3)	Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform	1 January 2020
(4)	IFRS 17	Insurance Contracts	1 January 2021 (likely to be extended to 1 January 2023)
(5)	Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2022
(6)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basic of preparation (Continued)

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2019 *(Continued)*

(1) Amendments to IAS 1 and IAS 8: The Definition of Material

The IASB issued amendments to the definition of material in IAS 1 and IAS 8. The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole.

The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(2) Amendments to IFRS 3: The Definition of A Business

The IASB issued amendments to the definition of a business in IFRS 3. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(3) Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform

The IASB has issued amendments to IFRS 9, IAS 39 and IFRS 7 that provide certain reliefs in connection with interest rate benchmark reform. The amendments apply to all hedging relationships that are directly affected by interbank offered rates ("IBOR") reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(4) IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin ("CSM") representing the unearned profit of the contract which is recognized as revenue over the coverage period.

The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basic of preparation (Continued)

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2019 (Continued)

(4) IFRS 17: Insurance Contracts (Continued)

There is a modification of the general measurement model called the "variable fee approach" for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The Group has not completed its assessment of the impact on the Group's operating results and financial position of adopting IFRS 17.

The standard is currently mandatorily effective for annual periods beginning on or after 1 January 2021. However, the IASB decided to defer the effective date of IFRS 17 to annual reporting periods beginning on or after 1 January 2023 on 17 March 2020, and expects to issue the amendments to IFRS 17 in the second quarter of 2020.

(5) Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The IASB issued a narrow-scope amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The amendment requires the following:

- Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendment no longer refers to unconditional rights, since loans are rarely unconditional (for example, because the loan might contain covenants).

- The assessment determines whether a right exists, but it does not consider whether the entity will exercise the night. So management's expectations do not affect classification.

- The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

- "Settlement" is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The amendment changes the guidance for the classification of liabilities as current or non-current. It could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. All entities should reconsider their existing classification in the light of the amendment and determine whether any changes are required. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basic of preparation (Continued)

1.2 Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2019 (Continued)

(6) Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

2 Consolidation

Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, 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.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

All intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated income statement as incurred.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Business combinations *(Continued)*

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 — Income Taxes and IAS 19 — Employee Benefits, respectively.

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investment in associates.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Investment in associate and joint venture

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement through a separate entity, and have rights to the net assets of the arrangement based on legal form, contract terms, and other facts and circumstances. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions. Joint control is the contractually agreed sharing of control over an activity, and exists only when the decisions relating to the activity require the unanimous consent of the Group and other parties sharing the control.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2 Consolidation (Continued)

Investment in associate and joint venture *(Continued)*

The post-acquisition profit or loss of an associate or a joint venture is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate or a joint venture is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of loss of an associate or a joint venture equals or exceeds its interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate or a joint venture; when that is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 — Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate or joint venture, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate or joint venture that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

3 Interest income and expenses

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

The Group uses the effective interest method to calculate the interest income and expenses of financial assets and liabilities measured at amortized cost, presented as "interest income" and "interest expenses" respectively. For specific accounting policies, please refer to the Note II 8.4 subsequent measurement of financial instruments.

4 Fee and commission income

Fee and commission income is recognized when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement & clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodial fee, etc.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5 Foreign currency transactions

The functional currency of the Domestic Operations is RMB. The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated income statement in the period in which they arise, except for the following:

(i) exchange differences arising on a monetary item that forms part of the Bank's net investment in the Overseas Operations;

(ii) changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in the carrying amount are recognized in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the foreign currency translation reserve and non-controlling interests, as appropriate. The accumulated foreign currency translation reserve related to the Overseas Operations will be reclassified from equity to the consolidated income statement on disposal of all or part of the Overseas Operations.

6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6 Taxation (Continued)

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized for temporary difference related to goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that the temporary difference will not reverse in the foreseeable future or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in the consolidated income statement, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Value-added Taxes ("VAT")

The Group's interest income, fee and commission income, trading gain on financial products and insurance premium income are presented net of their respective VAT in the consolidated financial statements.

In accordance with "Circular regarding the Value-added Taxes Policies for Financial, Real Estate Development and Education Ancillary and Other Services" (Cai Shui [2016] No. 140), the "Supplementary Circular regarding Issues concerning Value-added Taxes Policies for Asset Management Products" (Cai Shui [2017] No. 2) and the "Circular on the Relevant Issues concerning Value-added Tax Levied on Asset Management Products" (Cai Shui [2017] No. 56), the Group shall pay VAT at 3% for taxable asset management activities undertaken after 1 January 2018.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditure incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits and early retirement benefits.

Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated income statement. Short-term employee benefits include salaries, bonuses, allowance and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses.

Post-employment benefits

The Group's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Contributions to the basic pensions and unemployment insurance plan are recognized in the consolidated income statement for the period in which the related payment obligation is incurred.

The employees of the Bank's head office and domestic branches ("Domestic Institutions") participate in an annuity scheme established by the Bank (the "Annuity Scheme"). The Bank pays annuity contributions with reference to employees' salaries, and such contributions are expensed in the consolidated income statement when incurred. The Bank has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

Early retirement benefits

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date.

The accounting treatment of the Group's early retirement benefits is in accordance with termination benefits as determined in IAS 19. The liability is recognized for the early retirement benefit payments from the date of early retirement to the normal retirement date when the criteria for recognition as termination benefit is met with a corresponding charge in the consolidated income statement. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognized in the consolidated income statement when incurred.

8 Financial instruments

8.1 Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

(1) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the asset and the cash flow characteristics of the assets:

(i) Amortized cost ("AC");

(ii) Fair value through other comprehensive income ("FVOCI"); or

(iii) Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and measurement of debt instruments depend on the Group's business models for managing the asset and the cash flow characteristics of the asset.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(1) Financial assets (Continued)

Debt Instruments (Continued)

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

(i) AC: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVPL, are measured at amortized cost.

(ii) FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at FVOCI.

(iii) FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI.

(2) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortized cost on initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.

(iii) The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.1 Initial recognition, classification and measurement of financial instruments (Continued)

(2) Financial liabilities (Continued)

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Group recognizes any expenses incurred on the financial liability.

8.2 Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

8.3 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

8.4 Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

(1) Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance.

Interest income and interest expenses from these financial assets is included in "Interest income" and "interest expenses" using the effective interest rate method.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.4 Subsequent measurement of financial instruments (Continued)

(1) Amortized cost (Continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses ("ECL") and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "Interest income", except for:

(i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and

(ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

(2) Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest rate method.

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established.

(3) Financial assets at fair value through profit or loss

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within "Net trading gain" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separated in "Net gain/on financial investments".

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.4 Subsequent measurement of financial instruments (Continued)

(3) Financial assets at fair value through profit or loss (Continued)

Equity instruments

Gains and losses on equity investments at FVPL are included in the "Net trading gain" in the consolidated income statement.

(4) Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

(i) changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and

(ii) other changes in fair value of such financial liabilities are recognized in profit or loss of the current period. If the accounting of changes in the credit risk of the financial liabilities in accordance with (i) will create or enlarge accounting mismatches in profit or loss, the Group recognizes all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss of the current period.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

8.5 Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures ECL of a financial instrument reflects:

(i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(ii) the time value of money; and

(iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.5 Impairment of financial instruments (Continued)

For financial instruments whose impairment losses are measured using the ECL models, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

— Stage I: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage I.

— Stage II: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage II. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in Note IV 44.1.

— Stage III: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage III. The definition of credit-impaired financial assets is disclosed in Note IV 44.1.

Financial instruments in Stage I have their ECL measured at an amount equivalent to the ECL of the financial asset for the next 12 months ("12m ECL"). Financial instruments in Stage II or Stage III have their ECL measured at an amount equivalent to the ECL over the lifetime of the financial instruments ("Lifetime ECL"). The description of inputs, assumptions and estimation techniques used in measuring the ECL is disclosed in Note IV 44.1.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

8.6 Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.6 Modification of loans (Continued)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

8.7 Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated income statement.

Financial liabilities are derecognized when the related obligation is discharged, is cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated income statement.

8.8 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

(i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

(ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

8.9 Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in the consolidated income statement.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.9 Derivative financial instruments (Continued)

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

(i) Their economic characteristics and risks are not closely related to those of the host contract;

(ii) A separate instrument with the same terms would meet the definition of a derivative; and

(iii) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

8.10 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when both of the following conditions are satisfied: (i) the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

8.11 Repurchase agreements and agreements to resell

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments classified as held-to-maturity investments, available-for-sale financial assets or debt instruments classified as receivables as appropriate. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note IV 42 Contingent Liabilities and Commitments — Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements, the related collateral accepted is not recognized in the consolidated financial statements (Note IV 42 Contingent Liabilities and Commitments — Collateral).

The difference between the purchase and sale price is recognized as interest expense or income in the consolidated income statement over the term of the agreements using the effective interest method.

9 Insurance contracts

Insurance contract classification

Insurance contracts are those contracts under which the Group has accepted significant insurance risk, relative to an insured event or occurrence. The Group issues primarily life insurance contracts, which insure events associated with mortality over a long duration. The Group also issues non-life insurance contracts, which cover short-term casualty and health insurance risk. When necessary, the Group enters into reinsurance contracts to transfer insurance risks to the reinsurer. A significant insurance risk test is performed at inception of the insurance contracts.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9 Insurance contracts (Continued)

Insurance contract classification *(Continued)*

Some insurance contracts contain both an insurance component and a deposit component. The Group unbundles those components, if the insurance component and the deposit component are separately measurable. The unbundled insurance component is accounted for according to IFRS 4 — Insurance Contracts and the unbundled deposit component is accounted for as a financial liability under investment contract liabilities.

Insurance income recognition

Insurance premium income is recognised when the following conditions are met: the insurance contract is issued and related insurance risk is undertaken by the Group, the related economic benefits are likely to flow to the Group, and the related income can be reliably measured.

Insurance contract liabilities

Insurance contract liabilities are measured based on a reasonable estimate of the amount of payments that the Group will be required to make to fulfill its obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows related to such contracts. A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period. The Group has considered the impact of time value in the liability calculation for long-term life insurance.

The Group performs liability adequacy tests based on information currently available, as at the reporting date. Additional insurance contract liabilities will be recorded if any deficiency exists.

10 Precious metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in the consolidated income statement in the period in which they arise.

11 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Depreciation is recognized as a component of operating expenses in the consolidated income statement so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(Amounts in millions of Renminbi, unless otherwise stated)

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11 Property and equipment (Continued)

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

Classes	Useful lives	Estimated residual value rates	Annual depreciation rates
Buildings	5–50 years	3%	1.94%–19.40%
Electronic equipment, furniture and fixtures	3–11 years	3%	8.82%–32.33%
Motor vehicles	5–8 years	3%	12.13%–19.40%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in other operating income or operating expenses in the consolidated income statement. The accounting policies of impairment of property and equipment are included in Note II 19 Impairment of Tangible and Intangible Assets other than Goodwill.

12 Land use rights

Land use rights are classified in other assets and amortized over a straight-line basis over their authorized useful lives.

13 Foreclosed assets

Foreclosed assets are initially recognized at fair value and subsequently measured at the lower of their carrying amount and fair value, less costs to sell, at the end of each reporting period. When the fair value, less costs to sell, is lower than a foreclosed asset’s carrying amount, an impairment loss is recognized in the consolidated income statement.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated income statement in the period in which the item is disposed.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group’s own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

14 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment property is initially measured at its acquisition cost. Subsequent expenditure incurred for the investment property is included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured reliably. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14 Investment property (Continued)

The accounting policies of impairment of investment property are included in Note II 19 Impairment of Tangible and Intangible Assets other than Goodwill.

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated income statement.

15 Leasing — Accounting policies applied from 1 January 2019

Lease is a contract or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration.

The Group as lessee

The Group recognized the right-of-use assets at the commencement date, and recognized the lease liabilities at the present value of the outstanding lease payments. Lease payments include fixed payments, the amounts expected to be payable by the group if the group is reasonably certain to exercises a purchase option or a option to terminate the lease. Variable lease payments that are based on an index or a rate are recognized as an expense in profit or loss when incurred.

The Group's right-of-use assets mainly include rented houses and buildings. The right-of-use assets are measured at costs, which include the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date, any initial direct costs and less any lease incentives received. If the Group could reasonably determine the ownership of the leased asset when the lease term expires, the right-of-use assets are depreciated over the asset's remaining useful life. Otherwise, the right-of-use assets are depreciated over the shorter period of the asset's useful life and the lease term on a straight-line basis. When the recoverable costs of right-of-use assets are lower than the carrying amount, the value of right-of-use assets will be decreased down to the recoverable costs.

Short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Leases of low value assets are the underlying assets are of low value when new.

The Group as lessor

When the Group is the lessor in a finance lease, a finance lease receivable as an amount equal to the net lease investment is recognized and the finance lease asset is derecognized at the commencement date. The finance lease receivables are recorded in the consolidated statement of financial position as Loans and advances to customers.

When the Group is the lessor in an operating lease, rental income from operating leases is recognized as other operating income in the consolidated income statement on a straight-line basis over the term of the related lease. The initial direct costs are included in the carrying amount of the underlying assets and is recognized as expenses over the lease term on the same basis as the lease income.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16 Leasing — Accounting policies applied prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

When the Group is a lessee under finance leases, the leased assets are capitalized under property and equipment initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in other liabilities. Finance charges are charged over the term of the lease using the effective interest method and recognized in the consolidated income statement. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned.

When the Group is the lessee in an operating lease, operating lease payments are recognized as an expense and charged to operating expenses in the consolidated income statement on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as expenses in the periods in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are considered in determining the amount to be recognized over the lease term.

The Group as lessor

When the Group is the lessor in a finance lease, an amount representing the minimum lease payment receivables and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the "net lease investment") is recorded in the consolidated statement of financial position as Loans and advances to customers. The difference between the net lease investment and the undiscounted amount is recorded as unearned finance income, amortizing over the term of the lease using the effective interest method and recognized in the consolidated income statement.

When the Group is the lessor in an operating lease, the assets subject to the operating lease continue to be recognized as the Group's property and equipment. Rental income from operating leases is recognized as other operating income in the consolidated income statement on a straight-line basis over the term of the related lease.

17 Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with original maturity of three months or less under cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

18 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

19 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

20 Dividend distribution

Dividend distribution to the Bank's ordinary equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the ordinary equity holders in the annual general meeting of the Bank.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. Preference share dividend distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

21 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

22 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

23 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable. The Group's contingent liabilities are disclosed in Note IV 42 Contingent Liabilities and Commitments.

A provision is recognized when it meets the criteria as set forth in Note II 21 Provisions.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In the application of the Group's accounting policies, which are described in Note II, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and related assumptions are based on historical experience and other relevant factors including reasonable expectations for future events.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods as appropriate.

The following are the critical judgments and key estimates management has made in the process of applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note IV 44.1 Credit risk.

2 Classification of financial assets

The critical judgments the Group has made in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: Whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests only included time value of money, credit risk, other basic borrowing risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

3 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

With respect to PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms determined by the PRC government in similar transactions engaged in or directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

4 Taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment, such differences will affect the current income tax and deferred income tax during the period in which such a determination is made.

5 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

6 Derecognition of financial assets transferred

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements, securities lending. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyzes whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyzes the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties.

- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgment is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of Group's assessment on the extent that risks and rewards are transferred.

- where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyzes whether it has relinquished its controls over these financial assets by assessing whether the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial asset.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 NET INTEREST INCOME

	Year ended 31 December	
	2019	2018
Interest income		
Loans and advances to customers	**565,465**	502,616
Including: Corporate loans and advances	**326,409**	303,054
Personal loans and advances	**227,251**	191,775
Discounted bills	**11,805**	7,787
Financial investments		
Debt instrument investments at amortized cost	**172,710**	157,909
Other debt instrument at fair value through other comprehensive income	**59,861**	58,209
Balances with central banks	**35,024**	40,701
Placements with and loans to banks and other financial institutions	**13,585**	14,442
Financial assets held under resale agreements	**8,947**	9,025
Deposits with banks and other financial institutions	**3,549**	1,822
Subtotal	**859,141**	784,724
Interest expense		
Due to customers	**(279,737)**	(227,819)
Deposits from banks and other financial institutions	**(33,728)**	(28,303)
Debt securities issued	**(31,375)**	(23,094)
Borrowings from central banks	**(16,164)**	(15,823)
Placements from banks and other financial institutions	**(9,441)**	(8,888)
Financial assets sold under repurchase agreements	**(1,825)**	(3,037)
Subtotal	**(372,270)**	(306,964)
Net interest income	**486,871**	477,760

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2019	2018
Fee and commission income		
Bank cards	**30,181**	25,586
Electronic banking services	**25,209**	19,640
Agency services	**19,801**	20,929
Settlement and clearing services	**11,443**	10,680
Consultancy and advisory services	**10,109**	8,876
Custodian and other fiduciary	**3,899**	3,598
Credit commitment	**1,895**	1,782
Others	**474**	434
Subtotal	**103,011**	91,525
Fee and commission expense		
Bank cards	**(9,543)**	(7,323)
Electronic banking services	**(3,992)**	(3,193)
Settlement and clearing services	**(1,770)**	(2,004)
Others	**(780)**	(864)
Subtotal	**(16,085)**	(13,384)
Net fee and commission income	**86,926**	78,141

3 NET TRADING GAIN

		Year ended 31 December	
		2019	2018
Net gain on debt instruments held for trading		**11,095**	14,253
Net gain on precious metals	(i)	**4,304**	2,666
Net (loss)/gain on foreign exchange rate derivatives		**(571)**	1,487
Net (loss)/gain on interest rate derivatives		**(1,421)**	516
Others		**5,660**	(2,853)
Total		**19,067**	16,069

(i) Net gain on precious metals consists of net gain on precious metals and precious metal related derivative products.

4 NET GAIN ON FINANCIAL INVESTMENTS

	Year ended 31 December	
	2019	2018
Net gain on debt securities at FVPL	**5,274**	2,179
Net gain on debt instruments measured at FVOCI	**471**	304
Net gain on underlying assets and liabilities related to principal guaranteed wealth management products designated as at FVPL	**36**	5,984
Others	**12**	(7)
Total	**5,793**	8,460

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 OTHER OPERATING INCOME

	Year ended 31 December	
	2019	2018
Insurance premium	**22,938**	17,365
Net gain/(loss) on foreign exchange	**2,804**	(726)
Gain on disposal of property and equipment	**1,017**	1,104
Rental income	**863**	785
Government grant	**824**	1,018
Others	**2,247**	2,551
Total	**30,693**	22,097

6 OPERATING EXPENSES

		Year ended 31 December	
		2019	2018
Staff costs	(1)	**124,267**	123,614
General operating and administrative expenses	(2)	**48,246**	47,173
Insurance benefits and claims		**23,349**	17,652
Depreciation and amortization		**18,711**	16,413
Tax and surcharges	(3)	**5,688**	5,330
Others		**3,835**	3,781
Total		**224,096**	213,963

(1) Staff costs

	Year ended 31 December	
	2019	2018
Short-term employee benefits		
Salaries, bonuses, allowance and subsidies	**79,835**	75,976
Housing funds	**8,524**	8,328
Social insurance	**5,450**	5,371
Including: Medical insurance	**4,902**	4,829
Maternity insurance	**407**	381
Employment injury insurance	**141**	161
Labor union fees and staff education expenses	**3,534**	3,365
Others	**9,464**	12,469
Subtotal	**106,807**	105,509
Defined contribution benefits	**17,399**	17,848
Early retirement benefits	**61**	257
Total	**124,267**	123,614

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 OPERATING EXPENSES (Continued)

(2) Included in general operating and administrative expenses is auditor's remuneration of RMB157 million for the year, consisting of RMB136 million for financial statements audit service and RMB21 million for non-audit professional service. (2018: RMB197 million, consisting of RMB130 million for financial statements audit service and RMB67 million for non-audit professional service).

(3) From 1 May 2016, the Group is subject to value-added taxes on its income from credit business, fee income on financial services, income from insurance business and trading of financial products at 6%.

Pursuant to the "Circular regarding Further Clarification of Relevant Policies Applicable to the Financial Sector in the Comprehensive Implementation of the VAT Pilot Programs" (Cai Shui [2016] No. 46), the Bank elected to adopt a simplified methodology to calculate value-added taxes at 3% on interest income derived from loans granted to farming households, rural enterprises and other rural institutions by county-level sub-branches included in the Bank's pilot programs of the Sannong Finance Division, including those under the Bank's provincial branches in provinces, autonomous regions, municipalities directly under the central government and municipalities with independent budgetary status as well as those under the Xinjiang Production and Construction Corps Branch.

City construction and maintenance tax is calculated at 1%, 5% or 7% of VAT for the Group's Domestic Operations.

Education surcharge is calculated at 3%, while local education surcharge is calculated at 2% of VAT for the Group's Domestic Operations.

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB):*

		Year ended 31 December 2019				
Item		Fees	Basic salaries and allowance	Contribution to retirement benefit schemes	Other benefits in kind (xviii)	Total
Executive Directors						
Zhou Mubing		–	579	86	76	741
Zhang Keqiu	(i)	–	521	82	76	679
Independent Non-Executive Directors						
Xiao Xing		380	–	–	–	380
Wang Xinxin		367	–	–	–	367
Huang Zhenzhong		367	–	–	–	367
Ms. LEUNG KO May Yee	(ii)	145	–	–	–	145
Liu Shouying	(iii)	146	–	–	–	146

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)*

Item		Year ended 31 December 2019				
		Fees	Basic salaries and allowance	Contribution to retirement benefit schemes	Other benefits in kind (xviii)	Total
Non-Executive Directors						
Xu Jiandong		–	–	–	–	–
Chen Jianbo		–	–	–	–	–
Liao Luming		–	–	–	–	–
Li Qiyun		–	–	–	–	–
Li Wei	(iv)	–	–	–	–	–
Wu Jiangtao	(v)	–	–	–	–	–
Supervisors						
Wang Jingdong		–	579	86	76	741
Wang Xingchun		–	–	–	–	–
Xia Taili		50	–	–	–	50
Shao Lihong		50	–	–	–	50
Wu Gang	(vi)	13	–	–	–	13
Li Wang		280	–	–	–	280
Zhang Jie		310	–	–	–	310
Liu Hongxia		300	–	–	–	300
Senior Management						
Zhang Qingsong	(vii)	–	145	21	19	185
Zhang Xuguang	(viii)	–	43	7	7	57
Zhan Dongsheng	(ix)	–	478	75	69	622
Cui Yong	(x)	–	391	65	58	514
Li Zhicheng		–	974	147	76	1,197
Zhou Wanfu	(xi)	–	974	142	76	1,192
Executive Director resigned						
Wang Wei	(xii)	–	478	76	69	623
Cai Dong	(xiii)	–	304	47	44	395
Non-Executive Directors resigned						
Hu Xiaohui	(xiv)	–	–	–	–	–
Wen Tiejun	(xv)	272	–	–	–	272
Yuan Tianfan	(xv)	252	–	–	–	252
Supervisors resigned						
Liu Chengxu	(xvi)	40	–	–	–	40
Senior Management resigned						
Gong Chao	(xvii)	–	43	8	5	56
Total		**2,972**	**5,509**	**842**	**651**	**9,974**

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)*

(i) Zhang Keqiu was elected Executive Director effective 1 April 2019.

(ii) Ms. Leung Ko May Yee was elected Independent Non-Executive Director effective 30 July 2019.

(iii) Liu Shouying was elected Independent Non-Executive Director effective 29 July 2019.

(iv) Li Wei was elected Non-Executive Director effective 21 May 2019.

(v) Wu Jiangtao was elected Non-Executive Director effective 29 July 2019.

(vi) Wu Gang was elected Supervisor Representing Employees effective 9 October 2019.

(vii) Zhang Qingsong was elected President effective 11 November 2019 and Vice Chairman of the Board of Directors and Executive Director effective 14 January 2020.

(viii) Zhang Xuguang was elected Executive Vice President effective 23 December 2019.

(ix) Zhan Dongsheng was elected Executive Vice President effective 29 April 2019.

(x) Cui Yong was elected Executive Vice President effective 10 May 2019.

(xi) Zhou Wanfu ceased to be Secretary to the Board of Directors and the company secretary effective 24 March 2020.

(xii) Wang Wei ceased to be Executive Director effective 28 November 2019.

(xiii) Cai Dong was elected to be Executive Vice President effective 10 May 2019 and Executive Director effective 28 June 2019, ceased to be Executive Director and Executive Vice President effective 14 October 2019.

(xiv) Hu Xiaohui ceased to be Non-Executive Director effective 9 January 2019.

(xv) Wen Tiejun and Francis Yuen Tian-fan ceased to be Non-Executive Director effective 30 August 2019.

(xvi) Liu Chengxu ceased to be Supervisor representing employees effective 9 October 2019.

(xvii) Gong Chao ceased to be Secretary of the Party Discipline Committee effective 2 January 2019.

(xviii) Other benefits in kind include the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities.

The total compensation packages for the above Executive Directors, Supervisors and Senior Management for the year ended 31 December 2019 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC at the date of this consolidated financial statements. The final compensation will be disclosed in a separate announcement when determined.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)*

		Year ended 31 December 2018 (Restated)				
Item		Fees	Basic salaries and allowance	Contribution to retirement benefit schemes	Other benefits in kind (xvi)	Total
Executive Directors						
Zhou Mubing		–	761	95	72	928
Wang Wei	(i)	–	685	96	73	854
Independent Non-Executive Directors						
Wen Tiejun		410	–	–	–	410
Francis Yuen Tin-fan		380	–	–	–	380
Xiao Xing		380	–	–	–	380
Wang Xinxin		360	–	–	–	360
Huang Zhenzhong		360	–	–	–	360
Non-Executive Directors						
Hu Xiaohui	(ii)	–	–	–	–	–
Xu Jiandong		–	–	–	–	–
Chen Jianbo		–	–	–	–	–
Liao Luming		–	–	–	–	–
Li Qiyun	(iii)	–	–	–	–	–
Supervisors						
Wang Jingdong	(iv)	–	254	36	28	318
Wang Xingchun		–	–	–	–	–
Liu Chengxu		50	–	–	–	50
Xia Taili	(v)	21	–	–	–	21
Shao Lihong	(v)	21	–	–	–	21
Li Wang	(vi)	280	–	–	–	280
Zhang Jie	(vi)	43	–	–	–	43
Liu Hongxia	(vi)	41	–	–	–	41
Senior Management						
Gong Chao	(vii)	–	685	95	74	854
Zhang Keqiu		–	685	129	73	887
Li Zhicheng		–	1,946	146	73	2,165
Zhou Wanfu	(viii)	–	1,297	94	50	1,441

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)*

		Year ended 31 December 2018 (Restated)				
Item		Fees	Basic salaries and allowance	Contribution to retirement benefit schemes	Other benefits in kind (xvi)	Total
Executive Director resigned						
Zhao Huan	(ix)	–	571	69	56	696
Guo Ningning	(x)	–	571	74	62	707
Non-Executive Directors resigned						
Zhao Chao	(xi)	–	–	–	–	–
Zhang Dinglong	(xii)	–	–	–	–	–
Supervisors resigned						
Xia Zongyu	(xiii)	33	–	–	–	33
Lv Shuqin	(xiv)	241	–	–	–	241
Senior Management resigned						
Kang Yi	(xv)	–	55	7	9	71
Total		2,620	7,510	841	570	11,541

(i) Wang Wei was elected Executive Director effective 13 February 2018..

(ii) Hu Xiaohui ceased to be Non-Executive Director effective 9 January 2019, and his emoluments disclosed above only include those for services rendered by him as the Senior Management for the year ended 31 December 2018.

(iii) Li Qiyun was elected Non-Executive Director effective 1 June 2018.

(iv) Wang Jingdong was elected Supervisor representing shareholders effective 12 November 2018, and Chairman of the Board of Supervisors effective 13 November 2018.

(v) Xia Taili and Shao Lihong were elected Supervisor representing employees effective 21 August 2018.

(vi) Li Wang, Zhang Jie and Liu Hongxia were elected External Supervisors effective 12 November 2018.

(vii) Gong Chao ceased to be Secretary of the Party Discipline Committee effective 2 January 2019.

(viii) Zhou Wanfu was elected Secretory of the Board of Directors effective 12 March 2018.

(ix) Zhao Huan cased to be Vice Chairman, Executive Director and President effective 29 September 2019.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(1) *Details of the Directors', Supervisors' and Senior Management's emoluments are as follows (in thousands of RMB): (Continued)*

(x) Guo Ningning was elected Executive Director effective 13 February 2018. She ceased to be Executive Director effective 22 October 2018.

(xi) Zhao Chao ceased to be Non-Executive Director effective 28 February 2018.

(xii) Zhang Dinglong ceased to be No-Executive Director effective 11 May 2018.

(xiii) Xia Zongyu ceased to be Supervisor representing employees effective 22 August 2018.

(xiv) Lv Shuqin resigned as Supervisor due to the expiry of her term of office in 29 June 2018. Lv Shuqin will continue to perform her duty as Supervisor until meet the requirement that the Supervisors shall represent at least one-third of the Board of Supervisors. She ceased to be Supervisor effective 12 November 2018.

(xv) Kang Yi ceased to be Vice Chairman effective 22 January 2018.

(xvi) Other benefits in kind include the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities.

As of the approval date of 2018 consolidated financial statements, the above compensation packages for the Directors, Supervisors and Senior Management for the year ended 31 December 2018 were not finalized and the amount of remuneration of Directors, Supervisors and Senior Management recognized and disclosed in the consolidated income statement for the year ended 31 December 2018 was RMB8.56 million. Supplementary announcement on final compensation of RMB11.54 million was released by the Bank on 30 August 2019 and the comparative figures for the year ended 31 December 2018 have been restated accordingly.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 BENEFITS AND INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

(2) Five individuals with the highest emoluments in the Group

(i) Of the five individuals with the highest emoluments, none of them are Directors, Supervisors or Senior Management whose emoluments are disclosed above. The emoluments of the five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 and 31 December 2018 were as follows:

	Year ended 31 December	
	2019	2018
Basic salaries and allowance	**13**	14
Discretionary bonuses	**14**	10
Contribution to retirement benefit schemes and other	**1**	1
Total	**28**	25

(ii) The number of these five individuals whose emoluments fell within the following bands are as follows:

	Year ended 31 December	
	2019	2018
RMB4,000,001 to RMB4,500,000 yuan	**–**	1
RMB4,500,001 to RMB5,000,000 yuan	**2**	2
RMB5,000,001 to RMB5,500,000 yuan	**1**	1
RMB5,500,001 to RMB6,000,000 yuan	**–**	1
RMB6,000,001 to RMB6,500,000 yuan	**1**	–
RMB6,500,001 to RMB7,000,000 yuan	**–**	–
RMB7,000,001 to RMB7,500,000 yuan	**–**	–
RMB7,500,001 to RMB8,000,000 yuan	**1**	–

For the years ended 31 December 2019 and 31 December 2018, no emolument was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office. For the years ended 31 December 2019 and 31 December 2018, none of the five highest paid individuals waived any emolument.

(3) Other benefits and interests of Directors and Supervisors pursuant to the Hong Kong Companies Ordinance (Cap.622).

For the years ended 31 December 2019 and 31 December 2018, no emolument was paid by the Group to any of the Directors and Supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office. Except for the Annuity Scheme and Pension Scheme (Note II 7 Employee Benefits), there were no other retirement benefits for Directors or Supervisors, or consideration provided to third parties for making available Directors' or Supervisors' services; and none of the Directors or Supervisors waived any emolument, or had material interests, whether directly or indirectly, in any material transactions, arrangements or contracts in relation to the Group's business for the years ended 31 December 2019 and 31 December 2018.

The Group enters into credit transactions with the Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors at arm's length in the ordinary course of business. For the years ended 31 December 2019 and 31 December 2018 and as at 31 December 2019 and 31 December 2018, the respective balances of loans and advances from the Group to Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors were not significant. The Group did not provide any guarantee or security to the Directors, Supervisors or certain controlled body corporates and connected entities of the Directors or Supervisors in respect of their loans, quasi-loans or credit transactions.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2019	2018
Loans and advances to customers	**131,833**	130,111
Financial investments		
Debt instrument investments at amortized cost	**301**	1,384
Other debt instruments at fair value through other comprehensive income	**985**	2,575
Provision for guarantees and commitments	**3,990**	1,533
Placements with and loans to banks and other financial institutions	**30**	(41)
Financial assets held under resale agreements	**409**	(393)
Others	**1,057**	1,478
Total	**138,605**	136,647

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
Current income tax		
— PRC Enterprise Income Tax	**62,674**	63,111
— Hong Kong Profits Tax	**824**	804
— Other jurisdictions	**215**	211
Subtotal	**63,713**	64,126
Deferred tax (Note IV 22)	**(10,061)**	(15,083)
Total	**53,652**	49,043

PRC Enterprise Income Tax is calculated at 25% of the estimated taxable profit for both years, and also includes supplementary PRC tax on Overseas Operations as determined in accordance with the relevant PRC income tax rules and regulations. Pre-tax deduction items of enterprise income tax are governed by the relevant tax regulations in the PRC. Taxation arising in other jurisdictions (including Hong Kong) is calculated at the rates prevailing in the relevant jurisdictions.

The tax charges for the years ended 31 December 2019 and 31 December 2018 can be reconciled to the profit per the consolidated income statement as follows:

		Year ended 31 December	
		2019	2018
Profit before tax		**266,576**	251,674
Tax calculated at applicable PRC statutory tax rate of 25%		**66,644**	62,919
Tax effect of income not taxable for tax purpose	(1)	**(31,575)**	(26,202)
Tax effect of costs, expenses and losses not deductible for tax purpose		**18,684**	12,345
Effect of different tax rates in other jurisdictions		**(101)**	(19)
Income tax expense		**53,652**	49,043

(1) Non-taxable income primarily includes interest income from PRC treasury bonds and municipal government bonds.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 DIVIDENDS

		Year ended 31 December	
		2019	2018
Dividends on ordinary shares declared and paid			
Cash dividend related to 2018	(1)	**60,862**	–
Cash dividend related to 2017	(2)	**–**	57,911
		60,862	57,911
Dividends on preference shares declared and paid	(3)	**4,600**	4,600

(1) *Distribution of final dividend for 2018*

A cash dividend of RMB0.1739 per ordinary share related to 2018, amounting to RMB60,862 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2018 as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises (the "PRC GAAP"), at the annual general meeting held on 30 May 2019.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2019.

(2) *Distribution of final dividend for 2017*

A cash dividend of RMB0.1783 per ordinary share related to 2017, amounting to RMB57,911 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2017 as determined in accordance with the relevant accounting rules and financial regulations applicable to PRC enterprises (the "PRC GAAP"), at the annual general meeting held on 11 May 2018.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2018.

(3) *Distribution of dividend on preference shares for 2019*

A cash dividend at the dividend rate of 5.5% per annum related to the second tranche of preference shares of 2018 to 2019 amounting to RMB2,200 million in total was approved at the Board of Directors' Meeting held on 11 January 2019 and distributed on 11 March 2019.

A cash dividend at the dividend rate of 6% per annum related to the first tranche of preference shares of 2018 to 2019 amounting to RMB2,400 million in total was approved at the Board of Directors' Meeting held on 30 August 2019 and distributed on 5 November 2019.

(4) *Distribution of dividend on preference shares for 2018*

A cash dividend at the dividend rate of 5.5% per annum related to the second tranche of preference shares amounting to RMB2,200 million in total was approved at the Board of Directors' Meeting held on 11 January 2018 and distributed on 12 March 2018.

A cash dividend at the dividend rate of 6% per annum related to the first tranche of preference shares amounting to RMB2,400 million in total was approved at the Board of Directors' Meeting held on 28 August 2018 and distributed on 5 November 2018.

A final dividend of RMB0.1819 per ordinary share in respect of the year ended 31 December 2019 totaling RMB63,662 million has been proposed by the directors and is subject to approval by the ordinary equity holders in the annual general meeting.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is as follows:

	Year ended 31 December 2019	2018
Earnings:		
Profit for the year attributable to equity holders of the Bank	**212,098**	202,783
Less: profit for the year attributable to preference shareholders of the Bank	**(4,600)**	(4,600)
Profit for the year attributable to ordinary equity holders of the Bank	**207,498**	198,183
Number of shares:		
Weighted average number of ordinary shares in issue (million)	**349,983**	337,423
Basic and diluted earnings per share (RMB yuan)	**0.59**	0.59

For the years ended 31 December 2015 and 31 December 2014, the Bank issued non-cumulative preference shares, respectively, and the specific terms are included in Note IV 33 Other equity instruments.

For the year ended 31 December 2019, the Bank issued non-cumulative undated tier 1 capital bonds, and the specific terms are included in Note IV 33 Other equity instruments. The Bank has not declared any distribution for the year ended 31 December 2019.

For the purpose of calculating basic earnings per share, cash dividends of RMB4,600 million of non-cumulative preference shares declared in respect of the year of 2019 was deducted from the profit for the year attributable to equity holders of the Bank (2018: RMB4,600 million).

The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2019 and 31 December 2018, and therefore the conversion feature of preference shares has no dilutive effect on earnings per share calculation.

12 CASH AND BALANCES WITH CENTRAL BANKS

		As at 31 December 2019	2018
Cash		**92,928**	98,089
Mandatory reserve deposits with central banks	(1)	**2,018,692**	2,312,116
Surplus reserve deposits with central banks	(2)	**393,607**	223,555
Other deposits with central banks	(3)	**193,631**	170,187
Subtotal		**2,698,858**	2,803,947
Accrued interest		**1,037**	1,160
Total		**2,699,895**	2,805,107

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 CASH AND BALANCES WITH CENTRAL BANKS (Continued)

(1) *The Group places mandatory reserve deposits with the PBOC and overseas regulatory bodies. These include RMB reserve deposits and foreign currency reserve deposits. According to the requirements of "Notice on Reducing Deposit Reserve Ratio for Financial Institutions issued by the People's Bank of China"(Yinfa [2019] No.4), RMB deposit reserve ratio for financial institutions is reduced by 1%, of which, by 0.5% from 15 January 2019 and 25 January 2019 respectively. And according to the "Notice of Dynamic Assessment Result of targeted cuts to required reserve ratios of Financial Institutions" issued by Business Administration Department of the People's Bank of China, RMB deposit reserve ratio is reduced by 1% from 25 January 2019. According to the requirements of "Notice on Reducing Deposit Reserve Ratio for Financial Institutions issued by the People's Bank of China"(Yinfa [2019] No.223), RMB deposit reserve ratio for financial institutions is reduced by 0.5% on 16 September 2019.*

For Domestic Operations of the Bank which meet the requirements of "Notice on Performance Appraisal Results of the Sannong Banking Operations of Agricultural Bank of China Limited for 2019 issued by the People's Bank of China" (Yinbanfa [2019] No. 60), effective 25 March 2019, RMB mandatory reserve deposits with the PBOC are based on 9.5% of qualified RMB deposits (31 December 2018: 12%). For the remaining Domestic Operations of the Bank, RMB mandatory reserve deposits are based on 11.5% of qualified RMB deposits (31 December 2018: 14%). For the overseas participating banks and clearing banks with eligible RMB deposits, RMB mandatory reserve deposits are based on 11.5 % of qualified RMB deposits (31 December 2018: 14%). Foreign currency mandatory reserve deposits are based on 5% (31 December 2018: 5%) of qualified foreign currency deposits from customers. Mandatory reserve deposits placed by the Bank's Overseas Operations are determined based on respective overseas regulatory requirements. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

(2) *Surplus reserve deposits primarily represent deposits maintained with the PBOC in addition to the mandatory reserve deposits and mainly for the purpose of clearing.*

(3) *Other deposits with central banks primarily represent fiscal deposits and foreign exchange risk reserve placed with the PBOC that are not available for use in the Group's daily operations. Fiscal deposits are non-interest bearing from government, and the interest rate for foreign exchange risk reserve is currently set at zero. The foreign exchange risk reserve is maintained with the PBOC in accordance with the "Notice on Reinforcing the Macro Prudential Management of Foreign Exchange Transactions" (Yinfa [2015] No.273) issued by the PBOC on 31 August 2015. From 6 August 2018, the foreign exchange risk reserve rate was adjusted to 20% according to the "Notice on Adjustment of Foreign Exchange Risk Reserves Policy" (Yinfa [2018] No. 190) issued by PBOC on 3 August 2018.*

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2019	2018
Deposits with:		
Domestic banks	**185,905**	54,075
Other domestic financial institutions	**14,292**	12,296
Overseas banks	**34,493**	43,711
Gross carrying amount	**234,690**	110,082
Accrued interest	**2,118**	196
Allowance for impairment losses	**(1,066)**	(550)
Deposits with banks and other financial institutions, net	**235,742**	109,728

As at 31 December 2019, the carrying amount of deposits with banks and other financial institutions which have been pledged as security was RMB14,670 million (31 December 2018: RMB13,080 million). These deposits were mainly security deposits pledged with clearing house and exchanges.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 PLACEMENTS WITH AND LOANS TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2019	2018
Placements with and loans to:		
Domestic banks	**162,772**	193,744
Other domestic financial institutions	**252,498**	256,887
Overseas banks and other financial institutions	**106,047**	99,172
Gross carrying amount	**521,317**	549,803
Accrued interest	**3,289**	3,594
Allowance for impairment losses	**(1,423)**	(1,384)
Placements with and loans to banks and other financial institutions, net	**523,183**	552,013

15 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

The Group primarily enters into foreign exchange rate, interest rate and precious metal derivative contracts related to trading, asset and liability management, and customer initiated transactions.

The contractual/notional amounts and fair values of the derivative financial instruments entered into by the Group are set out in the following tables. The contractual/notional amounts of derivative financial instruments provide a basis for comparison with fair values of instruments recognized on the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly.

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. As at 31 December 2019 and 31 December 2018, the amount of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group. The Group did not elect to offset these financial assets and financial liabilities on a net basis. The Group does not hold any other financial instruments, other than derivatives, that are subject to master netting arrangements or similar agreements.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

	31 December 2019		
	Contractual/ notional amount	**Fair value**	
		Assets	**Liabilities**
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	**2,751,623**	**23,588**	**(19,835)**
Currency options	**108,691**	**540**	**(547)**
Subtotal		**24,128**	**(20,382)**
Interest rate derivatives			
Interest rate swaps	**225,976**	**340**	**(1,676)**
Precious metal contracts and others	**95,328**	**476**	**(7,490)**
Total derivative financial assets and liabilities		**24,944**	**(29,548)**

	31 December 2018		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	2,850,770	34,202	(30,657)
Currency options	75,226	886	(738)
Subtotal		35,088	(31,395)
Interest rate derivatives			
Interest rate swaps	418,445	1,654	(839)
Precious metal contracts and others	76,631	202	(2,320)
Total derivative financial assets and liabilities		36,944	(34,554)

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Credit risk weighted amount for derivative transaction counterparties represents the counterparty credit risk associated with derivative transactions and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBIRC which was effective 1 January 2013 and "Measurement Rule of Counterparty Default Risk Weighted Assets on Derivatives" issued by the CBIRC which was effective 1 January 2019,and is dependent on, among other factors, creditworthiness of customers and maturity characteristics of each type of contract. As at 31 December 2019 and 31 December 2018, the credit risk weighted amount for derivative transaction counterparty was measured under the Internal Ratings — Based approach.

	As at 31 December	
	2019	2018
Credit risk weighted amount for counterparty	**90,486**	17,336

16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2019	2018
Analyzed by collateral type:		
Debt securities	**681,891**	343,571
Bills	**27,958**	27,475
Subtotal	**709,849**	371,046
Accrued interest	**308**	1,152
Allowance for impairment losses	**(1,606)**	(1,197)
Financial assets held under resale agreements, net	**708,551**	371,001

The collateral received in connection with financial assets held under resale agreement is disclosed in Note IV 42 Contingent Liabilities and Commitments — Collateral.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS

17.1 Analyzed by measurement basis

		As at 31 December	
		2019	2018
Measured at amortized cost	(1)	**12,279,223**	11,027,381
Measured at fair value through other comprehensive income	(2)	**540,387**	433,912
Measured at fair value through profit or loss	(3)	**–**	249
Total		**12,819,610**	11,461,542

(1) Measured at amortized cost:

	As at 31 December	
	2019	2018
Corporate loans and advances		
Loans and advances	**7,381,532**	*6,802,200*
Personal loans and advances	**5,407,627**	*4,677,264*
Total	**12,789,159**	*11,479,464*
Accrued interest	**30,642**	*27,060*
Allowance for impairment losses	**(540,578)**	*(479,143)*
Carrying amount of loans and advances to customers measured at amortized cost	**12,279,223**	*11,027,381*

(2) Measured at fair value through other comprehensive income:

	As at 31 December	
	2019	2018
Measured at fair value through other comprehensive income:		
Corporate loans and advances		
Loans and advances	**118,997**	*89,951*
Discounted bills	**421,390**	*343,961*
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**540,387**	*433,912*

(3) Measured at fair value through profit or loss

	As at 31 December	
	2019	2018
Corporate loans and advances		
Loans and advances	**–**	*249*

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.2 Analyzed by assessment method of ECL

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III (i)	
	12m ECL	Lifetime ECL		Total
Gross loans and advances measured at amortized cost (accrued interest not included)	**12,281,653**	**320,316**	**187,190**	**12,789,159**
Allowance for impairment losses	**(351,550)**	**(57,693)**	**(131,335)**	**(540,578)**
Loans and advances to customers, net	**11,930,103**	**262,623**	**55,855**	**12,248,581**
Loans and advances measured at fair value through other comprehensive income	**540,068**	**299**	**20**	**540,387**
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	**(12,495)**	**(27)**	**(15)**	**(12,537)**

	Year ended 31 December 2018			
	Stage I	Stage II	Stage III (i)	
	12m ECL	Lifetime ECL		Total
Gross loans and advances measured at amortized cost (accrued interest not included)	10,929,528	359,934	190,002	11,479,464
Allowance for impairment losses	(261,704)	(68,455)	(148,984)	(479,143)
Loans and advances to customers, net	10,667,824	291,479	41,018	11,000,321
Loans and advances measured at fair value through other comprehensive income	433,488	424	–	433,912
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	(7,460)	(9)	–	(7,469)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.2 Analyzed by assessment method of ECL (Continued)

The ECL for corporate loans and advances in stage I and stage II, as well as personal loans and advances, were measured in accordance with the risk parameters modelling method. The ECL for corporate loans and advances in Stage III were calculated using the cash flow discount model. For details, see Note IV 44.1 Credit Risk.

(i) At 31 December 2019, the Group's exposure of credit-impaired Stage III loans and advances covered by collateral and pledge of the Group was RMB30,745million (31 December 2018: the Group's exposure of credit-impaired Stage III loans and advances covered by collateral and pledge of the Group was RMB30,599 million).

17.3 Analyzed by movements in loss allowance

The movements of loss allowance is mainly affected by:

– Transfers between stages due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired;

– Allowance for new financial instruments recognized;

– Remeasurement includes the impact of changes in model assumptions, updates of model parameters, changes in probability of default and loss given default; changes in ECL due to transfer of financial assets between stages; changes in ECL due to unwinding of discount over time; changes in foreign exchange translations for assets denominated in foreign currencies and other movements; and

– The reversal of allowances caused by repayment, write-offs and transfer of financial assets.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

The following table shows the impact of above factors on the allowance for impairment losses:

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12m ECL (i)	Lifetime ECL (ii)		Total
31 December 2018	191,146	63,973	128,611	383,730
Transfer:				
Stage I to stage II	(6,261)	6,261	–	–
Stage II to stage III	–	(19,356)	19,356	–
Stage II to stage I	5,948	(5,948)	–	–
Stage III to stage II	–	3,390	(3,390)	–
Originated or purchased financial assets	72,673	–	–	72,673
Remeasurement	25,292	16,147	40,776	82,215
Repayment and transfer out	(39,198)	(11,076)	(35,664)	(85,938)
Write-offs	–	–	(39,209)	(39,209)
31 December 2019	249,600	53,391	110,480	413,471

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III	
Personal loans and advances	12m ECL (iii)	Lifetime ECL (iv)		Total
31 December 2018	78,018	4,491	20,373	102,882
Transfer:				
Stage I to stage II	(1,530)	1,530	–	–
Stage II to stage III	–	(5,190)	5,190	–
Stage II to stage I	973	(973)	–	–
Stage III to stage II	–	482	(482)	–
Originated or purchased financial assets	50,904	–	–	50,904
Remeasurement	12,311	5,129	13,406	30,846
Repayment and transfer out	(26,231)	(1,140)	(5,428)	(32,799)
Write-offs	–	–	(12,189)	(12,189)
31 December 2019	114,445	4,329	20,870	139,644

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

The following table shows the impact of above factors on the allowance for impairment losses (Continued):

	Year ended 31 December 2018			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12m ECL (v)	Lifetime ECL (vi)		Total
1 January 2018	160,902	53,285	126,922	341,109
Transfer:				
Stage I to stage II	(9,105)	9,105	–	–
Stage II to stage III	–	(22,224)	22,224	–
Stage II to stage I	3,948	(3,948)	–	–
Stage III to stage II	–	2,217	(2,217)	–
Originated or purchased financial assets	48,217	–	–	48,217
Remeasurement	21,108	29,648	62,188	112,944
Repayment and transfer out	(33,924)	(4,110)	(26,946)	(64,980)
Write-offs	–	–	(53,560)	(53,560)
31 December 2018	191,146	63,973	128,611	383,730

	Year ended 31 December 2018			
	Stage I	Stage II	Stage III	
Personal loans and advances	12m ECL (vii)	Lifetime ECL (viii)		Total
1 January 2018	60,853	3,924	25,389	90,166
Transfer:				
Stage I to stage II	(1,124)	1,124	–	–
Stage II to stage III	–	(1,248)	1,248	–
Stage II to stage I	1,139	(1,139)	–	–
Stage III to stage II	–	411	(411)	–
Originated or purchased financial assets	35,789	–	–	35,789
Remeasurement	(2,634)	3,750	10,441	11,557
Repayment and transfer out	(16,005)	(2,331)	(3,291)	(21,627)
Write-offs	–	–	(13,003)	(13,003)
31 December 2018	78,018	4,491	20,373	102,882

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

(i) In 2019, the changes of the Group's loss allowance of corporate loans and advances in Stage I were mainly driven by both a net increase of nearly 11% in the corresponding gross amount and an increase in provision rate.

(ii) In 2019, the provision rate of the Group's corporate loans and advances in Stage II remains stable. The changes of the Group's loss allowance of corporate loans and advances in Stage II were mainly driven by a net decrease of nearly 13% in the corresponding gross amount;

In 2019, the changes of the Group's corporate loans and advances in Stage III were mainly driven by the net transfer in from Stage II and subsequent remeasurement. This impact was netted off by the repayment, transfer out and write-offs of Stage III corporate loans and advances. There was no significant change in the gross amount of Stage III corporate loans and advances as of 31 December 2018 and 31 December 2019.

(iii) In 2019, the changes of the Group's loss allowance of personal loans and advances in Stage I were mainly driven by both a net increase of nearly 16% in the corresponding gross amount and an increase in provision rate.

(iv) In 2019, the provision rate of the Group's personal loans and advances in Stage II remains stable. There was no significant change in the gross amount of Stage II personal loans and advances as of 31 December 2018 and 31 December 2019. Transfer between stages led to net increase in the gross amount of personal loans and advances in Stage II, this is mainly driven by the net transfer in from Stage I and the transferred amount is approximately 1% of the beginning balance of Stage I personal loans and advances. The impact on the loss allowances for the gross amount increase due to transfer between stages was netted off by the transfer to Stage III and the repayment of Stage II personal loans and advances. The transferred amount to Stage III is nearly 70% of the Stage II balances as of 31 December 2018. Repayment amount of Stage II personal loans and advances is about 20% of the Stage II balances as of 31 December 2018;

In 2019, the changes in loss allowance of the Group's personal loans and advances in Stage III is mainly driven by the net transfer in from Stage II and subsequent remeasurement. This impact was netted off by the repayment, transfer out and write-offs of Stage III personal loans and advances. There was no significant change in the gross amount of Stage III personal loans and advances as of 31 December 2018 and 31 December 2019.

(v) In 2018, the provision rate of the Group's corporate loans and advances in Stage I remains stable. The changes of the Group's loss allowance of corporate loans and advances in Stage I were mainly driven by a net increase of nearly 12% in the corresponding gross amount.

(vi) In 2018, transfer between stages led to net increase in the gross amount of corporate loans and advances in Stage II, this is mainly driven by the net transfer in from Stage I and the transferred amount is approximately 3% of the beginning balance of Stage I corporate loans and advances. The impact on the loss allowances for the gross amount increase due to transfer between stages was netted off by the repayment of Stage II corporate loans and advances. Repayment amount of Stage II corporate loans and advances is about 30% of the beginning Stage II balances. There was no significant change in the gross amount of Stage II corporate loans and advances as of 1 January 2018 and 31 December 2018. The changes in loss allowance is mainly driven by the changes in provision rates;

In 2018, the provision rate of the Group's corporate loans and advances in Stage III remains stable. The changes in loss allowance is mainly driven by the net transfer in from Stage II and subsequent remeasurement. This impact was netted off by the repayment, transfer out and write-offs of Stage III corporate loans and advances. There was no significant change in the gross amount of Stage III corporate loans and advances as of 1 January 2018 and 31 December 2018.

(vii) In 2018, the provision rate of the Group's personal loans and advances remains stable. The changes of the Group's loss allowance of personal loans and advances in Stage I were mainly driven by a net increase of approximately 17% in the corresponding gross amount.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.3 Analyzed by movements in loss allowance (Continued)

(viii) *In 2018, transfer between stages led to net increase in the gross amount of personal loans and advances in Stage II, this is mainly driven by the net transfer in from Stage I and the transferred amount is approximately 1% of the beginning balance of Stage I personal loans and advances. The impact on the loss allowances for the gross amount increase due to transfer between stages was netted off by the repayment of Stage II personal loans and advances. Repayment amount of Stage II personal loans and advances is about 50% of the Stage II balances as of 1 January 2018. There was no significant change in the gross amount of Stage II personal loans and advances as of 1 January 2018 and 31 December 2018. The changes in loss allowance is mainly driven by the changes in provision rates;*

In 2018, the provision rate of the Group's personal loans and advances in Stage III remains stable. The changes in loss allowance is mainly driven by the net transfer in from Stage II and subsequent remeasurement. This impact was netted off by the repayment, transfer out and write-offs of Stage III personal loans and advances. In 2018, the net decrease of the gross amount of the Group's personal loans and advances in Stage III is approximately 12%.

18 FINANCIAL INVESTMENTS

		As at 31 December	
		2019	2018
Financial assets at fair value through profit or loss	18.1	**801,361**	643,245
Debt instrument investments at amortized cost	18.2	**4,946,741**	4,503,698
Other debt instrument and other equity investments at fair value through other comprehensive income	18.3	**1,674,828**	1,738,132
Total		**7,422,930**	6,885,075

18.1 Financial assets at fair value through profit or loss

		As at 31 December	
		2019	2018
Financial assets mandatorily measured at fair value through profit or loss:			
— Held for trading	(1)	**240,281**	246,788
— Other financial assets at fair value through profit or loss	(2)	**216,052**	129,725
Financial assets designated at fair value through profit or loss	(3)	**345,028**	266,732
Total		**801,361**	643,245
Analyzed as:			
Listed in Hong Kong		**3,695**	4,101
Listed outside Hong Kong	(i)	**481,884**	519,076
Unlisted		**315,782**	120,068
Total		**801,361**	643,245

(i) *Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".*

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.1 Financial assets at fair value through profit or loss (Continued)

(1) Financial assets held for trading

	As at 31 December	
	2019	2018
Debt securities issued by:		
Governments	**10,371**	11,302
Public sector and quasi-governments	**45,231**	87,444
Financial institutions	**102,650**	62,506
Corporates	**43,207**	52,756
Subtotal	**201,459**	214,008
Precious metal contracts	**29,132**	28,139
Equity	**2,354**	1,986
Fund	**7,336**	2,655
Total	**240,281**	246,788

(2) Other financial assets at fair value through profit or loss (ii)

	As at 31 December	
	2019	2018
Debt securities issued by:		
Public sector and quasi-governments	**19,434**	20,554
Financial institutions	**72,334**	51,947
Corporates	**5,724**	4,385
Subtotal	**97,492**	76,886
Equity	**95,183**	33,778
Fund and others	**23,377**	19,061
Total	**216,052**	129,725

(ii) Other financial assets at fair value through profit or loss refer to financial assets that do not qualify for measurement at AC or FVOCI and are not held for trading, including bond investments, equity interests, funds, trust plans and asset management products, among other things, of the Group and the Bank.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.1 Financial assets at fair value through profit or loss (Continued)

(3) Financial assets designated at fair value through profit or loss (iii)

	As at 31 December **2019**	2018
Debt securities issued by:		
Governments	**17,137**	21,257
Public sector and quasi-governments	**19,790**	33,399
Financial institutions	**147,389**	49,711
Corporates	**27,334**	38,537
Subtotal	**211,650**	142,904
Deposits with banks and other financial institutions	**28,207**	9,174
Placements with and loans to banks and other financial institutions	**104,184**	110,431
Others	**987**	4,223
Total	**345,028**	266,732

(iii) Financial assets designated at fair value through profit or loss mainly include the financial asset invested by the wealth management products ("WMPs") with principal guaranteed by the Group.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.2 Debt instrument investments at amortized cost

		As at 31 December	
		2019	2018
Debt securities issued by:			
Governments		**2,755,256**	2,299,357
Public sector and quasi-governments		**1,278,027**	1,255,738
Financial institutions		**302,220**	300,010
Corporates		**124,558**	169,480
Subtotal		**4,460,061**	4,024,585
Receivable from the MOF	(i)	**290,891**	290,891
Special government bonds	(ii)	**93,352**	93,358
Others	(iii)	**16,791**	22,443
Total		**4,861,095**	4,431,277
Accrued interest		**95,134**	81,608
Allowance for impairment losses		**(9,488)**	(9,187)
Debt instrument investments at amortized cost, net		**4,946,741**	4,503,698
Analyzed as:			
Listed in Hong Kong		**17,851**	12,698
Listed outside Hong Kong	(iv)	**4,567,976**	4,116,972
Unlisted		**360,914**	374,028
Total		**4,946,741**	4,503,698

(i) The Group received a notice from the MOF in January 2020, clarifying that from 1 January 2020, the interest rate of the unpaid payments will be verified year by year based on the rate of return of the five-year treasury bond of the previous year.

(ii) Special government bond refers to the non-transferable bond issued by the MOF in 1998 in the aggregate principal amount of RMB93.3 billion to the Predecessor Entity for capital replenishment. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum, starting from 1 December 2008.

(iii) Other debt instruments classified as receivables are primarily related to investment in unconsolidated structured entities held by the Group (Note IV 41(2)).

(iv) Debt securities traded on the China Domestic Inter-bank Bond Market are included in "Listed outside Hong Kong".

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.2 Debt instrument investments at amortized cost (Continued)

(1) Analyzed by assessment method of ECL

	Year ended 31 December 2019			
	Stage I	**Stage II**	**Stage III**	
	12m ECL	**Lifetime ECL**		**Total**
Gross debt instrument investments at amortized cost	**4,953,832**	**1,196**	**1,201**	**4,956,229**
Allowance for impairment losses	**(8,409)**	**(32)**	**(1,047)**	**(9,488)**
Debt instrument investments at amortized cost, net	**4,945,423**	**1,164**	**154**	**4,946,741**

	Year ended 31 December 2018			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
Gross debt instrument investments at amortized cost	4,509,520	1,043	2,322	4,512,885
Allowance for impairment losses	(6,691)	(236)	(2,260)	(9,187)
Debt instrument investments at amortized cost, net	4,502,829	807	62	4,503,698

Debt instrument investments at amortized cost in stage II and stage III mainly included corporate bond and other debt instruments investment.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.2 Debt instrument investments at amortized cost (Continued)

(2) Analyzed by movements in loss allowance (i)

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
31 December 2018	**6,691**	**236**	**2,260**	**9,187**
Transfer:				
Stage I transfer to stage II	**(29)**	**29**	**–**	**–**
Stage I transfer to stage III	**(382)**	**–**	**382**	**–**
Originated or purchased financial assets	**1,832**	**–**	**–**	**1,832**
Remeasurement	**1,534**	**3**	**4**	**1,541**
Maturities or transfer out	**(1,237)**	**(236)**	**(1,599)**	**(3,072)**
31 December 2019	**8,409**	**32**	**1,047**	**9,488**

	Year ended 31 December 2018			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
1 January 2018	5,883	20	2,261	8,164
Transfer:				
stage I transfer to stage II	(9)	9	–	–
Originated or purchased financial assets	2,242	–	–	2,242
Remeasurement	(369)	227	233	91
Maturities or transfer out	(1,056)	(20)	(234)	(1,310)
31 December 2018	6,691	236	2,260	9,187

(i) As at 31 December 2019, the increases of the Group's loss allowance of debt instrument investments at amortized cost were mainly due to the increase of debt instrument investments and the remeasurement of remained debt instrument investments in the year.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income

		Year ended 31 December 2019			
		Amortized cost of debt instruments/ cost of equity instruments	**Fair value**	**Cumulative amount of change in fair value that is accrued to other comprehensive income**	**Cumulative amount of impairment**
Debt instruments	(1)	**1,650,974**	**1,671,746**	**20,772**	**(6,897)**
Equity instruments	(2)	**2,050**	**3,082**	**1,032**	**N/A**
Total		**1,653,024**	**1,674,828**	**21,804**	**(6,897)**

		Year ended 31 December 2018			
		Amortized cost of debt instruments/ cost of equity instruments	Fair value	Cumulative amount of change in fair value that is accrued to other comprehensive income	Cumulative amount of impairment
Debt instruments	(1)	1,725,961	1,735,892	9,931	(6,327)
Equity instruments	(2)	1,598	2,240	642	N/A
Total		1,727,559	1,738,132	10,573	(6,327)

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Debt instruments

(a) Analyzed by measurement basis

	As at 31 December	
	2019	2018
Debt securities issued by:		
Governments	**744,035**	707,987
Public sector and quasi-governments	**247,527**	263,005
Financial institutions	**478,172**	544,934
Corporates	**165,270**	186,738
Subtotal	**1,635,004**	1,702,664
Others	**18,556**	14,287
Subtotal of debt instruments	**1,653,560**	1,716,951
Accrued interest	**18,186**	18,941
Total	**1,671,746**	1,735,892
Analyzed as:		
Listed in Hong Kong	**107,477**	98,119
Listed outside Hong Kong	**1,499,316**	1,593,843
Unlisted	**64,953**	43,930
Total	**1,671,746**	1,735,892

(i) Others primarily include trust investment plans and debt investment plans invested by the Group, which related to investment in other unconsolidated structured entities held by the Group (Note IV 41(2)).

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Debt instruments (Continued)

(b) Analyzed by assessment method of ECL

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
Other debt instruments at fair value through other comprehensive income	**1,671,525**	**–**	**221**	**1,671,746**
Allowance for impairment losses	**(6,874)**	**–**	**(23)**	**(6,897)**

	Year ended 31 December 2018			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
Other debt instruments at fair value through other comprehensive income	1,730,932	4,783	177	1,735,892
Allowance for impairment losses	(5,720)	(552)	(55)	(6,327)

Other debt instruments at fair value through other comprehensive income in stage II and stage III mainly included corporate bond investments.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 FINANCIAL INVESTMENTS (Continued)

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income (Continued)

(1) Debt instruments (Continued)

(c) Analyzed by movements in loss allowance (ii)

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
31 December 2018	**5,720**	**552**	**55**	**6,327**
Transfer:				
stage II transfer to stage I	**26**	**(26)**	**–**	**–**
Originated or purchased financial assets	**2,129**	**–**	**–**	**2,129**
Remeasurement	**186**	**–**	**23**	**209**
Maturities or transfer out	**(1,187)**	**(526)**	**(55)**	**(1,768)**
31 December 2019	**6,874**	**–**	**23**	**6,897**

	Year ended 31 December 2018			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
1 January 2018	5,290	125	186	5,601
Transfer:				
stage I transfer to stage II	(35)	35	–	–
stage II transfer to stage I	51	(51)	–	–
Originated or purchased financial assets	1,958	–	–	1,958
Remeasurement	(143)	452	39	348
Maturities or transfer out	(1,401)	(9)	(170)	(1,580)
31 December 2018	5,720	552	55	6,327

(ii) As at 31 December 2019, the increases of the Group's loss allowance of other debt instrument investments at fair value through other comprehensive income were mainly due to the increase of debt instrument investments and the derecognition of debt instrument investments in the year.

(2) Equity instruments

	As at 31 December	
	2019	2018
Other financial institutions	**2,878**	2,036
Other enterprises	**204**	204
Total	**3,082**	2,240

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 INVESTMENT IN SUBSIDIARIES AND STRUCTURED ENTITIES

(1) Investment in subsidiaries

The following are the principal subsidiaries of the Group as at 31 December 2019:

Name of entity		Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
China Agricultural Finance Co., Ltd.		1 November 1988	Hong Kong, PRC	HKD588,790,000	100.00	100.00	Investment holding
ABC International Holdings Limited		11 November 2009	Hong Kong, PRC	HKD4,113,392,449	100.00	100.00	Investment holding
ABC Financial Leasing Co., Ltd.		29 September 2010	Shanghai, PRC	RMB9,500,000,000	100.00	100.00	Financial leasing
Agricultural Bank of China (UK) Limited		29 November 2011	London, United Kingdom	USD100,000,000	100.00	100.00	Banking
ABC-CA Fund Management Co., Ltd.		18 March 2008	Shanghai, PRC	RMB1,750,000,001	51.67	51.67	Fund management
ABC Hexigten Rural Bank Limited Liability Company		12 August 2008	Inner Mongolia, PRC	RMB19,600,000	51.02	51.02	Banking
ABC Hubei Hanchuan Rural Bank Limited Liability Company	(i)	12 August 2008	Hubei, PRC	RMB31,000,000	50.00	66.67	Banking
ABC Jixi Rural Bank Limited Liability Company		25 May 2010	Anhui, PRC	RMB29,400,000	51.02	51.02	Banking
ABC Ansai Rural Bank Limited Liability Company		30 March 2010	Shaanxi, PRC	RMB40,000,000	51.00	51.00	Banking
ABC Zhejiang Yongkang Rural Bank Limited Liability Company		20 April 2012	Zhejiang, PRC	RMB210,000,000	51.00	51.00	Banking
ABC Xiamen Tong'an Rural Bank Limited Liability Company		24 May 2012	Fujian, PRC	RMB100,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.	(ii)	19 December 2005	Beijing, PRC	RMB2,949,916,475	51.00	51.00	Life insurance
Agricultural Bank of China (Luxembourg) Limited		26 November 2014	Luxembourg, Luxembourg	EUR20,000,000	100.00	100.00	Banking
Agricultural Bank of China (Moscow) Limited	(iii)	23 December 2014	Moscow, Russia	RUB7,556,038,271	100.00	100.00	Banking
ABC Financial Asset Investment Co., Ltd.		1 August 2017	Beijing, PRC	RMB10,000,000,000	100.00	100.00	Debt-to-equity swap and related services
Agricultural Bank of China Wealth Management Co., Ltd.	(iv)	25 July 2019	Beijing, PRC	RMB12,000,000,000	100.00	100.00	Wealth Management

During the year ended 31 December 2019 and 31 December 2018, there were no changes in the proportion of equity interest or voting rights the Group held in its subsidiaries.

(i) Two of the three directors on the board of ABC Hubei Hanchuan Rural Bank Limited Liability Company were appointed by the Bank. The Bank concluded that it has effective control over and has included this entity in its consolidation scope.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19 INVESTMENT IN SUBSIDIARIES AND STRUCTURED ENTITIES (Continued)

(1) Investment in subsidiaries (Continued)

(ii) On 31 December 2012, the Bank acquired 51% of the issued share capital of Jiahe Life Insurance Co., Ltd. and renamed it as ABC Life Insurance Co., Ltd. ("ABC Life Insurance"). The Group recognized goodwill of RMB1,381 million as a result of this acquisition. During the year ended 31 December 2016, the Group and other investors contributed additional capital totalling RMB3,761 million to ABC Life Insurance, comprising registered capital of RMB917 million and capital reserve of RMB2,844 million. After the capital injection, the proportion of equity interest and voting rights the Group held in ABC Life Insurance remained at 51%.

The Bank tests the impairment of goodwill annually. When performing the impairment test, the Bank compares the carrying amount of the assets (including goodwill and the value of the mergers and acquisitions after deduction of amortization) with the recoverable amount. The excess of carrying amount over recoverable amount is recognized in profit or loss of the current period.

The recoverable amount of the assets is based on adjusted net assets, value of in-force business, value of one year of new business, new business multiplier, and other data approved by the management of ABC Life Insurance. The actuarial valuation method is applied and the risk discount rate, return on investment, valuation discount rate, and other assumptions adopted to forecast cash flows respectively reflect the specific risks associated with them.

As at 31 December 2019 and 31 December 2018, there was no objective evidence noted for any goodwill impairment, and no impairment loss was recognized.

(iii) During the year ended 31 December 2019, the Group contributed additional capital totaling RMB617 million to Agricultural Bank of China (Moscow) Limited, which with a corresponding increase of RMB617 million in the registered capital of Agricultural Bank of China (Moscow) Limited. After the capital injection, the proportion of equity interest and voting rights the Group held in Agricultural Bank of China (Moscow) Limited remained at 100%.

(iv) During the year ended 31 December 2019, the Bank established Agricultural Bank of China Wealth Management Co., Ltd. as its wholly-owned subsidiary.

(2) Structured entities

The Group also consolidated structured entities as disclosed in Note IV 41 Structured Entities.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

(1) Investment in associates

Name of entity		Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Sino-Congolese Bank of Africa	(i)	2015	Brazzaville, Congo	XAF53,342,800,000	50.00	50.00	Bank
Beijing Guofa Aero Engine Industry Investment Fund Center LP	(ii)	2018	Beijing, PRC	RMB4,075,200,000	24.29	20.00	Non Securities investment activities and related advisory services
Jilin Hongqizhiwang New Energy Automobile Fund Investment Management Center LP	(ii)	2019	Jilin, PRC	RMB100,000,000	29.50	20.00	Non Securities investment activities and related advisory services

(i) *On 28 May 2015, the Sino-Congolese Bank of Africa (La Banque Sino-Congolaise pour l'Afrique, hereinafter referred to as BSCA.Bank), established by the Bank and other investors with authorized capital denominated in Central African CFA franc ("XAF"), was granted the required banking license by the local regulatory authority. The Bank holds 50% equity interest and voting rights in BSCA.Bank, and has the right to participate in the financial and operating policy decisions of BSCA.Bank, but does not constitute control or joint control over those policy decisions.*

(ii) *The Bank's wholly-owned subsidiary, ABC Financial Assets Investment Co., Ltd. and other investors invested in the above mentioned enterprises. The Group has the right to participate in the financial and operating policy decisions of these enterprises but the right does not constitute control or joint control over those policy decisions.*

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (Continued)

(2) Investment in joint ventures

Name of entity	Date of incorporation/ establishment	Place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%)	Percentage of voting rights (%)	Principal activities
Jiangsu Jiequan ABC State-owned Enterprise Mixed Ownership Reform Fund LP	2018	Jiangsu, PRC	RMB1,000,000,000	69.00	28.57	Equity investment, Debt-to-Equity and related supporting services
ABC Gaotou (Hubei) Debt-to-Equity Investment Fund LP	2018	Hubei, PRC	RMB500,000,000	74.00	33.33	Non Securities equity investment activities and related advisory services
Suida(Jiaxing) Investment LP	2018	Zhejiang, PRC	RMB1,200,000,000	41.71	40.00	Industrial Investment
ABC New Silk Road (Jiaxing) Investment Fund LP	2018	Zhejiang, PRC	RMB1,500,000,000	66.67	50.00	Industrial investment and equity investment
Shenzhen Zhaoping Suida Investment Center LP	2018	Guangdong, PRC	RMB400,000,000	50.00	40.00	Industrial investment and investment advisory
Zhejiang New Power Fund LP	2018	Zhejiang, PRC	RMB2,000,000,000	50.00	50.00	Industrial investment and equity investment
Chengdu Chuanneng Lithium Energy Equity Investment Fund LP	2018	Sichuan, PRC	RMB2,520,000,000	30.16	28.57	Non-publicly traded equity investments and related advisory services
Yiwu Emerging Power Equity Investment Fund Partnership (Limited Partnership)	2019	Zhejiang, PRC	RMB2,000,000,000	50.00	50.00	Equity investment, debt-to-equity swap and supporting business
Shanghai Guohua Oil&Gas Equity Investment Fund, Ltd.	2019	Shanghai, PRC	RMB1,800,000,000	66.67	50.00	Equity investment, Debt-to-Equity and related supporting services
Nongyizihuan (Jiaxing) Equity Investment Partnership LP	2019	Zhejiang, PRC	RMB400,000,000	70.00	50.00	Investment and investment management
Inner Mogolia Mengxingzhuli Development Fund Investment Center LP	2019	Inner Mongolia, PRC	RMB2,000,000,000	50.00	50.00	Equity Investment, investment Management and investment advisory service
Jianxinjintou Infrastructure Equity Investment (Tianjin) Fund LP	2019	Tianjin,PRC	RMB3,500,000,000	20.00	20.00	Equity Investment and investment management

The wholly-owned subsidiary of the Bank, ABC Financial Assets Investment Co., Ltd. and other investors established the above-mentioned partnership. According to the partnership agreements, matters considered at the Meeting of Partners or investment decision-making committee shall be approved by the unanimous consent of all the partners or all the committee members. The Bank constitutes joint control over the financial and operating policy decisions of these limited partnerships with the other investors.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2019	**186,443**	**65,804**	**11,097**	**7,986**	**271,330**
Additions	**10,999**	**10,053**	**2,945**	**2,060**	**26,057**
Transfers	**5,097**	**226**	**1**	**(5,324)**	**–**
Disposals	**(9,074)**	**(8,967)**	**(679)**	**(401)**	**(19,121)**
31 December 2019	**193,465**	**67,116**	**13,364**	**4,321**	**278,266**
Accumulated depreciation					
1 January 2019	**(67,584)**	**(47,735)**	**(3,258)**	**–**	**(118,577)**
Charge for the year	**(6,613)**	**(5,919)**	**(545)**	**–**	**(13,077)**
Disposals	**588**	**5,189**	**410**	**–**	**6,187**
31 December 2019	**(73,609)**	**(48,465)**	**(3,393)**	**–**	**(125,467)**
Allowance for impairment losses					
1 January 2019	**(271)**	**(21)**	**(1)**	**(8)**	**(301)**
Impairment loss	**–**	**–**	**–**	**(26)**	**(26)**
Disposals	**6**	**5**	**1**	**–**	**12**
31 December 2019	**(265)**	**(16)**	**–**	**(34)**	**(315)**
Carrying value					
31 December 2019	**119,591**	**18,635**	**9,971**	**4,287**	**152,484**
1 January 2019	**118,588**	**18,048**	**7,838**	**7,978**	**152,452**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21 PROPERTY AND EQUIPMENT (Continued)

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2018	173,802	64,846	10,009	16,170	264,827
Additions	3,532	5,310	1,613	4,904	15,359
Transfers	12,210	236	121	(12,567)	–
Disposals	(3,101)	(4,588)	(646)	(521)	(8,856)
31 December 2018	186,443	65,804	11,097	7,986	271,330
Accumulated depreciation					
1 January 2018	(61,235)	(44,900)	(3,022)	–	(109,157)
Charge for the year	(7,048)	(6,442)	(614)	–	(14,104)
Disposals	699	3,607	378	–	4,684
31 December 2018	(67,584)	(47,735)	(3,258)	–	(118,577)
Allowance for impairment losses					
1 January 2018	(294)	(8)	(1)	(109)	(412)
Impairment loss	(3)	(13)	–	–	(16)
Disposals	26	–	–	101	127
31 December 2018	(271)	(21)	(1)	(8)	(301)
Carrying value					
31 December 2018	118,588	18,048	7,838	7,978	152,452
1 January 2018	112,273	19,938	6,986	16,061	155,258

According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, the legal title of properties previously held by the Predecessor Entity are to be transferred to the Bank. As at 31 December 2019, the registration transfer process of these transferred properties and other certain properties have not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following is the analysis of the deferred tax balances:

	As at 31 December	
	2019	2018
Deferred tax assets	**120,952**	113,293
Deferred tax liabilities	**(520)**	(139)
Net	**120,432**	113,154

(1) The following are the movements and major deferred tax assets and liabilities recognized:

	Allowance for impairment losses	**Accrued but unpaid staff cost**	**Early retirement benefits**	**Provision**	**Fair value changes of financial instruments**	**Others**	**Total**
31 December 2018	**103,435**	**8,865**	**720**	**6,471**	**(6,579)**	**242**	**113,154**
Credit/(charge) to the consolidated income statement	**10,705**	**310**	**(187)**	**1,169**	**(1,940)**	**4**	**10,061**
Credit to other comprehensive income	**–**	**–**	**–**	**–**	**(2,783)**	**–**	**(2,783)**
31 December 2019	**114,140**	**9,175**	**533**	**7,640**	**(11,302)**	**246**	**120,432**

	Allowance for impairment losses	Accrued but unpaid staff cost	Early retirement benefits	Provision	Fair value changes of financial instruments	Others	Total
31 December 2017	78,656	7,376	940	2,677	7,763	252	97,664
Change in accounting policy	7,266	–	–	3,841	(1,363)	–	9,744
1 January 2018	85,922	7,376	940	6,518	6,400	252	107,408
Credit/(charge) to the consolidated income statement	17,513	1,489	(220)	(47)	(3,642)	(10)	15,083
Credit to other comprehensive income	–	–	–	–	(9,337)	–	(9,337)
31 December 2018	103,435	8,865	720	6,471	(6,579)	242	113,154

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 DEFERRED TAXATION (Continued)

(2) Deferred income tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	31 December 2019		31 December 2018	
	Deductible/ (taxable) temporary difference	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	**456,559**	**114,140**	413,742	103,435
Fair value changes of financial instruments	**23,426**	**5,856**	29,070	7,268
Accrued but unpaid staff cost	**36,700**	**9,175**	35,462	8,865
Provision	**30,558**	**7,640**	25,883	6,471
Early retirement benefits	**2,133**	**533**	2,883	720
Others	**1,019**	**255**	1,071	268
Subtotal	**550,395**	**137,599**	508,111	127,027
Deferred tax liabilities				
Fair value changes of financial instruments	**(68,635)**	**(17,158)**	(55,392)	(13,847)
Others	**(35)**	**(9)**	(104)	(26)
Subtotal	**(68,670)**	**(17,167)**	(55,496)	(13,873)
Net	**481,725**	**120,432**	452,615	113,154

23 OTHER ASSETS

		As at 31 December	
		2019	2018
Accounts receivable and temporary payments	(1)	**78,132**	54,309
Land use rights	(2)	**19,889**	20,804
Right-of-use assets	(3)	**10,805**	NA
Intangible assets		**3,229**	2,771
Interest receivable		**3,030**	2,993
Investment properties		**2,730**	2,894
Long-term deferred expenses		**1,792**	2,196
Value-added tax receivable		**1,173**	1,079
Foreclosed assets		**594**	667
Premiums receivable and reinsurance assets		**564**	608
Others		**9,943**	7,341
Total		**131,881**	95,662

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 OTHER ASSETS (Continued)

(1) *Account receivables and temporary payments, which include receivables from settlement accounts and liquidation account, amount receivables from the MOF, other receivables, etc.*

For account receivables arising from revenue recognized in accordance with IFRS 15, the entity measures the loss allowance at amount equal to lifetime ECL using a simplified approach. At 31 December 2019, the principals of these account receivables was RMB2,658 million (31 December 2018: RMB10,692 million), and the loss allowance at amount equal to lifetime ECL was RMB859 million (31 December 2018: RMB610 million).

For other account receivables, the entity measures ECL using relatively simple ECL models, by which The Group prepares a provision matrix incorporating current condition and future forecast to measure loss allowances. At 31 December 2019, the gross amount of these account receivables was RMB78,994 million (31 December 2018: RMB46,862 million), and the loss allowance was RMB2,661 million (31 December 2018: RMB2,635 million).

(2) *According to the relevant laws and regulations, subsequent to the Bank's transformation into a joint stock company, land use rights previously held by the Predecessor Entity are to be transferred to the Bank. As at 31 December 2019, the registration transfer process of certain land use rights has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those land use rights.*

(3) *As at 31 December 2019, the right-of-use assets recognized by the Group are mainly include operation buildings, and are mainly used for daily business. The depreciation expense in the year of 2019 was amounting to RMB3,700 million, and the accumulated depreciation amounting to RMB3,700 million.*

24 BORROWINGS FROM CENTRAL BANKS

As at 31 December 2019, borrowings from central bank mainly included Medium-term Lending Facilities from PBOC amounting to RMB596,500 million (31 December 2018: RMB551,500 million).

25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2019	2018
Deposits from:		
Domestic banks	**100,894**	47,202
Other domestic financial institutions	**1,339,628**	1,016,565
Overseas banks	**3,242**	8,906
Other overseas financial institutions	**55,438**	44,280
Subtotal	**1,499,202**	1,116,953
Accrued interest	**4,707**	7,369
Total	**1,503,909**	1,124,322

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2019	2018
Placements from:		
Domestic banks and other financial institutions	**148,603**	137,955
Overseas banks and other financial institutions	**175,124**	185,870
Subtotal	**323,727**	323,825
Accrued interest	**1,636**	1,716
Total	**325,363**	325,541

27 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		As at 31 December	
		2019	2018
Financial liabilities held for trading			
Precious metal contracts		**14,147**	17,188
Financial liabilities designated at fair value through profit or loss			
Principal guaranteed wealth management products	(1)	**312,975**	265,715
Overseas debt securities		**3,505**	3,400
Subtotal		**316,480**	269,115
Total		**330,627**	286,303

(1) The Group designates WMPs with principal guaranteed by the Group as financial liabilities at fair value through profit or loss. The corresponding investments are designated as financial assets at fair value through profit or loss. As at 31 December 2019 and 31 December 2018, the difference between the fair value of these products issued by the Group and the contractual amount payable to the holders of these products upon maturity was not material.

For the current and prior year, there were no significant changes in the fair value of the Group's financial liabilities designated at fair value through profit or loss attributable to the changes in the Group's own credit risk.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2019	2018
Analyzed by type of collateral:		
Debt securities	**50,895**	156,741
Bills	**1,970**	–
Subtotal	**52,865**	156,741
Accrued interest	**332**	360
Total	**53,197**	157,101

The collateral pledged under repurchase agreement is disclosed in Note IV 42 Contingent Liabilities and Commitments — Collateral.

29 DUE TO CUSTOMERS

		As at 31 December	
		2019	2018
Demand deposits			
Corporate customers		**4,902,237**	4,677,155
Individual customers		**5,659,615**	5,318,511
Time deposits			
Corporate customers		**2,061,676**	1,941,564
Individual customers		**4,960,436**	4,479,483
Pledged deposits	(1)	**250,847**	288,530
Others		**480,403**	440,403
Subtotal		**18,315,214**	17,145,646
Accrued interest		**227,647**	200,644
Total		**18,542,861**	17,346,290

(1) Analyzed by activity to which pledged deposits are related to:

	As at 31 December	
	2019	2018
Guarantee and letters of guarantee	**68,694**	78,859
Trade finance	**75,808**	92,555
Bank acceptance	**49,904**	52,055
Letters of credit	**17,571**	12,463
Others	**38,870**	52,598
Total	**250,847**	288,530

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED

		As at 31 December 2019	2018
Bonds issued	(1)	**349,978**	282,880
Certificates of deposit issued	(2)	**267,307**	240,897
Other debt securities issued	(3)	**482,345**	251,253
Subtotal		**1,099,630**	775,030
Interest payable		**8,582**	5,643
Total		**1,108,212**	780,673

As at 31 December 2019 and 31 December 2018, there was no default related to any debt securities issued by the Group.

(1) The carrying value of the Group's bonds issued are as follows:

		As at 31 December 2019	2018
2.75% USD fixed rate Green Bonds maturing in October 2020	(i)	**3,488**	3,432
4.0% subordinated fixed rate bonds maturing in May 2024	(ii)	**–**	25,000
5.3% subordinated fixed rate bonds maturing in June 2026	(iii)	**50,000**	50,000
4.99% subordinated fixed rate bonds maturing in December 2027	(iv)	**50,000**	50,000
5.8% Tier-two capital fixed rate bonds maturing in August 2024	(v)	**–**	30,000
4.45% Tier-two capital fixed rate bonds maturing in October 2027	(vi)	**40,000**	40,000
4.45% Tier-two capital fixed rate bonds maturing in April 2028	(vii)	**40,000**	40,000
4.28% Tier-two capital fixed rate bonds maturing in March 2029	(viii)	**50,000**	–
4.3% Tier-two capital fixed rate bonds maturing in April 2029	(ix)	**40,000**	–
4.53% Tier-two capital fixed rate bonds maturing in March 2034	(x)	**10,000**	–
4.63% Tier-two capital fixed rate bonds maturing in April 2034	(xi)	**20,000**	–
Medium term notes issued	(xii)	**35,458**	41,070
3.68% CNY fixed rate Green Bonds maturing in June 2022	(xiii)	**3,000**	–
3.3% fixed rate financial bond maturing in September 2022	(xiv)	**2,890**	–
3.4% fixed rate financial bond maturing in September 2024	(xv)	**1,880**	–
5.55% fixed rate capital replenishment bond maturing in March 2028	(xvi)	**3,500**	3,500
Total nominal value		**350,216**	283,002
Less: Unamortized issuance cost and discounts		**(238)**	(122)
Total		**349,978**	282,880

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) The carrying value of the Group's bonds issued are as follows: (Continued)

Pursuant to the approval by relevant regulatory authorities, the bonds issued by the Group are set out as below:

(i) The USD green bonds issued in London in October 2015 have a tenor of 5 years, with a fixed coupon rate 2.75%, payable semi-annually.

(ii) The subordinated fixed rate bonds issued in May 2009 have a tenor of 15 years, with a fixed coupon rate of 4.0%, payable annually. As at 20 May 2019, the Bank has redeemed all of the bonds at face value.

(iii) The subordinated fixed rate bonds issued in June 2011 have a tenor of 15 years, with a fixed coupon rate of 5.3%, payable annually. The Bank has an option to redeem all of the bonds at face value on 6 June 2021. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 5.3% per annum from 7 June 2021 onwards.

(iv) The subordinated fixed rate bonds issued in December 2012 have a tenor of 15 years, with a fixed coupon rate of 4.99%, payable annually. The Bank has an option to redeem all of the bonds at face value on 19 December 2022. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.99% per annum from 20 December 2022 onwards.

(v) The Tier-two capital bonds issued in August 2014 have a tenor of 10 years, with a fixed coupon rate of 5.8% payable annually. As at 19 August 2019, the Bank has redeemed all of the bonds at face value.

(vi) The Tier-two capital bonds issued in October 2017 have a tenor of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 16 October 2022 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.45% per annum from 17 October 2022 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

(vii) The Tier-two capital bonds issued in April 2018 have a tenor of 10 years, with a fixed coupon rate of 4.45% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 26 April 2023 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.45% per annum from 27 April 2023 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument, and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

(viii) The Tier-two capital bonds issued in March 2019 have a tenor of 10 years, with a fixed coupon rate of 4.28% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 18 March 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.28% per annum from 19 March 2024 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument, and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

(ix) The Tier-two capital bonds issued in April 2019 have a tenor of 10 years, with a fixed coupon rate of 4.3% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 10 April 2024 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.3% per annum from 11 April 2024 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) The carrying value of the Group's bonds issued are as follows: (Continued)

(x) The Tier-two capital bonds issued in March 2019 have a tenor of 15 years, with a fixed coupon rate of 4.53%payable annually. The Bank has an option to redeem part or all of the bonds at face value on 18 March 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.53% per annum from 19 March 2029 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument, and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

(xi) The Tier-two capital bonds issued in April 2019 have a tenor of 15 years, with a fixed coupon rate of 4.63% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 10 April 2029 if specified redemption conditions as stipulated in the offering documents were met, subject to regulatory approval. If the Bank did not exercise this option, the coupon rate of the bonds would remain at 4.63% per annum from 11 April 2029 onwards. These Tier-two capital bonds have the write-down feature of a Tier-two capital instrument, and they are qualified as Tier-two Capital Instruments in accordance with the CBIRC requirements.

(xii) The medium term notes ("MTNs") were issued by the Domestic and Overseas Operations of the Group and are measured at amortized cost. The face value details of medium term notes issued were as follows:

	As at 31 December 2019		
	Maturity dates ranging from	Coupon rates (%)	Outstanding balance
Fixed rate RMB MTNs	March 2021 to August 2021	4.7-4.8	3,600
Fixed rate HKD MTNs	August 2020 to January 2021	2.18-2.52	807
Floating rate HKD MTNs	September 2020 to September 2021	3 months Hibor+70bps	358
Fixed rate USD MTNs	September 2020 to September 2021	2.50-3.88	9,069
Floating rate USD MTNs	February 2020 to November 2023	3 months Libor+68 to 85bps	21,624
Total			35,458

	As at 31 December 2018		
	Maturity dates ranging from	Coupon rates (%)	Outstanding balance
Fixed rate RMB MTNs	August 2019 to March 2021	3.8-4.8	3,315
Fixed rate EUR MTNs	January 2019	–	784
Fixed rate HKD MTNs	March 2019 to January 2021	2.18-2.52	1,489
Floating rate HKD MTNs	September 2020	3-month HKD HIBOR plus 0.70	350
Fixed rate USD MTNs	January 2019 to September 2021	1.88-3.88	15,620
Floating rate USD MTNs	March 2019 to November 2023	3-month USD LIBOR plus 0.40 to 0.80	19,512
Total			41,070

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) The carrying value of the Group's bonds issued are as follows: (Continued)

(xiii) The CNY green bonds issued in June 2019 have a tenor of 3 years, with a fixed coupon rate 3.68%, payable annually.

(xiv) The fixed rate Financial bonds issued by ABC Financial Assets Investment Co. Ltd in September 2019 have a tenor of 3 years, with a fixed coupon rate of 3.3%,payable annually.

(xv) The fixed rate Financial bonds issued by ABC Financial Assets Investment Co. Ltd in September 2019 have a tenor of 5 years, with a fixed coupon rate of 3.4%, payable anuually.

(xvi) The fixed rate Capital replenishment debt issued by ABC Life Insurance in March 2018 have a tenor of 10 years, with a fixed coupon rate of 5.55%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value on 4 March 2023. If ABC Life Insurance do not exercise this option, the coupon rate of the bonds would increase to 6.55% per annum from 5 March 2023 onwards.

(2) As at 31 December 2019, the certificates of deposit were issued by the Overseas Operations of the Group and were measured at amortized cost. The terms of the certificates of deposit ranged from one month to seven years, with interest rates ranging from -0.23% to 3.66%. As at 31 December 2018, the terms of the certificates of deposit ranged from two months to seven years with interest rates ranging from 0% to 4.60% per annum.

(3) Other debt securities issued by the Group and bank

(i) As at 31 December 2019, the commercial papers were issued by the Overseas Operations of the Group and were measured at amortized cost. The terms of the commercial papers ranged from three months to one year, with interest rates ranging from -0.22% to 2.85%. As at 31 December 2018, the terms of the commercial papers ranged from two month to one year, with interest rates ranging from 0% to 3.22% per annum.

(ii) As at 31 December 2019, the interbank certificate of deposit were issued by the Bank's Head Office. The term f the interbank certificate of deposit ranged from one month to one year, with interest rates ranging from 2.7% to 3.24%. As at 31 December 2018, the terms of the interbank certificates of deposit ranged from three months to one year, with interest rates ranging from 3.20% to 4.40% per annum.

31 OTHER LIABILITIES

		As at 31 December	
		2019	2018
Clearing and settlement		**105,682**	53,578
Insurance liabilities		**73,588**	68,351
Income taxes payable		**59,286**	49,248
Staff costs payable	(1)	**50,471**	45,285
Provision	(2)	**30,558**	25,883
Lease liabilities		**10,280**	NA
VAT and other taxes payable		**8,541**	7,568
Dormant accounts		**4,579**	4,249
Amount payable to the MOF		**561**	1,567
Interest payable		**114**	238
Others		**72,093**	62,599
Total		**415,753**	318,566

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES (Continued)

(1) Staff costs payable

		As at 31 December	
		2019	2018
Short-term employee benefits	(i)	**43,130**	39,698
Defined contribution benefits	(ii)	**5,208**	2,704
Early retirement benefits	(iii)	**2,133**	2,883
Total		**50,471**	45,285

(i) Short-term employee benefits

		2019			
		1 January	**Increase**	**Decrease**	**31 December**
Salaries, bonuses, allowance and subsidies	(a)	**29,559**	**79,835**	**(78,047)**	**31,347**
Housing funds	(a)	**186**	**8,524**	**(8,526)**	**184**
Social insurance including:	(a)	**255**	**5,450**	**(5,373)**	**332**
— Medical insurance		**235**	**4,902**	**(4,826)**	**311**
— Maternity insurance		**13**	**407**	**(407)**	**13**
— Employment injury insurance		**7**	**141**	**(140)**	**8**
Labor union fees and staff education expenses		**6,206**	**3,534**	**(2,691)**	**7,049**
Others		**3,492**	**9,464**	**(8,738)**	**4,218**
Total		**39,698**	**106,807**	**(103,375)**	**43,130**

		2018			
		1 January	Increase	Decrease	31 December
Salaries, bonuses, allowance and subsidies	(a)	26,829	75,976	(73,246)	29,559
Housing funds	(a)	157	8,328	(8,299)	186
Social insurance including:	(a)	171	5,371	(5,287)	255
— Medical insurance		159	4,829	(4,753)	235
— Maternity insurance		7	381	(375)	13
— Employment injury insurance		5	161	(159)	7
Labor union fees and staff education expenses		5,344	3,365	(2,503)	6,206
Others		3,393	12,469	(12,370)	3,492
Total		35,894	105,509	(101,705)	39,698

(a) Salaries, bonuses, allowance and subsidies, housing funds and social insurance are timely distributed and paid in accordance with the relevant laws and regulations and the Group's policy.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES (Continued)

(1) Staff costs payable (Continued)

(ii) Defined contribution benefits

	2019			
	1 January	**Increase**	**Decrease**	**31 December**
Basic pensions	**518**	**10,825**	**(10,891)**	**452**
Unemployment insurance	**31**	**349**	**(346)**	**34**
Annuity Scheme	**2,155**	**6,225**	**(3,658)**	**4,722**
Total	**2,704**	**17,399**	**(14,895)**	**5,208**

	2018			
	1 January	Increase	Decrease	31 December
Basic pensions	527	11,808	(11,817)	518
Unemployment insurance	32	319	(320)	31
Annuity Scheme	7	5,721	(3,573)	2,155
Total	566	17,848	(15,710)	2,704

The defined contribution benefits are timely distributed and paid in accordance with the relevant laws and regulations and the Group's policy.

(iii) Early retirement benefits

	2019			
	1 January	**Increase**	**Decrease**	**31 December**
Early retirement benefits	**2,883**	**61**	**(811)**	**2,133**

	2018			
	1 January	Increase	Decrease	31 December
Early retirement benefits	3,762	257	(1,136)	2,883

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December	
	2019	2018
Discount rate	**2.80%**	3.00%
Annual average medical expense growth rate	**8.00%**	8.00%
Annual subsidies growth rate	**8.00%**	8.00%
Normal retirement age		
— Male	**60**	60
— Female	**55**	55

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (year 2010–2013) (published historical statistics in China).

Any difference arising from the actual result or changes in assumptions may affect the amount of expense recognized in the consolidated income statement.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES (Continued)

(2) Provision

		As at 31 December	
		2019	2018
Loan commitments and financial guarantee contracts	(i)	**25,213**	20,523
Litigation provision		**4,490**	4,438
Others		**855**	922
Total		**30,558**	25,883

(i) Analyzed by movements in loss allowance for loan commitments and financial guarantee contracts

		Year ended 31 December 2019			
		Stage I	**Stage II**	**Stage III**	
		12m ECL	**Lifetime ECL**		**Total**
31 December 2018		**17,797**	**2,006**	**720**	**20,523**
Transfer:					
stage I transfer to stage II		**(1,072)**	**1,072**	**–**	**–**
stage II transfer to stage III		**–**	**(319)**	**319**	**–**
stage II transfer to stage I		**13**	**(13)**	**–**	**–**
Increase	(a)	**14,751**	**–**	**–**	**14,751**
Remeasurement		**(116)**	**(76)**	**26**	**(166)**
Decrease	(a)	**(8,537)**	**(638)**	**(720)**	**(9,895)**
31 December 2019		**22,836**	**2,032**	**345**	**25,213**

		Year ended 31 December 2018			
		Stage I	Stage II	Stage III	
		12m ECL	Lifetime ECL		Total
1 January 2018		17,204	1,519	175	18,898
Transfer:					
stage I transfer to stage II		(1,209)	1,209	–	–
stage II transfer to stage III		–	(728)	728	–
stage II transfer to stage I		21	(21)	–	–
Increase	(a)	9,373	1,013	–	10,386
Remeasurement		(313)	54	(9)	(268)
Decrease	(a)	(7,279)	(1,040)	(174)	(8,493)
31 December 2018		17,797	2,006	720	20,523

(a) The impact of loss allowance driven by new loan commitments and financial guarantee contracts signed in 2019 and 2018 is disclosed as "Increase". The impact of loss allowance driven by withdrawals, advances or expiration of loan commitments and financial guarantee contracts in 2019 and 2018 are disclosed as "Decrease". The changes of loss allowance for loan commitments and financial guarantee contracts are mainly driven by the net increase in the exposure of loan commitments and financial guarantee contracts.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32 ORDINARY SHARES

	31 December 2019	
	Number of shares (millions)	**Nominal value**
Domestic listed A shares, par value RMB1.00 per share	**319,244**	**319,244**
Overseas listed H shares, par value RMB1.00 per share	**30,739**	**30,739**
Total	**349,983**	**349,983**

	31 December 2018	
	Number of shares (millions)	Nominal value
Domestic listed A shares, par value RMB1.00 per share	319,244	319,244
Overseas listed H shares, par value RMB1.00 per share	30,739	30,739
Total	349,983	349,983

(1) A shares refer to the ordinary shares listed in the Mainland China. They are offered and traded in RMB. H shares refer to the ordinary shares listed in Hong Kong. Their par value is denominated in RMB when they were initially offered and are currently traded in HKD.

(2) The Bank has received the Approval on Private Placement of Agricultural Bank of China Limited on A shares (Yin Bao Jian Approval No. [2018] 28) from CBIRC and the Approval Regarding the Private Placement of Agricultural Bank of China Limited (Zheng Jian Approval No. [2018] 936) from the China Securities Regulatory Commission, which approved the Bank's private placement of A-share ordinary shares. In June 2018, the Bank issued 25.19 billion A shares to specific investors with issuance price of RMB3.97 per share. The gross carrying amount of proceeds from the fund-raising was RMB100 billion. The net proceeds from the fund-raising after deducting issuance cost and related taxes was RMB99.97 billion, of which RMB25.19 billion was recorded in share capital and RMB74.78 billion was recorded in capital reserve. The lock-up period for the shares subscribed will last for three or five years respectively.

PricewaterhouseCoopers Zhong Tian LLP has verified the foresaid non-public offering and issued the capital verification report PricewaterhouseCoopers Zhong Tian Yan Zi (2018) No.0411 for the above shares issued.

(3) As at 31 December 2019 and 31 December 2018, the Bank's A Shares and H Shares were not subject to lock-up restriction, except for the 25.19 billion ordinary shares issued through a private placement in June 2018.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS

Financial instruments in issue	Dividend rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date	Conversions
Preference shares -first tranche(1)	6% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the year
Preference shares -second tranche(1)	5.5% per annum for the first 5 years after issuance, and re-priced every 5 years as stated below	100	400	40,000	No maturity date	No conversion during the year
Undated Tier 1 Capital Bonds -series 1(2)	4.39% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	850	85,000	No maturity date	No conversion during the year
Undated Tier 1 Capital Bonds -series 2(2)	4.20% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	350	35,000	No maturity date	No conversion during the year

(1) The Bank was authorized to issue 800 million preference shares of RMB100 each, pursuant to the approval by its ordinary equity holders and relevant regulatory authorities.

The first tranche of 400 million preference shares was issued at par in November 2014. The carrying amount, net of direct issuance expenses, was RMB39,944 million as at 31 December 2019. The first tranche of preference shares bears a dividend rate of 6% per annum; dividends are non-cumulative and where payable, is paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.29%. The first five-year dividend period expired from 1 November 2019. During the second dividend period beginning from 5 November 2019, the base rate and fixed premium is 3.03% and 2.29%, respectively, and the coupon rate is 5.32%. The dividend is paid annually.

The second tranche of 400 million preference shares was issued at par in March 2015. The carrying amount, net of direct issuance expenses, was RMB39,955 million as at 31 December 2019. The second tranche of preference shares bears a dividend rate of 5.5% per annum; dividends are non-cumulative and where payable, is paid annually, for the first five years from issuance. The dividend rate will be re-priced every five years thereafter with reference to the five-year PRC treasury bonds yield plus a fixed premium of 2.24%. The first five-year dividend period expired from 6 March 2020. During the second dividend period beginning from 11 March 2020, the base rate and fixed premium is 2.60% and 2.24%, respectively, and the coupon rate is 4.84%. The dividend is paid annually.

There were no changes in the carrying amounts of the preference shares since issuance.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. The Bank shall not distribute any dividends to its ordinary equity holders before it declares such dividends to preference shareholders for the relevant period. The distribution of preference shares dividend is at the Bank's discretion and is non-cumulative. Preference shareholders are not entitled to participate in the distribution of retained profits except for the dividends stated above.

The Bank has a redemption option when specified conditions as stipulated in the offering documents are met, subject to regulatory approval, whereas preference shareholders have no right to require the Bank to redeem the preference shares.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS (Continued)

Upon liquidation, the claims of preference shareholders have priority over ordinary equity holders on the residual assets of the Bank, but are subordinated to those of depositors, general creditors, Tier-two Capital Instruments holders or any other subordinated debt holders with equivalent rights.

Upon occurrence of the triggering events as stipulated in paragraph 2(3) of the Guidance of the China Banking Regulatory Commission on Commercial Banks' Innovation on Capital Instruments (CBRC No. 56 [2012]) and subject to regulatory approval, preference shares shall be mandatorily converted into ordinary A shares of the Bank at the conversion price agreed, partially or entirely. The initial conversion price of the preference shares issued by the Bank was RMB2.43 per share. The conversion price of the preference shares will be adjusted where certain events occur including bonus issues, rights issue, capitalization of reserves and new issuances of ordinary shares, subject to terms and formulas provided for in the offering documents, to maintain the relative interests between preference shareholders and ordinary equity holders. In June 2018, the Bank issued 25.19 billion ordinary A shares to specific investors. Upon completion of the private placement of ordinary shares by the Bank, the mandatory conversion price of the preference shares issued by the Bank will be adjusted from RMB2.43 per share to RMB2.46 per share.

These preference shares are classified as equity instruments, and presented as equity in the consolidated statement of financial position, and are qualified as Additional Tier-one Capital Instruments in accordance with the CBIRC requirements.

(2) With the authorization of the annual general meeting and the approval from regulatory authorities, the Bank was granted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "Bonds") of an amount no more than RMB120 billion.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 16 August 2019, and the issuance was completed on 20 August 2019. The denomination of the Bonds is RMB100 each.The Bonds don't have any step-up mechanism or any other incentive to redeem.The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread,with a distribution rate adjustment period every 5 years,and the annual coupon rate for the first five years is 4.39%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 3 September 2019, and the issuance was completed on 5 September 2019. The denomination of the Bonds is RMB100 each. The Bonds don't have any step-up mechanism or any other incentive to redeem.The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years,and the annual coupon rate for the first five years is 4.20%.

The carrying amount,net of direct issuance expenses, was RMB119,987million as at 31 December 2019.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS (Continued)

The duration of the Perpetual bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the Bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the approval of the CBIRC and without the need for the consent of the holders of the Bonds, the Bank has the right to write down all or part of the aggregate amount of the Bonds then issued and outstanding. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the Bonds; and shall rank in priority to all classes of shares held by shareholders and will rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

The distributions on the Perpetual bonds are non-cumulative. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and any such cancellation shall not constitute an event of default. The Bank may at its discretion use the proceeds from the cancelled distribution to meet other obligations as they fall due. But the Bank shall not make any distribution to ordinary shareholders until its decision to resume the distribution payments in whole to the holders of the Bonds.

The net proceeds from the issuance of the Perpetual bonds after deducting offering related expenses were used to replenish the Bank's additional tier 1 capital.

34 CAPITAL RESERVE

The capital reserve represents the premium related to ordinary shares issued by the Bank in 2010 and private placement of ordinary shares to the specific stakeholders in 2018. Share premium was recorded in the capital reserve after deducting direct issue expenses, which consisted primarily of underwriting fees and professional fees.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35 INVESTMENT REVALUATION RESERVE

	2019		
	Gross carrying amount	**Tax effect**	**Net effect**
31 December 2018	**24,996**	**(6,004)**	**18,992**
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	**14,921**	**(4,196)**	**10,725**
— Amount removed from other comprehensive income and recognized in profit or loss	**(425)**	**107**	**(318)**
Fair value changes on equity instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	**383**	**(98)**	**285**
31 December 2019	**39,875**	**(10,191)**	**29,684**

	2018		
	Gross carrying amount	Tax effect	Net effect
31 December 2017	(26,135)	6,445	(19,690)
Change in accounting policy	13,003	(3,112)	9,891
1 January 2018	(13,132)	3,333	(9,799)
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	38,212	(9,358)	28,854
— Amount removed from other comprehensive income and recognized in profit or loss	(280)	70	(210)
Fair value changes on equity instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	196	(49)	147
31 December 2018	24,996	(6,004)	18,992

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36 SURPLUS RESERVE

Under PRC Law, the Bank is required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. Pursuant to the resolution of the Board of Directors' Meeting held on 30 March 2020, an appropriation of 10% of the profit for the current year, determined under the generally accepted accounting principles of the PRC, to the statutory surplus reserve, in the amount of RMB20,623 million (2018: RMB19,867million) was approved. In addition, certain subsidiaries and overseas branches also appropriated surplus reserves in accordance with local requirements.

Subject to the approval of the ordinary equity holders, the statutory surplus reserves can be used for replenishing accumulated losses or increasing the Bank's ordinary share capital. The statutory surplus reserves amount used to increase the ordinary share capital is limited to a level where the balance of the statutory surplus reserves after such capitalization is not less than 25% of the ordinary share capital.

37 GENERAL RESERVE

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirement") issued by the MOF, effective 1 July 2012, in addition to impairment allowance, the Bank establishes a general reserve within ordinary equity holders' equity through the appropriation of profit to address unidentified potential impairment risks. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement. The general reserve includes regulatory reserve appropriated by the Bank's overseas branches pursuant to local regulatory requirements.

Pursuant to relevant PRC regulatory requirements, some domestic subsidiaries of the Bank are required to appropriate certain amounts of their net profit as general reserves.

During the year ended 31 December 2019, the Group transferred RMB37,826 million (2018: RMB8,440 million) to the General Reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB37,626 million (2018: RMB8,380 million) related to the appropriation proposed for the year ended 31 December 2018 which was approved in the annual general meeting held on 30 May 2019.

On 30 March 2020, the Board of Directors' meeting approved a proposal of appropriation of RMB34,211 million to general reserve. Such appropriation will be recognized in the Group's consolidated financial statements after approval by ordinary equity holders in the forthcoming annual general meeting.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of three months or less:

	As at 31 December	
	2019	2018
Cash	**92,928**	98,089
Balance with central banks	**401,632**	230,450
Deposits with banks and other financial institutions	**105,571**	78,352
Placements with and loans to banks and other financial institutions	**150,495**	221,495
Financial assets held under resale agreements	**703,955**	350,055
Total	**1,454,581**	978,441

39 OPERATING SEGMENTS

Operating segments are identified on the basis of internal management reports with respect to the components of the Group that are regularly reviewed by the Board and relevant management committees, which constitute the chief operating decision makers, for the purposes of allocating resources to segments and assessing their performance. The Group's chief operating decision makers review three different sets of financial information based on (i) geographical locations, (ii) business activities and (iii) County Area and Urban Area banking business.

The measurement of segment assets and liabilities, as well as segment revenue, expense and results is based on the Group's accounting policies. There is no difference between the accounting policies used in the preparation of the consolidated financial statements and those used in preparing the operating segment information.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical operating segments

The details of the geographical operating segments are as follows:

Head Office	
Yangtze River Delta:	Shanghai, Jiangsu, Zhejiang, Ningbo
Pearl River Delta:	Guangdong, Shenzhen, Fujian, Xiamen
Bohai Rim:	Beijing, Tianjin, Hebei, Shandong, Qingdao
Central China:	Shanxi, Hubei, Henan, Hunan, Jiangxi, Hainan, Anhui
Western China:	Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang (including Xinjiang Bingtuan), Tibet, Inner Mongolia, Guangxi
Northeastern China:	Liaoning, Heilongjiang, Jilin, Dalian
Overseas and Others:	Subsidiaries and overseas branches

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

Geographical operating segments (Continued)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the year ended 31 December 2019										
External interest income	288,227	128,729	89,900	83,229	87,164	129,921	21,197	30,774	–	859,141
External interest expense	(55,547)	(78,563)	(38,991)	(56,914)	(48,692)	(55,322)	(16,407)	(21,834)	–	(372,270)
Inter-segment interest (expense)/income	(220,171)	50,152	25,699	50,389	41,859	39,850	14,201	(1,979)	–	–
Net interest income	12,509	100,318	76,608	76,704	80,331	114,449	18,991	6,961	–	486,871
Fee and commission income	27,771	17,384	14,912	11,863	11,600	15,990	2,808	683	–	103,011
Fee and commission expense	(3,477)	(2,857)	(2,491)	(2,239)	(1,962)	(2,424)	(472)	(163)	–	(16,085)
Net fee and commission income	24,294	14,527	12,421	9,624	9,638	13,566	2,336	520	–	86,926
Net trading gain/(loss)	10,446	87	27	44	(15)	10	(147)	8,615	–	19,067
Net gain/(loss) on financial investments	6,137	40	13	(932)	(54)	(23)	–	612	–	5,793
Other operating income	25	2,113	963	643	560	1,340	140	24,909	–	30,693
Operating income	53,411	117,085	90,032	86,083	90,460	129,342	21,320	41,617	–	629,350
Operating expenses	(15,107)	(32,858)	(24,373)	(29,007)	(32,881)	(47,267)	(13,679)	(28,924)	–	(224,096)
Credit impairment losses	(2,442)	(29,378)	(23,434)	(28,367)	(17,636)	(28,116)	(6,650)	(2,582)	–	(138,605)
Impairment losses on other assets	(69)	14	76	11	1	(107)	(78)	34	–	(118)
Operating profit	35,793	54,863	42,301	28,720	39,944	53,852	913	10,145	–	266,531
Share of results of associates and joint ventures	10	–	–	–	–	–	–	35	–	45
Profit before tax	35,803	54,863	42,301	28,720	39,944	53,852	913	10,180	–	266,576
Income tax expense										(53,652)
Profit for the year										212,924
Depreciation and amortization included in operating expenses	1,324	3,078	2,542	3,037	3,029	4,075	1,185	441	–	18,711
Capital expenditure	1,867	1,763	12,008	1,684	2,397	4,091	884	2,786	–	27,480
As at 31 December 2019										
Segment assets	6,353,747	5,027,379	3,080,744	4,298,377	3,563,117	4,854,981	1,041,998	1,187,051	(4,650,058)	24,757,336
Including: Investment in associates and joint ventures	207	–	–	–	–	–	–	6,465	–	6,672
Unallocated assets										120,952
Total assets										24,878,288
Include: non-current assets (1)	11,592	32,067	19,404	29,526	28,042	42,169	11,477	24,704	–	198,981
Segment liabilities	(4,411,873)	(5,050,321)	(3,089,694)	(4,326,673)	(3,570,834)	(4,873,445)	(1,052,174)	(1,133,764)	4,650,058	(22,858,720)
Unallocated liabilities										(59,806)
Total liabilities										(22,918,526)
Loan commitments and financial guarantee contracts	40,267	641,332	400,516	441,065	340,859	396,394	72,520	77,075	–	2,410,028

(1) Non-current assets include property and equipment, investment properties, right-of-use assets, land use rights, intangible assets and other long-term assets.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

***Geographical operating segments** (Continued)*

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and Others	Eliminations	Consolidated total
For the year ended 31 December 2018										
External interest income	277,633	114,128	77,565	76,222	75,067	115,740	19,649	28,720	–	784,724
External interest expense	(51,458)	(60,785)	(32,523)	(46,921)	(39,110)	(45,169)	(13,004)	(17,994)	–	(306,964)
Inter-segment interest (expense)/income	(207,818)	43,613	26,581	47,630	40,297	40,271	12,316	(2,890)	–	–
Net interest income	18,357	96,956	71,623	76,931	76,254	110,842	18,961	7,836	–	477,760
Fee and commission income	24,175	16,271	13,087	10,020	10,144	14,088	2,514	1,226	–	91,525
Fee and commission expense	(2,868)	(2,921)	(1,635)	(1,534)	(1,585)	(2,130)	(406)	(305)	–	(13,384)
Net fee and commission income	21,307	13,350	11,452	8,486	8,559	11,958	2,108	921	–	78,141
Net trading gain/(loss)	15,439	(188)	(242)	(261)	(133)	(1,606)	(1,094)	4,154	–	16,069
Net gain/(loss) on financial investments	9,158	(82)	49	(4)	(5)	(10)	–	(646)	–	8,460
Net gain on derecognition of financial assets measured at amortized cost	30	–	–	–	–	–	–	–	–	30
Other operating (expense)/income	(4,616)	1,882	1,173	974	688	1,702	423	19,871	–	22,097
Operating income	59,675	111,918	84,055	86,126	85,363	122,886	20,398	32,136	–	602,557
Operating expenses	(18,453)	(31,046)	(23,218)	(27,681)	(31,651)	(45,244)	(13,449)	(23,221)	–	(213,963)
Credit impairment losses	(4,459)	(18,681)	(11,336)	(36,790)	(23,753)	(32,671)	(6,213)	(2,744)	–	(136,647)
Impairment losses on other assets	–	14	(62)	(8)	(64)	(76)	(55)	–	–	(251)
Operating profit	36,763	62,205	49,439	21,647	29,895	44,895	681	6,171	–	251,696
Share of results of associates and joint ventures	9	–	–	–	–	–	–	(31)	–	(22)
Profit before tax	36,772	62,205	49,439	21,647	29,895	44,895	681	6,140	–	251,674
Income tax expense										(49,043)
Profit for the year										202,631
Depreciation and amortization included in operating expenses	1,361	2,496	1,873	2,602	2,864	3,823	1,149	245	–	16,413
Capital expenditure	959	2,826	2,118	1,907	2,559	3,409	1,017	2,305	–	17,100
As at 31 December 2018										
Segment assets	5,322,502	4,760,141	2,823,835	3,956,866	3,297,149	4,550,800	966,852	1,005,244	(4,187,211)	22,496,178
Including: Investment in associates and joint ventures	236	–	–	–	–	–	–	3,769	–	4,005
Unallocated assets										113,293
Total assets										22,609,471
Include: non-current assets (2)	11,327	31,152	17,018	28,137	27,154	40,804	11,289	18,028	–	184,909
Segment liabilities	(3,676,865)	(4,763,609)	(2,819,997)	(3,987,753)	(3,306,792)	(4,567,877)	(978,231)	(971,384)	4,187,211	(20,885,297)
Unallocated liabilities										(49,387)
Total liabilities										(20,934,684)
Loan commitments and financial guarantee contracts	39,120	529,584	324,158	359,054	297,915	304,479	76,623	79,872	–	2,010,805

(2) Non-current assets include property and equipment, investment properties, land use rights, intangible assets and other long-term assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

Business operating segments

The details of the business operating segments are as follows:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans and advances, trade finance, deposit products, corporate wealth management services and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The range of products and services includes personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Treasury operations

The Group's treasury operations conduct money market and repurchase transactions, debt instruments investments, precious metal transactions and derivative transactions for its own accounts or on behalf of customers.

Others

Others comprise components of the Group that are not attributable to any of the above segments, along with certain assets, liabilities, income or expenses of the Head Office that could not be allocated on a reasonable basis.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

***Business operating segments** (Continued)*

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the year ended 31 December 2019					
External interest income	340,666	227,426	285,030	6,019	859,141
External interest expense	(113,620)	(187,154)	(68,698)	(2,798)	(372,270)
Inter-segment interest (expense)/income	(3,204)	159,498	(156,294)	–	–
Net interest income	223,842	199,770	60,038	3,221	486,871
Fee and commission income	53,640	47,467	152	1,752	103,011
Fee and commission expense	(7,652)	(8,376)	(2)	(55)	(16,085)
Net fee and commission income	45,988	39,091	150	1,697	86,926
Net trading gain	–	–	11,570	7,497	19,067
Net gain/(loss) on financial investments	424	(445)	4,438	1,376	5,793
Other operating income	1,465	1,547	2,918	24,763	30,693
Operating income	271,719	239,963	79,114	38,554	629,350
Operating expenses	(74,492)	(97,241)	(24,792)	(27,571)	(224,096)
Credit impairment losses	(86,174)	(49,699)	(1,407)	(1,325)	(138,605)
Impairment losses on other assets	(131)	53	(4)	(36)	(118)
Operating profit	110,922	93,076	52,911	9,622	266,531
Share of results of associates and joint ventures	–	–	–	45	45
Profit before tax	110,922	93,076	52,911	9,667	266,576
Income tax expense					(53,652)
Profit for the year					212,924
Depreciation and amortization included in operating expenses	4,340	10,641	3,361	369	18,711
Capital expenditure	5,042	14,667	5,134	2,637	27,480
At 31 December 2019					
Segment assets	7,711,316	5,826,636	10,771,924	447,460	24,757,336
Including: Investment in associates and joint ventures	–	–	–	6,672	6,672
Unallocated assets					120,952
Total assets					24,878,288
Segment liabilities	(8,026,739)	(11,880,991)	(2,701,678)	(249,312)	(22,858,720)
Unallocated liabilities					(59,806)
Total liabilities					(22,918,526)
Loan commitments and financial guarantee contracts	1,565,535	844,493	–	–	2,410,028

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

Business operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Consolidated total
For the year ended 31 December 2018					
External interest income	314,901	191,918	272,138	5,767	784,724
External interest expense	(92,866)	(153,206)	(58,026)	(2,866)	(306,964)
Inter-segment interest Income/(expense)	8,665	158,924	(167,589)	–	–
Net interest income	230,700	197,636	46,523	2,901	477,760
Fee and commission income	47,828	41,797	13	1,887	91,525
Fee and commission expense	(5,730)	(7,608)	(3)	(43)	(13,384)
Net fee and commission income	42,098	34,189	10	1,844	78,141
Net trading gain	–	–	11,283	4,786	16,069
Net (loss)/gain on financial investments	(63)	461	7,874	188	8,460
Net gain on derecognition of financial assets measured at amortized cost	–	–	30	–	30
Other operating income/(expense)	1,923	1,515	(92)	18,751	22,097
Operating income	274,658	233,801	65,628	28,470	602,557
Operating expenses	(75,164)	(93,304)	(23,481)	(22,014)	(213,963)
Credit impairment losses	(106,947)	(26,542)	(3,253)	95	(136,647)
Impairment losses on other assets	(224)	(25)	(2)	–	(251)
Operating profit	92,323	113,930	38,892	6,551	251,696
Share of results of associates and joint ventures	–	–	–	(22)	(22)
Profit before tax	92,323	113,930	38,892	6,529	251,674
Income tax expense					(49,043)
Profit for the year					202,631
Depreciation and amortization included in operating expenses	3,742	9,422	3,062	187	16,413
Capital expenditure	3,480	10,068	3,552	–	17,100
At 31 December 2018					
Segment assets	7,034,426	5,051,815	10,086,338	323,599	22,496,178
Including: Investment in associates and joint ventures	–	–	–	4,005	4,005
Unallocated assets					113,293
Total assets					22,609,471
Segment liabilities	(7,829,685)	(10,800,316)	(2,077,681)	(177,615)	(20,885,297)
Unallocated liabilities					(49,387)
Total liabilities					(20,934,684)
Loan commitments and financial guarantee contracts	1,338,766	672,039	–	–	2,010,805

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments

The Group's operating segments organized by County Area and Urban Area banking business are set out as follows:

County Area banking business

The Group's County Area banking business provides a broad range of financial products and services to customers in designated County Area, through its operating branches in the counties or county-level cities throughout the PRC. The products and services mainly comprise loans, deposits, bank cards, and other types of intermediary services.

Urban Area banking business

The Group's Urban Area banking business comprises all banking activities outside of the County Area banking business, overseas branches and subsidiaries.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

***Urban Area banking business** (Continued)*

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the year ended 31 December 2019				
External interest income	199,258	659,883	–	859,141
External interest expense	(116,959)	(255,311)	–	(372,270)
Inter-segment interest income/(expense)	115,125	(115,125)	–	–
Net interest income	197,424	289,447	–	486,871
Fee and commission income	40,907	62,104	–	103,011
Fee and commission expense	(6,315)	(9,770)	–	(16,085)
Net fee and commission income	34,592	52,334	–	86,926
Net trading gain	632	18,435	–	19,067
Net (loss)/gain on financial investments	(5)	5,798	–	5,793
Other operating income	4,097	26,596	–	30,693
Operating income	236,740	392,610	–	629,350
Operating expenses	(90,654)	(133,442)	–	(224,096)
Credit impairment losses	(48,228)	(90,377)	–	(138,605)
Impairment losses on other assets	(86)	(32)	–	(118)
Operating profit	97,772	168,759	–	266,531
Share of results of associates and joint ventures	–	45	–	45
Profit before tax	97,772	168,804	–	266,576
Income tax expense				(53,652)
Profit for the year				212,924
Depreciation and amortization included in operating expenses	7,533	11,178	–	18,711
Capital expenditure	6,716	20,764	–	27,480
At 31 December 2019				
Segment assets	8,699,905	16,172,309	(114,878)	24,757,336
Including: Investment in associates and joint ventures	–	6,672	–	6,672
Unallocated assets				120,952
Total assets				24,878,288
Segment liabilities	(8,085,616)	(14,887,982)	114,878	(22,858,720)
Unallocated liabilities				(59,806)
Total liabilities				(22,918,526)
Loan commitments and financial guarantee contracts	729,244	1,680,784	–	2,410,028

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 OPERATING SEGMENTS (Continued)

County Area and Urban Area segments (Continued)

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the year ended 31 December 2018				
External interest income	175,438	609,286	–	784,724
External interest expense	(93,223)	(213,741)	–	(306,964)
Inter-segment interest income/(expense)	111,567	(111,567)	–	–
Net interest income	193,782	283,978	–	477,760
Fee and commission income	35,222	56,303	–	91,525
Fee and commission expense	(4,817)	(8,567)	–	(13,384)
Net fee and commission income	30,405	47,736	–	78,141
Net trading (loss)/gain	(267)	16,336	–	16,069
Net gain on financial investments	5	8,455	–	8,460
Net gain on derecognition of financial assets measured at amortized cost	–	30	–	30
Other operating income	4,515	17,582	–	22,097
Operating income	228,440	374,117	–	602,557
Operating expenses	(86,542)	(127,421)	–	(213,963)
Credit impairment losses	(72,661)	(63,986)	–	(136,647)
Impairment losses on other assets	(137)	(114)	–	(251)
Operating profit	69,100	182,596	–	251,696
Share of results of associates and joint ventures	–	(22)	–	(22)
Profit before tax	69,100	182,574	–	251,674
Income tax expense				(49,043)
Profit for the year				202,631
Depreciation and amortization included in operating expenses	7,494	8,919	–	16,413
Capital expenditure	4,123	12,977	–	17,100
At 31 December 2018				
Segment assets	8,067,374	14,537,570	(108,766)	22,496,178
Including: Investment in associates and joint ventures	–	4,005	–	4,005
Unallocated assets				113,293
Total assets				22,609,471
Segment liabilities	(7,553,604)	(13,440,459)	108,766	(20,885,297)
Unallocated liabilities				(49,387)
Total liabilities				(20,934,684)
Loan commitments and financial guarantee contracts	569,419	1,441,386	–	2,010,805

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS

(1) The Group and the MOF

As at 31 December 2019, the MOF directly owned 35.29% (31 December 2018: 39.21%) of the ordinary shares of the Bank.

The MOF is a Chinese government ministry, primarily responsible for managing state fiscal revenue and expenditure, and establishing and enforcing taxation policies. It reports to the Chinese State Council.

On 25 September 2019, the Ministry of Finance transferred its 3.92% of the Bank's common stock equity to the National Council for Social Security Fund of the People's Republic of China for a one-time transfer. As of December 31, 2019, the Bank's shares held by the National Council for Social Security Fund of the People's Republic of China accounted for 6.95% of the Bank's total share capital. The daily business transactions between the Group and the Social Security Fund Fund Council are conducted on normal commercial terms.

The Group had the following balances and transactions with the MOF in its ordinary course of business under normal commercial terms:

	As at 31 December	
	2019	2018
Assets		
Treasury bonds and special government bond	**643,568**	655,946
Receivable from the MOF	**307,723**	298,734
Other accounts receivable	**1,004**	9,444
Liabilities		
Amount payable to the MOF	**520**	1,487
Customer deposits	**7,772**	13,250
Other liability		
— redemption of treasury bonds on behalf of the MOF	**4**	41
— amount payable to the MOF	**41**	80

	Year ended 31 December	
	2019	2018
Interest income	**30,195**	38,180
Interest expense	**(253)**	(410)
Fee and commission income	**1,552**	3,096
Gain/(loss) on financial investment	**162**	174

Interest rate ranges for transactions with the MOF during the year are as follows:

	Year ended 31 December	
	2019	2018
	%	%
Treasury bonds and receivable from the MOF	**0.13–9.00**	2.25–9.00
Customer deposits	**0.00–3.41**	0.00–3.37

The Group's redemption commitment for treasury bonds underwriting is disclosed in Note IV 42 Contingent Liabilities and Commitments.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(2) The Group and Huijin

Central Huijin Investment Ltd. ("Huijin") is a wholly-owned subsidiary of China Investment Corporation Limited, which is incorporated in Beijing, PRC. Huijin was established to hold certain equity interests in state-owned financial institutions as authorized by the Chinese State Council and does not engage in other commercial activities. Huijin exercises its legal rights and assumes obligations related to the Bank on behalf of the PRC Government.

As at 31 December 2019, Huijin directly owned 40.03% (31 December 2018: 40.03%) of the ordinary shares of the Bank.

Transactions with Huijin

The Group had the following balances and transactions with Huijin in its ordinary course of business under normal commercial terms:

	As at 31 December	
	2019	2018
Assets		
Loans and advances to customers	**22,024**	28,034
Financial investment	**68,455**	37,438
Liabilities		
Due to customers	**1,862**	12,063

	Year ended 31 December	
	2019	2018
Interest income	**2,314**	2,295
Interest expense	**(270)**	(225)
Gain/(loss) on financial investment	**65**	19

Interest rate ranges for transactions with Huijin during the year are as follows:

	Year ended 31 December	
	2019	2018
	%	%
Loans and advances to customers	**3.92–4.35**	3.92–4.35
Financial investment	**2.84–5.15**	2.75–5.15
Principal guaranteed wealth management products issued by the Bank	**–**	4.37–4.41
Due to customers	**1.38–2.25**	1.38-2.18

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(2) *The Group and Huijin* (Continued)

Transactions with companies under Huijin

Huijin has equity interests in certain other banks and financial institutions under the direction of the Chinese government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Corresponding balances with these banks and financial institutions were as follows:

	As at 31 December	
	2019	2018
Assets		
Deposits with banks and other financial institutions	**63,637**	31,990
Placements with and loans to banks and other financial institutions	**61,520**	51,809
Derivative financial assets	**4,360**	3,866
Financial assets held under resale agreements	**94,067**	24,205
Loans and advances to customers	**53,117**	59,338
Financial investment	**768,800**	785,135
Liabilities		
Deposits from banks and other financial institutions	**157,640**	91,880
Placements from banks and other financial institutions	**94,756**	83,786
Derivative financial liabilities	**5,518**	7,920
Financial assets sold under repurchase agreements	**1,309**	360
Due to customers	**1,438**	–
Equity		
Other equity instruments	**2,000**	2,000
Off-balance sheet items		
Non-principal guaranteed wealth management products issued by the Bank	**5,002**	1,556

(3) *The Group and other government related entities*

Other than disclosed above, a significant portion of the Group's banking transactions are entered into with government authorities, agencies, affiliates and other State controlled entities. These transactions are entered into under normal commercial terms and conditions and mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency services, underwriting and distribution of bonds issued by government agencies, purchase, sales and redemption of investment securities issued by government agencies.

Management considers that these transactions are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, affiliates and other State controlled entities.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(4) The Bank and its subsidiaries

The Bank had the following balances and transactions with its subsidiaries in its ordinary course of business under normal commercial terms:

	As at 31 December	
	2019	2018
Assets		
Placements with and loans to banks and other financial institutions	**88,805**	29,761
Financial assets held under resale agreements	**–**	3,008
Financial investment	**2,709**	2,370
Loans and advances to customers	**–**	1,022
Other assets	**21**	711
Liabilities		
Deposits from banks and other financial institutions	**10,895**	4,039
Placements from banks and other financial institutions	**–**	63
Due to customers	**950**	3,208
Other liabilities	**1,040**	721
Off-balance sheet items		
Letters of guarantee issued and guarantees	**12,557**	16,267

	As at 31 December	
	2019	2018
Interest income	**792**	337
Fee and commission income	**1,506**	1,020
Other operating income	**1**	49
Interest expense	**(253)**	(108)
Operating expense	**(125)**	(151)
Other Operating expense	**(18)**	–
Fee and commission expense	**(268)**	–

	As at 31 December	
	2019	2018
	%	%
Placements with and loans to banks and other financial institutions	**0.53–3.60**	0.50–5.25
Financial assets held under resale agreements	**1.00–4.70**	4.00
Financial investment	**3.30–4.70**	2.38–4.70
Loans and advances to customers	**4.60–4.60**	3.92–4.79
Deposits from banks and other financial institutions	**0.01–3.10**	0.01–3.20
Placements from banks and other financial institutions	**–**	–
Due to customers	**0.30–3.85**	0.30-3.85

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(5) The Group and its associates and joint venture

The Group had the following balances and transactions with its associates and joint venture in its ordinary course of business under normal commercial terms:

	As at 31 December	
	2019	2018
Placements with and loans to banks and other financial institutions	**–**	157

	Year ended 31 December	
	2019	2018
	%	%
Placements with and loans to banks and other financial institutions	**–**	0.01

For the year ended 31 December 2019 and 31 December 2018, transaction profit or loss between the Group and its associates and joint ventures was not significant.

(6) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. Key management personnel of the Group, their close relatives, and entities that are controlled, jointly controlled, or significantly influenced by either the key management personnel of the Group or their close relatives, are considered as related parties of the Group. The Group enters into banking transactions with above related parties in the normal course of business. As at 31 December 2019, the balance of loans and advances to the above related parties is RMB9.54 billion (31 December 2018: RMB8.24 million).

We extended loan and credit card business to related natural persons (as defined in the Administrative Measures on Information Disclosure of Listed Companies issued by the CSRC) in 2019. As at 31 December 2019, the balance of such loan amounted to RMB7.49 million. (31 December 2018: RMB8.54 million).

The remuneration of Directors and other members of key management during the years was as follows:

	Year ended 31 December	
	2019	2018 (Restated)
Salaries, bonuses and staff welfare	**9.97**	11.54

According to the regulations of the relevant authorities in the PRC, the key management personnel's final emoluments for the year ended 31 December 2019 have not been finalized. Management of the Group believes that the difference between the final emoluments and that disclosed above will not have significant impact on the consolidated financial statements of the Group. The final compensation will be disclosed in a separate announcement when determined.

The compensation of key management personnel for the year ended 31 December 2018 was not decided at the time when the Group's 2018 consolidated financial statements were released and the amount of remuneration of Directors and other members of key management recognized in the consolidated income statement for the year of 2018 was RMB8.56 million. Supplementary announcement on final compensation of RMB11.54 million was released by the Bank on 30 August 2019. The comparative figures for the year of 2018 have been restated accordingly.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(7) The Group and the Annuity Scheme

The Group had the following balances and transactions with the Annuity Scheme set up by the Bank apart from the obligation for defined contribution to the Annuity Scheme:

	As at 31 December	
	2019	2018
Deposits from Annuity Scheme	**3,196**	3,197

	Year ended 31 December	
	2019	2018
Interest expense	**(157)**	(36)

Interest rate range for transactions with the Annuity Scheme during the year is as follows:

	Year ended 31 December	
	2019	2018
	%	%
Deposits from Annuity Scheme	**0.00–5.00**	0.00-5.00

(8) Proportion of transactions with major related parties

Related party transactions with subsidiaries have been offset in the process of preparing consolidated financial statements. When calculating the proportion of related party transactions, related party transactions do not include related party transactions with subsidiaries.

Transaction Balance

	As at 31 December 2019		As at 31 December 2018	
	Related party transactions	**Proportion**	Related party transactions	Proportion
Deposits from banks and other financial institutions	**63,637**	**26.99%**	31,990	29.15%
Placements with and loans to banks and other financial institutions	**61,520**	**11.76%**	51,809	9.39%
Derivative financial assets	**4,360**	**17.48%**	3,866	10.46%
Financial assets held under resale agreements	**94,067**	**13.28%**	24,205	6.52%
Loans and advances to customers	**75,141**	**0.59%**	87,372	0.76%
Financial investment	**1,788,546**	**24.09%**	1,777,253	25.81%
Other asset	**1,004**	**0.92%**	9,444	13.10%
Deposits from banks and other financial institutions	**157,640**	**10.48%**	91,880	8.17%
Placements from banks and other financial institutions	**94,756**	**29.12%**	83,786	25.74%
Derivative financial liabilities	**5,518**	**18.67%**	7,920	22.92%
Financial assets sold under repurchase agreements	**1,309**	**2.46%**	360	0.23%
Due to customers	**11,072**	**0.06%**	25,313	0.15%
Other liabilities	**565**	**0.21%**	1,608	0.84%
Other equity instruments	**2,000**	**1.00%**	2,000	2.50%

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(8) *Proportion of transactions with major related parties (Continued)*

Transaction amount

	2019		2018	
	Related party transactions	**Proportion**	Related party transactions	Proportion
Interest income	**32,509**	**3.78%**	40,475	5.16%
Interest expense	**(523)**	**0.14%**	(635)	0.21%
Gain/(loss) on financial investment	**227**	**1.43%**	193	1.08%
Fee and commission income	**1,552**	**1.51%**	3,096	3.38%

41 STRUCTURED ENTITIES

(1) *Consolidated structured entities*

Principal guaranteed WMPs sponsored and managed by the Group

Principal guaranteed WMPs sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. Investments made by these products and the corresponding liabilities to the investors of these products are presented in financial assets and financial liabilities designated at fair value through profit or loss, respectively.

Other consolidated structured entities

Other structured entities consolidated by the Group include certain trust investment plans, asset management plans, funds and securitization products issued, managed and/or invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

As at 31 December 2019, the total assets of these consolidated structured entities were RMB464,477 million (31 December 2018: RMB363,248 million).

(2) *Unconsolidated structured entities*

Unconsolidated structured entities sponsored and managed by the Group

Unconsolidated structured entities sponsored and managed by the Group mainly include non-principal guaranteed WMPs, which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMPs invest in a range of primarily fixed-rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these WMPs, the Group invests, on behalf of the investors in these WMPs, the funds raised in the assets as described in the investment plan related to each WMP and receives fee and commission income.

As at 31 December 2019, the total assets invested by these WMPs amounted to RMB1,960,701 million (31 December 2018: RMB1,706,487 million) and the corresponding outstanding WMPs issued by the Group amounted to RMB1,727,350 million (31 December 2018: RMB1,408,263 million). During the year ended 31 December 2019, the Group's interest in these WMPs included net fee and commission income of RMB4,971 million (2018: RMB4,784 million) and net interest income of RMB574 million (2018: RMB1,664 million), which related to placements and repo transactions entered into by the Group with these WMP Vehicles.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41 STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities (Continued)

Unconsolidated structured entities sponsored and managed by the Group (Continued)

The Group enters into placements and repo transactions at market interest rates with these WMPs. The average balance during 2019 and the outstanding balance as at 31 December 2019 of these transactions were RMB15,810 million (weighted average outstanding period of 5.29 days) (2018: RMB50,893 million and 9.20 days) and RMB116,900 million (31 December 2018: RMB142,914 million), respectively. The Group was under no obligation to enter into these transactions. As at 31 December 2019 and 31 December 2018, the outstanding balance of these transactions was presented in placements with and loans to banks and other financial institutions and financial assets held under resale agreements, which represented the Group's maximum exposure to the WMPs.

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMPs or any third parties that could increase the level of the Group's risk from WMPs disclosed above during the period ended 31 December 2019 and 31 December 2018. The Group was not required to absorb any losses incurred by WMPs. During the period ended 31 December 2019 and 2018, no loss was incurred by these WMPs relating to the Group's interests in these WMPs, and the WMPs did not experience difficulty in financing their activities.

In addition, other unconsolidated structured entities sponsored and managed by the Group included funds and asset management plans. As at 31 December 2019, the total assets of these products amounted to RMB478,339 million(31 December 2018: RMB684,653 million). During the year ended 31 December 2019, the Group's interest in these products mainly included net fee and commission income of RMB797 million(2018: RMB1,093 million).

Other unconsolidated structured entities held by the Group

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment return, and records trading gains or losses and interest income therefrom. These unconsolidated structured entities primarily include asset management plans, funds and asset-backed securities. As at 31 December 2019, the related carrying amount of investments and the maximum exposure by the Group to these other unconsolidated structured entities was RMB73,521 million (31 December 2018: RMB60,663 million), included under the financial assets at fair value through profit or loss, other debt instrument investments at fair value through other comprehensive income and debt instrument investments at amortized cost categories in the consolidated statement of financial position as at 31 December 2019. The information on the size of total assets of these unconsolidated structured entities was not readily available in the public domain.

42 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings and others

The Bank and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at 31 December 2019, provisions of RMB4,490 million were made by the Group (31 December 2018: RMB4,438 million) based on court judgments or advice of legal counsel, and included in Note IV 31 Other Liabilities. Management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

On 28 September 2016, the Bank and its New York Branch entered into a Cease and Desist Order with the Board of Governors of the Federal Reserve System of the United States. On 4 November 2016, the Bank and its New York Branch entered into a Consent Order with New York State Department of Financial Services (the "Department") and paid a civil monetary penalty to the Department accordingly. As at 31 December 2016, the above-mentioned civil monetary penalty was paid and reflected in the consolidated financial statements for the year ended 31 December 2016.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Legal proceedings and others (Continued)

The Bank and its New York Branch are taking affirmative actions to respond to other requirements under these two orders. As at the date of these financial statements, the Group is of the view that it is not practicable to estimate whether there will be any further regulatory actions undertaken by the US regulators as this will be dependent upon the regulatory conclusion after the Bank's and its New York Branch's actions towards the other requirements under these two orders. As such, the Group did not accrue any further provision over this matter as at 31 December 2019.

Capital commitments

	As at 31 December	
	2019	2018
Contracted but not provided for	**2,606**	2,934

In addition, as at 31 December 2019 and 31 December 2018, the Group did not have outstanding equity investment commitments for its investee companies.

Loan commitments and financial guarantee contracts

	As at 31 December	
	2019	2018
Loan commitments		
— With an original maturity of less than 1 year	**149,602**	178,564
— With an original maturity of 1 year or above	**907,194**	728,218
Subtotal	**1,056,796**	906,782
Bank acceptance	**339,829**	242,489
Credit card commitments	**646,134**	538,870
Guarantee and letters of guarantee	**216,229**	191,250
Letters of credit	**151,040**	131,414
Total	**2,410,028**	2,010,805

Loan commitments and financial guarantee contracts represent credit cards and general credit facility limits granted to customers. These general credit facilities may be drawn in the form of loans or through the issuance of letters of credit, guarantee and letters of guarantee or bank acceptance.

Credit risk weighted amount for credit commitments

Credit risk weighted amount for credit commitments represents the counterparty credit risk associated with credit commitments and is calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC which was effective 1 January 2013 and is dependent on, among other factors, the creditworthiness of counterparties and maturity characteristics of each type of contract. As at 31 December 2019 and 31 December 2018, credit risk weighted amount for credit commitments was measured under the Internal Ratings — Based approach.

	As at 31 December	
	2019	2018
Credit risk weighted amount for credit commitments	**1,063,652**	950,993

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Collateral

Assets pledged

At the end of each reporting period, the carrying amounts of assets pledged as collateral under repurchase agreements are as follows:

	As at 31 December	
	2019	2018
Debt securities	**55,738**	163,937
Bills	**1,978**	–
Total	**57,716**	163,937

As at 31 December 2019, the financial assets sold under repurchase agreements by the Group (disclosed in Note IV 28) as at 31 December 2019 amounted to RMB53,197 million (31 December 2018: RMB157,101 million). Repurchase agreements are due within 12 months from the effective dates of these agreements.

Financial assets sold under repurchase agreements included certain transactions under which, title of the pledged securities has been transferred to counterparties. These transactions have been disclosed in Note IV 43 Transferred Financial Assets.

In addition, debt securities and deposits with banks and other financial institutions pledged in accordance with regulatory requirements or as collateral for derivative transactions and borrowings from central banks etc. by the Group as at 31 December 2019 amounted to RMB863,190 million in total (31 December 2018: RMB826,551 million).

Collateral accepted

The Group received debt securities and bills as collateral in connection with the securities lending transactions and the purchase of assets under resale agreements (Note IV 16 Financial Assets Held Under Resale Agreements). The Group did not hold any collateral that can be resold or re-pledged as at 31 December 2019 and 31 December 2018.

Redemption commitment for treasury bonds

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at par at any time prior to maturity and the Group is committed to honor such redemption requests. The redemption price is calculated as the par value of the bond plus unpaid interest in accordance with the terms of the related early redemption arrangement.

As at 31 December 2019, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB75,795 million (31 December 2018: RMB70,702 million). The original maturities of these bonds vary from 3 to 5 years. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

The MOF will not provide funding for the early redemption of these bonds on a back-to-back basis, but will settle the principal and interest upon maturity.

Commitment on security underwriting

As at 31 December 2019 and 31 December 2018, the Group did not have unfulfilled commitment in respect of securities underwriting business.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Operating lease commitments

As at 31 December 2019, the Group, as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases, which include short-term lease and leases of low-value assets not recognized as lease liabilities, and also include the signed contracts not yet executed, amounting to RMB97 million.

43 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group retains substantially all the risks and rewards of these assets, the Group continued to recognize the transferred assets.

Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its control over these assets based on the criteria as detailed in Note II 8.7 and Note III 6.

As at 31 December 2019, the total amount of unexpired asset-backed securities included accumulative loans transferred by the Group before impairment allowance was RMB67,016 million (31 December 2018: RMB37,378 million). RMB11,855 million of this balance (31 December 2018: RMB16,699 million) was in respect of non-performing loans and the Group concluded that these loans transferred were qualified for full derecognition. The remaining balance of RMB55,161 million (31 December 2018: RMB20,679 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. As at 31 December 2019, the Group continued to recognize assets of RMB6,923 million (31 December 2018: RMB2,367 million) under loans and advances to customers. The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

Transfer of non-performing loans

During the year ended 31 December 2019, the Group transferred non-performing loans through disposal to third parties or issuing asset-back securities, with gross loan balance of RMB32,414million (2018: RMB28,151 million), of which RMB3,338 million (2018: RMB4,976 million) was through issuing asset-back securities disclosed above. The Group carried out an assessment based on the criteria as detailed in Note II 8.7 and Note III 6 and concluded that these transferred assets qualified for full derecognition.

Financial assets sold under repurchase agreements

The Group did not derecognize financial assets transferred as collateral in connection with repurchase agreements. As at 31 December 2019, of these collateral pledged disclosed in Note IV 42 Contingent Liabilities and Commitments — Collateral, RMB2,955 million (31 December 2018: RMB46,250 million) represented debt securities whereby legal title has been transferred to counterparties.

Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. As at 31 December 2019, the carrying amount of debt securities lent to counterparties was RMB12,368 million (31 December 2018: RMB49,342 million).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT

Overview

The Group's primary risk management objective is to maintain risk within acceptable parameters to meet the requirements of regulators, depositors and other stakeholders, as well as to maximize return for investors within an acceptable level of risk.

The Group has designed risk management policies, which address, among other things, the establishment of risk limits and controls to identify, analyze, monitor and report risks. Relevant and timely information used to conduct these risk management activities is provided through information systems maintained by the Group and is intended to address the Group's information needs in this area. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

The most significant types of risk to which the Group is exposed are credit risk, market risk and liquidity risk. Market risk includes foreign exchange rate risk, interest rate risk and other price risk.

Risk management framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving its risk management objectives and strategies.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risk, including implementing risk management strategies, initiatives and credit policies and approving internal rules, measures and procedures related to risk management. The Risk Management Department of the Group implements procedures for managing the significant risks to which the Group is exposed.

44.1 Credit risk

Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations when due. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment. The Group's major credit risks arise from loans and receivables, treasury operations and off-balance sheet related credit risk exposures.

The Group's credit risk management and governance structure comprise the Board of Directors and its Risk Management Committee, Senior Management and its Risk Management Committee, Credit Approval Committee and Asset Disposal Committee, as well as the Risk Management Department, Credit Management Department, Credit Approval Department and related front-office customer departments. The Group's credit risk management function operates under a centralized management and authorization under a range of specified limits.

The Group performs standardized credit management procedures, including credit due diligence and proposal submission, credit underwriting review, loan disbursement, post-lending monitoring and non-performing loan management. The Group enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrading its credit management system.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Credit risk management (Continued)

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during 12 months ended 31 December 2019 was RMB51,398 million (During the year ended 31 December 2018:RMB66,593 million). The Group still seeks to recover amounts it is legally owned in full, but which have been written off due to no reasonable expectation of full recovery.

During the reporting period, the Group continued to improve the comprehensive risk management system to ensure effective risk management. The Group strengthened credit risk management in key areas and asset quality control, with steady declines in both the balance and ratio of non-performing loans.

Apart from the credit risk exposures on credit-related assets, the credit risk arising from treasury operation business is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits subject to different level of management authority, and by timely reviewing and adjusting those limits in credit system. In addition, the Group also provide loan commitments and financial guarantee services to customers which may require the Group to make payments on behalf of customers upon their failure to perform under the terms of the related contract. Risks arising from loan commitments and financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management policies and procedures.

Measurement of ECL

The Group applies the ECL model to calculate loss allowances for its debt financial instruments carried at amortized cost and FVOCI, as well as loan commitments and financial guarantee contracts.

Methods applied by the Group in assessing the expected credit losses of its financial assets include risk parameters and the discounted cash flow ("DCF") model. Retail credit assets and Stage I and Stage II wholesale credit assets are assessed using risk parameters, while Stage III wholesale credit assets are subject to the discounted cash flow method.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Measurement of ECL (Continued)

The Group assesses ECL in light of forward-looking information and uses complex models and assumptions in calculating the expected credit losses. These models and assumptions relate to the future macroeconomic conditions and the borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). In assessing the expected credit risks in accordance with accounting standards, the Group uses the judgments, assumptions and estimates where appropriate, including:

— Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL

— Parameters for measuring ECL

— Criteria for significant increase in credit risk and default definition

— Definition of credit-impaired financial asset

— Forward-looking information

— Estimation of future cash flows for Stage III wholesale credit assets

Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL

For measurement of ECL, segmentation of portfolio is based on similar credit risk characteristics. The Group classified clients into wholesale clients and retail clients based on the nature of debtors. In performing the portfolio segmentation of wholesale credit assets, the Group considers the type of borrower, industry, loan usage, and security type. When performing the portfolio segmentation for retail credit assets, the Group considers loan product type and security type to ensure the reliability of its credit risk segmentation.

Parameters for measuring ECL

According to whether there is a significant increase in credit risk and whether a financial asset has become credit-impaired, the Group recognizes an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset. The key parameters of ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group establishes its PD model, LGD model and EAD model based on the internal rating based system as currently used for its risk management purpose, in accordance with the requirements of IFRS 9, in light of quantitative analyzes of historical statistics (such as counterparty ratings, guarantee methods and collateral types, repayment methods, etc.) and forward-looking information.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Measurement of ECL (Continued)

Parameters for measuring ECL (Continued)

The parameters are defined as follows:

— PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12m PD), or over the remaining lifetime (Lifetime PD) of the obligation;

— EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12m EAD) or over the remaining lifetime (Lifetime EAD).

— LGD represents the Group's expectation of the extent of loss on defaulted exposure. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if default occurs over the remaining expected lifetime of the loan.

Criteria for significant increase in credit risk ("SICR") and default definition

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. For the purpose of staging assessment of its financial assets, the Group thoroughly considers various reasonable and supportable information that may reflect whether or not there has been a significant change in their credit risk, including forward-looking information. Key factors considered include regulatory and operating environments, internal and external credit ratings, solvency, viability as a going concern, terms of loan contracts, repayment behaviors, among others. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. The definition of default refers to the failure to pay the debt as agreed in the contract, or other violations of the debt contract and have a significant impact on the normal debt repayment.

The Group sets quantitative and qualitative criteria to determine whether or not the credit risk of a financial instrument has increased significantly since its initial recognition. The criteria include changes in the borrower's PD, changes in its credit risk classification and other factors. In particular, when the credit risk classification changes from Normal upon initial recognition to Special Mention, there has been SICR. When the borrower's PD rises to a certain level, there has been a significant increase in credit risk. Criteria to determine significant increase in credit risk varied based on the original PD upon initial recognition. If the borrower's original PD is relatively low (for example, lower than 3%), there has been a significant increase in credit risk when the credit grade falls at least 6 notches. If the criteria to determine significant increase in credit risk moves up or down by one notch, the impact on the allowance of expected credit loss on 31 December 2019 is less than 5%. According to IFRS 9, a backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. The Group recognizes a financial instrument as having low credit risk if its internal rating is consistent with the globally accepted definition for low credit risk.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Measurement of ECL (Continued)

Definition of credit-impaired financial asset

The criteria adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives for relevant financial instrument, in addition to consideration of quantitative and qualitative indicators. In assessing whether a borrower has become credit-impaired, the Group mainly considers the following factors:

— Significant financial difficulty of the issuer or the borrower;

— A breach of contract, such as a default or past due event in relation to interest or principal payment;

— The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

— It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

— The disappearance of an active market for that financial asset because of financial difficulties;

— The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

— The borrower is overdue for more than 90 days in any principal, advances, interest or investment in bonds due to the Group.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single discrete event.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Measurement of ECL (Continued)

Forward-looking information

The assessment of whether or not there has been a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various portfolio. Key economic indicators include Gross Domestic Product (GDP), Consumer Price Index (CPI) and Industrial Added Value, etc.

The impact of these economic indicators on the PDs and the LGDs varies from one portfolio to another. The Group comprehensively considers internal and external data, expert forecasts and statistical analyzes to determine the correlation between these economic indicators and the PDs and LGDs. The Group assess and forecasts these economic indicators at least on an annual basis, calculates the best estimates for the future, and regularly reviews and assesses results. Among the forecasted economic indicators, the core economic indicator GDP of base scenario aligned with the forecast data of the national research institution.

Based on statistical analyzes and expert judgements, the Group determines the weightings of multiple scenarios and the corresponding macro-economic forecast under each scenario. The macro-economic forecasts of core indicator under upside and downside scenarios deviate less than 10% of that under base scenario. The weighting of base scenario is greater than the aggregated weightings of the rest scenarios. The Group uses the weighted 12-month ECL (Stage I) or weighted lifetime ECL (Stage II and Stage III) to measure relevant impairment allowances. These weighted credit losses are calculated by multiplying the expected credit loss under each scenario by the assigned scenario weighting.

A sensitivity analysis is performed on key economic indicators, economic scenarios and weightings assigned used in forward-looking measurement. When the assigned weightings of upside scenario and downside scenario change by 10% and the forecast of key economic indicators change accordingly, the impact on the allowance of expected credit loss as of 31 December 2019 is less than 5%.

Estimation of future cash flows for Stage III wholesale credit assets

The Group measures the ECL for stage III wholesale credit assets using DCF method. Under DCF method, the loss allowance is calculated based on the estimation of future cash flows. At each measurement date, the Group projects the future cash inflows of relevant assets under different scenarios to estimate the probability weighted cash flow of each future period. The cash flows are discounted and aggregated to get the present value of the assets' future cash flows.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period, without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period primarily arises from credit and treasury operations; as well as off-balance sheet items such as loan commitments, credit card commitments, bank acceptance, guarantee and letters of guarantee and letters of credit, as credit risks arising from these items are similar to those associated with loans and receivables.

A summary of the maximum exposure to credit risk is as follows:

		As at 31 December	
		2019	2018
Balances with central banks		**2,606,967**	2,707,018
Deposits with banks and other financial institutions		**235,742**	109,728
Placements with and loans to banks and other financial institutions		**523,183**	552,013
Derivative financial assets		**24,944**	36,944
Financial assets held under resale agreements		**708,551**	371,001
Loans and advances to customers	(i)	**12,819,610**	11,461,542
Financial investments			
Financial assets at fair value through profit or loss		**693,758**	591,787
Debt instrument investments at amortized cost	(ii)	**4,946,741**	4,503,698
Other debt instrument investments at fair value through other comprehensive income	(iii)	**1,671,746**	1,735,892
Other financial assets		**81,809**	58,992
Subtotal		**24,313,051**	22,128,615
Loan commitments and financial guarantee contracts	(iv)	**2,384,815**	1,990,282
Total		**26,697,866**	24,118,897

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

***Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements** (Continued)*

(i) Maximum exposure to credit risk for loans and advances disclosed in credit risk levels

The Group classified the credit risk levels of financial assets measured by ECL into "Low" (credit risk in good condition), "Medium" (increased credit risk), and "High" (credit risk in severe condition), based on the quality of assets. The credit risk level is used for the purpose of the group's internal credit risk management. "Low" refers to assets with good credit quality. There is no sufficient reason to doubt that the assets are not expected to fulfill its contractual obligation to repay or if there is any other behaviors breaching the debt contracts that would significantly impact the repayment of debt according to contract terms. "Medium" refers to assets facing obvious negative factors impacting its repayment capacity, but not yet have non-repayment behaviors. "High" refers to non-repayment according to the debt contract terms, or other behaviors breaching the debt contracts or having significant impact on the repayment of debt according to contract terms.

Corporate loans and advances	As at 31 December 2019		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	7,483,007	22,214	7,505,221
Medium	–	261,208	261,208
High	–	155,490	155,490
Gross carrying amount	7,483,007	438,912	7,921,919
Allowance for impairment loss	(237,105)	(163,829)	(400,934)
Net amount	7,245,902	275,083	7,520,985

Personal Loans and advances	As at 31 December 2019		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	5,338,714	–	5,338,714
Medium	–	37,193	37,193
High	–	31,720	31,720
Gross carrying amount	5,338,714	68,913	5,407,627
Allowance for impairment loss	(114,445)	(25,199)	(139,644)
Net amount	5,224,269	43,714	5,267,983

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

***Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements** (Continued)*

(i) Maximum exposure to credit risk for loans and advances disclosed in credit risk levels (Continued)

Corporate loans and advances	As at 31 December 2018		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	6,751,757	40,876	6,792,633
Medium	–	283,697	283,697
High	–	159,782	159,782
Gross carrying amount	6,751,757	484,355	7,236,112
Allowance for impairment loss	(183,686)	(192,575)	(376,261)
Net amount	6,568,071	291,780	6,859,851

Personal Loans and advances	As at 31 December 2018		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	4,611,259	–	4,611,259
Medium	–	35,785	35,785
High	–	30,220	30,220
Gross carrying amount	4,611,259	66,005	4,677,264
Allowance for impairment loss	(78,018)	(24,864)	(102,882)
Net amount	4,533,241	41,141	4,574,382

The above information on the maximum exposure to credit risk of loans and advances to customers does not include corresponding accured interests or loans and advances to customers measured at fair value through profit or loss.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

***Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements** (Continued)*

(ii) Maximum exposure to credit risk for debt instrument investments at amortized cost disclosed in credit risk levels

	As at 31 December 2019		
	Stage I 12m ECL	**Stage II & Stage III Lifetime ECL**	**Total**
Credit risk grade			
Low	**4,953,832**	**–**	**4,953,832**
Medium	**–**	**1,196**	**1,196**
High	**–**	**1,201**	**1,201**
Gross carrying amount	**4,953,832**	**2,397**	**4,956,229**
Allowance for impairment loss	**(8,409)**	**(1,079)**	**(9,488)**
Net amount	**4,945,423**	**1,318**	**4,946,741**

	As at 31 December 2018		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	4,509,520	101	4,509,621
Medium	–	942	942
High	–	2,322	2,322
Gross carrying amount	4,509,520	3,365	4,512,885
Allowance for impairment loss	(6,691)	(2,496)	(9,187)
Net amount	4,502,829	869	4,503,698

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

***Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements** (Continued)*

(iii) Maximum exposure to credit risk for other debt instrument investments at fair value through other comprehensive income disclosed in credit risk levels

	As at 31 December 2019		
	Stage I 12m ECL	**Stage II & Stage III Lifetime ECL**	**Total**
Credit risk grade			
Low	**1,671,525**	**–**	**1,671,525**
Medium	**–**	**–**	**–**
High	**–**	**221**	**221**
Gross carrying amount	**1,671,525**	**221**	**1,671,746**

	As at 31 December 2018		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	1,730,932	203	1,731,135
Medium	–	4,580	4,580
High	–	177	177
Gross carrying amount	1,730,932	4,960	1,735,892

(iv) Maximum exposure to credit risk for loan commitments and financial guarantee contracts is balance after estimated contingent liabilities. Majority of loan commitments and financial guarantee contracts is in Stage I with credit risk grade as "Low".

(v) As at 31 December 2019 and 31 December 2018, in its deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, and financial assets held under resale agreements, the Group had insignificant balances with "Medium" or "High" credit risk grade and classified as Stage II or Stage III assets, and no default had occurred.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

(vi) The Group has implemented specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is obtaining guarantee deposits, collateral and guarantees. The amount and type of acceptable collateral are determined through the assessment of credit risk of borrowers or counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters.

The main types of collateral obtained are as follows:

— Mortgage loans to retail customers are generally collateralized by mortgages over residential properties;

— Other personal lending and corporate loans and advances are primarily collateralized by charges over land and properties or other assets of the borrowers; and

— Financial assets held under resale agreements transactions are primarily collateralized by debt securities and bills.

The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (i)

The following tables set out the concentration of risk for loans and advances to customers by geographical area and industry.

(1) The composition of loans and advances to customers by geographical area is analyzed as follows:

	As at 31 December			
	2019		2018	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Head Office	**318,970**	**4.0**	303,637	4.2
Yangtze River Delta	**1,710,643**	**21.6**	1,548,750	21.4
Pearl River Delta	**960,384**	**12.1**	842,577	11.6
Bohai Rim	**1,198,828**	**15.2**	1,128,923	15.6
Central China	**1,125,021**	**14.2**	1,017,666	14.1
Western China	**1,886,512**	**23.8**	1,721,056	23.8
Northeastern China	**316,802**	**4.0**	296,755	4.1
Overseas and Others	**404,759**	**5.1**	376,997	5.2
Subtotal	**7,921,919**	**100.0**	7,236,361	100.0
Personal loans and advances				
Head Office	**55**	**–**	66	–
Yangtze River Delta	**1,286,246**	**23.8**	1,125,425	24.1
Pearl River Delta	**1,176,564**	**21.8**	1,019,760	21.8
Bohai Rim	**802,153**	**14.8**	705,802	15.1
Central China	**857,033**	**15.9**	731,709	15.6
Western China	**1,083,958**	**20.0**	919,657	19.7
Northeastern China	**186,464**	**3.4**	163,452	3.5
Overseas and Others	**15,154**	**0.3**	11,393	0.2
Subtotal	**5,407,627**	**100.0**	4,677,264	100.0
Gross loans and advances to customers	**13,329,546**		11,913,625	

(i) The below information does not include accrued interests of loans and advances to customers.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (i) (Continued)

(2) The composition of loans and advances to customers by industry is analyzed as follows:

	As at 31 December			
	2019		2018	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Transportation, logistics and postal services	**1,689,787**	**21.3**	1,410,827	19.5
Manufacturing	**1,291,327**	**16.3**	1,255,497	17.3
Leasing and commercial services	**1,047,843**	**13.2**	923,992	12.8
Production and supply of power, heat, gas and water	**900,036**	**11.4**	868,758	12.0
Real estate	**704,973**	**8.9**	619,101	8.6
Water, environment and public utilities management	**517,448**	**6.5**	438,208	6.1
Retail and wholesale	**386,064**	**4.9**	385,639	5.3
Finance	**623,570**	**7.9**	600,813	8.3
Construction	**233,961**	**2.9**	245,584	3.4
Mining	**212,201**	**2.7**	201,790	2.8
Others	**314,709**	**4.0**	286,152	3.9
Subtotal	**7,921,919**	**100.0**	7,236,361	100.0
Personal loans and advances				
Residential mortgage	**4,163,293**	**77.0**	3,661,900	78.3
Personal business	**264,980**	**4.9**	216,588	4.6
Personal consumption	**181,234**	**3.3**	166,285	3.6
Credit cards	**475,001**	**8.8**	380,720	8.1
Others	**323,119**	**6.0**	251,771	5.4
Subtotal	**5,407,627**	**100.0**	4,677,264	100.0
Gross loans and advances to customers	**13,329,546**		11,913,625	

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (i) (Continued)

(3) The composition of loans and advances to customers by contractual maturity and security type is analyzed as follows:

	31 December 2019 Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	**1,274,211**	**765,757**	**1,403,329**	**3,443,297**
Guaranteed loans	**692,480**	**430,558**	**733,377**	**1,856,415**
Loans secured by collateral	**861,640**	**418,293**	**4,618,803**	**5,898,736**
Pledged loans	**657,142**	**102,480**	**1,371,476**	**2,131,098**
Total	**3,485,473**	**1,717,088**	**8,126,985**	**13,329,546**

	31 December 2018 Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	1,427,185	579,653	1,203,211	3,210,049
Guaranteed loans	576,797	362,033	428,125	1,366,955
Loans secured by collateral	791,952	399,413	4,260,910	5,452,275
Pledged loans	626,118	90,126	1,168,102	1,884,346
Total	3,422,052	1,431,225	7,060,348	11,913,625

(4) Past due loans

	31 December 2019 Up to 30 days	31–90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	**5,326**	**3,416**	**7,957**	**4,206**	**1,287**	**22,192**
Guaranteed loans	**13,441**	**3,554**	**13,259**	**10,899**	**3,090**	**44,243**
Loans secured by collateral	**28,893**	**14,514**	**25,747**	**25,865**	**8,396**	**103,415**
Pledged loans	**1,733**	**241**	**2,687**	**6,817**	**1,665**	**13,143**
Total	**49,393**	**21,725**	**49,650**	**47,787**	**14,438**	**182,993**

	31 December 2018 Up to 30 days	31–90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	11,624	2,912	7,030	445	716	22,727
Guaranteed loans	11,129	4,646	16,181	16,401	4,060	52,417
Loans secured by collateral	28,360	16,480	31,174	31,880	9,293	117,187
Pledged loans	4,033	274	2,641	1,906	1,747	10,601
Total	55,146	24,312	57,026	50,632	15,816	202,932

When either loan principal or interest is past due by one day in any period, the whole loan is classified as past due loan.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Loans and advances to customers (i) (Continued)

(5) Credit quality of loans and advances to customers

As at 31 December 2019 and 31 December 2018, the credit quality of loans and advances to customers by stages is disclosed in Note IV 17.

(6) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognized in profit and loss. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after modified, so that the assets are moved from Stage 3 or Stage 2 to Stage 1, and the impairment allowance is measured at an amount equal to the 12-month ECL instead of the lifetime ECL.

In order to collect loans as much as possible, the Group may renegotiate the terms of the contract with borrowers because of deterioration in their financial position, or of the inability to meet their original repayment schedule. Such contract modifications include roll over of loan, extension of non-payment period or repayment period. Based on the management's judgment of the borrowers' repayment possibility, the Group has formulated specific rescheduled loan policy and practice, and reviewed the policy continuously. In most cases, medium and long-term loans are considered to reschedule. Rescheduled loans should be reviewed after at least 6 months of observation and reach the corresponding stage classification criteria. Concessions are given by the Group that would not otherwise be granted to these borrowers for economic or legal reasons relating to their financial difficulties. Rescheduled loans and advances of the Group as at 31 December 2019 amounted to RMB57,266 million (31 December 2018: RMB59,232 million).

During the period ended 31 December 2019, as a result of loan renegotiations, the Group recognized ordinary shares upon renegotiation of RMB2,123 million (during the period ended 31 December 2018: RMB3,221 million). The loss associated with these loan renegotiations was not significant.

(7) Assets foreclosed under credit enhancement arrangement

Such foreclosed assets are disclosed in Note IV 18.1(2) Other financial assets at fair value through profit or loss and Note IV 23 Other assets.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Debt instruments

Credit quality of debt instruments

(1) Analysis of the expected credit loss stages of debt instrument investments at amortized cost and other debt instruments at fair value through other comprehensive income were disclosed in Note IV18.2 and 18.3, respectively.

(2) Debt instruments analyzed by credit rating

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The carrying amounts of debt instruments investments at amortized cost and other debt instrument investments at fair value through other comprehensive income analyzed by their credit rating as at the end of the reporting period are as follows:

		As at 31 December 2019			
Credit grade		**Low**	**Medium**	**High**	**Total**
Debt securities issued by					
— Governments		**3,540,555**	**–**	**–**	**3,540,555**
— Public sector and quasi-governments		**1,562,706**	**–**	**–**	**1,562,706**
— Financial institutions		**784,479**	**–**	**–**	**784,479**
— Corporates	(ii)	**294,375**	**–**	**221**	**294,596**
Special government bond		**94,127**	**–**	**–**	**94,127**
Receivable from the MOF		**307,723**	**–**	**–**	**307,723**
Others		**32,983**	**1,164**	**154**	**34,301**
Total		**6,616,948**	**1,164**	**375**	**6,618,487**

		As at 31 December 2018			
Credit grade		Low	Medium	High	Total
Bonds					
— Governments		3,045,869	–	–	3,045,869
— Public sector and quasi-governments		1,556,598	–	–	1,556,598
— Financial institutions		848,336	–	–	848,336
— Corporates	(ii)	356,695	5,292	177	362,164
Special government bond		93,358	–	–	93,358
Receivable from the MOF		298,734	–	–	298,734
Others		34,469	–	62	34,531
Total		6,234,059	5,292	239	6,239,590

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.1 Credit risk (Continued)

Debt instruments (Continued)

Credit quality of debt instruments (Continued)

(2) Debt instruments analyzed by credit rating (Continued)

(i) The ratings as at 31 December 2019 and 31 December 2018 were internal ratings obtained from the Group, financial assets at fair value through profit or loss was not included in the credit grade table as at 31 December 2019 and 31 December 2018.

(ii) As at 31 December 2019, the ratings of super short-term commercial papers of the Group amounted to RMB15,834 million (31 December 2018: RMB27,704 million) included in corporate bonds above are based on issuer rating for this credit risk analysis.

44.2 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group's Assets and Liabilities Management Department manages its liquidity risk through:

— Optimizing asset and liability structure;

— Maintaining stability of deposit base;

— Making projections of future cash flows, and evaluating the appropriate liquid asset position;

— Maintaining an efficient internal funds transfer mechanism within the Group; and

— Performing stress testing on a regular basis.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period:

	31 December 2019								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Cash and balances with central banks	–	486,535	9,125	6,831	14,476	–	–	2,182,928	2,699,895
Deposits with banks and other financial institutions	–	90,556	33,022	20,772	90,234	1,158	–	–	235,742
Placements with and loans to banks and other financial institutions	14	–	207,602	155,974	135,902	22,298	1,393	–	523,183
Derivative financial assets	–	–	2,703	4,508	17,107	572	54	–	24,944
Financial assets held under resale agreements	3,872	–	681,579	22,323	777	–	–	–	708,551
Loans and advances to customers	18,973	–	558,669	623,929	2,673,083	2,572,187	6,372,769	–	12,819,610
Financial assets at fair value through profit or loss	–	10,066	39,013	148,812	264,557	104,287	123,340	111,286	801,361
Debt instrument investments at amortized cost	–	–	57,686	118,976	473,032	2,623,065	1,673,982	–	4,946,741
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	57,974	93,069	409,965	805,881	304,857	3,082	1,674,828
Other financial assets	3,030	71,148	1,371	1,449	2,028	221	1	2,561	81,809
Total financial assets	25,889	658,305	1,648,744	1,196,643	4,081,161	6,129,669	8,476,396	2,299,857	24,516,664
Borrowings from central banks	–	(30)	(14,626)	(36)	(593,394)	(450)	–	–	(608,536)
Deposits from banks and other financial institutions	–	(904,887)	(82,729)	(228,049)	(194,638)	(93,346)	(260)	–	(1,503,909)
Placements from banks and other financial institutions	–	–	(129,237)	(112,198)	(72,581)	(4,058)	(7,289)	–	(325,363)
Financial liabilities at fair value through profit or loss	–	(14,147)	(121,057)	(77,436)	(117,945)	(42)	–	–	(330,627)
Derivative financial liabilities	–	–	(6,161)	(8,296)	(12,793)	(1,799)	(499)	–	(29,548)
Financial assets sold under repurchase agreements	–	–	(22,800)	(18,671)	(11,726)	–	–	–	(53,197)
Due to customers	–	(11,165,898)	(592,346)	(1,292,948)	(2,581,024)	(2,898,018)	(12,627)	–	(18,542,861)
Debt securities issued	–	–	(66,682)	(181,008)	(493,388)	(56,452)	(310,682)	–	(1,108,212)
Other financial liabilities	–	(159,787)	(76,761)	(2,011)	(4,472)	(8,823)	(721)	(2,705)	(255,280)
Total financial liabilities	–	(12,244,749)	(1,112,399)	(1,920,653)	(4,081,961)	(3,062,988)	(332,078)	(2,705)	(22,757,533)
Net position	25,889	(11,586,444)	536,345	(724,010)	(800)	3,066,681	8,144,318	2,297,152	1,759,131

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Analysis of the remaining contractual maturity of financial assets and financial liabilities (Continued)

The tables below summarize the maturity analysis of financial assets and financial liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period: (Continued)

	31 December 2018								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Cash and balances with central banks	–	321,644	6,895	1,156	6,046	–	–	2,469,366	2,805,107
Deposits with banks and other financial institutions	–	79,736	9,341	4,634	9,409	6,608	–	–	109,728
Placements with and loans to banks and other financial institutions	11	–	240,801	100,189	169,472	37,409	4,131	–	552,013
Derivative financial assets	–	–	7,633	11,579	16,025	1,257	450	–	36,944
Financial assets held under resale agreements	3,872	–	352,749	12,627	1,753	–	–	–	371,001
Loans and advances to customers	14,617	–	538,045	615,065	2,435,236	2,376,458	5,482,121	–	11,461,542
Financial assets at fair value through profit or loss	–	5,268	55,119	70,797	198,207	143,862	134,228	35,764	643,245
Debt instrument investments at amortized cost	–	2	56,424	98,997	414,999	2,410,422	1,522,854	–	4,503,698
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	41,872	103,062	465,868	886,821	238,269	2,240	1,738,132
Other financial assets	1,966	49,601	1,170	614	2,316	52	4	3,269	58,992
Total financial assets	20,466	456,251	1,310,049	1,018,720	3,719,331	5,862,889	7,382,057	2,510,639	22,280,402
Borrowings from central banks	–	(30)	(50,553)	(99,248)	(410,911)	(453)	–	–	(561,195)
Deposits from banks and other financial institutions	–	(556,486)	(41,138)	(243,528)	(225,963)	(35,129)	(22,078)	–	(1,124,322)
Placements from banks and other financial institutions	–	–	(126,386)	(97,578)	(85,617)	(8,518)	(7,442)	–	(325,541)
Financial liabilities at fair value through profit or loss	–	(17,188)	(79,934)	(81,225)	(104,518)	(3,400)	(38)	–	(286,303)
Derivative financial liabilities	–	–	(6,977)	(9,929)	(16,611)	(925)	(112)	–	(34,554)
Financial assets sold under repurchase agreements	–	–	(118,263)	(15,769)	(22,869)	(200)	–	–	(157,101)
Due to customers	–	(10,574,096)	(545,318)	(1,244,458)	(2,695,212)	(2,286,609)	(597)	–	(17,346,290)
Debt securities issued	–	–	(50,591)	(204,552)	(225,219)	(57,346)	(242,965)	–	(780,673)
Other financial liabilities	–	(102,519)	(68,976)	(1,668)	(4,130)	(2,803)	(80)	(1,601)	(181,777)
Total financial liabilities	–	(11,250,319)	(1,088,136)	(1,997,955)	(3,791,050)	(2,395,383)	(273,312)	(1,601)	(20,797,756)
Net position	20,466	(10,794,068)	221,913	(979,235)	(71,719)	3,467,506	7,108,745	2,509,038	1,482,646

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

Assets available to meet obligations related to the Group's liabilities and outstanding credit commitments primarily include cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets at fair value through profit or loss, and financial assets held under resale agreements. In the normal course of business, the majority of customer deposits repayable on demand or on maturity are expected to be retained. In addition, the Group is able to sell the other debt instrument and other equity investments at fair value through other comprehensive income to repay matured liabilities, if necessary.

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

	31 December 2019								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	–	486,535	9,125	6,831	14,476	–	–	2,182,928	2,699,895
Deposits with banks and other financial institutions	–	90,556	33,047	20,884	91,763	1,158	–	–	237,408
Placements with and loans to banks and other financial institutions	14	–	208,566	157,415	136,766	22,413	1,451	–	526,625
Financial assets held under resale agreements	3,872	–	683,342	22,448	789	–	–	–	710,451
Loans and advances to customers	88,732	–	631,700	748,273	3,215,778	4,256,241	9,640,739	–	18,581,463
Financial assets at fair value through profit or loss	–	10,066	39,068	150,739	273,575	127,220	140,773	116,474	857,915
Debt instrument investments at amortized cost	–	–	71,325	142,840	586,483	3,014,522	1,977,753	–	5,792,923
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	60,246	98,418	443,923	881,095	339,239	2,050	1,824,971
Other financial assets	–	71,148	1,371	1,449	2,028	221	1	2,561	78,779
Total non-derivative financial assets	92,618	658,305	1,737,790	1,349,297	4,765,581	8,302,870	12,099,956	2,304,013	31,310,430
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(14,655)	(54)	(606,271)	(450)	–	–	(621,460)
Deposits from banks and other financial institutions	–	(904,885)	(82,724)	(229,529)	(199,427)	(97,725)	(260)	–	(1,514,550)
Placements from banks and other financial institutions	–	–	(129,391)	(112,804)	(72,530)	(5,506)	(8,194)	–	(328,425)
Financial liabilities at fair value through profit or loss	–	(14,147)	(121,285)	(77,317)	(119,329)	(42)	–	–	(332,120)
Financial assets sold under repurchase agreements	–	–	(22,813)	(18,722)	(11,878)	–	–	–	(53,413)
Due to customers	–	(11,166,088)	(593,662)	(1,298,128)	(2,616,011)	(3,107,403)	(15,256)	–	(18,796,548)
Debt securities issued	–	–	(67,271)	(186,093)	(516,177)	(115,060)	(365,107)	–	(1,249,708)
Other financial liabilities	–	(159,673)	(76,762)	(2,014)	(4,530)	(9,363)	(944)	(2,705)	(255,991)
Total non-derivative financial liabilities	–	(12,244,823)	(1,108,563)	(1,924,661)	(4,146,153)	(3,335,549)	(389,761)	(2,705)	(23,152,215)
Net position	92,618	(11,586,518)	629,227	(575,364)	619,428	4,967,321	11,710,195	2,301,308	8,158,215

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

The tables below present the undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period (Continued)

	31 December 2018								
	Past due	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Undated	Total
Non-derivative financial assets									
Cash and balances with central banks	–	321,644	6,895	1,156	6,046	–	–	2,469,366	2,805,107
Deposits with banks and other financial institutions	–	79,737	9,348	4,655	9,581	6,608	–	–	109,929
Placements with and loans to banks and other financial institutions	11	–	241,562	101,589	173,608	40,319	4,731	–	561,820
Financial assets held under resale agreements	3,872	–	354,045	12,709	1,812	–	–	–	372,438
Loans and advances to customers	97,822	–	600,427	724,144	2,900,449	3,767,258	8,114,986	–	16,205,086
Financial assets at fair value through profit or loss	–	5,268	55,446	73,150	207,930	169,782	151,036	35,764	698,376
Debt instrument investments at amortized cost	–	2	72,020	126,705	524,909	2,503,816	1,767,087	–	4,994,539
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	45,883	112,551	500,456	974,855	268,951	2,240	1,904,936
Other financial assets	–	49,239	987	441	2,009	51	2	3,269	55,998
Total non-derivative financial assets	101,705	455,890	1,386,613	1,157,100	4,326,800	7,462,689	10,306,793	2,510,639	27,708,229
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(50,619)	(99,748)	(419,625)	(449)	–	–	(570,471)
Deposits from banks and other financial institutions	–	(556,485)	(41,322)	(245,144)	(230,699)	(43,494)	(23,719)	–	(1,140,863)
Placements from banks and other financial institutions	–	–	(126,537)	(98,193)	(87,235)	(10,114)	(8,741)	–	(330,820)
Financial liabilities at fair value through profit or loss	–	(17,188)	(79,597)	(81,187)	(104,672)	(3,400)	(39)	–	(286,083)
Financial assets sold under repurchase agreements	–	–	(118,312)	(15,842)	(23,191)	(229)	–	–	(157,574)
Due to customers	–	(10,575,141)	(546,932)	(1,250,206)	(2,737,934)	(2,446,798)	(711)	–	(17,557,722)
Debt securities issued	–	–	(50,644)	(209,621)	(244,927)	(105,830)	(279,335)	–	(890,357)
Other financial liabilities	–	(102,370)	(68,976)	(1,578)	(4,130)	(2,803)	(80)	(1,601)	(181,538)
Total non-derivative financial liabilities	–	(11,251,214)	(1,082,939)	(2,001,519)	(3,852,413)	(2,613,117)	(312,625)	(1,601)	(21,115,428)
Net position	101,705	(10,795,324)	303,674	(844,419)	474,387	4,849,572	9,994,168	2,509,038	6,592,801

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Derivative cash flows

Derivatives settled on a net basis

The tables below present the undiscounted contractual cash flows of the Group's net derivative positions based on their remaining contractual maturities:

	31 December 2019					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Derivatives on a net basis	**–**	**(5)**	**9**	**(852)**	**(427)**	**(1,275)**

	31 December 2018					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives on a net basis	–	(12)	108	260	248	604

Derivatives settled on a gross basis

The tables below present the undiscounted contractual cash flows of the Group's gross derivative positions based on their remaining contractual maturities:

	31 December 2019					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Derivatives settled on a gross basis						
— Cash inflow	**509,415**	**449,528**	**1,849,384**	**53,790**	**40**	**2,862,157**
— Cash outflow	**(512,826)**	**(453,343)**	**(1,845,114)**	**(54,222)**	**(54)**	**(2,865,559)**
Total	**(3,411)**	**(3,815)**	**4,270**	**(432)**	**(14)**	**(3,402)**

	31 December 2018					
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Derivatives settled on a gross basis						
— Cash inflow	589,624	649,674	1,636,207	49,275	502	2,925,282
— Cash outflow	(588,961)	(648,038)	(1,637,033)	(49,351)	(496)	(2,923,879)
Total	663	1,636	(826)	(76)	6	1,403

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.2 Liquidity risk (Continued)

Off-balance sheet items

The tables below summarize the amounts of credit commitments by remaining maturity. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

	31 December 2019			
	Less than 1 year	**1–5 years**	**Over 5 years**	**Total**
Loan commitments	**187,064**	**265,518**	**604,214**	**1,056,796**
Bank acceptance	**339,829**	**–**	**–**	**339,829**
Credit card commitments	**646,134**	**–**	**–**	**646,134**
Guarantee and letters of guarantee	**104,848**	**102,713**	**8,668**	**216,229**
Letters of credit	**148,334**	**2,706**	**–**	**151,040**
Total	**1,426,209**	**370,937**	**612,882**	**2,410,028**

	31 December 2018			
	Less than 1 year	1–5 years	Over 5 years	Total
Loan commitments	132,322	246,008	528,452	906,782
Bank acceptance	242,489	–	–	242,489
Credit card commitments	538,870	–	–	538,870
Guarantee and letters of guarantee	97,061	79,005	15,184	191,250
Letters of credit	127,042	4,372	–	131,414
Total	1,137,784	329,385	543,636	2,010,805

44.3 Market risk

Market risk represents the potential loss arising from changes in market rates of interest and foreign exchange, as well as commodity and equity prices. Market risk arises from both the Group's proprietary positions and customer driven transactions, in both cases related to on- and off-balance sheet activities.

The Group is primarily exposed to interest rate risk through its lending, fixed-income and funding activities. Interest rate risk is inherent in many of the Group's businesses and this situation is common among large banks. It fundamentally arises through mismatches between the maturity and re-pricing dates of interest-earning assets and interest-bearing liabilities. As discussed further below, interest rate risk is actively managed.

Foreign exchange rate risk is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated monetary assets and liabilities. The risk of loss results from movements in foreign currency exchange rates.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

The Group is also exposed to commodity risk, primarily related to gold and other precious metals. The risk of loss results from movements in commodity price. The Group manages the risk related to gold price together with foreign exchange rate risk.

The Group has determined that the levels of market risk related to changes in equity prices and commodity prices other than gold, with respect to the related exposures in its trading and investment portfolios, are immaterial.

Segregation of Trading Book and Banking Book

To enhance the effectiveness of market risk management, as well as the accuracy of determining the levels of regulatory capital required related to market risk, the Group segregates all financial instruments and commodities, both on-and off-balance sheet, into either the trading book or banking book. The trading book is comprised of financial instruments and commodity positions held for trading, including all derivatives instruments. Any other financial instruments are included in the banking book.

Market Risk Management for Trading Book

The Group manages market risk in the trading book through methodologies that include Value at Risk (VaR), monitoring and management of established limits, sensitivity analysis, duration analysis, exposure analysis and stress testing.

The Group has formulated policies, which are subject to review annually or as circumstances otherwise dictate, to manage market risk. Further, in this regard, the Group's market risk management is focused on movements in domestic and global financial markets, as well as the composition of the trading book and management's trading strategies, within approved limits. Moreover, the Group has implemented more specific policies for financial instruments, closely monitoring the exposure to specific issuers and counterparties, as well as the tenor of individual positions and trading strategies. The foundation of the Group's limit and risk monitoring system is based on VaR, which is used consistently to monitor all classes of financial instruments in the trading book.

The Bank has adopted an historical simulation method, with a confidence level of 99% based on holding period of 1 day and historical data for 250 days to calculate the VaR of the trading book, which includes the Head Office, domestic branches and overseas branches. Based on the differences between domestic and overseas markets, the Bank selected applicable parameters for model and risk factors in order to reflect the actual market risk levels. The Bank verified the accuracy and reliability of market risk measurements through data analysis, parallel modeling and back-testing of the market risk measurements.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Market Risk Management for Trading Book (Continued)

VaR Analysis for the Trading Book

Bank

		2019			
		At the end of the year	**Average**	**Maximum**	**Minimum**
Interest rate risk		**75**	**89**	**116**	**57**
Exchange rate risk	(1)	**90**	**120**	**287**	**56**
Commodity risk		**9**	**15**	**25**	**5**
Overall VaR		**115**	**146**	**291**	**92**

Bank

		2018			
		At the end of the year	Average	Maximum	Minimum
Interest rate risk		109	76	119	44
Exchange rate risk	(1)	123	117	300	12
Commodity risk		17	14	19	9
Overall VaR		120	134	252	57

The Bank calculates VaR for its trading book (excluding RMB foreign currency settlement contracts with customers under relevant regulations). The Bank conducts stress testing for its trading book quarterly. The specific areas subject to this testing include the major areas of exposure, such as bonds, interest rate derivatives, foreign exchange derivatives and gold. The stress testing uses a range of scenarios, to assess the potential impact on profit and loss.

(1) VaR related to gold is recognized as a component of foreign exchange rate risk.

Market Risk Management for Banking Book

The Group manages market risk related to the banking book by consistently applying techniques across the Group that include exposure limit management, stress testing, scenario analysis and gap analysis.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Market Risk Management for Banking Book (Continued)

Interest Rate Risk Management

Interest rate risk refers to the risk that the adverse changes in interest rate levels and maturity structures will cause the bank's book value to suffer losses. The Bank's book interest rate risk mainly comes from the mismatch of maturity or repricing periods of interest-sensitive assets and liabilities in the Bank's book and the inconsistent changes in the benchmark interest rate on which assets and liabilities are based.

Since the People's Bank of China's LPR reform, the Bank has implemented relevant policies in accordance with regulatory requirements, promoted business system transformation, modified system loan contracts, improved internal and external interest rate pricing mechanisms, strengthened staff training for branches, comprehensively promoted LPR applications, and basically realized the entire system. The entire process of loan pricing applies LPR pricing. After the People's Bank of China reforms LPR, the connection between the benchmark interest rate on loans and the market interest rate will be closer, and the frequency and amplitude of volatility will increase relatively. To this end, the Bank strengthened the monitoring and prejudgment of the external interest rate environment, adjusted internal and external pricing strategies in a timely manner, optimized the asset and liability product structure and maturity structure, actively played the role of interest rate option products, and proactively adjusted the risk structure to reduce the economic value and overall impact of interest rate changes. The adverse impact of earnings. During the reporting period, the Bank's interest rate risk level was generally stable, and all quota indicators were controlled within the scope of regulatory requirements and management objectives.

Foreign Exchange Rate Risk Management

Foreign exchange rate risk relates to the mismatch of foreign currency denominated monetary assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

Market Risk Exposure Limit Management

Market risk exposure limits are classified as either directive limits or indicative limits, based on the characteristics of the underlying instruments or transactions, including exposure limit monitoring, enforcement of stop-loss limits, VaR limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits reflecting its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Foreign exchange rate risk

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

	31 December 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,634,765	53,709	1,041	10,380	2,699,895
Deposits with banks and other financial institutions	168,817	44,574	4,605	17,746	235,742
Placements with and loans to banks and other financial institutions	292,023	163,495	43,886	23,779	523,183
Derivative financial assets	10,628	13,473	194	649	24,944
Financial assets held under resale agreements	708,551	–	–	–	708,551
Loans and advances to customers	12,348,706	348,051	51,769	71,084	12,819,610
Financial assets at fair value through profit or loss	777,121	10,887	10,441	2,912	801,361
Debt instrument investments at amortized cost	4,870,459	61,071	7,982	7,229	4,946,741
Other debt instrument and other equity investments at fair value through other comprehensive income	1,426,703	211,441	3,439	33,245	1,674,828
Other financial assets	71,130	7,601	1,336	1,742	81,809
Total financial assets	23,308,903	914,302	124,693	168,766	24,516,664
Borrowings from central banks	(608,086)	–	–	(450)	(608,536)
Deposits from banks and other financial institutions	(1,429,626)	(35,573)	(16,058)	(22,652)	(1,503,909)
Placements from banks and other financial institutions	(48,504)	(205,326)	(52,490)	(19,043)	(325,363)
Financial liabilities at fair value through profit or loss	(327,080)	(3,547)	–	–	(330,627)
Derivative financial liabilities	(17,558)	(11,054)	(159)	(777)	(29,548)
Financial assets sold under repurchase agreements	(14,315)	(31,638)	–	(7,244)	(53,197)
Due to customers	(18,126,394)	(356,979)	(36,907)	(22,581)	(18,542,861)
Debt securities issued	(797,166)	(244,866)	(25,539)	(40,641)	(1,108,212)
Other financial liabilities	(242,710)	(8,318)	(1,360)	(2,892)	(255,280)
Total financial liabilities	(21,611,439)	(897,301)	(132,513)	(116,280)	(22,757,533)
Net on-balance sheet position	1,697,464	17,001	(7,820)	52,486	1,759,131
Net notional amount of derivatives	126,517	22,665	(6,186)	(42,246)	100,750
Loan commitments and financial guarantee contracts	2,141,071	230,196	5,450	33,311	2,410,028

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Foreign exchange rate risk (Continued)

The Group primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows: (Continued)

	31 December 2018				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,755,814	35,337	906	13,050	2,805,107
Deposits with banks and other financial institutions	41,200	52,583	4,312	11,633	109,728
Placements with and loans to banks and other financial institutions	331,738	167,234	39,896	13,145	552,013
Derivative financial assets	4,587	31,613	81	663	36,944
Financial assets held under resale agreements	371,001	–	–	–	371,001
Loans and advances to customers	11,032,180	331,601	46,919	50,842	11,461,542
Financial assets at fair value through profit or loss	616,802	11,160	12,332	2,951	643,245
Debt instrument investments at amortized cost	4,432,187	58,918	4,928	7,665	4,503,698
Other debt instrument and other equity investments at fair value through other comprehensive income	1,518,932	180,027	3,084	36,089	1,738,132
Other financial assets	49,641	6,592	986	1,773	58,992
Total financial assets	21,154,082	875,065	113,444	137,811	22,280,402
Borrowings from central banks	(560,742)	–	–	(453)	(561,195)
Deposits from banks and other financial institutions	(1,061,287)	(31,565)	(17,438)	(14,032)	(1,124,322)
Placements from banks and other financial institutions	(35,678)	(231,041)	(40,199)	(18,623)	(325,541)
Financial liabilities at fair value through profit or loss	(282,865)	(3,438)	–	–	(286,303)
Derivative financial liabilities	(27,894)	(5,470)	(247)	(943)	(34,554)
Financial assets sold under repurchase agreements	(111,942)	(40,008)	–	(5,151)	(157,101)
Due to customers	(16,963,294)	(332,184)	(23,965)	(26,847)	(17,346,290)
Debt securities issued	(497,790)	(209,896)	(31,747)	(41,240)	(780,673)
Other financial liabilities	(168,772)	(9,668)	(944)	(2,393)	(181,777)
Total financial liabilities	(19,710,264)	(863,270)	(114,540)	(109,682)	(20,797,756)
Net on-balance sheet position	1,443,818	11,795	(1,096)	28,129	1,482,646
Net notional amount of derivatives	66,987	17,299	9,749	(24,713)	69,322
Loan commitments and financial guarantee contracts	1,776,217	191,808	9,655	33,125	2,010,805

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk *(Continued)*

Foreign exchange rate risk (Continued)

The table below indicates the potential effect on profit before tax and other comprehensive income arising from a 5% appreciation or depreciation of RMB spot and forward foreign exchange rates against a basket of all other currencies on the net positions of foreign currency monetary assets and liabilities and derivative instruments in the consolidated statement of financial position.

	31 December 2019		31 December 2018	
RMB	**Profit before tax**	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**(938)**	**(298)**	(556)	240
5% depreciation	**938**	**298**	556	(240)

The effect on profit before tax and other comprehensive income is calculated based on the assumption that the Group's foreign currency sensitive exposures and foreign currency derivative instruments net position at the end of each reporting period remain unchanged. The Group mitigates its foreign exchange rate risk through active management of its foreign currency exposures and the appropriate use of derivative instruments, based on management expectation of future foreign currency exchange rate movements. Such analysis does not take into account the correlation effect of changes in different foreign currencies, nor any further actions that could be taken by management to mitigate the effect of foreign exchange differences. Therefore, the sensitivity analysis above may differ from actual results occurring through changes in foreign exchange rates.

Interest rate risk

The Group's interest rate risk arises from the mismatches between contractual maturities or re-pricing dates of interest-generating assets and interest-bearing liabilities, as well as the inconsistent variations in the benchmark interest rate on which the assets and liabilities are based. The Group's interest-generating assets and interest-bearing liabilities are primarily denominated in RMB. The PBOC stipulated the benchmark interest rate for RMB deposits. The deposit interest rate floating ceiling was removed by the PBOC with effect from 24 December 2015 for commercial banks. Since 16 August 2019, the PBOC established RMB Loan Prime Rate to replace RMB benchmark interest rates for loan as a pricing benchmark of new loan whereby financial institutions are in a position to price their loans based on credit risk, commercial and market factors.

The Group manages its interest rate risk by:

— Strengthen the pre-judgement of the situation and analyze the macroeconomic factors that may affect the LPR interest rate, the benchmark deposit interest rate and the market interest rate;

— Strengthen strategy transmission and optimize the repricing term structure of interest-earning assets and interest-paying liabilities;

— Implement limit management to control the impact of interest rate changes on the economic value and overall income of bank books within the limits.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period.

	31 December 2019						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,403,893	5,799	14,476	–	–	275,727	2,699,895
Deposits with banks and other financial institutions	112,905	20,406	88,805	–	–	13,626	235,742
Placements with and loans to banks and other financial institutions	209,698	154,261	134,853	21,083	–	3,288	523,183
Derivative financial assets	–	–	–	–	–	24,944	24,944
Financial assets held under resale agreements	681,875	22,294	774	–	–	3,608	708,551
Loans and advances to customers	5,502,472	1,574,291	5,115,754	343,985	252,466	30,642	12,819,610
Financial assets at fair value through profit or loss	42,784	152,133	255,866	113,428	105,131	132,019	801,361
Debt instrument investments at amortized cost	75,653	140,993	452,172	2,532,585	1,650,204	95,134	4,946,741
Other debt instrument and other equity investments at fair value through other comprehensive income	87,962	142,570	400,393	723,583	299,052	21,268	1,674,828
Other financial assets	–	–	–	–	–	81,809	81,809
Total financial assets	9,117,242	2,212,747	6,463,093	3,734,664	2,306,853	682,065	24,516,664
Borrowings from central banks	(14,200)	(33)	(586,915)	(455)	–	(6,933)	(608,536)
Deposits from banks and other financial institutions	(987,313)	(226,516)	(193,695)	(91,472)	(260)	(4,653)	(1,503,909)
Placements from banks and other financial institutions	(128,699)	(114,216)	(73,762)	(3,361)	(3,689)	(1,636)	(325,363)
Financial liabilities at fair value through profit or loss	(119,351)	(76,811)	(116,944)	(42)	–	(17,479)	(330,627)
Derivative financial liabilities	–	–	–	–	–	(29,548)	(29,548)
Financial assets sold under repurchase agreements	(22,680)	(18,554)	(11,631)	–	–	(332)	(53,197)
Due to customers	(11,671,856)	(1,255,456)	(2,520,131)	(2,804,741)	(12,502)	(278,175)	(18,542,861)
Debt securities issued	(84,224)	(212,941)	(478,509)	(20,551)	(303,405)	(8,582)	(1,108,212)
Other financial liabilities	–	–	–	–	–	(255,280)	(255,280)
Total financial liabilities	(13,028,323)	(1,904,527)	(3,981,587)	(2,920,622)	(319,856)	(602,618)	(22,757,533)
Interest rate gap	(3,911,081)	308,220	2,481,506	814,042	1,986,997	79,447	1,759,131

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Interest rate risk (Continued)

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period. (Continued)

	31 December 2018						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central banks	2,525,736	–	6,046	–	–	273,325	2,805,107
Deposits with banks and other financial institutions	88,252	4,602	9,325	6,148	–	1,401	109,728
Placements with and loans to banks and other financial institutions	255,919	128,851	161,825	1,823	–	3,595	552,013
Derivative financial assets	–	–	–	–	–	36,944	36,944
Financial assets held under resale agreements	351,927	12,317	1,733	–	–	5,024	371,001
Loans and advances to customers	5,254,390	1,858,490	3,873,792	211,158	236,652	27,060	11,461,542
Financial assets at fair value through profit or loss	57,964	76,890	193,623	132,401	134,775	47,592	643,245
Debt instrument investments at amortized cost	65,371	111,723	407,488	2,344,377	1,493,131	81,608	4,503,698
Other debt instrument and other equity investments at fair value through other comprehensive income	74,705	180,807	439,067	789,488	232,884	21,181	1,738,132
Other financial assets	–	–	–	–	–	58,992	58,992
Total financial assets	8,674,264	2,373,680	5,092,899	3,485,395	2,097,442	556,722	22,280,402
Borrowings from central banks	(49,000)	(96,559)	(406,000)	(456)	–	(9,180)	(561,195)
Deposits from banks and other financial institutions	(598,768)	(241,587)	(220,417)	(34,049)	(21,630)	(7,871)	(1,124,322)
Placements from banks and other financial institutions	(125,830)	(98,972)	(85,916)	(6,450)	(6,657)	(1,716)	(325,541)
Financial liabilities at fair value through profit or loss	(79,464)	(80,720)	(103,108)	(3,400)	(38)	(19,573)	(286,303)
Derivative financial liabilities	–	–	–	–	–	(34,554)	(34,554)
Financial assets sold under repurchase agreements	(118,163)	(15,633)	(22,745)	(200)	–	(360)	(157,101)
Due to customers	(11,034,284)	(1,211,550)	(2,632,559)	(2,205,898)	(475)	(261,524)	(17,346,290)
Debt securities issued	(62,819)	(243,563)	(210,654)	(20,190)	(237,804)	(5,643)	(780,673)
Other financial liabilities	–	–	–	–	–	(181,777)	(181,777)
Total financial liabilities	(12,068,328)	(1,988,584)	(3,681,399)	(2,270,643)	(266,604)	(522,198)	(20,797,756)
Interest rate gap	(3,394,064)	385,096	1,411,500	1,214,752	1,830,838	34,524	1,482,646

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.3 Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the potential pre-tax impact, of a parallel upward or downward shift of 100 basis points in relevant interest rate curves on the Group's net Interest Income and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparalleled yield curve movements.

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as other debt instrument and other equity investments at fair value through other comprehensive held, whose fair value changes are recorded as an element of other comprehensive income.

	31 December 2019		31 December 2018	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(25,607)**	**(42,579)**	(24,024)	(67,879)
–100 basis points	**25,607**	**42,579**	24,024	67,879

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Group under different parallel yield curve movements, relative to their position at period-end, excluding the derivative positions.

44.4 Country Risk

Country risk represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Bank or otherwise leads to business losses or other losses to the Bank in that country or region.

According to the regulatory requirements of CBIRC, the Group managed country risk through tools and approaches such as country risk rating, limit approval, exposure analysis and stress testing. In the meanwhile, we fully considered the impact of country risk on asset quality, accurately identified, reasonably assessed and prudently estimated the asset loss that may be caused by country risk. Corresponding provisions were also made for country risk impairment.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44 FINANCIAL RISK MANAGEMENT (Continued)

44.5 Insurance risk

The Group engages in its insurance business primarily in Mainland China. Insurance risk refers to the financial impact resulting from the unexpected occurrence of insured events. These risks are actively managed by the Group through effective sales management, underwriting control, reinsurance management and claim management. Through effective sales management, the risk of mis-selling could be reduced and the accuracy of information used for underwriting is improved. Through underwriting control, risk of adverse selection could be reduced and moreover differential pricing policy based on the level of each kind of risk could be utilized. Through reinsurance, the Group's insurance capacity could be enhanced and targeted risks could be mitigated. Effective claims management is designed to ensure that insurance payments are controlled according to established criteria.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. The Group conducts experience analysis of mortality rate and surrender rate, in order to improve its risk assessment and as a basis for reasonable estimates.

45 CAPITAL MANAGEMENT

The Group's capital management objectives are as follows:

— maintain an adequate capital base to support the development of its business;

— support the Group's financial stability and profitable growth;

— allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and

— safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient shareholder returns and benefits for other stakeholders.

The "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC in 2012 includes, among other things, requirements for minimum capital, capital conservation buffer, additional capital surcharge for systemically important banks, countercyclical buffer and Pillar II capital as follows:

— minimum regulatory requirements for Common Equity Tier-one Capital Adequacy Ratio, Tier-one Capital Adequacy Ratio and Capital Adequacy Ratio are 5%, 6% and 8%, respectively;

— capital conservation buffer requires additional 2.5% of Common Equity Tier-one Capital Adequacy Ratio;

— additional capital surcharge for systemically important banks requires additional 1% of Common Equity Tier-one Capital Adequacy Ratio;

— should the regulators require countercyclical buffer under particular circumstances or regulators impose additional Pillar II capital requirements for specific banks, these requirements shall be met within the specified time limits.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CAPITAL MANAGEMENT (Continued)

In April 2014, the CBIRC officially approved the Group to adopt advanced capital management approach. Within the scope of the approval, the Internal Ratings-Based approach is adopted to Credit Risk-weighted Assets for both retail and non-retail risk exposures, and the Standardized approach for both Operational Risk-weighted Assets and Market Risk-weighted Assets. The CBIRC will determine the parallel run period for the Group, which should last for at least three years. During the parallel run period, the Group should calculate its Capital Adequacy Ratios under the advanced approach and the non-advanced approach, and should conform to the capital floor requirements as stipulated in the "Capital Rules for Commercial Banks (Provisional)".

In January 2017, the CBIRC has officially approved the Group to adopt the Internal Models approach to measure its Market Risk-weighted Assets for qualified risk exposures.

Capital adequacy and the utilization of regulatory capital are closely monitored by the Group's management in accordance with the guidelines developed by the Basel Committee and relevant regulations promulgated by the CBIRC. Required information related to capital levels and utilization is filed quarterly with the CBIRC.

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBIRC as at the end of the reporting period is as follows:

		31 December 2019	31 December 2018
Common Equity Tier-one Capital Adequacy Ratio	(1)	**11.24%**	11.55%
Tier-one Capital Adequacy Ratio	(1)	**12.53%**	12.13%
Capital Adequacy Ratio	(1)	**16.13%**	15.12%
Common Equity Tier-one Capital	(2)	**1,748,467**	1,591,376
Deductible Items from Common Equity Tier-one Capital	(3)	**(7,883)**	(7,449)
Net Common Equity Tier-one Capital		**1,740,584**	1,583,927
Additional Tier-one Capital	(4)	**199,894**	79,906
Net Tier-one Capital		**1,940,478**	1,663,833
Tier-two Capital	(5)	**557,833**	409,510
Net Capital		**2,498,311**	2,073,343
Risk-weighted Assets	(6)	**15,485,352**	13,712,894

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CAPITAL MANAGEMENT (Continued)

Pursuant to the "Capital Rules for Commercial Banks (Provisional)":

(1) The scope of consolidation related to the calculation of the Group's Capital Adequacy Ratios includes Domestic Institutions, Overseas Institutions and affiliated financial subsidiaries specified in the Regulation.

The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.

(2) The Group's Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), investment revaluation reserve, surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the Common Equity Tier-one Capital under the Regulation), and the foreign currency translation reserve.

(3) The Group's Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and Common Equity Tier-one Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.

(4) The Group's Additional Tier-one Capital includes: preference shares issued and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).

(5) The Group's Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS

The majority of the Group's assets and liabilities in the consolidated statement of financial position are financial assets and financial liabilities. Fair value measurement of non-financial assets and non-financial liabilities do not have a material impact on the Group's financial position and operations, taken as a whole.

The Group does not have any financial assets or financial liabilities subject to non-recurring fair value measurements for the years ended 31 December 2019 and 31 December 2018.

46.1 Valuation technique, input and process

The fair value of the Group's financial assets and financial liabilities are determined as follows:

— If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;

— If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and financial liabilities. The Financial Accounting Department of head office establishes the valuation models for financial assets and financial liabilities of head office and its branches in China and independently implements the valuation on a regular basis; and the Risk Management Department is responsible for validating the valuation model, the Operations Departments records the accounting for these items. Overseas branches and sub-branches designate departments or personnel that are independent from the front trading office to perform valuation in accordance with the local regulatory requirements and their own department settings.

The board of directors shall be responsible for establishing and improving the internal control system related to the valuation of financial instruments and approving valuation policies.

For the year ended 31 December 2019 and 31 December 2018, there was no significant changes in the valuation techniques or inputs used to determine fair value measurements.

46.2 Fair value hierarchy

The Group classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.3 Financial assets and financial liabilities not measured at fair value on the consolidated statement of financial position

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities not measured in the consolidated statement of financial position at their fair value. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, receivable from the MOF, special government bond, borrowings from central banks, deposits and placements from banks and other financial institutions, due to customers, financial assets sold under repurchase agreements and certificates of deposit issued, interbank certificate of deposits issued and commercial papers issued are not included in the tables below.

	31 December 2019				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Debt instrument investments at amortized cost (excluding receivable from the MOF and special government bond)	**4,544,892**	**4,627,432**	**33,506**	**4,403,618**	**190,308**
Financial liabilities					
Bonds issued	**356,902**	**365,299**	**23,643**	**341,656**	**–**

	31 December 2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Debt instruments classified as receivables (excluding receivable from the MOF and special government bond)	4,111,606	4,172,399	19,139	3,948,241	205,019
Financial liabilities					
Bonds issued	282,880	291,787	26,597	265,190	–

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value.

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	24,128	–	24,128
— Interest rate derivatives	–	340	–	340
— Precious metal contracts and others	–	476	–	476
Subtotal	–	24,944	–	24,944
Loans and advances to customers				
— Discounted bills and forfeiting	–	540,387	–	540,387
— Negotiation L/C	–	–	–	–
Subtotal	–	540,387	–	540,387
Financial investment				
Financial assets at fair value through profit or loss				
Mandatorily measured at fair value through profit or loss:				
— Held for trading				
Bonds	2,190	199,269	–	201,459
Precious metal contracts	–	29,132	–	29,132
Equity	2,354	–	–	2,354
Fund	7,100	236	–	7,336
— Other financial assets at fair value through profit or loss				
Bonds	–	93,298	4,194	97,492
Equity	2,108	22,194	70,881	95,183
Fund and others	2,227	5,351	15,799	23,377
— Financial assets designated at fair value value through profit or loss				
Debt securities	12,419	199,231	–	211,650
Deposits with banks and other financial institutions	–	28,207	–	28,207
Placements with and loans to banks and other financial institutions	–	99,174	5,010	104,184
Others	–	–	987	987
Subtotal	28,398	676,092	96,871	801,361
Other debt instruments and other equity investments at fair value through other comprehensive income				
Debt instruments				
— Bonds	200,203	1,452,949	–	1,653,152
— Others	–	–	18,594	18,594
Equity instruments	1,107	–	1,975	3,082
Subtotal	201,310	1,452,949	20,569	1,674,828
Total assets	229,708	2,694,372	117,440	3,041,520

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value. (Continued)

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
— Held for trading				
Financial liabilities related to precious metals	–	(14,147)	–	(14,147)
— Financial liabilities designated at fair value through profit or loss				
Principal guaranteed wealth management products	–	–	(312,975)	(312,975)
Overseas debt securities	–	(3,505)	–	(3,505)
Subtotal	–	(17,652)	(312,975)	(330,627)
Derivative financial liabilities				
— Exchange rate derivatives	–	(20,382)	–	(20,382)
— Interest rate derivatives	–	(1,676)	–	(1,676)
— Precious metal contracts	–	(7,490)	–	(7,490)
Subtotal	–	(29,548)	–	(29,548)
Due to customers				
Due to customers measured at fair value	–	(146,474)	–	(146,474)
Total liabilities	–	(193,674)	(312,975)	(506,649)

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value (Continued)

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	35,074	14	35,088
— Interest rate derivatives	–	1,635	19	1,654
— Precious metal contracts and others	–	202	–	202
Subtotal	–	36,911	33	36,944
Loans and advances to customers				
— Discounted bills and forfeiting	–	433,912	–	433,912
— Negotiation L/C	–	249	–	249
Subtotal	–	434,161	–	434,161
Financial investment				
Financial assets at fair value through profit or loss				
Mandatorily measured at fair value through profit or loss:				
— Held for trading				
Bonds	–	214,008	–	214,008
Precious metal contracts	–	28,139	–	28,139
Equity and fund	4,440	201	–	4,641
— Other financial assets at fair value through profit or loss				
Bonds	–	71,110	5,775	76,885
Equity and fund	19,937	3,217	13,998	37,152
Others	208	6,786	8,694	15,688
— Financial assets designated at fair value through profit or loss				
Debt securities	181	142,723	–	142,904
Deposits with banks and other financial institutions	–	9,174	–	9,174
Placements with and loans to banks and other financial institutions	–	78,092	32,339	110,431
Others	–	–	4,223	4,223
Subtotal	24,766	553,450	65,029	643,245
Other debt instrument and other equity investments at fair value through other comprehensive income				
Debt instruments				
— Bonds	80,435	1,641,141	–	1,721,576
— Others	–	–	14,316	14,316
Equity instruments	988	–	1,252	2,240
Subtotal	81,423	1,641,141	15,568	1,738,132
Total assets	106,189	2,665,443	80,850	2,852,482

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 *Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)*

The tables below summarize the fair values of the financial assets and financial liabilities measured in the consolidated statement of financial position at their fair value (Continued)

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
— Held for trading				
Financial liabilities related to precious metals	–	(17,188)	–	(17,188)
— Financial liabilities designated at fair value through profit or loss				
Principal guaranteed wealth management products	–	–	(265,715)	(265,715)
Overseas debt securities	–	(3,400)	–	(3,400)
Subtotal	–	(20,588)	(265,715)	(286,303)
Derivative financial liabilities				
— Exchange rate derivatives	–	(31,381)	(14)	(31,395)
— Interest rate derivatives	–	(820)	(19)	(839)
— Precious metal contracts	–	(2,320)	–	(2,320)
Subtotal	–	(34,521)	(33)	(34,554)
Total liabilities	–	(55,109)	(265,748)	(320,857)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)

Substantially all financial instruments classified within Level 2 of the fair value hierarchy are debt investments, deposits with banks and other financial institutions, currency forwards, currency swaps, interest rate swaps, currency options and precious metal contracts. Fair value of debt investments denominated in RMB is determined based upon the valuation published by the China Central Depository & Clearing Co., Ltd. Fair value of debt investments denominated in foreign currencies is determined based upon the valuation results published by Bloomberg. The fair value of deposits with banks and other financial institutions, currency forwards, currency swaps, interest rate swaps and currency options are calculated by applying discounted cash flow analysis or the Black Scholes Pricing Model. The fair value of precious metal contracts that are related to the Group's trading activities is determined with reference to the relevant observable market parameters. All significant inputs are observable in the market.

Level 3 financial assets of the Group mainly represented underlying assets invested by principal-guaranteed WMPs issued by the Group including deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and credit assets. The counterparties of these deposits and placements are primarily commercial banks and non-bank financial institutions in Mainland China. The credit assets are loans and advances to corporate customers in Mainland China. Level 3 financial liabilities largely represented liabilities to the investors of these products. As not all of the inputs needed to estimate the fair value of these assets and liabilities are observable, the Group classified these investment products within Level 3 of the fair value measurement hierarchy. The significant unobservable inputs related to these assets and liabilities are those parameter relating to credit risk, liquidity and discount rate. Management has made assumptions on unobservable inputs based on observed indicators of impairment, significant changes in yield, external credit ratings and comparable credit spreads, but the fair value of these underlying assets and liabilities could be different from those disclosed.

There was no significant transfer amongst the different levels of the fair value hierarchy during the years ended 31 December 2019 and 31 December 2018.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)

The reconciliation of Level 3 classified financial assets and financial liabilities presented at fair value on the consolidated statement of financial position is as follows:

2019	Financial assets at fair value through profit or loss	Derivative Financial assets	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
31 December 2018	**65,029**	**33**	**15,568**	**(265,715)**	**(33)**
Purchases	**116,620**	**–**	**8,183**	**–**	**–**
Issues	**–**	**–**	**–**	**(1,556,474)**	**–**
Settlements/disposals	**(87,063)**	**(33)**	**(3,503)**	**1,517,367**	**33**
Total loss/(gain) recognized in					
— Profit or loss	**2,285**	**–**	**–**	**(8,153)**	**–**
— Other comprehensive income	**–**	**–**	**321**	**–**	**–**
31 December 2019	**96,871**	**–**	**20,569**	**(312,975)**	**–**
Change in unrealized loss/(gain) for the period included in profit or loss for assets/liabilities held at the end of the year	**1,004**	**–**	**–**	**85**	**–**

2018	Financial assets at fair value through profit or loss	Derivative Financial assets	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Derivative financial liabilities
1 January 2018	131,928	25	11,950	(364,151)	(37)
Purchases	40,833	–	7,386	–	–
Issues	–	–	–	1,742,672	–
Settlements/disposals	(109,866)	(19)	(3,760)	(1,633,946)	1
Total loss/(gain) recognized in					
— Profit or loss	2,134	27	(7)	(10,290)	3
— Other comprehensive income	–	–	(1)	–	–
31 December 2018	65,029	33	15,568	(265,715)	(33)
Change in unrealized loss/(gain) for the period included in profit or loss for assets/liabilities held at the end of the year	(3,390)	16	–	44	10

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

46.4 Financial assets and financial liabilities measured at fair value on the consolidated statement of financial position (Continued)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period are presented in net gain/loss on financial investments (Note IV 4) of the consolidated income statement.

47 EVENTS AFTER THE REPORTING PERIOD

47.1 Profit appropriation

(1) Pursuant to the resolutions of the Board of Directors' meeting on 10 January 2020, a cash dividend at the dividend rate of 5.5% per annum related to the second tranche of preference shares amounting to RMB2,200 million in total was approved and the dividend was distributed on 11 March 2020.

(2) Pursuant to the meeting of the Board of Directors on 30 March 2020, the proposal for profit appropriations of the Bank for the year ended 31 December 2019 are set forth as follows:

(i) An appropriation of RMB20,623 million to the statutory surplus reserve (Note IV 36);

(ii) An appropriation of RMB34,211 million to the general reserve(Note IV 37);

(iii) A cash dividend of RMB0.1819 per ordinary share in respect of the year ended 31 December 2019 based on the number of ordinary shares issued as at 31 December 2019 totaling RMB63,662 million (Note IV 10).

As at 31 December 2019, the statutory surplus reserve had been recognized as appropriation. The other two items will be recognized in the Group's financial statements after approval by ordinary equity holders in the forthcoming Annul General Meeting.

47.2 Impact assessment on epidemic situation of COVID-19

Since the outbreak of pandemic COVID-19 in January 2020, China and other countries and regions have adopted prevention and control measures. The Group stringently implemented decisions and plans of the Central Committee of the Communist Party of China and the State Council, and coordinated overall plans to strengthen pandemic prevention and control, financial services, and operation management. The Group will pay close attention to development of the situation, continuously evaluate and actively respond to the impact of the pandemic on the Group's financial position and operating results, and ensure the Group's financial position and operating results remain steady. As at the report date of this report, the evaluation is still in progress.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 STATEMENT OF FINANCIAL POSITION OF THE BANK

	Notes IV	As at 31 December 2019	2018
Assets			
Cash and balances with central banks		**2,699,397**	2,804,746
Deposits with banks and other financial institutions		**210,400**	90,380
Precious metals		**30,063**	21,268
Placements with and loans to banks and other financial institutions		**611,187**	581,208
Derivative financial assets		**24,944**	36,944
Financial assets held under resale agreements		**701,304**	369,024
Loans and advances to customers		**12,765,407**	11,420,286
Financial investments			
Financial assets at fair value through profit or loss		**608,494**	497,702
Debt instrument investments at amortized cost		**4,915,498**	4,467,824
Other debt instrument and other equity investments at fair value through other comprehensive income		**1,579,790**	1,688,965
Investment in subsidiaries	19	**41,543**	28,960
Investments in associates and joint ventures		**208**	236
Controlled structured entities investments		**131,462**	110,462
Property and equipment		**141,692**	143,296
Deferred tax assets		**120,072**	112,535
Other assets		**125,774**	90,071
Total assets		**24,707,235**	22,463,907
Liabilities			
Borrowings from central banks		**608,488**	561,136
Deposits from banks and other financial institutions		**1,514,804**	1,128,357
Placements from banks and other financial institutions		**284,187**	291,632
Financial liabilities at fair value through profit or loss		**330,627**	286,303
Derivative financial liabilities		**29,496**	34,525
Financial assets sold under repurchase agreements		**49,360**	152,847
Due to customers		**18,541,030**	17,346,832
Debt securities issued		**1,081,040**	758,935
Other liabilities		**332,818**	239,961
Total liabilities		**22,771,850**	20,800,528

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48 STATEMENT OF FINANCIAL POSITION OF THE BANK (Continued)

	Notes IV	As at 31 December 2019	2018
Equity			
Ordinary shares	32	**349,983**	349,983
Other equity intruments	33	**199,886**	79,899
Preference shares		**79,899**	79,899
Perpetual bonds		**119,987**	–
Capital reserve	34	**173,357**	173,357
Investment revaluation reserve	35	**29,549**	18,890
Surplus reserve	36	**174,551**	153,928
General reserve	37	**275,790**	238,215
Retained earnings		**730,309**	647,737
Foreign currency translation reserve		**1,960**	1,370
Total equity		**1,935,385**	1,663,379
Total equity and liabilities		**24,707,235**	22,463,907

Approved and authorized for issue by the Board of Directors on 30 March 2020.

Zhou Mubing
Chairman

Zhang Keqiu
Executive Director

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49 STATEMENT OF CHANGES IN EQUITY OF THE BANK

	Note IV	Ordinary shares	Other equity instruments	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Total
As at 31 December 2018		**349,983**	**79,899**	**173,357**	**18,890**	**153,928**	**238,215**	**647,737**	**1,370**	**1,663,379**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**206,232**	**–**	**206,232**
Other comprehensive income		**–**	**–**	**–**	**10,659**	**–**	**–**	**–**	**590**	**11,249**
Total comprehensive income for the year		**–**	**–**	**–**	**10,659**	**–**	**–**	**206,232**	**590**	**217,481**
Capital contribution from equity holders	33	**–**	**119,987**	**–**	**–**	**–**	**–**	**–**	**–**	**119,987**
Appropriation to surplus reserve	36	**–**	**–**	**–**	**–**	**20,623**	**–**	**(20,623)**	**–**	**–**
Appropriation to general reserve	37	**–**	**–**	**–**	**–**	**–**	**37,575**	**(37,575)**	**–**	**–**
Dividends to ordinary equity holders	10	**–**	**–**	**–**	**–**	**–**	**–**	**(60,862)**	**–**	**(60,862)**
Dividends to preference shareholders	10	**–**	**–**	**–**	**–**	**–**	**–**	**(4,600)**	**–**	**(4,600)**
As at 31 December 2019		**349,983**	**199,886**	**173,357**	**29,549**	**174,551**	**275,790**	**730,309**	**1,960**	**1,935,385**

	Note IV	Ordinary shares	Other equity instruments	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Total
As at 31 December 2017		324,794	79,899	98,574	(18,934)	134,061	230,065	574,931	117	1,423,507
Change in accounting policy		–	–	–	9,641	–	(95)	(35,243)	–	(25,697)
As at 1 January 2018		324,794	79,899	98,574	(9,293)	134,061	229,970	539,688	117	1,397,810
Profit for the year		–	–	–	–	–	–	198,672	–	198,672
Other comprehensive income		–	–	–	28,183	–	–	–	1,253	29,436
Total comprehensive income for the year		–	–	–	28,183	–	–	198,672	1,253	228,108
Capital contribution from equity holders	32	25,189	–	74,783	–	–	–	–	–	99,972
Appropriation to surplus reserve	36	–	–	–	–	19,867	–	(19,867)	–	–
Appropriation to general reserve	37	–	–	–	–	–	8,245	(8,245)	–	–
Dividends to ordinary equity holders	10	–	–	–	–	–	–	(57,911)	–	(57,911)
Dividends to preference shareholders	10	–	–	–	–	–	–	(4,600)	–	(4,600)
As at 31 December 2018		349,983	79,899	173,357	18,890	153,928	238,215	647,737	1,370	1,663,379

According to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Banking (Disclosure) Rules, the Group discloses the following supplementary information:

1. LIQUIDITY COVERAGE RATIOS

	Three months ended			
	31 March 2019	**30 June 2019**	**30 September 2019**	**31 December 2019**
Average Liquidity Coverage Ratio	**140.6%**	**123.2%**	**120.1%**	**125.6%**

	Three months ended			
	31 March 2018	30 June 2018	30 September 2018	31 December 2018
Average Liquidity Coverage Ratio	124.8%	117.5%	118.1%	126.6%

The liquidity coverage ratios were also in accordance with the Rules on Liquidity Risk Management of Commercial Banks issued by the CBIRC and applicable calculation requirements, and based on the data determined under the PRC GAAP.

2. CURRENCY CONCENTRATIONS

	Equivalent in millions of RMB			
	USD	**HKD**	**Other**	**Total**
31 December 2019				
Spot assets	**926,373**	**127,888**	**169,753**	**1,224,014**
Spot liabilities	**(862,776)**	**(116,052)**	**(255,186)**	**(1,234,014)**
Forward purchases	**1,387,102**	**51,531**	**65,594**	**1,504,227**
Forward sales	**(1,278,984)**	**(57,717)**	**(104,180)**	**(1,440,881)**
Net options position	**(85,453)**	**–**	**(3,660)**	**(89,113)**
Net long position	**86,262**	**5,650**	**(127,679)**	**(35,767)**
Net structural position	**6,262**	**9,136**	**3,088**	**18,486**

	Equivalent in millions of RMB			
	USD	HKD	Other	Total
31 December 2018				
Spot assets	856,774	116,357	137,852	1,110,983
Spot liabilities	(857,800)	(114,293)	(108,739)	(1,080,832)
Forward purchases	1,390,475	41,582	46,368	1,478,425
Forward sales	(1,344,868)	(31,833)	(71,081)	(1,447,782)
Net options position	(28,308)	–	–	(28,308)
Net long position	16,273	11,813	4,400	32,486
Net structural position	6,264	6,942	2,479	15,685

(Amounts in millions of Renminbi, unless otherwise stated)

3. INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Mainland China, and regards all the claims on third parties outside Mainland China as cross border claims.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, loans and advances to customers, financial assets held under resale agreements, financial assets at fair value through profit or loss, other debt instrument and other equity investments at fair value through other comprehensive income and debt instrument investments at amortized cost.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account of any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks	**Official sector**	**Non-bank private sector**	**Total**
31 December 2019				
Asia Pacific	**134,007**	**26,555**	**234,135**	**394,697**
— of which attributable to Hong Kong	**39,719**	**3,106**	**152,165**	**194,990**
Europe	**30,071**	**11,538**	**70,161**	**111,770**
North and South America	**340,094**	**78,862**	**241,315**	**660,271**
Africa	**654**	**–**	**116**	**770**
Total	**504,826**	**116,955**	**545,727**	**1,167,508**

	Banks	Official sector	Non-bank private sector	Total
31 December 2018				
Asia Pacific	110,016	19,992	215,727	345,735
— of which attributable to Hong Kong	31,837	373	151,388	183,598
Europe	23,463	10,259	86,311	120,033
North and South America	330,479	57,744	229,652	617,875
Africa	384	–	172	556
Total	464,342	87,995	531,862	1,084,199

(Amounts in millions of Renminbi, unless otherwise stated)

4. OVERDUE AND RESCHEDULED ASSETS

(1) Gross carrying amount of overdue loans and advances to customers

	As at 31 December	
	2019	2018
Overdue		
within 3 months	**71,118**	79,458
between 3 and 6 months	**16,799**	22,356
between 6 and 12 months	**32,851**	34,670
over 12 months	**62,225**	66,448
Total	**182,993**	202,932
Percentage of overdue loans and advances to customers in total loans		
within 3 months	**0.53%**	0.67%
between 3 and 6 months	**0.12%**	0.19%
between 6 and 12 months	**0.25%**	0.29%
over 12 months	**0.47%**	0.56%
Total	**1.37%**	1.71%

(2) Overdue and rescheduled loans and advances to customers

	As at 31 December	
	2019	2018
Total rescheduled loans and advances to customers	**57,266**	59,232
Including: rescheduled loans and advances to customers overdue for not more than 3 months	**11,166**	15,406
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	**0.08%**	0.13%

(3) Gross carrying amount of overdue placements with and loans to banks and other financial institutions.

There were no overdue in the Group's placements with and loans to banks and other financial institutions as at 31 December 2019 and 31 December 2018.

中国农业银行
AGRICULTURAL BANK OF CHINA

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