中国农业银行
AGRICULTURAL BANK OF CHINA

2020
ANNUAL REPORT

Agricultural Bank of China Limited

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

Stock Code: 1288

中国农业银行
AGRICULTURAL BANK OF CHINA

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 2020, the Bank had total assets of RMB27,205,047 million, loans and advances to customers of RMB15,170,442 million and deposits from customers of RMB20,372,901 million. Our capital adequacy ratio was 16.59%. The Bank achieved a net profit of RMB216,400 million in 2020.

As at the end of 2020, we had 22,938 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, 396 tier-2 branches, 3,372 tier-1 sub-branches, 19,073 foundation-level branch outlets and 51 other establishments. Our overseas branch outlets consisted of 13 overseas branches and three overseas representative offices. We had 16 major subsidiaries, including 11 domestic subsidiaries and five overseas subsidiaries.

The Financial Stability Board has included the Bank into the list of Global Systemically Important Banks for seven consecutive years since 2014. In 2020, the Bank ranked No. 35 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.	ABC/Agricultural Bank of China/ the Bank/the Group/We	Agricultural Bank of China Limited, or Agricultural Bank of China Limited and its subsidiaries
2.	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
3.	A Share(s)	Ordinary shares listed domestically which are subscribed and traded in Renminbi
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 specialized 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 recognized as key players in the financial market with global features as announced by the Financial Stability Board
11.	H Shares	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 Stock Exchange	The Stock Exchange of Hong Kong Limited

13.	Hong Kong Listing Rules	*The Rules Governing the Listing of Securities on 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 rural people
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	GU Shu
Authorized representative	ZHANG Qingsong HAN Guoqiang
Secretary to the Board of Directors and Company Secretary	HAN Guoqiang 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)

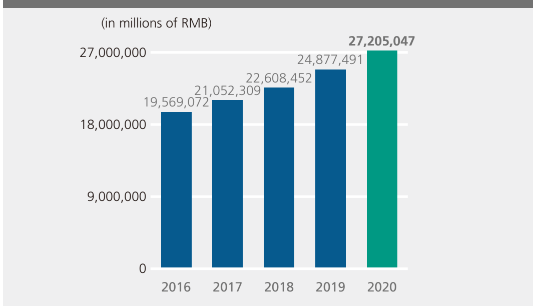
Trading exchange and platform of preference shares	The Integrated Business Platform of Shanghai Stock Exchange
Stock name (stock code)	農行優1 (360001), 農行優2 (360009)
Share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch (Address: 3/F, China Insurance Building, No. 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	HAN Dan, ZHANG Honglei
International auditor	PricewaterhouseCoopers
Address	22/F, Prince's Building, Central, Hong Kong, PRC

Basic Corporate Information and Major Financial Indicators

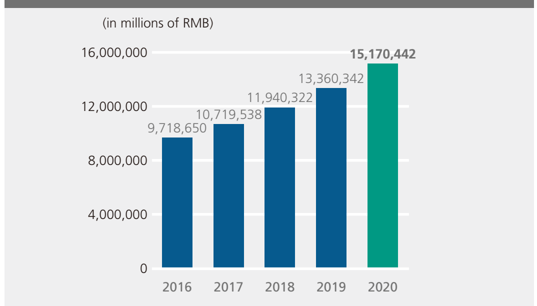
Financial Highlights

(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)

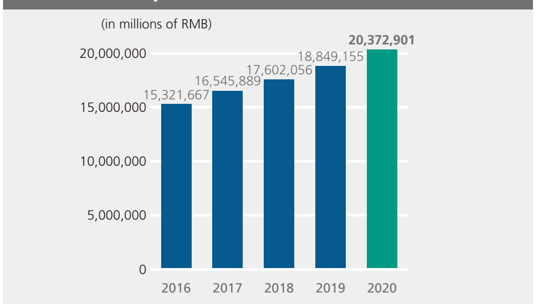
Total assets



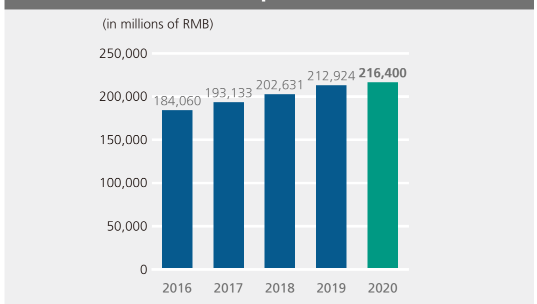
Total loans and advances to customers



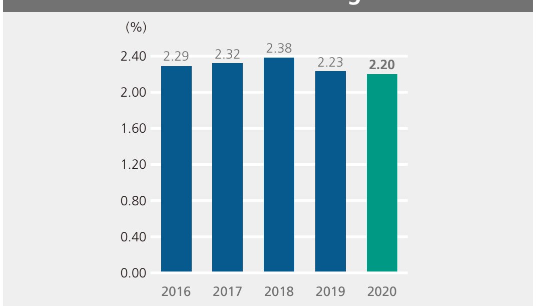
Deposits from customers



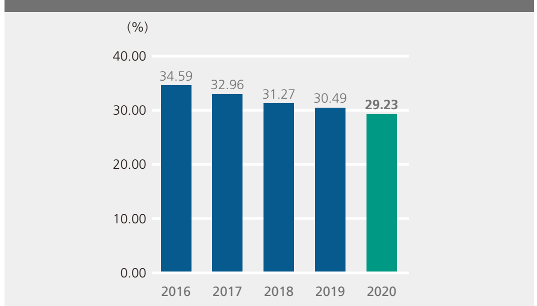
Net profit



Net interest margin

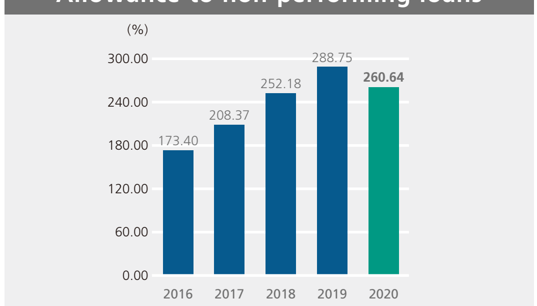


Cost-to-income ratio



Non-performing loan ratio

Allowance to non-performing loans



Major Financial Data

	31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
At the end of the reporting period (in millions of RMB)					
Total assets	**27,205,047**	24,877,491	22,608,452	21,052,309	19,569,072
Total loans and advances to customers	**15,170,442**	13,360,342	11,940,322	10,719,538	9,718,650
Including: Corporate loans	**8,134,487**	7,095,770	6,514,383	6,147,584	5,368,250
Discounted bills	**389,475**	421,390	343,961	187,502	569,948
Retail loans	**6,198,743**	5,391,677	4,664,852	3,999,200	3,339,890
Overseas and others	**413,416**	419,913	389,410	385,252	440,562
Allowance for impairment losses on loans	**618,009**	540,578	479,143	404,300	400,275
Loans and advances to customers, net	**14,552,433**	12,819,764	11,461,179	10,315,238	9,318,375
Financial investments	**7,822,659**	7,422,930	6,885,075	6,152,743	5,333,535
Cash and balances with central banks	**2,437,275**	2,699,895	2,805,107	2,896,619	2,811,653
Deposits and placements with and loans to banks and other financial institutions	**981,133**	758,925	661,741	635,514	1,203,614
Financial assets held under resale agreements	**816,206**	708,551	371,001	540,386	323,051
Total liabilities	**24,994,301**	22,923,630	20,933,665	19,622,912	18,247,481
Deposits from Customers	**20,372,901**	18,849,155	17,602,056	16,545,889	15,321,667
Including: Corporate deposits	**7,618,591**	7,196,002	6,807,956	6,612,673	5,836,373
Retail deposits	**11,926,040**	10,904,731	10,076,833	9,405,347	8,914,120
Overseas and others	**562,741**	517,440	514,244	527,869	571,174
Deposits and placements from banks and other financial institutions	**1,785,176**	1,829,272	1,449,863	1,254,791	1,458,065
Financial assets sold under repurchase agreements	**109,195**	53,197	157,101	319,789	205,832
Debt securities issued	**1,371,845**	1,108,212	780,673	475,017	388,215
Equity attributable to equity holders of the Bank	**2,204,789**	1,948,355	1,670,294	1,426,415	1,318,193
Net capital[1]	**2,817,924**	2,498,311	2,073,343	1,731,946	1,546,500
Common Equity Tier 1 (CET1) capital, net[1]	**1,875,372**	1,740,584	1,583,927	1,339,953	1,231,030
Additional Tier 1 capital, net[1]	**319,884**	199,894	79,906	79,906	79,904
Tier 2 capital, net[1]	**622,668**	557,833	409,510	312,087	235,566
Risk-weighted assets[1]	**16,989,668**	15,485,352	13,712,894	12,605,577	11,856,530

	2020	2019	2018	2017	2016
Operating results for the year (in millions of RMB)					
Operating income	**659,332**	629,350	602,557	542,898	510,128
Net interest income	**545,079**	500,870	488,159	449,905	404,938
Net fee and commission income	**74,545**	72,927	67,742	64,928	84,101
Operating expenses	**229,897**	224,096	213,963	205,268	197,049
Credit impairment losses	**164,699**	138,605	136,647	N/A	N/A
Impairment losses on assets	**N/A**	N/A	N/A	98,166	86,446
Total profit before tax	**265,050**	266,576	251,674	239,478	226,624
Net profit	**216,400**	212,924	202,631	193,133	184,060
Net profit attributable to equity holders of the Bank	**215,925**	212,098	202,783	192,962	183,941
Net cash generated from operating activities	**(60,936)**	358,396	105,927	633,417	715,973

Financial Indicators

	2020	2019	2018	2017	2016
Profitability (%)					
Return on average total assets[2]	**0.83**	0.90	0.93	0.95	0.99
Return on weighted average net assets[3]	**11.35**	12.43	13.66	14.57	15.14
Net interest margin[4]	**2.20**	2.23	2.38	2.32	2.29
Net interest spread[5]	**2.04**	2.09	2.25	2.20	2.14
Return on risk-weighted assets[1, 6]	**1.27**	1.38	1.48	1.53	1.55
Net fee and commission income to operating income	**11.31**	11.59	11.24	11.96	16.49
Cost-to-income ratio[7]	**29.23**	30.49	31.27	32.96	34.59
Data per share (RMB Yuan)					
Basic earnings per share[3]	**0.59**	0.59	0.59	0.58	0.55
Diluted earnings per share[3]	**0.59**	0.59	0.59	0.58	0.55
Net cash per share generated from operating activities	**(0.17)**	1.02	0.30	1.95	2.20

	31 December 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Asset Quality (%)					
Non-performing loan ratio[8]	**1.57**	1.40	1.59	1.81	2.37
Allowance to non-performing loans[9]	**260.64**	288.75	252.18	208.37	173.40
Allowance to loan ratio[10]	**4.08**	4.06	4.02	3.77	4.12
Capital adequacy (%)					
Common Equity Tier 1 (CET1) capital adequacy ratio[1]	**11.04**	11.24	11.55	10.63	10.38
Tier 1 capital adequacy ratio[1]	**12.92**	12.53	12.13	11.26	11.06
Capital adequacy ratio[1]	**16.59**	16.13	15.12	13.74	13.04
Risk-weighted assets to total assets ratio[1]	**62.45**	62.25	60.65	59.88	60.59
Total equity to total assets ratio	**8.13**	7.85	7.41	6.79	6.75
Data per share (RMB Yuan)					
Net assets per ordinary share[11]	**5.39**	5.00	4.54	4.15	3.81

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 recognized 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 recognized 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.*
12. *According to the relevant regulatory requirements, credit card installment fee income and related expenses are reclassified from fee and commission income and expense to interest income. The data in the comparative periods are adjusted and relevant financial indicators are also restated, accordingly.*

Other Financial Indicators

		Regulatory Standard	**31 December 2020**	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Liquidity ratio[1] (%)	RMB	≥25	**59.15**	57.74	55.17	50.95	46.74
	Foreign Currency	≥25	**122.98**	112.07	101.77	106.74	82.24
Percentage of loans to the largest single customer[2] (%)		≤10	**4.07**	4.68	5.53	7.26	6.98
Percentage of loans to the top ten customers[3] (%)			**12.58**	13.83	15.25	18.27	16.58
Loan migration ratio[4] (%)	Normal		**3.19**	1.54	1.72	2.13	3.00
	Special mention		**30.55**	15.90	16.93	18.70	24.86
	Substandard		**83.79**	47.10	61.48	71.48	89.23
	Doubtful		**20.46**	8.82	8.91	6.94	9.55

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

2020 (in millions of RMB)	**First quarter**	**Second quarter**	**Third quarter**	**Fourth quarter**
Operating income	**186,915**	**152,859**	**159,437**	**160,121**
Net profit attributable to equity holders of the Bank	**64,187**	**44,647**	**56,501**	**50,590**
Net cash generated from/(used in) operating activities	**262,567**	**(586,513)**	**34,141**	**228,869**

Chairman's Statement

GU Shu
Chairman of the Board of Directors

2020 was not only an extraordinary year in New China's history, but also a year in which Agricultural Bank of China overcame great difficulties and achieved remarkable results.

In the face of the outbreak of COVID-19 and an economic and financial environment of unprecedented complexity, we conscientiously implemented the decisions and plans of the Central Committee of the Communist Party of China and the State Council. We adhered to the guideline of seeking progress while maintaining stable performance, and thoroughly implemented the new vision for development. We actively responded to risks and challenges and coordinated our work on pandemic prevention and control, and supporting the real economy through financial services as well as operation and management. Moreover, we focused on consolidating our strengths, bolstering areas of weakness and strengthening our foundations. Progress was made while our operations remained stable, and new results were achieved in our high-quality development.

At the end of 2020, our total assets reached RMB27.21 trillion, representing an increase of 9.4% as compared to the end of the previous year; our net profits amounted to RMB216,400 million, representing an increase of 1.6%; our non-performing loan ratio increased slightly by 0.17 percentage point to 1.57%; our allowance for non-performing loans was 260.64%, which demonstrated our continuous high resilience to risks; our cost-to-income ratio decreased by 1.26 percentage points to 29.23%; and our capital adequacy ratio increased by 0.46 percentage point to 16.59%. Our ranking in *Fortune's* Global 500 List climbed for the second consecutive year, to 35th place. We ranked No. 3 in *The Banker's* "Top 1000 World Banks" list in terms of tier 1 capital. Amid the COVID-19 pandemic spreading globally as well as grim risks and challenges, we could not have achieved these results without strong support from our shareholders, customers and all sectors of society, as well as our employees' intense efforts. On behalf of the Board of Directors, I would like to extend our sincerest gratitude for their contribution.

Looking back at the year 2020, China withstood a great and arduous challenge presented at the prevention and control of the COVID-19 pandemic. Through this challenge, the notable advantages of the socialist system with Chinese characteristics and Chinese governance system shone, demonstrating the strong resilience and vitality of China's economy. We had always unswervingly adhered to the leadership of the Party, served the overall situation of the work of the Party and our country, and also adhered to our original aspiration to serve the real economy with our financial services. We shouldered our responsibilities in supporting pandemic prevention and control as well as economic and social development. We also improved our quality of development in advancing reform and transformation and responding to risks and challenges.

In the past year, we united and determined to fight and win the battle against the pandemic by blocking the spread of the coronavirus with all the Chinese people. To resolutely implement a sequence of pandemic prevention and control plans issued by the Central Committee of the Communist Party of China and the State Council, we promptly established a work mechanism for pandemic prevention and control, fortified a solid network of cross-region and society-wide joint prevention and control, and we imposed strict measures to prevent the coronavirus from entering into and spreading within China. As a result, zero cases of cluster infections were recorded in any of our branch outlets. In addition, we launched charitable initiatives for donations to the anti-pandemic frontline, introduced specific policies to support the pandemic prevention and control as well as the resumption of work and production, opened up a green passage for anti-pandemic enterprises, and offered financial services dedicated to medical workers who were confronting the pandemic. Our cadres and employees fought not only at the anti-pandemic frontline but also on the main battlefield of financial services, contributing to winning in preventing and controlling the pandemic.

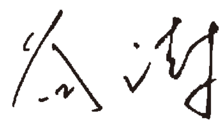
In the past year, we shouldered our major responsibilities and focused on principal businesses as a national team and a main force in serving Sannong and the real economy. Focusing on the work plan of promoting pandemic prevention and control as well as economic and social development in a coordinated way, we concentrated on ensuring stability on the six fronts and security in the six areas and enhanced our support to the key areas of, and the weaknesses in, the real economy. Our loans for the year hit a record-high increase of RMB1.8 trillion. To highlight our positioning of servicing Sannong, we deepened the initiative of rural vitalization through financial services. Our loans in County Areas and agriculture-related loans continued to report higher growth rates than our Bank's average growth rate, loans to key areas recorded a significant increase, such as stable production and supply of agricultural products and pig production, and the online service ABC Huinong E-loan has become our leading brand servicing Sannong. We spared no efforts to win the final battle against poverty by introducing specific policies for, and investing more resources in, the 52 targeted counties to lift them out of poverty, with an increase of 36% in loans for the year. To support industrial cultivation and infrastructure construction in poor areas, we proactively applied various approaches, such as poverty alleviation through loans, consumption and industry as well as collaboration between eastern and western regions with respect to poverty alleviation, which allowed us to facilitate a complete victory in the final battle against poverty. We fully implemented a series of policies featuring relief for enterprises, and we further increased inclusive loans to tide over SMEs impacted by COVID-19. We continued to optimize our credit structure so that a relatively rapid growth rate was achieved in our loans to advanced manufacturing industries, strategic emerging industries, modern service industries and sectors related to people's livelihood and consumption.

In the past year, we further acted on our customer-oriented philosophy in business activities, striving to become the first choice of our customers. We always regarded meeting customers' growing demand for financial services as our starting point and the foothold of our operations, and we promoted innovation of our financial products and services aiming to provide more convenient and efficient financial services. We accelerated the optimization of our business procedures to constantly improve customer experience. We further enhanced the inclusiveness and accessibility of our financial services by upgrading the establishment of our foundation-level branch outlets and refining our outlet layout in new urban areas, new communities and major counties. We also comprehensively strengthened the protection of consumers' interests by timely responding to customers' concerns, and we won their support and trust with action.

In the past year, we persevered with innovation-driven development and technology empowerment to activate new drivers for our business development. Taking innovation as the primary powerhouse for development, we tapped into opportunities in FinTech development, sped up our digital transformation, and enhanced our online operation and management capabilities. ABC E-loan was built into our online financing brand, and we rapidly expanded its coverage and scale. We made solid progress in promoting the construction of our agriculture-related database and created comprehensive information records for rural households, which laid a solid foundation for developing digital inclusive finance in rural areas. Our mobile banking developed at a faster pace, with monthly active users (MAU) surpassing 100 million. Further application of Big Data, AI and other technologies strongly shored up the innovation of our products, smart marketing and smart risk control. These outcomes of digital transformation not only firmly supported pandemic prevention and control and the resumption of work and production but also empowered our operations and business expansion technologically.

In the past year, we coordinated development and security while continuing to hold our risk limitation. As risk management has always been the foundation of our business, we strengthened our comprehensive, whole-process and full-coverage risk control system to secure safe development. We closely tracked the impacts of the pandemic and mitigated and addressed risks by using forecasts, thus generally maintaining our asset quality stable despite the challenge presented by the pandemic. To address the drastic volatility in the international financial markets, we prioritized control of market and liquidity risks, and therefore our investment, foreign exchange and financial market businesses remained stable. We enhanced construction of policies and systems and achieved solid results in global anti-money laundering management. We also effectively prevented operational risks as we consolidated the management of basic operation and business continuity.

Xi Jinping, general secretary of the Central Committee of Communist Party of China, stressed that the 2021 would be of extraordinary importance to China's modernization process. Also, he emphasized the need to remain sensitive to changes, respond to them with well-judged actions, be ready to adjust the approach when necessary, and create new opportunities out of crises and open up new prospects in changing circumstances. Embracing the new development philosophy, we shall commence a new development stage by delivering services to foster a new development paradigm. Particularly, we will enhance our financial services for rural revitalisation and the real economy, continue the promotion of institutional mechanism reform, comprehensively deepen digital transformation, and effectively prevent and control all types of risks. We will consolidate our foundation that guarantees stability, identify our direction that indicates improvement, and seek our breakthroughs that contribute innovation, so as to continue to step toward the aim of building Agricultural Bank of China as an international first-class commercial banking group.



GU Shu
Chairman of the Board of Directors
30 March 2021

President's Statement

ZHANG Qingsong
President

In 2020, facing a sudden outbreak of COVID-19 and a highly unusual economic and financial situation, we conscientiously implemented the decisions and plans of the Central Committee of the Communist Party of China and the State Council, and adhered to the general principle of pursuing progress while ensuring stability. We thoroughly implemented the new development philosophy and coordinated our work on pandemic prevention and control, and serving the real economy as well as operation and management. All these endeavours enabled us to achieve our business targets for the year satisfactorily.

Our business operations maintained stability with progress. By the end of 2020, our total assets reached RMB27.21 trillion, representing an increase of 9.4%. The balance of deposits and the balance of loans reached RMB20.37 trillion and RMB15.17 trillion, respectively, representing an increase of 8.1% and 13.5%, respectively. We recorded operating income of RMB659.332 billion for the year 2020, representing a year-on-year increase of 4.8%. Our net profit amounted to RMB216,400 million, representing a year-on-year increase of 1.6%. Our cost-to-income ratio decreased by 1.26 percentage points year-on-year to 29.23%. We successfully issued RMB160.0 billion of capital bonds, and our capital adequacy ratio increased by 0.46 percentage point to 16.59%. All major indicators related to loans to key areas, including private enterprises, small and micro enterprises, the fight against poverty and manufacturing industries, as well as assessment on County Area Banking Division and macro-prudential management, met the relevant regulatory standards.

Our services relating to pandemic prevention and control proved effective and vigorous. Upon the outbreak of the pandemic, we promptly introduced specific anti-pandemic policies and called on our domestic and overseas institutions to provide virus containment materials that were in short supply at that time, which fervently supported the defence of Hubei province and Wuhan city. We strongly promoted the zero-contact service model and swiftly launched online service platforms for medical consultation and community management, providing people with intelligent and convenient comprehensive financial services featuring "people's livelihood + finance". We successively rolled out a series of policies and measures to help enterprises resume work and production, relieve small and micro enterprises from difficulties and stabilize foreign investment and foreign trade. We also launched a specific credit product, Fugong Loan, to meet demand for financial services arising from pandemic prevention and control and the resumption of work and production. We enhanced our financial services in relation to spring farming and preparation, stable production and supplies of agricultural products, and live pig production, attaining a growth rate of 38.6% in loans to key enterprises which ensured stable production and supply of agricultural products.

Our services to Sannong and the fight against poverty achieved remarkable results. We supported key sectors of rural vitalization such as food security, agricultural irrigation, bolstered infrastructural weaknesses in rural areas, and increased loans to County Areas and Sannong related areas, with loans in County Areas increasing by RMB752.5 billion, while the balance of ABC Huinong E-loan, our online loans to rural households, amounted to RMB353.4 billion. We comprehensively enhanced our financial services for the final battle against poverty, with the growth rates of loans to 832 key counties of national poverty alleviation, 334 counties of extreme poverty and 52 counties to be lifted out of poverty, reaching 17.6%, 21.5% and 36%, respectively. We further carried out specific initiatives for poverty alleviation through consumption, and helped promote agricultural products worth RMB1.67 billion from the poor areas for the year. We continued to propel targeted poverty alleviation and poverty alleviation collaboration between the eastern and western regions by coordinating with multi-parties to introduce industrial projects and assistance funds to poor areas. We opened 86 foundation-level branch outlets in the poor areas, thus further improving our capacity in respect of providing financial services to the poverty-stricken areas.

Our efforts to serve the real economy have been increasing. Centring around the work plan of ensuring stability on the six fronts and security in the six areas and implementing the requirements of counter-cyclical macroeconomic control, we increased loans granted to key sectors and weak areas of the national economy and fully implemented national policies of fee deduction and interest concession, so as to help restore the growth of the real economy with our all-in support. We played an active part in supporting major national strategies and construction of major projects by delivering specific financial service solutions to underpin the construction of Xiongan New Area, the Yangtze River Delta Integration and the Guangdong-Hong Kong-Macao Greater Bay Area. We also introduced specific supportive policies for the construction of new infrastructure, new urbanization initiatives and major projects, with the loans to major projects in areas such as transportation, water conservancy, power, city pipelines, and telecommunication networks reaching RMB612.5 billion and local government bonds of RMB944.7 billion underwritten throughout the year. We fully enhanced our financial services for private enterprises and small and micro enterprises and supported the healthy development of manufacturing industries. The loans to private enterprises increased by RMB404.9 billion for the year. The inclusive loans to small and micro enterprises increased by RMB369.2 billion or 62.3%, while the comprehensive financing cost decreased by 0.93 percentage point for the year. The loans to manufacturing industries increased by RMB157.5 billion, including an increase in medium- and long-term loans by RMB88.7 billion or 32.6% for the year. As we actively supported the transformation of the new driving forces for economic growth, we introduced financial solutions for science and technology start-ups and carried out pilot projects, with the growth rate of our loans to science and technology start-ups surpassing 20%. The loans to strategic emerging industries and modern service industries also maintained their rapid growth.

Our business transformation was further advanced. By implementing the new development philosophy, we reinforced our efforts on capital constraint, intensive operation and delicacy management with the quality and effectiveness of our business operation improved. We accelerated the development of our emerging businesses, such as investment banking, wealth management, internet finance, credit card and custody service, continuing to consolidate our strengths and bolster areas of weakness while tapping the potential of our existing businesses through innovation. We strengthened the synergy between our subsidiaries and us and the integrated operation of local and foreign currency businesses, thereby further enhancing our comprehensive and international service capabilities. Our all-round digital transformation was propped up by technology empowerment. At the end of 2020, the balance of ABC E-loan reached RMB1.31 trillion, the number of registered customers of personal mobile banking reached 0.36 billion and the number of valid merchants on the internet financial service platform amounted to 114 thousand. We continued to deepen the reform of our management system over technology and product innovation and promote the construction of our major infrastructures such as a middle-end platform for business, a middle-end platform for data and integrated cloud platform orderly, which further improved our capabilities of applying FinTech innovation and safeguarding information and operation security.

Our risk management was strengthened comprehensively. We focused on improving the effectiveness of our risk management by continuously advancing the implementation of the Basel Accords and the construction of a comprehensive risk management system. We conducted a risk assessment on industries and customers affected by the pandemic, strengthened risk management and control over key sectors, including group customers with large credit amount and real estate industry, and accelerated disposal of non-performing assets, maintaining our asset quality overall stable. Our allowance for non-performing loans maintained a relatively high level of 260.64% as we prudently accrued risk provisions. We constantly improved our online operation risk control by enhancing the risk management strategies for online credit business, establishing an intelligent anti-fraud platform at the corporate level and setting up a risk operation centre. To prevent cross-contamination of risks, we paid close attention to risks such as bond defaults and wild fluctuations in exchange rates and commodity prices, and we improved our limit management, stress testing and warning mechanism. Our liquidity management mechanism and instruments were improved to ensure the absolute safety of liquidity, subject to timely adjustment of our funding and operating strategies based on market conditions. We stringently reviewed the rectification results of market disruptions and fortified the construction of our system for global anti-money laundering and sanctions compliance, thus further improving our ability to prevent risks related to cases of violations.

2021 is the first year of implementing the 14th Five-Year Plan and starting a new journey of comprehensively building a modern socialist country. It also witnesses the 100th anniversary of the Communist Party of China and the 70th anniversary of Agricultural Bank of China. We will focus on high-quality development and deeply implemented new development philosophy. We will attach greater importance to capital constraints and value creation, improvement of operational efficiency and management effectiveness, and development empowered by digital transformation. Hence, we will put forward the reforms related to improving the quality and efficiency of our business operations and the change of our growth drivers. We strive to achieve high-quality development of our own and requite our investors with more outstanding results in the process of supporting China's high-quality economic development.

ZHANG Qingsong
President
30 March 2021

WANG Jingdong
Chairman of the Board of Supervisors

Discussion and Analysis

Environment and Prospects

In 2020, facing the huge impact of the COVID-19 and the complex and challenging domestic and international environment, China's economy remained resilient and delivered better-than-expected growth. China's GDP grew by 2.3% in 2020, making it the only major economy in the world to achieve positive growth. In the post-pandemic period, the supply side of China's economy recovered faster than the demand side, and the investment and exports components of the demand side recovered faster than the consumption component, with annual fixed asset investment and export increasing by 2.9% and 4.0%, respectively, while total retail sales of consumer goods decreased by 3.9% for the year. New business models such as telecommuting, online education, intelligent construction and unmanned delivery that emerged during the pandemic have provided strong support for economic recovery, and new industries including digital economy, intelligent manufacturing and life and health industry have formed more growth poles. The upward pressure on consumer prices eased, with the CPI rising by 2.5% year-on-year. Although the price of industrial products rebounded significantly in the second half of 2020, the annual PPI fell by 1.8% year-on-year. The growth rate of broad money (M2) increased by 10.1%, and aggregate financing to the real economy (flow) was RMB34.9 trillion, representing an increase of RMB9.2 trillion compared to the previous year.

In 2020, the Chinese government adhered to the general principle of seeking progress while keeping performance stable, implemented macro-economic policies scientifically and precisely, and strove to keep the economy running in a reasonable range. Prudent monetary policies were more flexible and moderate, with the People's Bank of China lowering the reserve requirement ratios three times, implementing financial support policies in a hierarchical and graded manner, and continuing to build a macro-prudential policy framework with complete elements. Proactive fiscal policies were more precise and effective. Measures such as tax cuts and fee reductions as well as direct fiscal funds effectively helped enterprises out of difficulties. Further progress was made on financial reforms, including 26 reform and opening-up measures to support the development of the Guangdong-Hong Kong-Macao Greater Bay Region, implementation of reform of the loan pricing rate (LPR) formation mechanism, financial innovation incorporated into prudential supervision, and reform of the pilot registration system for the Growth Enterprise Market. The high-level opening up of the financial sector to the outside world was expanded in an orderly manner, with the abolition of restrictions on foreign shareholdings in securities companies, fund management companies and futures companies as well as investment quotas restrictions for qualified foreign institutional investors, and the signing of the *Regional Comprehensive Economic Partnership* (RCEP) to introduce rules for new financial services and for financial information transfer and processing.

The global economy is expected to recover from the shock of the pandemic in 2021, and the year also marks the beginning of China's 14th Five-Year Plan. China's economy is expected to achieve fast growth and high-quality development, and gradually build a new development paradigm with domestic circulation as the mainstay and domestic and international circulations reinforcing each other. The potential of domestic demand is expected to be realized continuously. Driven by the demand for equipment renewal and inventory replenishment, manufacturing investment is expected to continue to grow at a high rate, the industrial supply chain will be enhanced with independent controllability, and new infrastructure will usher in breakthroughs in more areas. As the pandemic is effectively controlled and economic recovery drives income growth, the potential of household consumption is expected to continue to be realized, and the continuous expansion of domestic demand will form an important support for building a strong domestic market. Foreign demand, benefiting from the advantage of having the world's most complete industrial chain, is expected to maintain a high level of prosperity. The economic structure will continue to be optimized, and the leading role of the new driving forces represented by the digital economy will be further highlighted, as green and low-carbon development will be significantly accelerated in order to achieve carbon peaking and carbon neutrality. As live pig production capacity returns to the normal year level, the price level is likely to remain moderately higher.

In 2021, China's macro-control policies are expected to maintain continuity, stability and sustainability, and to precisely grasp the timing, scope and effectiveness of policies while maintaining the necessary support for economic recovery. Proactive fiscal policies are expected to focus on improving quality and efficiency, with greater emphasis on promoting sci-tech innovation, accelerating economic restructuring, adjusting income distribution, and mitigating the hidden debt risks of local governments. Prudential monetary policies are expected to be more flexible, precise, reasonable and appropriate. The People's Bank of China will use a variety of monetary policy tools to maintain a reasonable abundance of liquidity and stabilize the money supply. It will strengthen the role of structural monetary policy tools in precise assistance and improve cross-cycle design and adjustment. It will deepen reforms of the liberalization of interest rates and exchange rates, and improve the policy framework and incentive mechanism for green finance. Reform of financial markets and financial institutions will continue to deepen, and the multi-channel bond default resolution mechanism will be further improved. As macro-prudential management policies are re-oriented, China's cross-border funds will tend to flow in bidirectional equilibrium. It is expected that bidirectional fluctuations of RMB exchange rate will become more obvious and the RMB exchange rate will remain generally stable at an appropriate and balanced level.

Changes in the economic and policy environment in 2021 will bring more development opportunities as well as challenges to the banking industry. On the one hand, the high-quality development of China's economy, the construction of a new development paradigm and the maintenance of a medium-to-high economic growth rate will bring more development opportunities for the reasonable growth of banks' assets and liabilities and the optimization of their credit structure. The launch of major national strategies in the Beijing-Tianjin-Hebei Region, the Yangtze River Delta Region, the Guangdong-Hong Kong-Macao Region and the Chengdu-Chongqing Region will expand the scope of development for the banking industry. Key sectors such as technological innovation, new infrastructure, livelihood improvement and green finance will bring opportunities for the banking industry to expand the customer base and optimize its credit structure. On the other hand, changes in the course of the pandemic and in the external environment still present many uncertainties, which pose greater challenges to the sound operation of the banking industry. The economy is expected to face certain uncertainties in 2021 due to the recurrence of the pandemic, the progress of vaccine popularization, and the policy spillover and adjustment in major developed economies. Changes in major economic and financial variables such as prices, interest rates and exchange rates are speeding up, which will challenge the banking industry in operating soundly. In addition, as financial reform and opening-up progresses, inter-bank and cross-industry competition will become increasingly intense, which will put continued pressure on the interest margin income and profitability of the banking industry.

In 2021, we will face the challenges and seize the opportunities, base on the new development stage, implement the new development concept, contribute to building the new development paradigm, and continuously improve the adaptability, competitiveness and universality of financial services. First, we will focus on serving the rural vitalization and make every effort to build ABC as a leading bank of County Area banking services. We will focus on key areas such as food security, rural industrial development, rural construction action and rural property rights reform to build a leading edge in serving rural vitalization. Second, we will place emphasis on building the new development paradigm and aim to be a major bank to serve the real economy. We will actively serve the major national strategies and projects, innovate to support emerging areas, strengthen green financial services, enhance the accuracy and coverage of inclusive financial services, and strengthen the financial services related to consumption upgrading and people's livelihood. Third, we will promote digital transformation by constructing some major projects. We will prioritize to establish closed-loop online operation around customer needs, ensure smooth IT operation and cyber security, and build a solid technological foundation for various businesses. Fourth, to achieve greater efficiency of operation, we will continue to improve our mechanisms for performance assessment, marketing and customer maintenance, regional layout, capital restriction, and synergies between the Bank and its subsidiaries as well as between domestic and foreign institutions. Fifth, we will firmly uphold the bottom line of development, and persevere in risk control and prevention of cases of violations. Efforts will be made to strengthen the foresight and initiative of credit risk prevention and control, multiple actions will be taken against market risks, prevention of cases of violations in the key sectors will be highlighted, and the management of compliance-related risks will be continuously strengthened.

Pandemic Prevention and Control

In 2020, resolutely executing the national decisions and plans on pandemic prevention and control, we coordinated pandemic prevention and control, financial services and business operations, and supported the resumption of work and production. All our work attained stable and steady development.

First, we established a mechanism for pandemic prevention and control. We entered "wartime state" as soon as the pandemic broke out and were the first bank in the industry to set up a pandemic prevention and control leading team. We formulated and improved guidelines on pandemic prevention and control and emergency response plans in a timely manner, dynamically adjusted the strategies and adopted targeted measures for pandemic prevention and control. We coordinated the prevention and control management measures relating to our employees, office spaces and business premises, including both people and related items, and with respect to multiple diseases.

Second, we regarded the safety and health of our employees and customers as our highest priority. We increased the publicity of pandemic information and related prevention and protection knowledge, monitored our employees' health condition, implemented strict health standards for employees who returned to work, and organized vaccinations against COVID-19 in an orderly manner. We conducted hygienic cleaning, ventilation, and disinfection for pandemic prevention in office spaces and business premises, and strengthened the disinfection management of equipment and machines and of cash in and out in our outlets. Customers and employees were required to make registration, take their body temperature and show their health codes before entering our office spaces and business premises. In 2020, our 23 thousand branch outlets recorded zero cases of cluster infections.

Third, we timely introduced a portfolio of policies in response to the pandemic, such as specific credit policies for fighting against the pandemic, 31 measures to support resumption of work and production, 16 measures to sustain small and micro enterprises, 12 measures to fund spring farming and preparation as well as stable production and supply, 19 measures to support the development of the pig industry and guidance on helping to stabilize foreign trade. We innovated the product portfolio of Fugong Loan and Xujie E-loan, which allowed to renew loans without repayment of principal. We made full and good use of the specific relending provided by the PBOC. A total of RMB33.64 billion of concessional loans were granted to 1,080 enterprises for the year. Loans to key enterprises safeguarding stable production and supply of agricultural products and loans related to pig production increased by 38.6% and 1.36 times as compared to the end of the previous year, respectively.

Fourth, we acted with humanity by enabling individual customers to access various online financial services through digital tools without having to leave home. Some exclusive wealth management products were offered to soldiers, medical professionals, and customers in Hubei province during the pandemic. For customers who temporarily lost their source of income due to the pandemic, we flexibly adjusted repayment arrangements without affecting their personal credit.

Fifth, we assumed social responsibilities. We and our staff donated RMB0.18 billion to Hubei province for its fight against the pandemic and donated exclusive insurance to 465 thousand personnel who were on the frontlines for pandemic prevention and control. We postponed repayment of principal and interest for over 80 thousand customers and of 109 thousand mature loans in total, amounting to RMB131.6 billion. We also reduced and exempted charge fees of RMB5.6 billion for hospitals, charity merchants, and small and micro merchants.

Digital Transformation

In 2020, we actively implemented the strategy of promoting digital transformation to create a digital ABC. In accordance with the principles of "Internet-based, data-based, intelligent and open", we made the best of digital means to support the fight against the pandemic and resumption of production and work, and conscientiously implemented requirements relating to "stability on the six fronts" (namely, employment, financial sector, foreign trade, foreign and domestic investments, and market expectations) and "security in the six areas" (namely, employment, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments). Thereby we achieved remarkable results in serving the real economy and effective improvements in customer experience and satisfaction.

First, online credit innovation was accelerated, making online financing more convenient for customers. We launched innovative online financing products, such as Yihu E-loan, Huinong E-loan (Xiangyi Loan), Fugong Loan and Xujie E-loan, to meet the financing demands arising from the fight against the pandemic. At the end of 2020, the balance of ABC E-loans reached RMB1.31 trillion, representing an increase of 122.2% as compared to the end of the previous year.

Second, as our online operation capability was enhanced continuously, our customer stickiness was improved significantly. At the end of 2020, we had over 100 million monthly active users of our mobile banking services, representing an increase of 38.8% as compared to the end of the previous year. We promoted the integration of all online and offline channels and whole-process service coordination and the transformation of our retail businesses and foundation-level branch outlets, accelerated the construction of cloud service centers for remote banking, and actively promoted the construction of open banking, which brought about an increase of 16.8% in the number of type II and III electronic account openings as compared to the end of the previous year, and an effective improvement in omni-channel customer acquisition ability.

Third, as our scene-based financial service capability was strengthened steadily, our customer contacts were further expanded. At the end of 2020, our poverty alleviation mall signed 388 central and local poverty alleviation entities, representing an increase of 266% as compared to the end of the previous year, including 166 first-time cooperation entities. 333 special poverty-alleviation zones were opened with products supplied by 99.4% of national poverty alleviation counties. We accelerated the expansion of scenes related to smart hospital, smart government affairs, and smart education, and we released iXiangyang, our first APP for smart government affairs. We added 80.5 thousand scenes for the year, bringing in 67.53 million customers.

Fourth, our targeted digital marketing achieved notable results, and service experience of distinctive interfaces for varied individuals was upgraded. Positive progress was made in the construction of the middle-end platform of retail marketing, and its functions such as accurate customer portrait, demand analysis and product marketing were gradually improved. As the digital customer relationship management system was widely adopted, our accumulated sales for the year reached RMB4.53 trillion, approximately 4.5 times that of the previous year. We built 4,738 "digital human" (customer segmentation model), serving 1.76 billion customers and achieving product sales of RMB5.9 trillion. The construction of the first-phase of portrait center, product center and marketing center for the corporate marketing middle-end platform was completed, and the number of individual customers brought by the synergy between the corporate and retail business exceeded 200 million.

Fifth, our digital risk management and control system continued to be improved to effectively secure our operational safety. The intelligent anti-fraud platform was successfully launched, enabling us to monitor key trading areas and product series of ABC E-loan with a daily average number of transactions of 0.25 billion. A model of integrated control over fraud risks became increasingly mature. The integrated control of online and offline credit limit management and unified risk management were preliminarily realized. A centralized risk operation center was established.

Sixth, as our data and technology foundation were continuously consolidated, our FinTech service capability was steadily improved. The construction of a Big Data platform and a unified access service platform for external data was steadily promoted. The quality of our data analyst team was effectively improved, and our data governance system, data standards and data security system were further improved. The distributed core system and the digital cloud platform were steadily optimized. The subsidiary of ABC FinTech Corporation was established.

In 2021, we will fully implement the decisions and arrangements at the Fifth Plenary Session of the 19th Central Committee of the Communist Party of China on building digital China, and promote digital financial services under regular pandemic prevention and control. Adhering to a customer-centered and value creation-oriented philosophy, urgent use first and coordinated promotion, we will promote the construction of channels, deepen the application of Big Data, strengthen business foundation and enhance technology support, so as to strive 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.

Financial Statement Analysis

Income Statement Analysis

In 2020, we aimed to enhance operation efficiency and value creation capability, and actively expanded revenue sources, sophisticatedly controlled cost and tapped potentials of reducing cost and increasing efficiency. We recorded operating income of RMB659,332 million, representing an increase of 4.8% as compared to the previous year. The cost-to-income ratio was 29.23%, representing a decrease of 1.26 percentage points. We achieved a net profit of RMB216,400 million for the year, representing an increase of RMB3,476 million, or 1.6%.

Changes of Significant Income Statement Items

In millions of RMB, except for percentages

Item	2020	2019	Increase/ (decrease)	Growth rate (%)
Net interest income	545,079	500,870	44,209	8.8
Net fee and commission income	74,545	72,927	1,618	2.2
Other non-interest income	39,708	55,553	(15,845)	-28.5
Operating income	659,332	629,350	29,982	4.8
Less: Operating expenses	229,897	224,096	5,801	2.6
Credit impairment losses	164,699	138,605	26,094	18.8
Impairment losses on other assets	204	118	86	72.9
Operating profit	264,532	266,531	(1,999)	-0.8
Share of result of associates and joint ventures	518	45	473	1,051.1
Profit before tax	265,050	266,576	(1,526)	-0.6
Less: Income tax expense	48,650	53,652	(5,002)	-9.3
Net profit	216,400	212,924	3,476	1.6
Attributable to:				
Equity holders of the Bank	215,925	212,098	3,827	1.8
Non-controlling interests	475	826	(351)	-42.5

Net Interest Income

Net interest income was the largest component of our operating income, accounting for 82.67% of the operating income in 2020. Our net interest income was RMB545,079 million in 2020, representing an increase of RMB44,209 million as compared to the previous year, among which, the changes in volume and interest rates resulted in an increase of RMB54,389 million and a decrease of RMB10,180 million in net interest income, respectively. Our net interest margin and net interest spread were 2.20% and 2.04%, representing decreases of three and five basis points, respectively, primarily due to: (1) a decrease in average yields of loans and advances to customers as a result of factors such as the downward LPR and the implementation of national policies on interest concession; and (2) a decrease in yields of investment and financing business affected by the downward market interest rate.

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

	2020			2019		
Item	**Average balance**	**Interest income/ expense**	**Average yield/cost (%)**	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	**14,419,902**	**631,753**	**4.38**	12,859,092	579,464	4.51
Debt securities investments[1]	**6,812,831**	**238,995**	**3.51**	6,373,176	232,571	3.65
Non-restructuring-related debt securities	**6,428,590**	**227,963**	**3.55**	5,988,985	220,739	3.69
Restructuring-related debt securities[2]	**384,241**	**11,032**	**2.87**	384,191	11,832	3.08
Balances with central banks	**2,234,121**	**34,271**	**1.53**	2,286,277	35,024	1.53
Amounts due from banks and other financial institutions[3]	**1,363,938**	**25,913**	**1.90**	941,437	26,081	2.77
Total interest-earning assets	**24,830,792**	**930,932**	**3.75**	22,459,982	873,140	3.89
Allowance for impairment losses[4]	**(619,089)**			(534,803)		
Non-interest-earning assets[4]	**1,651,501**			1,163,630		
Total assets	**25,863,204**			23,088,809		
Liabilities						
Deposits from customers	**18,611,986**	**284,552**	**1.53**	17,615,216	279,737	1.59
Amounts due to banks and other financial institutions[5]	**2,039,180**	**45,131**	**2.21**	1,734,711	44,994	2.59
Other interest-bearing liabilities[6]	**1,876,373**	**56,170**	**2.99**	1,386,484	47,539	3.43
Total interest-bearing liabilities	**22,527,539**	**385,853**	**1.71**	20,736,411	372,270	1.80
Non-interest-bearing liabilities[4]	**1,152,232**			1,095,540		
Total liabilities	**23,679,771**			21,831,951		
Net interest income		**545,079**			500,870	
Net interest spread			**2.04**			2.09
Net interest margin			**2.20**			2.23

Notes:
1. *Debt securities investments include debt securities investments at fair value through other comprehensive income and debt securities investments at amortized 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 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		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	68,381	(16,092)	52,289
Debt securities investments	15,423	(8,999)	6,424
Balances with central banks	(800)	47	(753)
Amounts due from banks and other financial institutions	8,027	(8,195)	(168)
Changes in interest income	91,031	(33,239)	57,792
Liabilities			
Deposits from customers	15,239	(10,424)	4,815
Amounts due to banks and other financial institutions	6,738	(6,601)	137
Other interest-bearing liabilities	14,665	(6,034)	8,631
Changes in interest expense	36,642	(23,059)	13,583
Changes in net interest income	**54,389**	**(10,180)**	**44,209**

Note: Changes caused by both volume and interest rate have been allocated to changes in volume.

Interest Income

We achieved interest income of RMB930,932 million in 2020, representing an increase of RMB57,792 million as compared to the previous year, which was primarily due to an increase of RMB2,370,810 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 RMB52,289 million, or 9.0%, to RMB631,753 million, which was primarily due to an increase in the scale of loans and advances to customers.

Interest income from corporate loans increased by RMB19,545 million, or 6.2%, to RMB332,975 million, which was primarily due to an increase in the scale of corporate loans.

Interest income from retail loans increased by RMB38,521 million, or 16.0%, to RMB279,369 million, which was primarily due to an increase in the scale of retail loans and an increase of 6 basis points in the average yield.

Interest income from discounted bills decreased by RMB2,604 million, or 22.1%, to RMB9,201 million, which was primarily due to a decrease of 59 basis points in the average yield of discounted bills and a decrease in scale of discounted bills.

Interest income from overseas and other loans decreased by RMB3,173 million, or 23.7%, to RMB10,208 million, which was primarily due to a decrease of 81 basis points in the average yield of overseas and other loans.

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

In millions of RMB, except for percentages

	2020			2019		
Item	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans	**7,806,885**	**332,975**	**4.27**	6,990,291	313,430	4.48
Short-term corporate loans	**2,472,008**	**95,512**	**3.86**	2,245,236	96,055	4.28
Medium- and long-term corporate loans	**5,334,877**	**237,463**	**4.45**	4,745,055	217,375	4.58
Discounted bills	**366,195**	**9,201**	**2.51**	380,995	11,805	3.10
Retail loans	**5,799,734**	**279,369**	**4.82**	5,054,758	240,848	4.76
Overseas and others	**447,088**	**10,208**	**2.28**	433,048	13,381	3.09
Total loans and advances to customers	**14,419,902**	**631,753**	**4.38**	12,859,092	579,464	4.51

Interest Income from Debt Securities Investments

Interest income from debt securities investments was the second largest component of interest income. In 2020, the interest income from debt securities investments increased by RMB6,424 million to RMB238,995 million as compared to the previous year, which was primarily due to an increase in the scale of debt securities investments.

Interest Income from Balances with Central Banks

Interest income from balances with central banks decreased by RMB753 million to RMB34,271 million as compared to the previous year, which was primarily due to the adjustment of mandatory depository reserve ratio.

Interest Income from Amounts Due from Banks and Other Financial Institutions

Interest income from amounts due from banks and other financial institutions decreased by RMB168 million to RMB25,913 million as compared to the previous year, which was primarily due to a decrease of 87 basis points in the average yield of amounts due from banks and other financial institutions caused by the downward interest rate in the monetary market.

Interest Expense

Interest expense increased by RMB13,583 million to RMB385,853 million as compared to the previous year, which was mainly due to an increase of RMB1,791,128 million in the average balance.

Interest Expense on Deposits from Customers

Interest expense on deposits from customers increased by RMB4,815 million to RMB284,552 million as compared to the previous year, which was primarily due to an increase in the scale of deposits from customers.

Analysis of Average Cost of Deposits by Product Type

In millions of RMB, except for percentages

	2020			2019		
Item	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	**2,414,982**	**60,775**	**2.52**	2,370,806	63,971	2.70
Demand	**4,969,048**	**43,014**	**0.87**	4,724,887	38,121	0.81
Sub-Total	**7,384,030**	**103,789**	**1.41**	7,095,693	102,092	1.44
Retail deposits						
Time	**5,642,490**	**156,281**	**2.77**	4,985,641	133,277	2.67
Demand	**5,585,466**	**24,482**	**0.44**	5,533,882	44,368	0.80
Sub-Total	**11,227,956**	**180,763**	**1.61**	10,519,523	177,645	1.69
Total deposits from customers	**18,611,986**	**284,552**	**1.53**	17,615,216	279,737	1.59

Interest Expense on Amounts Due to Banks and Other Financial Institutions

Interest expense on amounts due to banks and other financial institutions increased by RMB137 million to RMB45,131 million, which was primarily due to an increase in the average balance of deposits from banks and other financial institutions.

Interest Expense on Other Interest-bearing Liabilities

Interest expense on other interest-bearing liabilities increased by RMB8,631 million to RMB56,170 million as compared to the previous year, which was primarily due to the issuance of interbank certificates of deposit and conducting lending facilities with the PBOC.

Net Fee and Commission Income

In 2020, we generated net fee and commission income of RMB74,545 million, representing an increase of RMB1,618 million, or 2.2%, as compared to the previous year. In particular, income from consultancy and advisory fees increased by 10.5%, which was primarily due to the growth in syndicated loan business and bond underwriting business; income from agency commissions increased by 6.3%, which was primarily due to the growth of wealth management business and agency distribution of funds business; income from custodian and other fiduciary service fees increased by 13.7%, which was primarily due to the growth of income from custodian service such as funds custodian and wealth management custodian.

Composition of Net Fee and Commission Income

In millions of RMB, except for percentages

Item	2020	2019	Increase/ (decrease)	Growth rate (%)
Settlement and clearing fees	**11,129**	11,443	(314)	-2.7
Consultancy and advisory fees	**11,174**	10,109	1,065	10.5
Agency commissions	**21,043**	19,801	1,242	6.3
Bank card fees	**14,702**	15,486	(784)	-5.1
Electronic banking service fees	**26,169**	25,209	960	3.8
Credit commitment fees	**1,875**	1,895	(20)	-1.1
Custodian and other fiduciary service fees	**4,435**	3,899	536	13.7
Others	**639**	474	165	34.8
Fee and commission income	**91,166**	88,316	2,850	3.2
Less: Fee and commission expenses	**16,621**	15,389	1,232	8.0
Net fee and commission income	**74,545**	72,927	1,618	2.2

Other Non-interest Income

In 2020, other non-interest income amounted to RMB39,708 million, representing a decrease of RMB15,845 million as compared to the previous year. In particular, net trading gain decreased by RMB2,662 million, which was primarily due to a decrease in net gain on debt instruments held for trading; net loss on financial investments increased by RMB13,105 million, which was primarily due to an increase in net loss on financial liabilities designated as at fair value through profit or loss.

Composition of Other Non-interest Income

In millions of RMB

Item	2020	2019
Net trading gain	**16,405**	19,067
Net (loss)/gain on financial investments	**(7,312)**	5,793
Net gain on derecognition of financial assets measured at amortized cost	**1**	–
Other operating income	**30,614**	30,693
Total	**39,708**	55,553

Operating expenses

In 2020, our operating expenses increased by RMB5,801 million to RMB229,897 million as compared to the previous year; cost-to-income ratio decreased by 1.26 percentage points to 29.23%.

Composition of operating expenses

In millions of RMB, except for percentages

Item	2020	2019	Increase/ (decrease)	Growth rate (%)
Staff costs	**123,345**	124,267	(922)	(0.7)
General operating and administrative expenses	**49,452**	48,246	1,206	2.5
Insurance benefits and claims	**27,873**	23,349	4,524	19.4
Depreciation and amortization	**19,551**	18,711	840	4.5
Tax and surcharges	**5,813**	5,688	125	2.2
Others	**3,863**	3,835	28	0.7
Total	**229,897**	224,096	5,801	2.6

Credit Impairment Losses

In 2020, our credit impairment losses were RMB164,699 million, among which impairment losses on loans increased by RMB7,155 million to RMB138,988 million as compared to the previous year, primarily because we made the allowance for impairment losses on loans with a prudent approach after full consideration of the uncertainties in the macro environment.

Income Tax Expense

In 2020, our income tax expense decreased by RMB5,002 million, or 9.3%, to RMB48,650 million as compared to the previous year. The effective tax rate was 18.36%, which was lower than the statutory tax rate. This was primarily because the interest income from the PRC treasury bonds and local government bonds held by the Bank 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. Segment information had been presented in the 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 periods indicated.

In millions of RMB, except for percentages

	2020		2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Corporate banking business	**260,853**	**39.6**	271,113	43.1
Retail banking business	**277,603**	**42.1**	240,579	38.2
Treasury operations	**77,179**	**11.7**	79,102	12.6
Other business	**43,697**	**6.6**	38,556	6.1
Total operating income	**659,332**	**100.0**	629,350	100.0

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

In millions of RMB, except for percentages

	2020		2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Head Office	**37,034**	**5.6**	53,412	8.5
Yangtze River Delta	**128,436**	**19.5**	117,085	18.6
Pearl River Delta	**97,061**	**14.7**	90,032	14.3
Bohai Rim	**90,921**	**13.8**	86,083	13.7
Central China	**98,993**	**15.0**	90,460	14.4
Western China	**139,762**	**21.2**	129,343	20.6
Northeastern China	**22,928**	**3.5**	21,319	3.4
Overseas and others	**44,197**	**6.7**	41,616	6.5
Total operating income	**659,332**	**100.0**	629,350	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 periods indicated.

In millions of RMB, except for percentages

	2020		2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
County Area Banking Business	**261,794**	**39.7**	236,739	37.6
Urban Area Banking Business	**397,538**	**60.3**	392,611	62.4
Total operating income	**659,332**	**100.0**	629,350	100.0

Balance Sheet Analysis

Assets

At 31 December 2020, our total assets amounted to RMB27,205,047 million, representing an increase of RMB2,327,556 million, or 9.4%, as compared to the end of the previous year. In particular, net loans and advances to customers increased by RMB1,732,669 million, or 13.5%; financial investments increased by RMB399,729 million, or 5.4%; cash and balances with central banks decreased by RMB262,620 million, or 9.7%; deposits and placements with and loans to banks and other financial institutions increased by RMB222,208 million, or 29.3%, which was primarily due to an increase in cooperative deposits with banks and other financial institutions; financial assets held under resale agreements increased by RMB107,655 million, or 15.2%, which was primarily due to an increase in debt securities held under resale agreements.

Key Items of Assets

In millions of RMB, except for percentages

	31 December 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Total loans and advances to customers	**15,170,442**	**–**	13,360,342	–
Less: Allowance for impairment losses on loans	**618,009**	**–**	540,578	–
Loans and advances to customers, net	**14,552,433**	**53.5**	12,819,764	51.5
Financial investments	**7,822,659**	**28.8**	7,422,930	29.8
Cash and balances with central banks	**2,437,275**	**9.0**	2,699,895	10.9
Deposits and placements with and loans to banks and other financial institutions	**981,133**	**3.6**	758,925	3.1
Financial assets held under resale agreements	**816,206**	**3.0**	708,551	2.8
Others	**595,341**	**2.1**	467,426	1.9
Total assets	**27,205,047**	**100.0**	24,877,491	100.0

Loans and Advances to Customers

At 31 December 2020, our total loans and advances to customers amounted to RMB15,170,442 million, representing an increase of RMB1,810,100 million, or 13.5%, 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 2020 Amount	31 December 2020 Percentage (%)	31 December 2019 Amount	31 December 2019 Percentage (%)
Loans granted by domestic branches	**14,722,705**	**97.3**	12,908,837	96.8
Corporate loans	**8,134,487**	**53.7**	7,095,770	53.2
Discounted bills	**389,475**	**2.6**	421,390	3.2
Retail Loans	**6,198,743**	**41.0**	5,391,677	40.4
Overseas and others	**413,416**	**2.7**	419,913	3.2
Sub-Total	**15,136,121**	**100.0**	13,328,750	100.0
Accrued interest	**34,321**	**–**	31,592	–
Total	**15,170,442**	**–**	13,360,342	–

Distribution of Corporate Loans by Maturity

In millions of RMB, except for percentages

Item	31 December 2020 Amount	31 December 2020 Percentage (%)	31 December 2019 Amount	31 December 2019 Percentage (%)
Short-term corporate loans	**2,471,235**	**30.4**	2,203,081	31.0
Medium- and long-term corporate loans	**5,663,252**	**69.6**	4,892,689	69.0
Total	**8,134,487**	**100.0**	7,095,770	100.0

Distribution of Corporate Loans by Industry

In millions of RMB, except for percentages

Item	31 December 2020 Amount	31 December 2020 Percentage (%)	31 December 2019 Amount	31 December 2019 Percentage (%)
Manufacturing	**1,329,190**	**16.3**	1,196,978	16.9
Production and supply of power, heat, gas and water	**924,078**	**11.4**	852,697	12.0
Real estate[1]	**786,673**	**9.7**	693,376	9.8
Transportation, logistics and postal services	**1,860,488**	**22.9**	1,642,017	23.1
Wholesale and retail	**408,879**	**5.0**	310,828	4.4
Water, environment and public utilities management	**611,925**	**7.5**	511,348	7.2
Construction	**213,961**	**2.6**	225,010	3.2
Mining	**191,659**	**2.3**	201,044	2.8
Leasing and commercial services	**1,259,179**	**15.5**	1,037,898	14.6
Finance	**232,833**	**2.9**	191,141	2.7
Information transmission, software and IT services	**38,716**	**0.5**	27,612	0.4
Others[2]	**276,906**	**3.4**	205,821	2.9
Total	**8,134,487**	**100.0**	7,095,770	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 real estate development loans 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 2020, the balance of real estate loans to corporate customers amounted to RMB378,533 million, representing an increase of RMB31,605 million as compared to the end of the previous year.

2. Others mainly include agriculture, forestry, animal husbandry, fishery, public health, and social work.

At 31 December 2020, the top five major industries for our corporate loans including: (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 loan balance of the top five major industries accounted for 75.8% of our total corporate loans, representing a decrease of 0.6 percentage point as compared to the end of the previous year.

Distribution of Retail Loans by Product Type

At 31 December 2020, our retail loans increased by RMB807,066 million, or 15.0%, as compared to the end of the previous year. Residential mortgage loans increased by 12.0%, primarily because we supported customers to purchase their residential properties for non-investment purpose; loans to private business increased by 43.6 %, primarily due to the increase in inclusive loans; credit card balances increased by 14.4%, primarily due to the sustained rapid increase in credit card installment business; loans to rural households increased by 35.2%, primarily due to the rapid increase in Huinong E-loan.

In millions of RMB, except for percentages

Item	31 December 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Residential mortgage loans	4,662,119	75.2	4,162,431	77.2
Personal consumption loans	178,559	2.9	168,036	3.1
Loans to private business	379,554	6.1	264,305	4.9
Credit card balances	542,563	8.8	474,205	8.8
Loans to rural households	435,267	7.0	321,968	6.0
Others	681	–	732	–
Total	6,198,743	100.0	5,391,677	100.0

Distribution of Loans and Advances to Customers by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	350,729	2.3	319,025	2.4
Yangtze River Delta	3,480,092	23.0	2,996,889	22.4
Pearl River Delta	2,470,677	16.3	2,136,152	16.0
Bohai Rim	2,214,679	14.6	2,000,981	15.0
Central China	2,300,770	15.2	1,982,054	14.9
Northeastern China	551,938	3.7	503,266	3.8
Western China	3,353,820	22.2	2,970,470	22.3
Overseas and others	413,416	2.7	419,913	3.2
Sub-Total	15,136,121	100.0	13,328,750	100.0
Accrued interest	34,321	–	31,592	–
Total	15,170,442	–	13,360,342	–

Financial Investments

At 31 December 2020, our financial investments amounted to RMB7,822,659 million, representing an increase of RMB399,729 million, or 5.4%, as compared to the end of the previous year. In particular, investments in non-restructuring-related debt securities increased by RMB476,663 million, as compared to the end of the previous year, which was primarily due to an increase in investment in government bonds.

Distribution of Financial Investments by Product Type

In millions of RMB, except for percentages

	31 December 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Non-restructuring-related debt securities	**7,074,042**	**91.9**	6,597,379	90.3
Restructuring-related debt securities	**384,239**	**5.0**	384,243	5.3
Equity instruments	**106,276**	**1.4**	100,619	1.4
Others[1]	**132,155**	**1.7**	227,369	3.0
Sub-Total	**7,696,712**	**100.0**	7,309,610	100.0
Accrued interest	**125,947**	**–**	113,320	–
Total	**7,822,659**	**–**	7,422,930	–

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 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Government bonds	**4,253,736**	**60.2**	3,531,300	53.5
Bonds issued by policy banks	**1,427,871**	**20.2**	1,388,164	21.0
Bonds issued by other banks and financial institutions	**873,119**	**12.3**	1,100,892	16.7
Bonds issued by entities in public sectors	**220,866**	**3.1**	216,576	3.3
Corporate bonds	**298,450**	**4.2**	360,447	5.5
Total	**7,074,042**	**100.0**	6,597,379	100.0

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

In millions of RMB, except for percentages

	31 December 2020		31 December 2019	
Remaining Maturity	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Overdue	**–**	**–**	–	–
Less than 3 months	**298,062**	**4.2**	434,169	6.6
3–12 months	**937,124**	**13.2**	1,066,476	16.2
1–5 years	**3,156,436**	**44.7**	3,134,611	47.5
More than 5 years	**2,682,420**	**37.9**	1,962,123	29.7
Total	**7,074,042**	**100.0**	6,597,379	100.0

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

In millions of RMB, except for percentages

	31 December 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
RMB	**6,756,711**	**95.5**	6,267,575	95.0
USD	**264,207**	**3.7**	272,831	4.1
Other foreign currencies	**53,124**	**0.8**	56,973	0.9
Total	**7,074,042**	**100.0**	6,597,379	100.0

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

In millions of RMB, except for percentages

Item	31 December 2020		31 December 2019	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Financial assets at fair value through profit or loss	**583,069**	**7.6**	801,361	10.9
Debt investments at amortized cost	**5,574,008**	**72.4**	4,851,607	66.4
Other debts and other equity instruments investments at fair value through other comprehensive income	**1,539,635**	**20.0**	1,656,642	22.7
Sub-Total	**7,696,712**	**100.0**	7,309,610	100.0
Accrued interest	**125,947**	**–**	113,320	–
Total	**7,822,659**	**–**	7,422,930	–

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 2020, the balance of financial bonds held by the Bank was RMB2,300,990 million, including bonds of RMB1,427,871 million issued by policy banks and bonds of RMB873,119 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 2020.

In millions of RMB, except for percentages

Bond	Face value	Annual interest rate	Maturity date	Allowance[1]
2017 policy bank bond	32,631	3.85%	2027/1/6	–
2017 policy bank bond	28,334	4.39%	2027/9/8	–
2019 policy bank bond	27,492	3.28%	2024/2/11	–
2017 policy bank bond	26,304	3.83%	2024/1/6	–
2017 policy bank bond	23,621	4.11%	2027/3/20	–
2019 policy bank bond	21,679	3.86%	2029/5/20	–
2019 policy bank bond	21,450	3.74%	2029/7/12	–
2020 policy bank bond	21,065	3.23%	2030/3/23	–
2017 policy bank bond	19,307	4.13%	2022/4/21	–
2019 policy bank bond	18,877	3.75%	2029/1/25	–

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

Liabilities

At 31 December 2020, our total liabilities increased by RMB2,070,671 million, or 9.0%, as compared to the end of the previous year to RMB24,994,301 million. In particular, deposits from customers increased by RMB1,523,746 million, or 8.1%; deposits and placements from banks and other financial institutions decreased by RMB44,096 million, or 2.4%; financial assets sold under repurchase agreements increased by RMB55,998 million, or 105.3%, which was primarily due to an increase in bonds sold under repurchase agreements; debt securities issued increased by RMB263,633 million, or 23.8%, which was primarily due to the increase in issuance of interbank certificates of deposit.

Key Items of Liabilities

In millions of RMB, except for percentages

Item	31 December 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Deposits from customers	20,372,901	81.5	18,849,155	82.2
Deposits and placements from banks and other financial institutions	1,785,176	7.1	1,829,272	8.0
Financial assets sold under repurchase agreements	109,195	0.4	53,197	0.2
Debt securities issued	1,371,845	5.5	1,108,212	4.8
Other liabilities	1,355,184	5.5	1,083,794	4.8
Total liabilities	24,994,301	100.0	22,923,630	100.0

Deposits from Customers

At 31 December 2020, the balance of deposits from customers of the Bank increased by RMB1,523,746 million, or 8.1%, as compared to the end of the previous year to RMB20,372,901 million. In terms of customer structure, the proportion of retail deposits increased by 0.7 percentage point to 59.3%. In terms of maturity structure, the proportion of demand deposits decreased by 2.1 percentage points to 55.2%.

Distribution of Deposits from Customers by Business Type

In millions of RMB, except for percentages

Item	31 December 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic deposits	20,002,156	99.5	18,522,430	99.5
Corporate deposits	7,618,591	37.9	7,196,002	38.7
Time	2,390,431	11.9	2,231,297	12.0
Demand	5,228,160	26.0	4,964,705	26.7
Retail deposits	11,926,040	59.3	10,904,731	58.6
Time	6,054,657	30.1	5,216,113	28.0
Demand	5,871,383	29.2	5,688,618	30.6
Other deposits[1]	457,525	2.3	421,697	2.2
Overseas and others	105,216	0.5	95,743	0.5
Sub-Total	20,107,372	100.0	18,618,173	100.0
Accrued interest	265,529	–	230,982	–
Total	20,372,901	–	18,849,155	–

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 2020 Amount	31 December 2020 Percentage (%)	31 December 2019 Amount	31 December 2019 Percentage (%)
Head Office	146,231	0.7	366,670	2.0
Yangtze River Delta	4,802,096	23.9	4,237,795	22.7
Pearl River Delta	2,818,551	14.0	2,590,965	13.9
Bohai Rim	3,493,789	17.4	3,193,377	17.2
Central China	3,394,921	16.9	3,122,629	16.8
Northeastern China	1,004,778	5.0	893,920	4.8
Western China	4,341,790	21.6	4,117,074	22.1
Overseas and others	105,216	0.5	95,743	0.5
Sub-Total	20,107,372	100.0	18,618,173	100.0
Accrued interest	265,529	–	230,982	–
Total	20,372,901	–	18,849,155	–

Distribution of Deposits from Customers by Remaining Maturity

In millions of RMB, except for percentages

Item	31 December 2020 Amount	31 December 2020 Percentage (%)	31 December 2019 Amount	31 December 2019 Percentage (%)
Demand	11,908,631	59.2	11,248,552	60.4
Less than 3 months	1,755,619	8.7	1,955,120	10.5
3–12 months	2,875,558	14.3	2,596,781	13.9
1–5 years	3,555,435	17.7	2,805,116	15.1
More than 5 years	12,129	0.1	12,604	0.1
Sub-Total	20,107,372	100.0	18,618,173	100.0
Accrued interest	265,529	–	230,982	–
Total	20,372,901	–	18,849,155	–

Shareholders' Equity

At 31 December 2020, our shareholders' equity amounted to RMB2,210,746 million, representing an increase of RMB256,885 million or 13.1% as compared to the end of the previous year. Net assets per ordinary share were RMB5.39, representing an increase of RMB0.39 as 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 2020 Amount	31 December 2020 Percentage (%)	31 December 2019 Amount	31 December 2019 Percentage (%)
Ordinary shares	349,983	15.8	349,983	17.9
Other equity instruments	319,875	14.5	199,886	10.2
Capital reserve	173,556	7.9	173,556	8.9
Investment revaluation reserve	25,987	1.2	29,684	1.5
Surplus reserve	196,071	8.8	174,910	9.0
General reserve	311,449	14.1	277,016	14.2
Retained earnings	828,240	37.4	741,101	37.9
Foreign currency translation reserve	(372)	–	2,219	0.1
Non-controlling interests	5,957	0.3	5,506	0.3
Total	2,210,746	100.0	1,953,861	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 Bank's 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 comprise 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

	31 December 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Loan commitments	**1,617,278**	**51.0**	1,056,796	43.8
Bank acceptances	**429,841**	**13.6**	339,829	14.1
Guarantees and letters of guarantee	**264,646**	**8.4**	216,229	9.0
Letters of credit	**162,356**	**5.1**	151,040	6.3
Credit card commitments	**695,183**	**21.9**	646,134	26.8
Total	**3,169,304**	**100.0**	2,410,028	100.0

Other Financial Information

Changes in Accounting Policies

There were no significant changes in accounting policies during the reporting period.

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

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

Business Review

Corporate Banking

During the reporting period, we actively supported major national strategies and key areas of the real economy, spared no effort in providing financial services for the pandemic prevention and control, fostered new growth drivers through promoting digital transformation, established a new integrated service model, and improved our comprehensive financial service capability and customer satisfaction, so as to promote the high-quality development of our corporate banking business. At the end of 2020, the balance of domestic corporate deposits amounted to RMB7,618,591 million, representing an increase of RMB422,589 million compared to the end of the previous year. The balance of domestic corporate loans and discounted bills amounted to RMB8,523,962 million, representing an increase of RMB1,006,802 million as compared to the end of the previous year. 16,012 projects were included in our major marketing projects pool, increased by 2,166 projects as compared to the end of the previous year, and the loans extended amounted to RMB682.6 billion. At the end of 2020, we had 7.9929 million corporate banking customers[1], among which 327.9 thousand customers had outstanding loan balances, representing an increase of 114.9 thousand customers as compared to the end of the previous year.

- We provided services to support major national strategies, such as the Belt and Road Initiative, the Coordinated Development of Beijing-Tianjin-Hebei Region, the development of the Yangtze River Economic Belt, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, the development of the Yangtze River Delta Integration and the ecological protection and high-quality development of the Yellow River Basin. We introduced differentiated supporting policies by formulating dedicated service plans for Xiongan New Area, Shenzhen pilot demonstration area, Shanghai free trade zone and the Guangdong-Hong Kong-Macao Greater Bay Area, with an increase of RMB197.6 billion in loans for the year.

- We provided services to support key areas of the real economy. We supported the construction of the modern industrial system. The number of customers with outstanding loan balances and the balance of loans in manufacturing industry (based on the use of loans) increased by 79.1 thousand and RMB157,534 million as compared to the end of the previous year, respectively. We supported new economy and new growth drivers by strengthening financial services for key customers of the new economy and unicorns as well as science and technology startups. Our loans for strategic emerging industries and growing modern service industries increased by RMB110,853 million and RMB93,831 million as compared to the end of the previous year, respectively.

- We supported the development of private enterprises. We supported private enterprises to prevent and control the pandemic and resume work and production by introducing supportive policies, increasing credit and innovating financial service models. At the end of 2020, the number of private enterprises with outstanding loan balances reached 305.7 thousand, representing an increase of 110.6 thousand customers as compared to the end of the previous year. The balance of loans was RMB2,031,413 million, representing an increase of RMB404,861 million as compared to the end of the previous year.

- We promoted digital transformation. We practiced digitally classified marketing with corporate customers to effectively improve the precision of our marketing activities and our service level. We expanded more corporate financial scenes, to improve our financial services for all customer groups, in all scenes and throughout the entire process. At the end of 2020, we had 74.9 thousand Internet scenes for corporate business, a net increase of 48.6 thousand as compared to the end of the previous year, serving more than 77 million corporate and individual customers. Our active customers for corporate Internet banking and corporate mobile banking increased by 945.6 thousand and 875.5 thousand, respectively.

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1 *The criteria for corporate banking customers changed to the corporate banking customers having deposits or settlements in the Bank during the reporting period (excluding the dormant accounts over 5 years).*

Transaction Banking

We continued to improve the transaction banking system based on our accounts and payment settlement. We made efforts to construct a "Smart Payment+" platform, pushed forward the construction of corporate customers and accounts, and accelerated to improve our major product lines, which promoted the high-quality development of our transaction banking business.

- We enhanced account opening services for enterprises, which improved customer experience and fostered our ability of customer acquisition on the Internet. At the end of 2020, we had 8.3596 million corporate RMB-dominated settlement accounts.

- We innovatively developed online products such as Fund Supervision, Gongxin Bao and E-guarantee. The integration of smart payment and financing was advanced to satisfy the requirements of the governments for online fund supervision, of migrant rural workers for stable employment and of enterprises for resumption of work and production. At the end of 2020, we had 3.6917 million active transaction banking customers, representing an increase of 15.9% as compared to the end of the previous year.

Institutional Banking

Adhering to the customer-oriented philosophy, we promoted the construction of Smart Customer and improved our comprehensive service capabilities. At the end of 2020, we had 502.9 thousand institutional customers and 680.8 thousand accounts, respectively, representing an increase of 12.6% and 10.6%, respectively, as compared to the end of the previous year.

- In terms of financial services provided to the governments, we cooperated with 31 provincial-level and 172 prefecture-level service platforms for government affairs. We worked with the Xiangyang Municipal Government of Hubei Province to launch the iXiangyang APP.

- In terms of fiscal and social security, we launched a special project to serve the integration of national fiscal budget management covering 16 provinces. We were the first bank to issue electronic certificates for medical insurance through our mobile banking, which covered 32 provinces and had more than 10 million users.

- In terms of financial services with respect to people's livelihood, we cooperated with over 30 thousand schools on our smart campus, and over one thousand hospitals on our smart hospital.

- In terms of services to financial institutions, the contracted customers for third-party depository services amounted to 48.8215 million at the end of 2020, representing an increase of 5.3524 million as compared to the end of the previous year.

Investment Banking

Actively implementing the national requirements of ensuring stability on the six fronts and security in the six areas, we assisted direct financing through investment banking business, supported pandemic prevention and control and served the development of the real economy. In 2020, the income from our investment banking business was RMB9,923 million, representing an increase of 15.6% as compared to the previous year.

- We actively served national strategies. The model of industrial funds based on synergy between the Bank and its subsidiaries was innovatively developed and the business of stock option arrangement was piloted. We provided integrated comprehensive financial services to science and innovation enterprises, and supported major projects such as the system reforms for oil and gas industries, the construction of infrastructure in Xiongan, and the Shenzhen Metro. As we supported pandemic prevention and control and the resumption of work and production, more than RMB30 billion were raised through pandemic prevention and control debts and debt financing plans.

- We maintained the smooth financing channels for market players. We supported direct financing needs of our customers, with RMB521.8 billion debt financing instruments underwritten for non-financial corporates. We met large financing needs from our customers and projects through syndicated loans, with the balance exceeding RMB1.5 trillion, maintaining our leading position in the market. As a financial advisor in helping enterprises in M&A and restructuring, as well as in improving industrial structure, the balance of M&A loans ranked among the top in the industry.

- We promoted business innovation continuously. We underwrote the first asset-backed commercial paper (ABCP), the first M&A notes which the price was paid with all the raised funds, and the first perpetual panda bond of state-owned enterprises in the market, playing an exemplary and leading role. We registered the first high-yield bond, which opened up bond financing channels for high-quality small and medium-sized enterprises.

- Our market influence continued to expand. We won a total of 24 honors and awards, including, among others, 2020 TianJi Award for All-round Bank Investment Banking Business by the *Securities Times*, Top 10 Investment Bank Innovation Award by *The Banker*, Excellent ABS Originator Award by China Central Depository & Clearing Co., Ltd. and Best Performance of Syndicated Loan Award by *China Banking*.

Retail Banking

In 2020, aiming to build ABC into a preferred smart retail bank for customers, we enhanced our digital, intelligent and online service capabilities for retail banking business and further strengthened the position of our retail banking business as our strategic cornerstone, which was driven by "finance + technology + data". At the end of 2020, the total number of our retail customers amounted to 0.86 billion.

- Our intelligent service capabilities were enhanced. Relying on the "smart brain of retail business", we implemented digital empowerment. We enhanced our capabilities of digital marketing services and promoted mobile marketing tools for customer managers, with the total sales for the year realized through the digital customer relationship management system amounting to RMB4.53 trillion. Digital Human, a smart service system automatically operated all day and in all channels, was established, by which we served 1.76 billion customers through direct marketing for the year.

- We actively supported the pandemic prevention and control. We upgraded digital operating tools, carried out Heart Warming Initiative to provide our customers with online services including purchase of new wealth management products upon maturity, insurance security and living payment, with 0.21 billion customers served. We launched a warm employment platform to support the resumption of work and production, with over 25 thousand registered job seekers.

- We enhanced the construction of scene-based finance. We strengthened our cooperation with platforms with high frequency traffic flow and embedded opening electronic accounts, payment and settlement, consumption loans and payroll service into various kinds of living scenes to realize our financial services which can be accessed anywhere. Through the Exclusive Financial Shop for Corporate Customers, we provided employees of enterprises with batch, tailored and one-stop financial services in batch, with over 1 million shops opened. We were the first to issue electronic social security cards by one-touch on our mobile banking, with the number of electronic social security cards issued exceeding 10 million.

- We accelerated our product innovation and procedure optimization. We launched Yihu E-loan, Education E-loan, and ABC QuickTransfer, as well as precious metal products such as the Five Oxen painting created in cooperation with The Palace Museum. We continued with our retail banking business handled without physical cards in our foundation-level branch outlets and launched a new verification model of code scanning by mobile banking instead of card swiping. The convenience and experience of our customer service were significantly improved as we realized remote registration for merchants and remote contracting for credit.

Retail Loans

- By strictly implementing national control policies for the real estate industry, we supported the rational demand of residents for homes for non-investment purpose and actively expanded our pre-owned homes mortgage business, with our retail residential mortgage business achieving steady growth. At the end of 2020, the balance of retail residential mortgage loans of the Bank amounted to RMB4,662,119 million, representing an increase of RMB499,688 million as compared to the end of the previous year.

- Focusing on the top six happiness industries and other sectors including automobile, decoration and online consumption, we accelerated the layout of online scenes and conducted batch marketing for quality employees of group customers. We maintained our leading position in the personal consumption loan market and the balance of our online consumption loans exceeded RMB100 billion.

- We enhanced our financial services. We promoted Housing Mortgage E-loan innovatively, implemented fee reduction and interest concession, and increased the provision of inclusive loans to support individual industrial and commercial households and small and micro enterprises to resume work and production. At the end of 2020, the balance of personal business loans reached RMB379,554 million, representing an increase of RMB115,249 million as compared to the end of the previous year.

Retail Deposits

- We enhanced customer management, pushed forward product innovation and system construction, promoted the application of digital tools, and marketed retail deposits in a targeted approach. Our retail deposits continued to grow steadily.

- At the end of 2020, the balance of domestic retail deposits reached RMB11,926,040 million, representing an increase of RMB1,021,309 million as compared to the end of the previous year.

Bank Card Business

- We cooperated with third parties, such as China UnionPay, and accelerated the construction of the small amount and high frequency payment scenes such as supermarket, convenience store and grocery market, to improve the transaction activeness of our debit cards. We launched the exclusive debit card (Zhufu Card) with reduction and exemption of fees for workers in the construction industry to provide higher quality and more convenient financial services for rural migrant workers. At the end of 2020, we cumulatively issued 1,098 million debit cards, and the transaction volume for the year was RMB25.48 trillion.

- We launched the Rural Vitalization thematic credit card and exclusive Xinyi credit card with exclusive rights for medical workers. The Express brand-RMB credit card was issued for the first time and our star membership rights system was introduced. We organized promotion activities such as Auto Festival, Home Decoration Festival, Happily Enjoying Saturday and Accompanying with Deep Affection. Our Lefenyi achieved zero-contact service and our instalment transaction volume of credit cards continued to increase. At the end of 2020, we cumulatively issued 0.13 billion credit cards, and the transaction volume for the year amounted to RMB2.1 trillion.

Private Banking Business

- We introduced the first private banking exclusive brand namely Yi Private Banking in China and released its new branding strategy, visual image and micro film. We built the exclusive investment product series of Six Ying for private banking business to satisfy diversified demands of customers in asset allocation. By actively expanding family trust service, its business scale remained fast growth. Private banking zone in mobile banking was launched to continuously enhance our private banking customers' experience.

- At the end of 2020, the number of our private banking customers reached 141 thousand and the balance of assets under management amounted to RMB1,696 billion, representing an increase of 18 thousand and RMB292 billion as compared to the end of the previous year, respectively.

Treasury Operations

The treasury operations of the Bank include money market activities and investment portfolio management. We adhered to serving the real economy and the transformation of the economy, and fully supported pandemic prevention and control and resumption of work and production. We flexibly adjusted investment strategies and strengthened flow operations on the basis of ensuring the security of bank-wide liquidity. Our investment return on assets remained at a relatively high level among the peers.

Money Market Activities

- We actively participated in open market operations and offered more liquidity to small and medium-sized financial institutions.

- We reinforced research on monetary policies and forecast of market liquidity, comprehensively used various financial instruments such as placement and lending, repurchase, certificates of deposit and deposit to smoothen liquidity fluctuations and reasonably allocated maturity funds to improve efficiency of fund utilization on the basis of ensuring the security of our liquidity.

- In 2020, our RMB-denominated financing transactions amounted to RMB64,069,418 million, including RMB62,310,120 million in lending and RMB1,759,298 million in borrowing.

Investment Portfolio Management

At 31 December 2020, our financial investment amounted to RMB7,822,659 million, representing an increase of RMB399,729 million or 5.4% as compared to the end of the previous year.

Trading Book Activities

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

- In 2020, as the domestic bond market fluctuated significantly, we carried out dynamic adjustment on the positions of portfolio in the trading book following the market trend, used derivatives to hedge risks. We increased trading activeness of credit bonds to serve for the real economy actively.

Banking Book Activities

- We strengthened research on domestic and overseas monetary policies and forecast of the trend of interest rates. Considering the profiles of bond supply and maturity of portfolios, we optimized structures of portfolios and seized the investment opportunity. The portfolio yields ranked forefront among the peers.

- We invested in Special Government Bonds for COVID-19 control and specific anti-pandemic bonds of policy banks to support pandemic prevention and control; actively invested in bonds in sectors such as science and technology, telecommunications, transportation, energy and power to support the innovation of science and technology, the transformation of industries and the construction of key national projects.

Asset Management

Wealth Management

In 2020, we implemented a series of regulatory requirements under Guiding Opinions regarding Asset Management Business of Financial Institutions and formulated a scheme for existing wealth management business to speed up its net worth transformation. At the end of December 2020, the balance of the Group's wealth management products reached RMB2,027,727 million, of which RMB1,077,913 million was from the Bank and RMB949,814 million was from Agricultural Bank of China Wealth Management Co., Ltd.

Wealth Management Products of the Bank

At the end of 2020, the balance of our wealth management products amounted to RMB1,077,913 million. By income type, the balance of principal guaranteed wealth management products amounted to RMB72,313 million, accounting for 6.7% of the total and representing a decrease of RMB230,523 million as compared to the end of the previous year; the balance of non-principal guaranteed wealth management products amounted to RMB1,005,600 million, accounting for 93.3% of the total and representing a decrease of RMB711,597 million. By offering approach, the balance of public offering wealth management products reached RMB1,062,954 million, accounting for 98.6% of the total and representing a decrease of RMB938,386 million; the balance of private offering wealth management products amounted to RMB14,959 million, accounting for 1.4% of the total and representing a decrease of RMB3,733 million.

The table below presents the issuance, maturity, redemption and duration of our wealth management products during the reporting period.

In millions of RMB, except for tranches

	31 December 2019		Issuance		Maturity		Redemption	31 December 2020	
Item	Tranche	Amount	Tranche	Amount	Tranche	Amount	Amount	Tranche	Amount
Principal guaranteed wealth management	54	302,836	36	1,155,477	88	77,514	1,308,486	**2**	**72,313**
Non-principal guaranteed wealth management	861	1,717,197	852	18,188,935	1,281	896,168	17,359,005	**403**	**1,005,600**
Total	915	2,020,033	888	19,344,412	1,369	973,682	18,667,491	**405**	**1,077,913**

Note: There are 29 tranches of non-principal guaranteed wealth management products with an amount of RMB645,359 million in 2020 whose managers were changed from the Bank to Agricultural Bank of China Wealth Management Co., Ltd.; maturity amounts refer to the balances of wealth management products at maturity dates.

The table below presents the balances of direct and indirect investment assets under the Bank's wealth management as at the dates indicated.

In millions of RMB, except for percentages

	31 December 2020	
Item	Amount	Percentage (%)
Cash, deposits and interbank certificates of deposit	**303,468**	**23.0**
Placements with and loans to banks and financial assets held under resale agreements	**155,951**	**11.8**
Debt securities	**562,781**	**42.6**
Non-standardized credit assets	**231,760**	**17.6**
Other assets	**65,791**	**5.0**
Total	**1,319,751**	**100.0**

Wealth Management Products of Agricultural Bank of China Wealth Management Co., Ltd.

At the end of 2020, the balance of the wealth management products of Agricultural Bank of China Wealth Management Co., Ltd. amounted to RMB949,814 million. These wealth management products were all net worth ones, among which public offering wealth management products accounted for 97.2% while private offering wealth management products accounted for 2.8%.

Custody Service

- Significant progress has been made in serving the construction of the national pension security system. We successfully won the bid for qualifications of the basic pension insurance fund custodianship, enabling us to become a fully licensed custody bank in the pension field. We won bids for qualifications of enterprise annuity custodianship in 2 provinces in 2020, and won all such bids in 31 provinces, regions and municipalities.

- At the end of 2020, our assets under custody amounted to RMB10,105,008 million, representing an increase of 2.2% as compared to the end of the previous year, of which the pension funds under custody amounted to RMB686,292 million, representing an increase of 6.4% as compared to the end of the previous year. The income from custody service amounted to RMB4,435 million, representing an increase of 13.7% as compared to the previous year.

Pension

- We advanced market expansion, and cumulatively won bids in occupational pension schemes as a trustee in 26 provinces, autonomous regions and municipalities directly under the central government. We improved management mechanism, optimized asset allocation and strengthened risk management and control, having achieved the steady appreciation of assets under entrusted management and continuous growth of business scale.

- At the end of 2020, our pension funds under entrusted management[1] amounted to RMB117,523 million, representing an increase of RMB51,737 million, or 78.6%, as compared to the end of the previous year.

Precious Metals

- In 2020, we traded 4,790 tons of gold and 85,461 tons of silver for our own account as well as on behalf of customers, and maintained the leading positions in the industry in terms of rank of transaction volume for our own account.

- We implemented the requirements for financial consumer interests protection and enhanced customer eligibility management and related risk reminder, so as to improve our customer service and capabilities of risk prevention.

- We steadily developed the precious metal leasing and lending businesses and supported precious metal enterprises to resume work and production.

Treasury Transactions on Behalf of Customers

- Under the environment of two-way fluctuations of exchange rate, we actively provided customers with exchange rate hedging products and services. We optimized functions of foreign exchange sales and settlements in our corporate Internet banking and mobile banking to provide customers with efficient and convenient services for currency exchange and exchange rate risk management. In 2020, the transaction volume of foreign exchange sales and settlements as well as foreign exchange trading on behalf of customers amounted to USD393 billion.

[1] *Including occupational annuity, enterprise annuity and other pension assets under entrusted management.*

- The counter bond (Zhaishibao) business developed steadily, with its business scale ranking first in the industry. We actively served foreign institutional investors to invest in China's bond market, with our transaction volume of Bond Connect exceeding RMB500 billion in 2020 and ranking forefront in the market.

- We won several awards including the Contribution Award for Opening Up granted by China Foreign Exchange Trade System for 2020, the Excellent Market Maker via Bond Connect for 2020 granted by Bond Connect Company Limited, and Contribution Award for Counter Business Innovation for 2020 granted by China Central Depository & Clearing Co., Ltd.

Agency Insurance Business

- We strengthened the marketing of insurance business with regular premium. The agency of regular premium for the year was RMB25.847 billion, representing an increase of 13.0% as compared to the previous year, resulting in significantly optimized structure of our agency insurance business.

- We continuously strengthened the online operation, and achieved the commission income of RMB6,447 million from our agency insurance business for the year.

Agency Distribution of Fund Products

- To implement a Boutique strategy, we strengthened cooperation with top-performing fund companies, increased sales of funds managed by top-performing fund managers, and innovatively issued multiple fund products such as closed-end fund, GEM fund, pension FOF, and fixed income + fund. In 2020, the number of funds distributed by the Bank amounted to 1,917, with sales volume amounting to RMB321.083 billion, of which the sales volume of non-monetary funds increased by 128.4%.

- We launched an intelligent customer service system for wealth management and built a comprehensive service system for wealth management in mobile banking so as to provide customers with more professional and differentiated suggestions for asset allocation.

Agency Sales of PRC Government Bonds

- In 2020, we, as an agent, distributed 8 tranches of savings PRC government bonds with the actual sales amount of RMB22,989 million, including 4 tranches of savings PRC government bonds (in certificate form) of RMB9,023 million and 4 tranches of savings PRC government bonds (in electronic form) of RMB13,966 million.

Internet Finance

During the reporting period, focusing on the strategy of digital transformation, we pushed forward with the construction of platforms, online marketing and operation security.

Smart Mobile Banking

We released a new version of mobile banking with an aim to "refresh user journey, upgrade platform experience and deepen data intelligence", and made mobile banking the main front of our online operations.

- The access to customer acquisition was expanded. The breakpoints in customer acquisition were all eliminated and bound credit or debit cards issued by 50 banks. Instant login became available and we connected the interest matrixes between three parties, so that customers could login our mobile banking through WeChat by a convenient way.

- Management on customers and accounts was strengthened. We upgraded My Account and asset profile display, introduced scheduled transfer function, optimized monthly billing, enabled debit card unlocking and position verification, and made medium-free withdrawal limit up to RMB0.5 million.

- Personalized customer services were deepened. We subdivided customer groups for smart recommendation of menus, discounts, and information, launched private banking and Huinong-specific services, and offered Tibetan language and Uygur language services.

- Professional wealth management services were delivered. We rolled out new wealth management products, exclusive products with a starting position of RMB1. We recreated the interfaces for deposits, funds, and insurance products respectively and optimized the transaction processes and product categorisation. We also enriched financing services, upgraded ABC Smart Financing, and launched online credit application and credit investigation authorisation.

- For the number of personal mobile banking customers and the transaction volume, please refer to "Distribution Channels — Online Channels".

Online Corporate Service Platform

Targeting at providing one-stop and steward-type services, we continuously consolidated the foundation for the development of our corporate financial service.

- The 4.0 version of our corporate financial service platform was released. After integrating the corporate Internet banking and the Merchant E-payment, a unified set of login interfaces, sign-up procedures, authentication tools, storage of basic information, and security certificates were achieved.

- The service capability of our platforms was enhanced. Our corporate customers could enjoy customized versions of corporate Internet banking. By integrating the service accesses in upstream and downstream of the supply chain, E-steward could provide more corporate customers with more professional financial services. With the creative integrated cashier, we facilitated the settlement and distribution of funds for merchants at various levels of the supply chain.

- For the numbers of the corporate Internet banking customers and the corporate mobile banking customers as well as the transaction volumes, please refer to "Distribution Channels — Online Channels".

Open Banking Platform

We accelerated the construction of and export of products from the open banking platform to promote the integration of ecology in financial scenes and enhance our capability to obtain customers and improve their activeness.

- The ability of exporting financial products was enhanced. The types of financial products exported by the platform were increased to better serve the financial needs of individuals, enterprises, institutions and other customer groups. It supported the export in forms of API, H5, SDK, and multi-channel access with APP, WeChat official account and mini program, allowing our partners to connect with our systems through self-service mode, which improved the efficiency of exporting products.

- The application of financial scenes was expanded. We optimized user authentication, online account opening, payment settlement, financing application, information inquiry and other service processes, and improved the flexibility of scene-based application arrangements.

- Supporting capability of the platform was improved. We optimized the service website, interface gateway and control center for the platform, which presented from the user's perspective to improve customer experience. We improved our online operation for the open services, by accurately controlling the gateway limit, and enhancing internal and external application management.

Online Credit

We coordinated the construction of online channels for credit businesses focusing on business lines of retail banking, small and micro enterprises, Sannong as well as the supply chain financing.

- The brand of ABC E-loan was promoted. During the pandemic, through third-party online channels such as WeChat, we promoted the four sub-brands under ABC E-loan, including Personal E-loan, Small and Micro Enterprise E-loan, Huinong E-loan and Industrial E-loan, so as to guide customers to handle loans online.

- The online integrated credit services were enhanced. The online credit channels for corporate banking businesses were established. The E-loan Smart Choice, an intelligent marketing engine was launched, which could match right products to customers automatically.

- The first SDK (software development kit) for credit products was rolled out in the Bank, which was applied in the Citizens E-home, a platform for government affairs in Hubei Province, and helped the export of E-loan for Startup for application.

- At the end of 2020, the balance of our ABC E-loan reached RMB1.31 trillion, representing an increase of 122.2% as compared to the end of the previous year.

Scene-based Finance

- The solutions for building a smart city were developed, which were focusing on smart government affairs and industrial application. Regarding smart government affairs, we had cooperation with 31 provincial-level and 172 prefecture-level governments in government affairs. The banking services was successfully imbedded in the government platforms through open banking, and the government affairs were successfully imbedded in the banking platform through mobile banking. We developed the "iXiangyang" APP in cooperation with the government of Xiangyang Municipality in Hubei Province, which is the first mobile application for smart government affairs in the industry, featuring convenience for citizens, benefits for enterprises and rural people, and streamlined government administration. Regarding the industrial application, we continued to work out a series of industrial solutions for smart campus, smart Party Construction, smart canteen, smart hospital and smart travel. In 2020, the annual transaction amount of the payment center reached RMB173.7 billion, representing an increase of 74% as compared to the previous year, and the number of transactions was 0.29 billion, representing an increase of 81% as compared to the previous year.

- Our Poverty Alleviation Mall was promoted. The Poverty Alleviation Mall connected the Bank with central entities for poverty alleviation and poverty-stricken villages. We built a platform for poverty alleviation through consumption and realized the integration of fight against poverty and customer marketing. We continued to improve and upgrade services of the mall, enriched the types of redeemable rewards such as vouchers and bean collection program, and comprehensively improved customer experience. We made our efforts to increase the number of merchants and commodities from poverty-stricken villages, and the number of merchants and commodities on sale reached 2,764 and 21.1 thousand, respectively, in the Poverty Alleviation Mall, covering 99.4% of the 832 key counties of national poverty alleviation, effectively advanced poverty alleviation through consumption.

Sustainable Finance

Inclusive Finance

With the mission of serving the real economy, we promoted the high-quality development of our inclusive finance through digital transformation, supported small and micro enterprises to prevent the pandemic and resume production, and continuously improved financial services for inclusive customers. At the end of 2020, the balance of our inclusive loans to small and micro enterprises reached RMB961.520 billion, representing an increase of RMB369.213 billion, or 62.3%, as compared to the end of the previous year, which was higher than the growth rate of loans of the Bank by 48.8 percentage points. The number of customers with outstanding loans was 1.5708 million, representing an increase of 461.6 thousand as compared to the end of the previous year. The average yield of cumulative loans granted was 4.18% in 2020. The balance of non-performing inclusive loans to small and micro enterprises was RMB9.058 billion and the non-performing loan ratio was 0.94%. The increment of our inclusive loans in compliance with the requirement of the PBOC for lowering depository reserve ratio accounted for more than 10% 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 features. The 1,000 head office-level and 900 branch-level specialized institutions were built, which provided important support for the development of inclusive finance business. We set up "Inclusive Financial Services Zone" in characteristic foundation-level branch outlets and continued to expand the coverage of small and micro financial services. 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 business. The ABC E-loan, our digital product system was built. The market competitiveness of the four product series of ABC Huinong E-loan, ABC Small and Micro E-loan, ABC Personal E-loan, and ABC Industrial E-loan continued to improve, which provided convenient online credit to farmers, small and micro enterprises, individual industrial and commercial households, and owners of small and micro businesses.

- We upgraded the digital marketing management system for inclusive finance business. A service platform for small and micro enterprises was launched to provide quick online service to our customers. Inclusive finance AI assistants were embedded in the corporate mobile banking, portal website, WeChat Banking, among others to satisfy our customers with multiple channel services. We built an online user registration system for small and micro enterprises, introduced services related to electronic business licenses, launched an account opening system integrating domestic and foreign currencies, and optimized the business procedures in our branch outlets, so as to improve our service efficiency.

- We refined the digital risk control system for inclusive finance business. A risk prevention and control system using FinTech tools was launched, which comprised five risk control subsystems of online risk identification on account opening, risk identification on customers' behavior, risk management of loan portfolio, risk warning indicators on post-disbursement management, and loan collection. The system covered all operation processes and could identify the risk of customers precisely.

- We enhanced our policies and rules for inclusive finance business. A differentiated credit policy system for small and micro enterprises was established, and introduced policies for delaying repayment of principal on loans to small and micro enterprises. We improved our rules for online business, optimized process of offline business and improved online and offline coordination mechanisms.

Green Finance

We incorporated green concepts into our core values. In accordance with the *Agricultural Bank of China Green Finance Development Plan (2017–2020)* and the *Agricultural Bank of China Green Bank Construction Plan*, we worked for the green and low-carbon development, and were committed to building an energy-saving and environment-friendly green bank.

Green Credit

We took green credit as the focus of fulfilling our social responsibilities, serving the real economy and adjusting our credit structure. During the reporting period, we strengthened green credit policy guidance, increased support for green credit business, and promoted environmental and social risk management, thus maintaining rapid development of our green credit business. At the end of 2020, the loan balance of our green credit business[1] was RMB1,514.9 billion.

- We strengthened policy guidance. In our annual credit policy guidance, we defined green credit development goals, key tasks and management requirements for the year. Five categories of green credit indicators, comprising efficiency, benefit, environmental protection, resource consumption and social management, were incorporated into our industry-specific credit policies, through which to navigate credit funds invested into green industries such as energy conservation, environmental protection, clean production, clean energy, ecological environment, green upgrading of infrastructure, and green services.

- We supported the green development of corporates. A list with more than 1,000 enterprises from green parks in County Areas, green manufacturing demonstration enterprises, green factories and enterprises with nationally recognized green products, and the one with more than 700 customers from trading markets for green agricultural products, beautiful and leisure villages were both formulated to increase credit support for the customers who met green standards.

- Environmental and social risk management was enhanced. We carried out differentiated management on customers in accordance with their environment and social risk profiles. The requirements for environmental and social risk management were applied into every procedure of our credit business, including due diligence, review, approval, credit management and post-disbursement management. We continued to strengthen the credit management on overcapacity and high pollution industries through various means, such as strict access, risk screening and exit of customers with potential risks, to strictly control their total credit used. In addition, customers with relatively high environmental and social risks were required to sign commitment letters of responsibility in order to prevent environmental and social risks by contractual arrangement.

- We strengthened our management basics. We carried out bank-wide training on green credit business and continuously expanded training coverage. We strengthened the data quality management of green credit and optimized statistics function of the credit systems.

Green Investment Banking

We engrained the green concept into all categories of products and services of the investment banking business and were committed to developing into "a leading bank in green investment banking".

- In 2020, we helped enterprises raise nearly RMB120 billion through green syndicated loans, green M&A loans, green bonds, green asset-backed notes and other means, and the funds were invested into areas such as environmental governance, clean energy and transportation.

- We invested RMB8 billion into the National Green Development Fund to facilitate the transformation and upgrade of the green industry.

- We were awarded the "Best Green Bond Bank" by the *Asiamoney* magazine, "Excellent Underwriter of China Bond Green Bond Index Sample Bonds" by China Central Depository & Clearing Co., Ltd. and "Green ABS Market Recognized Product Award" by caishiv.com.

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1 *The loan balance of green credit business at the end of 2020 was counted according to the statistics criteria of green finance of the CBIRC in 2020.*

Green Investment and Financing

- At the end of 2020, the green bonds invested for our own account reached RMB65.4 billion[1], which were mainly invested in green bonds related to sewage treatment, energy, transportation infrastructure, etc.

- We actively supported the construction of Huzhou National Green Finance Reform and Innovation Pilot Zone, and 14 companies' M&As in green fields, among which were National Energy Group Haikong New Energy Co., Ltd and Eastern Airlines Industry Investment Co., Ltd.

- ABC Life Insurance Co., Ltd. leveraged the long-term advantages of insurance funds to support the green transformation of the economic structure and the development of ecological civilization. In 2020, it mainly invested in green projects related to sectors such as infrastructure, clean transportation and clean energy, with a total investment of RMB1.21 billion.

- Adhering to the business concept of green leasing, ABC Financial Leasing Co., Ltd. gradually created its distinctive features of green leasing and held a leading position in the industry. It strengthened its business layout in key areas such as clean energy, green transportation and ecological environmental protection and issued green financial bonds, to cyclically support the green leasing business. The proportion of green leasing in its investment reached 83.66% in 2020, and the proportion of green leasing assets accounted for 58.69%.

- Focusing on the strategic deployment of national ecological civilization construction, Agricultural Bank of China Wealth Management Co., Ltd. issued ESG-themed wealth management products, prioritizing to invest the proceeds into enterprises with good ESG performance, and green and environmental protection industries such as clean energy, energy conservation and environmental protection and ecological protection, as well as the areas such as poverty alleviation, rural vitalization, small and micro enterprises, the Belt and Road Initiative, relief measures for private enterprises and high quality development. In 2020, Agricultural Bank of China Wealth Management Co., Ltd. issued 11 wealth management products under ABC Anxin — ESG-themed and ABC Tongxin — ESG-themed, raising a total amount of RMB10.545 billion.

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 2020, all the bonds were matured. The net proceeds had been fully invested in green industry project loans, and there were no idle funds. The invested green industry projects involved two categories of 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 464.77 thousand tons per year and reduction in carbon dioxide emission of 1,115.449 thousand tons per year.

- On 3 June 2019, ABC Financial Leasing Co., Ltd. publicly issued RMB3 billion of three-year green financial bonds in the national inter-bank bond market. All the money raised was invested in clean transportation projects, involving urban rail transit, railways and new energy buses. Urban rail transit could effectively alleviate air pollutants such as automobile exhaust. The intensive and large-scale nature of the railway could help reduce energy consumption and air pollutant emission, which has great eco-environmental benefits. New energy buses are effective in reducing carbon and pollutant emissions.

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1 *Including the balance of the invested green bonds in non-financial institutions (according to the CBIRC) for own account and the balance of the invested green bonds in financial institutions for own account.*

Cross-border Financial Service

We actively served the Belt and Road Initiative, RMB internationalization and establishment of pilot free trade zone and Hainan Free Trade Port. We provided great support to the transformation and upgrading of foreign trade and foreign investment and served the development of new economy and new business formats. Our cross-border financial business achieved steady growth. At the end of 2020, the total assets of our overseas branches and subsidiaries overseas reached USD144.46 billion, representing an increase of 2.6% compared to the end of the previous year. Net profit of our overseas branches and subsidiaries for the year was USD0.41 billion.

- We built a cross-border financial service network. We established 21 overseas institutions in 17 countries and regions, including 13 overseas branches, three overseas representative offices, three overseas subsidiary banks and two overseas major subsidiaries, as well as one joint venture bank, initially forming a cross-border financial service network covering major international and regional financial centres and countries (regions) with close bilateral communications.

- We optimized the cross-border integrated financial service system. We accelerated product innovation and digital transformation of the cross-border business. Three online brands for cross-border business, namely, ABC Cross-border E-Remittance, ABC Cross-border E-Certificate and ABC Cross-border E-Finance, were built with our further enhanced customer service capabilities.

- We supported the Belt and Road Initiative and Going Global demand of enterprises. We strengthened cooperation with China Export & Credit Insurance Corporation to promote the marketing and service for Going Global customers and key projects actively. In 2020, the volume of Going Global related businesses amounted to USD57.94 billion, among others, Belt and Road Initiative related businesses amounted to USD3.59 billion.

- The international settlement and trade financing business maintained their growth. In 2020, the volume of the international settlement by domestic branches reached USD1.11 trillion[1]. The volume of international trade financing (including financing with domestic letter of credit) reached USD150.2 billion.

- The cross-border RMB business achieved rapid development, with a total volume of RMB1.73 trillion in 2020, representing an increase of 25.5%. Actively playing its role as RMB clearing bank, Dubai Branch supported the development of offshore RMB market. The total amount of RMB clearing business handled by Dubai Branch amounted to RMB58.488 billion in 2020, representing an increase of 10.3%.

- We were awarded the Best Trade Financing Bank Award in the 10th China Economic and Trade Enterprises Most Trusted Financial Service Providers Selection Activity jointly sponsored by *Trade Finance* magazine, www.sinotf.com, and www.tfsino.com.

Overseas Subsidiary 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 share 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.

1 *We have adjusted the statistical caliber for remittance business in the international settlement conducted by domestic branches.*

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 the end of 2020, Agricultural Bank of China (Luxembourg) Limited had total assets of USD31 million. It recorded a net gain of USD0.77 million for 2020.

Agricultural Bank of China (Moscow) Limited

Agricultural Bank of China (Moscow) Limited is a wholly-owned subsidiary of the 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 the end of 2020, Agricultural Bank of China (Moscow) Limited had total assets of USD0.17 billion. It recorded a net loss of USD0.23 million for 2020.

Distribution Channels

Offline Channels

During the reporting period, we continued to transform our foundation-level branch outlets into more intelligent ones with less labor forces and promoted the integrated development of online and offline businesses so as to improve the marketing capability, risk management and control, value creation and market competitiveness of our foundation-level branch outlets comprehensively.

- We coordinated the transformations of our retail banking businesses and foundation-level branch outlets. All our 22 thousand foundation-level branch outlets had completed intelligent transformation and counter staff was continued to be transferred to marketing service positions.

- We promoted the construction of 5G Smart Banking foundation-level branch outlets. We built 69 sample 5G Smart Banking foundation-level branch outlets in 28 provincial branches, including 15 outlets in County Areas. Digital technologies and IT systems enabled us to provide smart experience to customers, and enhance the abilities of our foundation-level branch outlets in managing and analyzing information to realize intelligent marketing and management.

Online channels

- Mobile Banking. At the end of 2020, the total number of personal mobile banking customers reached 0.36 billion, representing an increase of 50 million as compared to the end of the previous year, and the transaction volume was RMB75.96 trillion, representing a year-on-year increase of 22.8%. The total number of corporate mobile banking customers reached 2.96 million, representing an increase of 60.8% as compared to the end of the previous year, and the transaction volume for the year was RMB1.60 trillion, representing a year-on-year increase of 28.6%.

- Internet Banking. At the end of 2020, the number of registered customers in personal Internet banking reached 356 million, increased by 44 million as compared to the end of the previous year, and the annual transaction volume reached RMB29.8 trillion. The number of customers of our corporate financial service platforms reached 8.31 million, increased by 1.09 million as compared to the end of previous year, and the transaction volume for the year was RMB212.2 trillion, representing a year-on-year increase of 17.3%.

- Self-service Banking. We continued to improve the basic service ability of the facilities in foundation-level branch outlets. A cloud platform for equipment management of foundation-level branch outlets was built to manage and apply data from equipment of foundation-level branch outlets. According to the needs of pandemic prevention and control, we promoted the new modes of remote online monitoring on equipment of foundation-level branch outlets and on-site contactless inspection management by code scanning. At the end of 2020, we had 75.7 thousand sets of cash-related self-service online facilities and 24.3 thousand sets of self-service terminals, with 13.1813 million daily average transactions.

Remote Channels

We accelerated the construction of the cloud service centre for remote banking, to continuously improve our capabilities of integrated operation and customer service. In 2020, our all-media customer service (including voice, online and video) reached customers of 203 million, among which, 86.98 million calls were handled by customer service staff with customer satisfaction rate of 99.63%.

- Our digital transformation demonstrated notable performance. The 95599 intelligent voice navigation was applied throughout the bank, a Customer Service Hall was launched within WeChat banking, and financial service information was published at a column using the ID Maizijun on Zhihu.com. By continuously developing online service scenes, we reached a wider range of customers. In 2020, our smart robot served 51.66 million customers, representing an increase of 113.46% as compared to the previous year. Our online service handled by staff helped 5.37 million customers, representing an increase of 39.38% as compared to the previous year. Our new media customer service reached 58.98 million customers.

- We improved synergy of our channels to provide coordinated services. The smart robot was upgraded and online customer services access to mobile banking were greatly expanded. We launched remote face-to-face services, such as investigating the business address of corporate customers, activating licenses in corporate mobile banking, and investigation for car installment loan.

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 businesses. In 2020, 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.

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 fund products include stock funds, mixed funds, index funds, bond funds, monetary funds and FOF funds. At 31 December 2020, its total assets and net assets amounted to RMB3,988 million and RMB3,595 million, respectively. It recorded a net profit of RMB427 million for 2020.

It continued to improve its research and investment capabilities, optimized the layout of products, strengthened marketing, and enhanced risk control and compliance management, with its steadily improved market competitiveness. At the end of the reporting period, it had 62 public offering funds and 85 segregated accounts products. The scale of the public offering fund reached RMB241.5 billion, including RMB177.2 billion of non-monetary funds. Its equity funds achieved outstanding investment performance. The annual yields of its four funds, namely, ABC-CA Industry 4.0 Hybrid, ABC-CA New Energy Theme Hybrid, ABC-CA Research Selection Hybrid, and ABC-CA Haitang Interval-opened Hybrid, were among the top four active managed equity funds in terms of investment performance in 2020.

ABC International Holdings Limited

ABC International Holdings Limited was established in Hong Kong in November 2009 with a share 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 businesses including private fund management, financial consultation, investment in mainland China. At 31 December 2020, its total assets and net assets amounted to HKD42,858 million and HKD9,729 million, respectively. It recorded a net profit of HKD815 million for 2020.

It maintained its leading position among its comparable peers in terms of core indicators of investment banking business. 8 IPO sponsorship projects were completed for 2020, with a total amount of USD5.6 billion, reaching a record high of the company in terms of the number of sponsored projects; 34 underwriting projects were completed, with a total amount of USD30.1 billion, ranking third among all Chinese and foreign investment banks in Hong Kong in terms of the number of underwriting projects. It completed the issuance of 70 bonds, including USD bonds, Euro bonds and RMB bonds and the underwriting scale increased by 49% year-on-year.

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, inter-bank 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 of controlled subsidiaries and project companies, and other businesses approved by the CBIRC. At 31 December 2020, its total assets and net assets amounted to RMB66,219 million and RMB10,005 million, respectively. It recorded a net profit of RMB272 million for 2020.

Closely focusing on serving the national strategy and the real economy with high quality development, ABC Financial Leasing Co., Ltd. continued the development in four major areas, i.e., Sannong, aviation, new energy and infrastructure construction. Its major business indicators maintained a favourable trend, the business structure continued to be improved and the asset quality remained stable. At the end of 2020, the balance of its leasing assets amounted to RMB61.8 billion, increased by 21.8% as compared to the end of the previous year. Focusing on clean energy and green travel, the proportion of green leasing in its annual investment accounted for 83.66%.

ABC Life Insurance Co., Ltd.

The registered capital of ABC Life Insurance Co., Ltd. was RMB2.95 billion, 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 2020, its total assets and net assets amounted to RMB111,211 million and RMB7,591 million, respectively. It recorded a net profit of RMB562 million for 2020.[1]

ABC Life Insurance Co., Ltd. continued to promote the value transformation and achieved steady growth in various businesses. In 2020, its total premium income was RMB27,055 million, representing a year-on-year increase of 13.01%; it recorded RMB7.52 billion of regularly-paid premium, and the percentage of regularly-paid premium was 85.2%. During the pandemic, it donated insurance to 0.47 million front-line anti-pandemic healthcare workers and police nationwide and added the liability of COVID-19 to 27 products, with 1,829 claims paid involving a total amount of RMB29.778 million. During the reporting period, it was awarded the Class A in the Evaluation of Business Operation of Insurance Companies for 2019 by the CBIRC, the 2020 Value Growth Insurance Company Ark Award by *Securities Times*, and the High Quality Development Insurance Company Award by hexun.com.

ABC Financial Asset Investment Co., Ltd.

The registered capital of ABC Financial Asset Investment Co., Ltd. was RMB10 billion, 100% of which was 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 financial bonds for debt-to-equity, as well as other businesses as approved by the CBIRC. At 31 December 2020, its total assets and net assets amounted to RMB109,846 million and RMB11,496 million, respectively. It recorded a net profit of RMB836 million for 2020.

To serve the supply-side structural reform and the high quality development of the economy, ABC Financial Asset Investment Co., Ltd. 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. In 2020, it increased support to technological innovation enterprises and enterprises in difficulties and made efforts to promote the resumption of work and production of the companies affected by the pandemic. At the end of 2020, it completed a total of 198 debt-to-equity swap projects, amounting to RMB258.1 billion. It held leading positions among comparable peers both in terms of the cumulative number and amount of completed debt-to-equity swap projects.

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1 *In order to be consistent 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 is in accordance with the financial instrument standard (IAS 39) currently adopted by the insurance industry.*

Agricultural Bank of China Wealth Management Co., Ltd.

Agricultural Bank of China Wealth Management Co., Ltd. was established 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 the above properties entrusted by the investors; private placement of wealth management products to qualified investors, investment and management of the above properties entrusted by the investors; wealth management advisory and consulting services; and other businesses approved by the CBIRC. At 31 December 2020, its total assets and net assets amounted to RMB13,520 million and RMB13,297 million, respectively. It recorded a net profit of RMB991 million for 2020.

Agricultural Bank of China Wealth Management Co., Ltd. coordinated the business transformation and pandemic prevention and control, achieved stable growth both in total assets and net profit and constantly improved its brand influence and product awareness. In 2020, it won 13 major awards, such as Wealth Management Subsidiary with Excellent Growth in 2020, Golden Bull Award for Wealth Management Companies of Banks, Gold Finance Asset Management Excellence Award of 2020 and TianJi Award for Wealth Management Brand of Banks in 2020, in the elections held by media, such as *21st Century Business Herald*, *China Securities Journal*, *Shanghai Securities News* and *Securities Times*.

- Proactively promoting the product transformation. It enriched its "6+N" product system, steadily developed six major wealth management products including cash management, fixed income, hybrid investment, equity, commodity and foreign exchange derivatives and alternative investments, and optimized its featured products relating to ESG and Huinong.

- Steadily improving its research and investment capabilities. It established a research supporting system, which supported research on strategy, investment portfolio and varieties and investment database management, and generally covered macro-economy, markets, industries, objects and third-party cooperation institutions.

- Constantly improving its risk control level. Adhering to the basic principle of compliance priority and risk controllability, it overcame the adverse effects of the pandemic, adopted prudent risk management strategies and continuously optimized the whole-process, embedded and sophisticated risk prevention and control mechanism.

- Providing financial services to powerfully fight against the pandemic. It allowed specific customers to withdraw funds from their wealth management products on an urgent basis, and promptly addressed the working capital demand of anti-pandemic enterprises. It was the first among peers to launch wealth management products themed on the fight against the pandemic, such as Greetings to Soldiers, Greetings to Doctors and Jia You Hubei, which had served 40 thousand customers accumulatively.

Besides, we have a wholly-controlled subsidiary Agricultural Finance Co., Ltd. in Hong Kong, with the share capital of HKD588.79 million.

FinTech

During the reporting period, we tracked, researched on and introduced frontier technologies related to FinTech, by which to better serve Sannong and the real economy, prevent and mitigate financial risks, and empower our digital transformation strategy. We formulated the *Short-term Information Technology Development Plan (2020–2021)*, in which "seven technologies, five pillars, six middle-end platforms and two guarantees" were proposed to promote our "iABC" strategy in information technology to build an intelligent, user-oriented and resources and capabilities integrated ABC with FinTech as its impetus. We published the *Annual Report on FinTech Innovation of Agricultural Bank of China (2020)* to share the ideas of FinTech innovation and expand our influence of technology in the industry. Agricultural Bank of China Financial Technology Co., Ltd. was established to explore the market-oriented FinTech innovation mechanism. In 2020, the total investment in IT amounted to RMB18.3 billion.

FinTech Innovation

We built up a more powerful FinTech infrastructure focused on seven technologies, covering Big Data service system, cloud computing technology capability, basic artificial intelligence capability, distributed architecture R&D and application, block chain technology innovation, information security technology and network technology innovation.

- **Regarding application of Big Data technology,** 10,200 data sheets were imputed into our Big Data platform throughout the year and, the total pieces of effective data in our hold exceeded 10PB at the end of 2020. Our data analysis and mining platform (AI-based platform) provides one-stop data modeling service, and our data intelligent service platform (BI-based platform) provides data intelligent search, indicators of statements and other functions. Through analyzing the users' data, we further improved customer experience, and greatly increased the success self-registration rate of our mobile banking.

- **Regarding application of cloud computing,** our cloud infrastructure platform (IaaS) was preliminarily developed and the branch cloud was piloted. Our IaaS can offer cloud service for our basic operation of hardware and software efficiently, delivering resources in minutes. Our cloud application platform (PaaS) was expanded to cover three types of systems, including business transactions, internal management and data processing, to meet the diversified needs from application systems. During the reporting period, our PaaS effectively supported the booking and issuance of Mount Wuyi commemorative coins, with the peak number of transactions reaching 647 thousand per second, which marked the highest record among customer service systems in the industry.

- **Regarding application of AI technology,** we used voiceprint recognition, natural language processing and other technologies to improve the perception, and explored knowledge graphs and automated machine learning to improve the thinking ability of our AI platforms. To make our mobile banking intelligent, we released 5.0 and 5.1 versions of mobile banking during the reporting period. In these versions, to improve customer experience, we opened more online customer acquisition channels, perfected functions including payment of utility bills, full-view fund management, professional wealth management and the Poverty Alleviation Mall, created featured and advantageous service scenes to strengthen our intelligent interaction ability, and fortified security functions.

- **Regarding application of distributed architecture,** we accelerated the transformation of core system to distributed architecture, and completed the movement to open platform of key basic applications related to the master control, operation and e-banking customer information of distributed core engineering. On the peak trading day for the core system, the distributed core system accounted for 61% of trading volume.

- **Regarding application of block chain technology,** we optimized the block chain-based processes for the pension business to shorten the processing time. We advanced the development of the BaaS (Blockchain as a Service) platform and formulated the development plan, in order to provide a unified infrastructure support for various block chain application systems.

- **Regarding application of information security technology,** we made efforts to improve the technology protection system for cyber and information security and enhance our protection capability. We promoted the construction of the new generation of enterprise-level network information Security Operation Center (SOC), which realized the comprehensive process for online management of vulnerability solution and centralized monitoring by safety equipment. The automated monitoring rate of security alarm was nearly 100%, and the automated disposal rate reached 87%.

- **Regarding application of network technology,** we reconstructed the Internet application of IPv6 to help improve user's experience and our risk prevention and our control capability. By applying IPv6 segment routing technology, we optimized our core backbone network to achieve the visual and simplified operation and maintenance management based on intelligent traffic scheduling.

Ensuring Our Business Continuity

- During the reporting period, our transaction volume from operation increased rapidly. The number of daily average transactions handled by our core systems increased by 19.6% to 836 million compared to the previous year and the new peak number of transactions reached a record high of 1,085 million per day. The utilization ratio of our core systems during major business hours reached 99.99%.

- Phased progress was made in the construction of an integrated operation and maintenance platform. There were more than 100 data indicators in its unified portal. Its configuration center was able to contain 100% of the basic information. It could monitor and collect 100% of performance indicators of our key systems.

Strengthening Cyber Security Protection

- We improved our capability to handle risks related to information security. We established a 7 x 24 hour normalized monitoring and work schedule to ensure safe operation. Over the year, 76% of the basic software or hardware vulnerabilities were removed.

- We established a library of information security baselines, and identified 1,166 security baselines for 72 types of managed objects, thus comprehensively enhancing the level of standardization of our management.

Consumers' Interests Protection

- In 2020, the Risk Management and Consumers' Interests Protection Committee of the Board of Directors reviewed and approved the proposal and listened to the reports on the consumers' interests protection issues. For details, please refer to "Corporate Governance Report — Operation of Corporate Governance — Board of Directors — Meetings of the Board of Directors" and "Corporate Governance Report — Operation of Corporate Governance — Board of Directors — Details of the Special Committees under the Board of Directors."

- The measures for consumers' interests protection was amended, which optimized the operation of consumers' interests protection mechanism, product and service management, handling customer complaints, and publicity of financial knowledge, etc.

- We effectively fulfilled the obligation of appropriateness on product sales. The measures for personal wealth management product sales, retail channel management measures for agency sales of products of third-party institutions and management regulations for risk rating of agency insurance products were formulated, in which we matched product characteristics, such as returns and risks, with customers' characteristics to ensure to only introduce the products consistent with customers' risk tolerance.

- The operating procedures for collection management of personal overdue loans was amended, requiring our branches at all levels to conduct comprehensive supervision and management on the collection procedures adopted by entrusted institutions during the entrusted collections. For some circumstances of entrusted institutions, such as revealing loan and customer information to third parties, violating the underlying provisions of consumers' interests protection, conducting collection adopting improper means such as injury with intent, illegal confinement, insults, threatening and disturbance, or violating laws and regulations, and having adverse effects to our reputation and image, we should, depending on the seriousness of the circumstances, adopt one or more right protection measures such as meeting the heads of the entrusted institution, issuing warnings, early terminating the entrusting agreement, forfeiting security deposits, and investigating for the corresponding legal responsibilities.

- We standardized the process and improved the efficiency of complaint handling. The efficiency of handling complaints experienced a significant increase by connecting the customer service centre with E-Shi Tong system and directly with our foundation-level branch outlets. The average time for handling customer issues was reduced to 1.9 business days and the annual customer complaints accepted on remote channels decreased by 31.9% as compared to the previous year. In 2020, the number of complaints registered through customer service channels and classified as personal customer complaints was 262 thousand. We were attentive to customer demands and improved customer experience. For businesses with more complaints from customers such as debit cards, credit cards and retail loans, we constantly optimized the products. We urged branch outlets which had a larger scale of retail customers such as Guangdong branch, Hebei branch and Shandong branch to continuously improve our service quality. In 2020, the customer satisfaction for services provided in our foundation-level branch outlets reached 94.07 points.

- We formulated the plans for publicity and training of financial knowledge in 2020, and conducted the financial education and training of consumers' interests protection for our employees. By the ABC Auditorium lecture series, special training classes of Agricultural Bank of China University and other means, we focused on the concept of consumers' interests protection, complaints management, customer information protection and laws and regulations related to consumers' interests protection to improve the employees' awareness and capability of consumer interests protection. We also included financial knowledge of consumers' interests protection into the position qualification examinations for our employees.

- We constantly popularized financial knowledge to the public. We publicized financial knowledge regularly through various channels and various forms. We built financial knowledge publicity brands such as Small Class for Consumers' Interests Protection and Ka Ka WeChat Class to actively carry out online and contactless activities to educate consumers. We conducted special publicity activities, such as 3.15 Consumer Rights Protection Education and Publicity Week, as well as Popularizing Financial Knowledge. In 2020, more than 35,000 publicity activities were organized, with nearly 0.39 million publicists attended and around 63 million consumers were involved. We were awarded the Excellent Organizing Unit of 2020 Joint Publicity Activities by the CBIRC.

Information Security and Customer Information Protection

We highly valued the importance of information security and customer information protection, integrated customer privacy protection into our corporate culture, and built a sound security protection system in terms of privacy policies, internal policies, and technical safeguards to ensure the security of customer information.

- We optimized the information security policy system. We established a sound information security policy system, including management measures, implementation rules and standards, covering application, network, servers, terminals, and other fields. During the reporting period, we revised the information security management measures, vulnerability management, terminal security management and other related systems and released systems relating to safe operation.

- We updated 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 customers' rights to access, correct, or delete their information. During the reporting period, we further improved our privacy policies for personal customers and corporate customers and strengthened the notification of customer information collection and use.

- We improved the internal management policies. We worked out data security management measures (for trial implementation) to specify the management requirements for security classification, data collection, processing and use, technical protection, monitoring and emergency, and improve the working mechanism. We formulated administrative measures for customer information protection and the supporting implementation rules for personal and corporate customer information protection.

- We improved the technical protection system. We accelerated promoting the introduction of terminal data protection technologies, and intensified monitoring and protection of sensitive data during terminal storage and circulation by such technical means as document encryption and management and control on data dissemination. We optimized the security protection policy for email data to continuously monitor and intercept outgoing emails with sensitive information.

- We strengthened customer information protection. We developed classification standards for customer information security level, implemented classified protection, intensified differentiated protection and precise management of customer data, and focused on strengthening security management of sensitive customer information.

- We strengthened employee education and awareness cultivation. We offered special lectures on "Network and Data Security" and training on data security knowledge to enhance employees' awareness of data security and customer information protection.

Human Resources Management and Institution Management

Human Resources Management

Human Resources and Institutional Reform

During the reporting period, adhering to a market-oriented approach and fulfilling the requirements of digital transformation, we deepened the human resources reform to improve the efficiency of our human resources continuously.

- We established an organizational structure for centralized operation of post-disbursement risk management. We set up a risk operation centre in the Head Office, which focused on the post-disbursement management of online credit business across the Group, so as to improve our integrated, intensive and automatic operation of risk management. We established a risk measurement centre to accelerate the development of the middle-end platform of models.

- We increased institutions for digital transformation. We continued to enrich the staffing level of the technology departments and established a cross-department and cross-level team for innovation and promotion of e-RMB. We renamed the customer service centre as the remote banking centre.

- We conducted institutional reform in branches and sub-branches, centralized and integrated the functions of middle and back office to improve our efficiency of business operation and human resources.

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 by improving the overall quality of employees.

- We implemented the young talent projects with the synergy between the urban and rural areas across the Bank. We vigorously cultivated and selected outstanding young leaders, so as to build leadership teams of branches at all levels with reasonable distribution by age and diversity of professional advantages. Attaching great importance to practical exercises, we continued to carry out exchanges between eastern and western provinces and for paired poverty alleviation, selected outstanding young talents to work in frontier regions of reform. We also selected and cultivated talents in the front line of poverty alleviation.

- We advanced the Talent Development Plan for 2019–2022. We actively promoted the building of four talent teams including product manager, customer manager, data analyst and technology project manager. The dual-channel promotion mechanism for management and professional positions was further improved, filling positions at the senior specialist level and above with over 1,100 professionals, in order to retain staff by attracting their hearts. We promoted the reform of the professional title system, with 3,830 additional staff obtaining their professional and technical titles over the year.

- We recruited more than 18 thousand staff throughout the year to implement national requirement of stabilizing and ensuring employment. We implemented our transformations of retail banking business and foundation-level branch outlets, reduced positions and filled the basic operation staff of foundation-level branch outlets into marketing service positions , so as to further optimize the staffing in foundation-level branch outlets.

- We conducted hierarchical and classified trainings through online and offline means with a total of 896 thousand participants. 1,604 certified internal trainers of Head Office level and 3,270 certified internal trainers of branch level were selected and employed for the first time. We organized 163 thousand employees across the Bank to take position qualification examinations.

Caring for Employees

We proceeded with the Five Actions[1] of caring for employees in foundation-level institutions, to improve employees' sense of fulfilment, happiness and security. Our health insurance system consists of basic medical insurance, supplementary medical insurance, major medical assistance and critical illness insurance, and our health examination policy leant to female employees and employees above the age of 50. In 2020, we assisted 28 thousand employees in difficulty. Giving full play to the role of employee representative meetings, we organized employee representatives to review system and measures concerning the vital interest of employees, through which to effectively safeguard our employee's right to information, participation, expression and supervision.

Management of Remuneration

During the reporting period, we formulated and adjusted our remuneration policy in strict compliance with relevant regulatory requirements, laws and regulations 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 according to our management system for total remuneration. Performance assessment indicators include efficiency indicators, risk indicators and other sustainable development indicators, which comprehensively reflected their long-term performance and risk profiles.

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1 *Actions for employee health, employee growth, family construction, employee burden alleviation and employee caring.*

- Our employee remuneration policy was applicable to all contracted employees. The employee remuneration primarily comprised 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 our 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 their performance salary and deferred remuneration for the corresponding period based on the severity. We optimized the remuneration allocation mechanism which not only reflected current performance, but also covered responsibility for long-term risk, and linked the current and long-term responsibilities and contributions of employees with the Bank's development and lagging risks.

- We continued to deepen the reform of the remuneration allocation mechanism, to optimize resource allocation and improve internal allocation structure, taking into account both efficiency and fairness, promoted targeted incentives and enhanced compliance management. Our remuneration allocation strengthened incentives for strategy implementation, reforms in key areas, development of major businesses and profit-generating institutions, and encouraged value creation and high-quality development. At the same time, we prioritized the frontline staff at foundation-level branch outlets and contributed to poverty alleviation. We continued to improve the long-term incentives and constraints through preferential incentives for key positions, skeleton talents and professional talents, to effectively promote the talent development of the whole Bank.

- Please refer to "Corporate Governance Report — Operation of Corporate Governance — Board of Directors" for the composition and authority of the nomination and remuneration committee of the Board of Directors. Please refer to "Note IV. 31 Other Liabilities (1) Staff costs payable and 6. Operating Expenses (1) Staff costs" to the Consolidated Financial Statements for the total annual remuneration and the remuneration distribution structure. Please refer to "Corporate Governance Report — Directors, Supervisors and Senior Management — Remuneration of Directors, Supervisors and Senior Management" for details of the remuneration of the Board of Directors, the senior management and employees on positions that have a significant impact on the risks of the Bank.

Information on Employees

We had a total of 459,000 in-service employees (and 7,184 dispatched employees) at the end of 2020. Among them, 732 employees were employed by our overseas branches, subsidiary banks and representative offices, and 8,669 employees were employed by the subsidiaries of integrated operations and the rural banks. In 2020, the employee separation rate of our domestic branches was 1.07%.

Distribution of Employees by Regions

	31 December 2020	
	Number of Employees	Percentage (%)
Head Office	11,777	2.6
Yangtze River Delta	63,525	13.8
Pearl River Delta	50,590	11.0
Bohai Rim	65,572	14.3
Central China	94,187	20.5
Northeastern China	44,311	9.7
Western China	119,637	26.1
Overseas Branches, Subsidiaries and Representative Offices	732	0.2
Subsidiaries with Integrated Operations and Rural Banks	8,669	1.9
Total	**459,000**	**100.0**

Distribution of Employees by Education Background

	31 December 2020 Number of Employees	31 December 2020 Percentage (%)
Doctorate Degree	549	0.1
Master's Degree	31,547	6.9
Bachelor's Degree	242,595	52.9
College and Vocational School	149,551	32.6
Below College	34,758	7.6
Total	**459,000**	**100.0**

Distribution of Employees by Departments

	31 December 2020 Number of Employees	31 December 2020 Percentage (%)
Management	120,227	26.2
Risk Management	16,418	3.6
Finance	20,306	4.4
Administration	16,900	3.7
Sales/Marketing	136,897	29.8
Trading	413	0.1
Information Technology	8,056	1.8
Tellers/Counter Staff	82,974	18.1
Technicians	26,747	5.8
Others	30,062	6.5
Total	**459,000**	**100.0**

Distribution of Employees by Age

	31 December 2020 Number of Employees	31 December 2020 Percentage (%)
30 or below	87,274	19.0
31–40	96,947	21.1
41–50	140,716	30.7
51 or above	134,063	29.2
Total	**459,000**	**100.0**

Distribution of Employees by Gender

	31 December 2020 Number of Employees	31 December 2020 Percentage (%)
Male	250,849	54.7
Female	208,151	45.3
Total	**459,000**	**100.0**

Information on Institutions

At the end of 2020, we had 22,938 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), 396 tier-2 branches (including business departments of branches in capital cities of provinces and business departments of provincial branches), 3,372 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), 19,073 foundation-level branch outlets and 51 other establishments. We had a total of 13 overseas branches and three 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 representative offices in Vancouver, Taipei and Sao Paulo. Besides, we had 16 major controlled subsidiaries, including subsidiaries of integrated operation, overseas subsidiary banks and rural banks. Details referred to "Business Review — Integrated Operation", "Business Review — Cross-border Financial Service" and "County Area Banking Business — Rural Banks " under "Discussion and Analysis".

Number of Domestic Branch Outlets by Regions

	31 December 2020	
	Number of Domestic Branch Outlets	Percentage (%)
Head Office[1]	9	–
Yangtze River Delta	3,016	13.1
Pearl River Delta	2,410	10.5
Bohai Rim	3,294	14.4
Central China	5,166	22.5
Northeastern China	2,216	9.7
Western China	6,827	29.8
Total	**22,938**	**100.0**

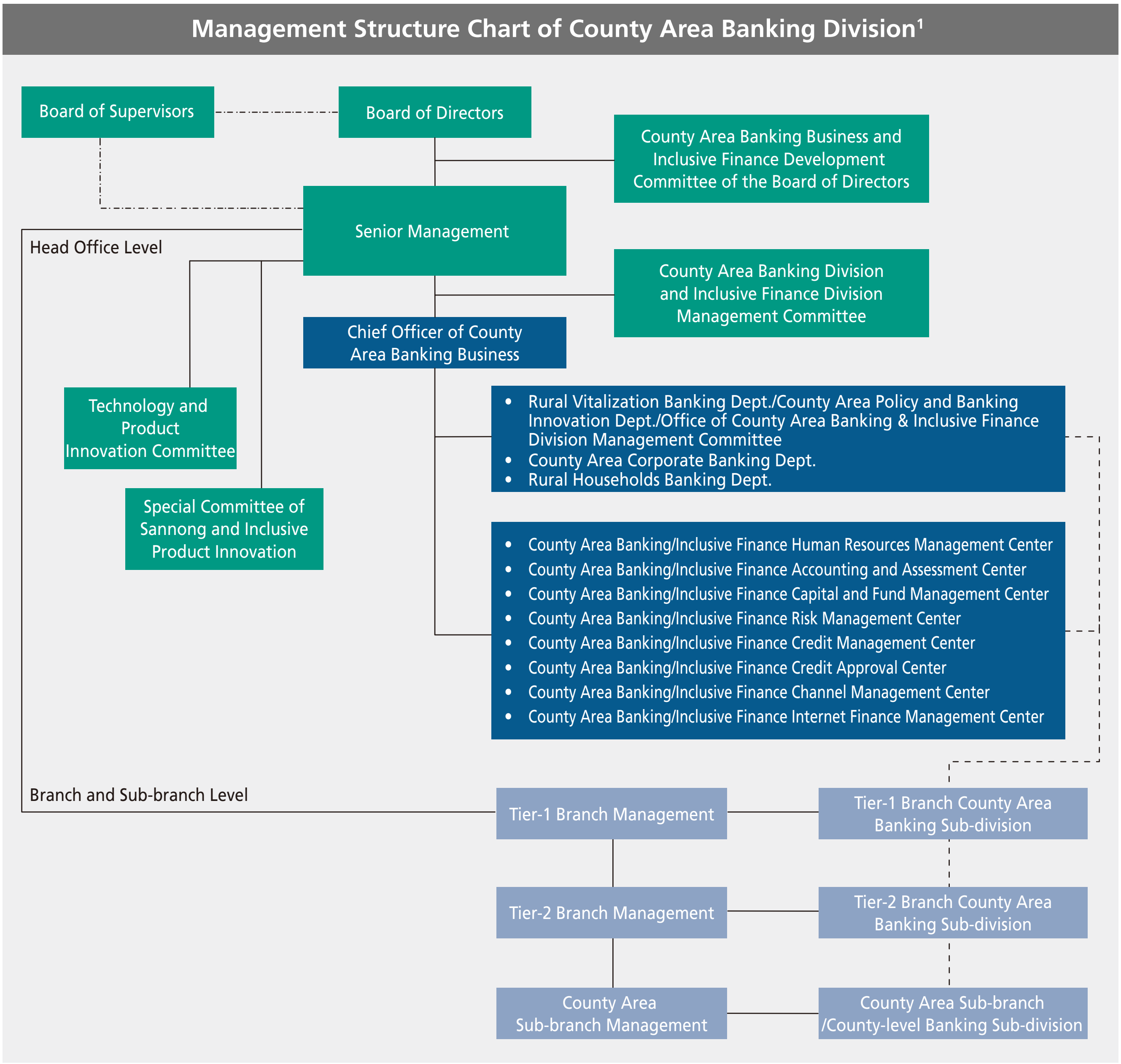
Note: 1. Organizations of the Head Office include the Head Office, Business Department of the Head Office, Private Banking Department, Credit Card Centre, Bills Business Department, Beijing Advanced-Level Academy, Changchun Training Institute, Tianjin Training Institute and Wuhan Training Institute.

County Area Banking Business

Management Structure and Management Mechanism

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, actively following our strategic positioning of serving Sannong to promote businesses in County Areas, we promoted the Sannong services and financial poverty alleviation steadily, continued to improve the mechanism and policy system of the County Area Banking Division, and practically enhanced the innovation of Sannong products and development of channels, with our service capabilities and market competitiveness steadily enhanced.

Management Structure



[1] *We decided to establish the Rural Vitalization Banking Department which shared the same office with the County Area Policy and Banking Innovation Department to thoroughly implement the strategies and plans developed by the central government to effectively connect the achievements in the fight against poverty with rural vitalization endeavours. County Area Corporate Banking Department ceased its function as the Poverty Alleviation and Development Banking Department and fleshed out certain functions in performing its existing duties.*

Management Mechanism

During the reporting period, earnestly implementing the national decisions and arrangements to win the battle against poverty and the strategy of rural vitalization, we greatly increased our financial support. The mechanism of County Area Banking Division was in good operation and with strong support and the development of County Area Banking Business remained stable with a favourable trend.

- We improved differentiated policies. We introduced policies to support Sannong and County Areas Banking Business for 2020, formulated performance appraisal plans for County Area Banking Division, adopted preferential policies to allocate credit scale, economic capital, and fixed assets to the County Area Banking Division, and specialized financial resources for marketing activities for County Area Banking Business.

- We deepened the human resources reform in County Areas. We implemented the young talents development program V3.0 in County Areas to strengthen the training of young employees. We actively implemented the Double One Hundred Plan to select 98 cadres from developed regions to carry out pairing assistance for targeted poverty alleviation. We continued to implement the preferential policy to staff recruitment in County Areas, to increase the supplement of staff in County Areas according to local conditions and further improve our service capabilities in County Areas.

- We optimized the credit policies for County Areas. We formulated the 2020 guidelines on Sannong credit policy, and introduced supporting policies such as stabilizing production and ensuring the supply of agricultural products and pig production. Focusing on the financial needs of the pandemic prevention and control, we revised the management measures for loans to hospitals in County Areas and launched supporting policies for the high-quality development of the Chinese medicine industry. We established a priority settlement mechanism of credit approval, and credit businesses reported by areas of extreme poverty and 832 key counties of national poverty alleviation were all included into the scope of priority settlement.

- We accelerated the digital transformation in County Areas. We vigorously developed online credit business and speeded up the registration process of rural households and development of Huinong E-loan. We vigorously promoted the application of mobile banking in County Areas and continued to implement the activities of constructing the mobile banking demonstration villages. We continued to construct and expand financial scenes in County Areas and continuously improved our service capabilities to provide scene-based financial services in County Areas.

County Area Corporate Banking Business

Actively implementing the national rural vitalization strategy and focusing on key areas relating to food security, stabilizing production and ensuring the supply of agricultural products, rural industry development, construction of digital village, rural consumption upgrades and rural collective property rights system reform, we continued to strengthen product innovation and digital transformation to develop our County Area Corporate Banking Business up to a new level. At the end of 2020, loans to corporate customers in County Areas (excluding discount bills) amounted to RMB2,915.6 billion, representing an increase of RMB429.2 billion as compared to the end of the previous year.

- We continued to increase loans to key areas relating to rural vitalization. At the end of 2020, the balance of corporate loans relating to food security amounted to RMB117.3 billion, increased by RMB27.2 billion as compared to the end of the previous year; the balance of loans relating to pig production increased by RMB32.0 billion to RMB55.5 billion; the balance of loans to manufacturing industry in County Areas increased by RMB57.8 billion to RMB641.3 billion; the balance of urbanization loans in County Areas increased by RMB129.4 billion to RMB862.3 billion.

- We accelerated to promote the digital transformation for County Area Corporate Banking Business. At the end of 2020, the balance of the online loans to corporate customers in County Areas increased by RMB77.9 billion to RMB112.9 billion as compared to the end of the previous year. Huinong e-Commerce platform had 1.6289 million merchants, representing an increase of 0.2637 million as compared to the end of the previous year. We added 1,766 featured financial scenes such as agricultural industry chain, professional markets, smart scenic spots, smart hospitals, and smart schools.

- We continued to innovate featured Sannong products. We introduced loans to parks for rural vitalization, loans to industries for rural vitalization, loans to County Area education institution and other products, adjusted the management measures for loans to water conservancy industry, County Area hospitals, land remediation and seasonal purchase. Focusing on key areas such as pig production, County Area manufacturing industries, 150 major water conservancy projects and urbanization in County Areas relating to bolstering areas of weakness, we introduced a series of differentiated supporting policies.

County Area Retail Banking Business

Keeping close to the financial needs of residents in County Areas, we continuously strengthened the innovation of products, channels and models. Our service capability of County Area Retail Banking Business was improved steadily. At the end of 2020, the balance of loans to retail customers in County Areas amounted to RMB2,265.7 billion, representing an increase of RMB338.9 billion as compared to the end of the previous year.

- We increased the investment of Huinong E-loan. By making full use of FinTech, we accelerated the progress of information registration of rural households, and promoted the batch, intensified and online operation of Huinong E-loan. At the end of 2020, the balance of Huinong E-loan amounted to RMB353.4 billion. The number of rural households with credit lines amounted to 2.76 million, representing an increase of over 1.00 million as compared to the end of the previous year.

- We promoted the construction of channel system. We actively constructed a service channel system comprising foundation-level branch outlets, self-service outlets, Huinongtong service stations, internet financial services and movable services. At the end of 2020, we had 12,545 foundation-level branch outlets in County Areas, 5,150 self-service banks, 0.26 million Huinongtong service stations, and 165 million registered customers of mobile banking.

- We met the financial needs of new-type agricultural entities such as family farmers, large-scale professional operators, and innovative and entrepreneurial personnel returning to their hometowns. At the end of 2020, the balance of loans extended to large-scale professional operators and family farmers amounted to RMB165.5 billion and the number of loan customers was 1.05 million, representing an increase of RMB45.7 billion and 0.33 million as compared to the end of the previous year, respectively.

In-depth promotion of the Seven Actions to comprehensively help rural vitalization

In 2020, we implemented the rural vitalization strategy decided by the central government and furthered seven actions including poverty alleviation through financial services, food security, integrated development of industries in rural areas, rural property rights system reform, development of beautiful and livable villages, county-level happiness industries, and green development of Sannong. Focusing on the key areas and weaknesses relating to rural vitalization, we provided more investment and enhanced our financial services.

Firstly, we carried out financial poverty alleviation steadily. We continued to step up financial poverty alleviation efforts by extending service networks, innovating financial products and increasing loans to the poor areas. At the end of 2020, we had a total of 3,704 physical foundation-level branch outlets in poor areas and 0.26 million Huinongtong service stations in rural areas, which covered more than 40% of the administrative villages. We released several innovative products and developed 25 models for financial poverty alleviation. The balance of loans to the 832 key counties of national poverty alleviation amounted to RMB1,283.17 billion, representing an increase of RMB191.73 billion, or 17.6% as compared to the end of the previous year.

Secondly, we increased our support for national food security. Supporting the national strategy of sustainable farmland use and innovative application of agricultural technology to increase farmland productivity, we provided comprehensive financial services for high-standard farmland construction projects, back-bone and small and medium-sized water conservancy infrastructure construction projects for farmlands, and quality companies selling agricultural materials and seeds. At the end of 2020, the balance of our corporate loans to the areas relating to food security amounted to RMB117.3 billion, representing an increase of RMB27.2 billion as compared to the end of the previous year.

Thirdly, we delivered better financial services for integrated development of industries in rural areas. In line with the trend of accelerating the integration of primary, secondary and tertiary industries in rural areas, we launched a series of products including loans to rural vitalization parks and constantly enhanced our financial services, focusing on serving new business forms such as leisure agriculture and rural e-commerce, new carriers such as rural industry integration demonstration parks and modern agricultural industrial parks, and new entities such as family farms and farmers' cooperatives. At the end of 2020, the balance of loans to new agricultural business entities such as leading agricultural industrialization enterprises, family farms, and specialized farmers' cooperatives amounted to RMB371.2 billion, representing an increase of RMB75.3 billion as compared to the end of the previous year.

Fourthly, we served the reform of the rural property rights system. We promoted loans pledged with rural land contractual operation rights, property rights of rural households' houses, rural collective land operation and construction rights and forest rights. Fulfilling the requirements of the reform of rural collective property rights, we developed a platform for the management of rural collective funds, resources and assets to help improving the digital governance in rural areas. Currently, 25 branches and 439 counties adopted this platform, covering 64.8 thousand administrative villages.

Fifthly, we supported the construction of a beautiful and livable countryside. Focusing on the three-year action plan for the improvement of rural living environment and the crucial action plan for pollution control in agriculture and rural areas, we increased our credit support for projects relating to disposal of rural garbage and sewage, toilet revolution, improvement of village appearance, control of rural non-point source pollution and prevention and control of County Area industrial pollution. At the end of 2020, the balance of loans for urbanization of County Areas amounted to RMB862.3 billion, representing an increase of RMB129.4 billion as compared to the end of the previous year.

Sixthly, we expanded financial services relating to happiness industries in County Areas. We satisfied the financing needs of designated hospitals for treatments and fever clinics in order to cope with the pandemic in County Areas. We launched platforms such as smart hospitals, smart schools and smart tourism to provide comprehensive online financial services. At the end of 2020, the balance of loans for happiness industries such as hospitals, schools and tourism in County Areas amounted to RMB128.9 billion, representing an increase of RMB30.3 billion as compared to the end of the previous year.

Lastly, we improved our services for green development of Sannong. Implementing the national requirements for promoting the green and recycled development of agriculture industry, we actively supported projects relating to modern ecological recycling agriculture in pilot provinces and cities. We made full use of green credit policies and products such as loans pledged with pollution discharge rights and carbon emission rights, to support clean production, environmental protection transformation, energy-saving and environmental protection equipment and new energy manufacturing projects in County Areas. At the end of 2020, the balance of our green credit in County Areas amounted to RMB545.6 billion, representing an increase of RMB104.4 billion as compared to the end of the previous year.

Financial Poverty Alleviation

2020 Annual Plan

- We continued to thoroughly implement the national decisions and arrangements of the fight against poverty alleviation. In accordance with the Four Don'ts requirement, we effectively maintained our policies for poverty alleviation stable, and accelerated innovations of financial poverty alleviation products, services, management and system as well as mechanism, so as to strive to improve the quality and efficiency of financial poverty alleviation.

- In 2020, we strived to achieve the goal of providing more than RMB100 billion new loans in 832 key counties of national poverty alleviation, met regulatory requirements of loans granted in targeted poverty alleviation and in the areas of extreme poverty, further extended the service network in the poor areas, and further enriched the financial poverty alleviation product system.

- We connected our services for rural vitalization and the fight against poverty completed to effectively fulfil our corporate social responsibility.

Measures and Achievements

- We increased loans extended to the poor areas. At the end of 2020, the balance of loans in the 832 key counties of national poverty alleviation was RMB1,283.17 billion, representing an increase of RMB191.73 billion, or 17.6%, as compared to the end of the previous year. The balance of loans in areas of extreme poverty was RMB489.13 billion, representing an increase of RMB86.5 billion, or 21.5%. Among them, the balance of loans in areas of extreme poverty in Three Regions and Three Prefectures was RMB134.35 billion, representing an increase of RMB21.58 billion, or 19.1%. The balance of loans for targeted poverty alleviation was RMB483.58 billion, representing an increase of RMB89.39 billion, or 22.7%.

- The preferential policies and resources were given. The needs for loans and economic capital of the poor areas were fully guaranteed. The preferential interest rates for targeted poverty alleviation loans were implemented and a green passage was opened for approval of credit loans in the poor areas. We improved the assessment system for financial poverty alleviation and increased the weight of assessment indicators for financial poverty alleviation. We moderately lowered the educational requirements for the recruitment of personnel in key counties of poverty alleviation, extreme poor counties and highly concerned counties. Moreover, we continued to carry out special recruitment program for college students from registered poor families.

- Products for financial poverty alleviation were innovated. The rights to develop innovative loan products for targeted poverty alleviation as well as agricultural, forestry, animal husbandry and fishery products were delegated to tier-1 branches to encourage them to make independent innovations. We held network training courses for Sannong product managers in order to enhance product innovation capability of branches. We shortlisted out 49 financial products suitable for promotion and application in poor areas and guided institutions in poor areas to copy and promote them through product application manuals and promotional micro-videos. In 2020, the total number of Sannong product innovation bases in the poor areas increased to 37.

- We improved our service network in the poor areas. We strengthened our integrated service channel network which comprises foundation-level branch outlets, self-service outlets, Huinongtong service stations, online channels, and movable services. We launched fingerprints signatures in our super counters, realized display and voice broadcast with languages and characters of ethnic minorities in our self-service facilities, improved functions of card issuance and loan application in our electronic facilities and accelerated the promotion and application of our mobile banking and Internet banking in order to meet the increasingly diversified financial needs of people living in the poor areas. In 2020, we opened 86 foundation-level branch outlets and 48 self-service outlets in 832 key counties of national poverty alleviation and the areas of extreme poverty in the Three Regions and Three Prefectures, which directly served over 6 million people. We distributed a total of 1,333 Huinongtong electronic machines and 43 movable financial service vehicles to provide mobile financial services for more than 100 thousand people in over 600 villages and towns without basic financial services.

- Poverty alleviation collaboration between branches in the eastern and western regions was carried out. 12 branches in the eastern regions collaborated with 12 poverty-stricken areas in Three Regions and Three Prefectures, which brought 23 investment projects and investment amount over RMB1 billion. 100 sub-branches in the eastern regions established pairing assistance relationship for targeted poverty alleviation with 100 sub-branches in counties in the poverty-stricken areas. The sub-branches exchange personnel to coordinate financial services for poverty alleviation between the eastern and western regions.

- We furthered poverty alleviation through consumption. Our institutions and employees at all levels purchased RMB305 million of agricultural products from the poor areas. We strengthened our online and offline service channels. We exerted more efforts to help sell the products, by constantly improving and promoting our Poverty Alleviation Mall. At the end of 2020, 388 poverty alleviation units of the central government or the local governments contracted with our Poverty Alleviation Mall, and the products were from all the 592 designated counties under the poverty alleviation program which were assisted by the central government units. We organized special agricultural products trade fairs and coordinated to establish supply and sale relationships among our customers and the enterprises, farmers from poverty-stricken areas. We helped sell agricultural products from the poor areas of RMB1.67 billion throughout the year.

- We implemented poverty alleviation through education. We continued to carry out the Jinsui Yuanmeng, a student aid activity. We and our employees together made donations to 2,438 freshmen from registered poor families in the areas of extreme poverty in the Three Regions and Three Prefectures, designated counties under the poverty alleviation program, and 52 poverty-stricken villages under the pairing assistance program. We also contributed to the program of 100 Thousand+ Hopes Projects Supporting to Poverty Alleviation which was launched by the China Youth Development Foundation.

- We devoted more to designated poverty alleviation. At the end of 2020, the balance of loans to four designated poverty alleviation counties was RMB11.93 billion, representing an increase of RMB1.56 billion, or 15.1% as compared to the end of the previous year. We invested RMB0.13 billion of direct assistance funds in 2020 and introduced RMB26.585 million of free assistance funds, all of which were used to help the people in or near to poverty. We entered into five investment agreements with a total amount of RMB3.9 billion to be invested and made an additional investment of RMB290 million to the projects we implemented in the previous years.

2021 Annual Plan

- We will thoroughly implement the national decisions and instructions to effectively connect consolidating and expanding the achievements of the fight against poverty alleviation with the rural vitalization and will strive to improve the quality and efficiency of our financial services.

- We will insisted that our investment for poverty alleviation will not reduce, our poverty alleviation team will be kept stable and our policies for poverty alleviation will not be discounted, in order to maintain our policies for financial poverty alleviation overall stable.

- New loans to the 832 counties out of poverty will be no less than RMB100 billion, the loan extended will meet the regulatory requirements, the service network in the underdeveloped areas will be extended and product system for financial poverty alleviation will be enriched.

Rural Banks

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 2020, the total assets and net assets of ABC Hubei Hanchuan Rural Bank Limited Liability Company amounted to RMB331 million and RMB59 million, respectively. It recorded a net loss of RMB3.917 million for 2020.

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 2020, the total assets and net assets of ABC Hexigten Rural Bank Limited Liability Company amounted to RMB182 million and RMB40 million, respectively. It recorded a net profit of RMB2.4208 million for 2020.

ABC Ansai Rural Bank Limited Liability Company

ABC Ansai Rural Bank Limited Liability Company was established in March 2010 in Ansai County, Yan'an City, Shaanxi Province, with a registered capital of RMB40 million, 51% of which was held by the Bank. At 31 December 2020, the total assets and net assets of ABC Ansai Rural Bank Limited Liability Company amounted to RMB554 million and RMB56 million, respectively. It recorded a net loss of RMB9.264 million for 2020.

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 2020, the total assets and net assets of ABC Jixi Rural Bank Limited Liability Company amounted to RMB335 million and RMB42 million, respectively. It recorded a net profit of RMB0.1477 million for 2020.

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 2020, the total assets and net assets of ABC Zhejiang Yongkang Rural Bank Limited Liability Company amounted to RMB679 million and RMB256 million, respectively. It recorded a net profit of RMB5.2242 million for 2020.

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 RMB150 million, 51% of which was held by the Bank. At 31 December 2020, the total assets and net assets of ABC Xiamen Tong'an Rural Bank Limited Liability Company amounted to RMB1,087 million and RMB184 million, respectively. It recorded a net profit of RMB10.7971 million for 2020.

Financial Position

Major Items of Assets and Liabilities of the County Area Banking Business

In millions of RMB, except for percentages

	31 December 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Total loans and advances to customers	**5,305,305**	**–**	4,552,809	–
Allowance for impairment losses on loans	**(247,205)**	**–**	(226,412)	–
Loans and advances to customers, net	**5,058,100**	**52.5**	4,326,397	49.7
Intra-bank balance[1]	**3,739,471**	**38.8**	3,622,774	41.6
Other assets	**840,801**	**8.7**	750,439	8.7
Total assets	**9,638,372**	**100.0**	8,699,610	100.0
Deposits from customers	**8,754,484**	**97.9**	7,960,558	98.5
Other liabilities	**187,969**	**2.1**	124,762	1.5
Total liabilities	**8,942,453**	**100.0**	8,085,320	100.0

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

Major Income Items of the County Area Banking Business

In millions of RMB, except for percentages

	2020	2019	Increase/ (decrease)	Growth rate (%)
External interest income	**230,691**	205,982	24,709	12.0
Less: External interest expense	**121,062**	116,959	4,103	3.5
Interest income from intra-bank balance[1]	**122,135**	115,125	7,010	6.1
Net interest income	**231,764**	204,148	27,616	13.5
Net fee and commission income	**29,303**	27,867	1,436	5.2
Other non-interest income	**727**	4,724	(3,997)	-84.6
Operating income	**261,794**	236,739	25,055	10.6
Less: Operating expenses	**91,401**	90,654	747	0.8
Credit impairment losses	**52,276**	48,228	4,048	8.4
Impairment losses on other assets	**27**	86	(59)	-68.6
Total profit before tax	**118,090**	97,771	20,319	20.8

Note: 1. Interest income from intra-bank balance represents the interest income earned on funds provided by the 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 of the County Area Banking Business

Unit: %

Item	**2020**	2019
Average yield of loans	**4.63**	4.74
Average cost of deposits	**1.46**	1.51
Net fee and commission income to operating income	**11.19**	11.77
Cost-to-income ratio	**34.09**	37.37

Item	**31 December 2020**	31 December 2019
Loan-to-deposit ratio	**60.60**	57.19
Non-performing loan ratio	**1.52**	1.58
Allowance to non-performing loans	**307.31**	315.18
Allowance to loan ratio	**4.67**	4.99

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 2020, we continued to improve the comprehensive risk management system and strengthen the foundation of our risk management to ensure effective risk management. We strengthened credit risk management and controlled our asset quality in key areas to reinforce the achievements of the Clean-up Plan. Industry-specific limit management was made, with our credit structure further optimized. The risk management of online credit businesses was enhanced by actively promoting the building of a full lifecycle management mechanism in our models. We conducted comprehensive assessment on business risk, improved the market risk management system and strengthened supervision on market risk exposure limits, so that our market risk arising from businesses remained stable overall. Prevention and control of operational risk and risk of case violations were further strengthened, risk management in relation to information technology was enhanced and our business continuity management was continuously well carried out. To improve our financial product innovation management, we standardized the procedures of assessment and examination on product innovation risk according to requirements of the implementing policies on product innovation. The construction of the risk data marts and the risk management information system was continued and aggregation of effective risk data and risk reporting to meet the requirements of regulation authorities were promoted. To steadily implement the Basel III, we promoted the programs of the new measurements for credit risk, market risk and operational risk and reinforced our efforts to risk assessment under the internal capital adequacy assessment process (ICAAP).

For details of risk governance, please refer to "Corporate Governance Report — Risk Governance".

Risk Management Rules System

In 2020, we continued to refine our risk management policies system. We formulated the management measures on risk assessment, specifying the working mechanism for bank-wide risk assessment. We revised the risk management measures for overseas branches and subsidiaries, specifying the responsibilities of the Board of Directors, the Board of Supervisors, senior management and relevant departments of the Head Office in risk management for overseas branches and subsidiaries, and revised the risk management measures for subsidiaries to strengthen risk management in affiliates. For credit risk management, the basic credit management system and the operating rules of credit business for corporate customers were revised, and the post-disbursement management measures for online credit businesses was formulated to improve our credit rules system. For market risk, the risk management measures for proprietary trading and investment operations were revised and implemented. For operational risk management, the operational risk management policy was revised and the grading and classification standard of operational risk was formulated. We worked out annual risk management policies on customer rating, asset risk classification, industrial credit limit, capital transaction and market risk, interbank and agency distribution business as well as information technology to guide our daily risk management.

Risk Analysis Report

In 2020, in light of the changes in domestic and international economic and financial environment, we comprehensively analyzed various risk profiles. We enhanced risk analysis reporting on key areas, industries, customers and businesses, and strengthened our prospective analysis on risk trends. The risk reporting management measures was revised to fulfill the regulatory requirements and the working mechanism for risk reporting was detailed to improve the risk reporting capabilities of the Bank.

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 2020, we implemented the state macro-control policies, improved the credit risk management system, strengthened the risk prevention in key areas and the industry-specific credit exposure limits management and diversified the channels for collection and disposal of non-performing loans, thus maintaining our assets quality stable.

Credit Risk Management Structure

The structure of our credit risk management mainly comprises the Board of Directors and its Risk Management and 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 formulated comprehensive policies such as the annual credit policy and County Area Banking/Inclusive Finance credit policy. We formulated or revised the credit policies for industries including urban underground comprehensive pipeline corridors, metal mining and dressing, photovoltaic and polysilicon. We rolled out differentiated regional credit policies. We revised the administrative measures for businesses such as working capital loans, fixed asset loans and project financing. We formulated policies to support the transformation and upgrade of services and new drivers of economic development, such as "new infrastructure", manufacturing, "unicorns" and innovative enterprises and supply chain development.

We enhanced the credit risk management in key areas. We enhanced risk management in traditional industries, especially overcapacity industries, and strengthen customer classification management in overcapacity industries such as steel, coal, cement, electrolytic aluminum, plate glass and shipbuilding, and other industries with high attention such as automobiles, to ensure that risks are stable and controllable. Following up with the national policy adjustments in the power industry, we revised our warning interval for thermal power, wind power and solar power generation sectors in time to prevent policy risks. We strictly implemented the regulatory requirements on the concentration of loans advanced to the real estate industry, and strengthened risk prevention and control in the same industry.

We continued to refine the risk management and control system for online credit business. We strengthened the online credit system, expedited the construction of anti-fraud and credit risk monitoring platform, and established a centralized risk management system with is compatible with Internet finance.

We strengthened the post-disbursement management and the collection and disposal of non-performing assets. We monitored and analysed the key industries, regions and customers affected by the pandemic and formulated "customer-tailored" risk disposal scheme for customers with large loan amount and weak risk tolerance, so as to prevent and resolve risks. We centralized the monitoring of group customers with large credit amount and strengthened monitoring on the risks of overseas branches and our subsidiaries. We strengthened the disposal of non-performing loans. We carried out three major actions, including collection of large-amount loans, clearance of easy-depreciable assets and collection of non-performing loans through legal actions, and continued with the disposal strategies of more collection, more write-offs, more restructuring and targeted transfer in batches.

Risk Management of Retail Banking Business

We promoted bank-wide classified evaluation and provincial centralization of retail loan operation centres, optimized the organizational structure and business process of retail banking business, and constantly improve the construction of retail loan operation centres. We revised administrative measures for post-disbursement management of retail credit business, asset quality management of customer managers and operating rules for overdue collection management. We improved the risk management system of retail credit business. We took measures including extending payment period and managing customer objections of credit investigation to manage and control the credit and reputational risks caused by the pandemic. We promoted digital transformation, strengthened loan usage control, anti-fraud, customer risk management and interactive risk early warning disposal through online interactive early warning platform for retail loan customers and intelligent risk control system for retail loan, thus realizing refined risk management for retail loans. We enriched centralized collection methods, standardized entrusted collection, and strengthened judicial litigation of online non-performing loans to constantly enhance collection management of overdue loans. We also accelerated write-off of retail non-performing assets, promoted the disposal of online loans write-offs, resulting in a significant increase in the write-off of retail non-performing loans for the year as compared to the previous years.

Risk Management of Credit Card Business

Adhering to a prudent risk appetite, we strengthened credit portfolio management, optimized our credit structure, deepened the construction of an intelligent risk control system and constantly improved the refined management of credit card assets. We carried out differentiated risk management in terms of regions, customers, channels and products at the pre-loan stage, and strengthened prevention and control of common debt risk and management of information authenticity. At the loan-processing stage, we promoted the credit management mechanism combining precision credit and capital efficiency, and scientifically and rationally allocated credit resources to balance the development of card issuance and installment business. At the post-disbursement stage, we continuously optimized the collection strategy, comprehensively promoted the intelligent collection methods, took initiative to dispose of non-performing assets, orderly promoted the securitization of credit card non-performing assets and improved the operational efficiency of post-loan assets.

To respond to the impact of the pandemic, we adjusted the credit access policy, raised the access standards and controlled risk exposure for customers with non-stable career in medium-to-high risk areas. We tracked the risk of customers affected by the pandemic and implemented differentiated limit strategy. We conducted the overdue loans control and implemented a differentiated write-off policy for micro credit card accounts. During the pandemic period, the asset quality of our credit card was stable, and recovered to the pre-pandemic level firstly among the peers.

Risk Management of Treasury Business

We refined the risk management measures for treasury business by improving the whole-process risk management mechanism and the management of credit bond before, during and after investment. We monitored constantly the risk profiles of credit customers and counterparties in relation to our existing treasury business, updated the list of existing credit customers that required special attention in a timely manner and dynamically adjusted the measures to address 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 strictly implemented the compliance requirements of anti-money laundering, improved the mechanism for financial consumer interests protection and customer complaints handling. We promoted the level of products online and risk control and the second phase construction of the global platform project. We improved the system of integrated risk monitoring and reporting by the Group for treasury business and established the monthly risk reporting and sharing mechanism of the subsidiaries and overseas branches for treasury business.

Loan Risk Classification

We formulated and refined the loan risk classification management policies 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 every year to specify the requirements for classification standards and management of loans to core corporate customers and thus improving the foreseeability and sensitivity of risk identification. Retail loans were managed with the five-category classification system which automatically classified risks mainly 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.

Distribution of Loans by Collaterals

In millions of RMB, except for percentages

	31 December 2020		31 December 2019	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	6,978,616	46.1	5,898,736	44.3
Loans secured by pledges	2,292,233	15.1	2,131,098	16.0
Guaranteed loans	1,689,444	11.2	1,856,415	13.9
Unsecured loans	4,175,828	27.6	3,442,501	25.8
Sub-Total	15,136,121	100.0	13,328,750	100.0
Accrued interest	34,321	–	31,592	–
Total	15,170,442	–	13,360,342	–

Distribution of Overdue Loans by Overdue Period

In millions of RMB, except for percentages

	31 December 2020		31 December 2019	
Item	Amount	Percentage of total loans (%)	Amount	Percentage of total loans (%)
Overdue for less than 90 days (including 90 days)	78,228	0.5	71,118	0.5
Overdue for 91 to 360 days	60,793	0.4	49,650	0.4
Overdue for 361 days to 3 years (including 3 years)	43,749	0.3	47,787	0.4
Overdue for more than 3 years	12,663	0.1	14,438	0.1
Total	195,433	1.3	182,993	1.4

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	114,824	0.76
Borrower B	Transportation, logistics and postal services	38,433	0.25
Borrower C	Transportation, logistics and postal services	33,628	0.22
Borrower D	Transportation, logistics and postal services	28,433	0.19
Borrower E	Transportation, logistics and postal services	27,801	0.18
Borrower F	Transportation, logistics and postal services	27,214	0.18
Borrower G	Transportation, logistics and postal services	23,479	0.16
Borrower H	Production and supply of power, heat, gas and water	21,717	0.14
Borrower I	Transportation, logistics and postal services	19,585	0.13
Borrower J	Transportation, logistics and postal services	19,326	0.13
Total		**354,440**	**2.34**

At 31 December 2020, we fulfilled the regulatory requirements as total loans to our largest single borrower represented 4.07% of our net capital and total loans to our ten largest borrowers represented 12.58% of our net capital.

Large Risk Exposures

In 2020, pursuant to the requirements of the *Administrative Measures for Large Risk Exposures of Commercial Banks* issued by the CBIRC and regulatory requirements, we conducted the measurement, monitoring and system optimization in respect of large risk exposures on an orderly basis, regularly reported to regulation authorities with regulatory reports and management statements for continuous improvement on our capability to measure and manage large risk exposures.

Distribution of Loans by Five-category Classification

In millions of RMB, except for percentages

	31 December 2020		31 December 2019	
Item	**Amount**	**Percentage (%)**	Amount	Percentage (%)
Normal	**14,594,673**	**96.42**	12,843,139	96.36
Special mention	**304,335**	**2.01**	298,401	2.24
Non-performing loans	**237,113**	**1.57**	187,210	1.40
Substandard	**62,873**	**0.42**	66,462	0.50
Doubtful	**152,627**	**1.01**	103,763	0.78
Loss	**21,613**	**0.14**	16,985	0.12
Sub-Total	**15,136,121**	**100.00**	13,328,750	100.00
Accrued interest	**34,321**	**–**	31,592	–
Total	**15,170,442**	**–**	13,360,342	–

At 31 December 2020, the balance of our non-performing loans was RMB237,113 million, representing an increase of RMB49,903 million as compared to the end of the previous year; and the non-performing loan ratio increased by 0.17 percentage point to 1.57% as compared to the end of the previous year; and the balance of special mention loans was RMB304,335 million, representing an increase of RMB5,934 million as compared to the end of the previous year; and special mention loans accounted for 2.01% of the total loans, representing a decrease of 0.23 percentage point as compared to the end of the previous year.

In 2020, we conscientiously addressed the adverse effects caused by COVID-19 and the economic downturn, implemented pandemic relief policies, paid close attention to the industries, regions and customers which were affected by the pandemic to a greater extent, evaluated the existing risk position, strictly identified the non-performing loans, and formulated targeted control approaches. We continued to improve our management of our facilities to industries with excess capacity, carried out centralized monitoring over large-scale group customers, took forward-looking measures to prevent and mitigate risks, and strictly prevented new non-performing loans. We strengthened the adjustment of loan structure, furthered post-loan management measures and consolidated the foundation of loan quality management. We developed a risk management strategy for online credit business, as well as targeted risk management procedures and policies to adapt to the online mode. We implemented the disposal strategies underlining more collection, more write-offs and more restructuring as well as targeted transfer in batches, actively promoted the disposal of non-performing loans, and reinforced the disposal of large-amount projects, thus consolidating the achievements of the Clean-up Plan.

Distribution of Non-Performing Loans by Business Type

In millions of RMB, except for percentages

	31 December 2020			31 December 2019		
Item	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Corporate loans	192,551	81.2	2.37	148,695	79.4	2.10
Including: Short-term corporate loans	93,614	39.5	3.79	81,488	43.5	3.70
Medium- and long-term corporate loans	98,937	41.7	1.75	67,207	35.9	1.37
Discounted bills	–	–	–	21	–	–
Retail loans	38,300	16.2	0.62	31,699	16.9	0.59
Residential mortgage loans	17,655	7.5	0.38	12,386	6.6	0.30
Credit card balances	8,430	3.6	1.55	7,465	4.0	1.57
Personal consumption loans	3,647	1.5	2.04	1,746	0.9	1.04
Loans to private business	3,231	1.4	0.85	4,281	2.3	1.62
Loans to rural households	5,308	2.2	1.22	5,785	3.1	1.80
Others	29	–	4.26	36	–	4.92
Overseas and others	6,262	2.6	1.51	6,795	3.7	1.62
Total	237,113	100.0	1.57	187,210	100.0	1.40

Distribution of Corporate Non-Performing Loans by Industry

In millions of RMB, except for percentages

	31 December 2020			31 December 2019		
Item	Amount	Percentage (%)	Non-performing loan ratio (%)	Amount	Percentage (%)	Non-performing loan ratio (%)
Manufacturing	67,523	35.1	5.08	60,529	40.7	5.06
Production and supply of power, heat, gas and water	9,641	5.0	1.04	5,725	3.8	0.67
Real estate	14,209	7.4	1.81	10,038	6.8	1.45
Transportation, logistics and postal services	22,000	11.4	1.18	12,630	8.5	0.77
Wholesale and retail	34,978	18.2	8.55	30,541	20.5	9.83
Water, environment and public utilities management	1,916	1.0	0.31	659	0.4	0.13
Construction	2,807	1.5	1.31	2,543	1.7	1.13
Mining	6,225	3.2	3.25	4,697	3.2	2.34
Leasing and commercial services	26,040	13.5	2.07	15,150	10.2	1.46
Finance	55	–	0.02	87	0.1	0.05
Information transmission, software and IT services	679	0.3	1.75	84	0.1	0.30
Others	6,478	3.4	2.34	6,012	4.0	2.92
Total	192,551	100.0	2.37	148,695	100.0	2.10

Distribution of Non-Performing Loans by Geographic Region

In millions of RMB, except for percentages

Item	31 December 2020 Amount	31 December 2020 Percentage (%)	31 December 2020 Non-performing loan ratio (%)	31 December 2019 Amount	31 December 2019 Percentage (%)	31 December 2019 Non-performing loan ratio (%)
Head Office	1,369	0.6	0.39	6	–	–
Yangtze River Delta	30,533	12.9	0.88	29,228	15.6	0.98
Pearl River Delta	18,451	7.8	0.75	16,805	9.0	0.79
Bohai Rim	65,405	27.6	2.95	46,883	25.1	2.34
Central China	46,009	19.4	2.00	35,969	19.2	1.81
Northeastern China	9,294	3.9	1.68	8,987	4.8	1.79
Western China	59,790	25.2	1.78	42,537	22.7	1.43
Overseas and others	6,262	2.6	1.51	6,795	3.6	1.62
Total	237,113	100.0	1.57	187,210	100.0	1.40

Changes in the Allowance for Impairment Losses on Loans

In millions of RMB

Item	2020 Stage I 12-month expected credit losses	2020 Stage II Lifetime expected credit losses	2020 Stage III Lifetime expected credit losses	2020 Total
1 January 2020	364,045	57,720	131,350	553,115
Transfer[1]				
Stage I to stage II	(11,676)	11,676	–	–
Stage II to stage III	–	(31,112)	31,112	–
Stage II to stage I	4,310	(4,310)	–	–
Stage III to stage II	–	3,398	(3,398)	–
Originated or purchased financial assets	153,540	–	–	153,540
Remeasurement	(4,195)	35,145	81,888	112,838
Repayment and transfer-out	(95,061)	(11,815)	(32,036)	(138,912)
Write-offs	–	–	(49,375)	(49,375)
31 December 2020	410,963	60,702	159,541	631,206

Notes: 1. For details of the impairment models of three stages, please refer to "Note IV. 17 Loans and advances to customers" to the Consolidated Financial Statements.

2. The table includes the allowance for impairment losses on loans 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, exchange rate risk and commodity price risk. The Bank's organizational structure of market risk management comprises the Board of Directors and its Risk Management and 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.

In 2020, the Bank formulated an annual market risk management policy to clarify the bank-wide market risk management requirements and access standards for transaction investment business. We continued to improve the capital measurement and limit calculation functions of the market risk management system, and continued to carry out comprehensive validation of Internal Model Approach, continued to optimize the model and system of market risk measurement. We focused on conducting new products access reviews to ensure complete risk control measures before launching of the products. Our market risk exposure limits are classified into directive limits and indicative limits. 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.

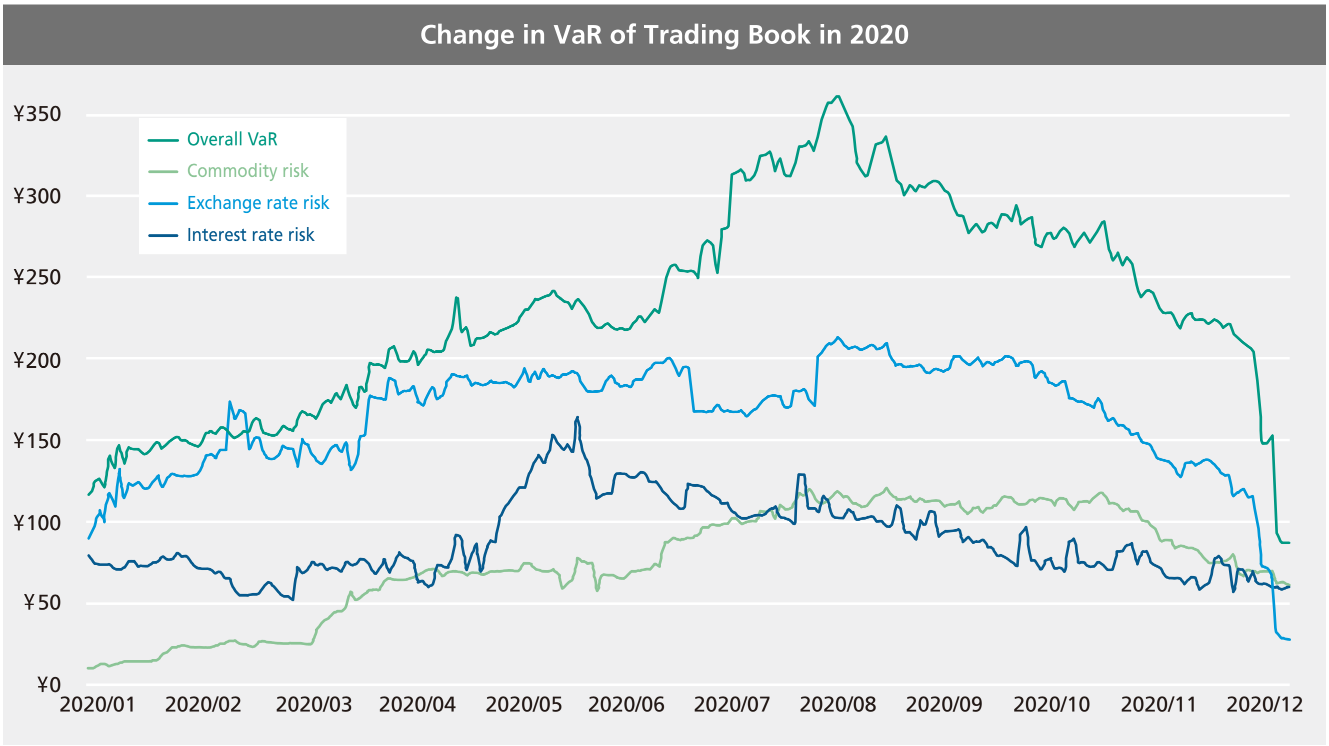
We adopted a historical simulation method with a confidence interval of 99% based on a holding period of one day and historical data for 250 days to measure the VaR for the trading book of the Head Office and domestic and overseas branches of the Bank.

VaR Analysis for the Trading Book

In millions of RMB

	2020				2019			
Item	At the end of period	Average	Maximum	Minimum	At the end of period	Average	Maximum	Minimum
Interest rate risk	59	88	164	52	75	89	116	57
Exchange rate risk[1]	28	165	213	28	90	120	287	56
Commodity risk	62	75	120	9	9	15	25	5
Overall VaR	87	232	362	87	115	146	291	92

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



In 2020, the range of changes in interest rate increased, but the average balance of bond portfolio declined slightly, thus the VaR of interest rate risk remaining basically unchanged as compared to the previous year. Foreign exchange exposure increased slightly, the average balance of gold portfolio increased, and the fluctuation of gold prices was higher than that in the previous year at home and abroad, resulting in an increase in the VaR of exchange rate as compared to the previous year. The unilateral exposure of silver portfolio increased, and the volatility of silver prices increased as compared to the previous year, resulting in the VaR of commodity risk being higher than that in 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.

In 2020, the Bank paid close attention to macroeconomic and interest rate trends, carried out active countercyclical operations, flexibly adjusted the pricing strategies for internal and external interest rates, and optimized the products portfolio and term structure of assets and liabilities, to cope with the decline in interest rates and the impact of the pandemic and maintain overall stability of income. The conversion of loan interest rates benchmark was completed in accordance with the requirements under the LPR reform of the People's Bank of China. We strengthened the management of overseas institutions and subsidiaries, optimized the interest rate risk limit system, and improved the management of consolidated risk data. During the reporting period, our interest rate risk of the banking book was overall controllable, while all risk indicators were controlled within the scope of regulatory requirements and management objectives.

Interest Rate Risk Analysis

At 31 December 2020, the accumulative negative gap with interest rate sensitivity due within one year of the Bank amounted to RMB1,120,784 million, representing a decrease of RMB1,368 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	Sub-Total of 1 year and below	1–5 years	More than 5 years	Non-interest earning
31 December 2020	**(6,360,968)**	**818,643**	**4,421,541**	**(1,120,784)**	**194,579**	**2,914,986**	**(35,419)**
31 December 2019	(3,981,518)	341,810	2,517,556	(1,122,152)	814,042	1,986,997	73,547

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

	31 December 2020		31 December 2019	
Movements in basis points	**Movements in net interest income**	**Movements in other comprehensive income**	Movements in net interest income	Movements in other comprehensive income
Increased by 100 basis points	**(37,556)**	**(67,941)**	(25,867)	(42,579)
Decreased by 100 basis points	**37,556**	**67,941**	25,867	42,579

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 probably adopted by the management to reduce interest rate risk.

Based on the composition of the assets and liabilities at 31 December 2020, 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 RMB37,556 million and RMB67,941 million, respectively.

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 2020, we performed monitoring on exchange rate risk exposures and sensitivity analysis regularly. Through proper matching of foreign currencies, we flexibly adjusted the trading exchange rate risk exposure, while maintaining the non-trading exchange rate risk exposure basically stable. Therefore, our exchange rate risk exposure was controlled within a reasonable range.

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 2020, the mid-point rate of RMB against USD appreciated accumulatively by 4,513 basis points or 6.92%. At the end of 2020, the Bank's positive foreign exchange exposure of on- and off-balance sheet was USD8,872 million, representing an increase of USD5,330 million in absolute terms as compared to the end of the previous year.

Foreign Exchange Exposure

In millions of RMB (USD)

	31 December 2020		31 December 2019	
	RMB	**USD equivalent**	RMB	USD equivalent
Net foreign exchange exposure of on-balance sheet financial assets/liabilities	**35,270**	**5,405**	50,482	7,236
Net foreign exchange exposure of off-balance sheet financial assets/liabilities	**22,625**	**3,467**	(25,767)	(3,694)

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

		Impact on profit before tax	
Currency	**Increase/decrease in exchange rate of foreign currency against RMB**	**31 December 2020**	31 December 2019
USD	+5%	**1,450**	1,346
	-5%	**(1,450)**	(1,346)
HKD	+5%	**771**	(832)
	-5%	**(771)**	832

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 RMB1,450 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 financing ability, etc.

Liquidity Risk Management

Liquidity Risk Management Governance Structure

The liquidity risk management governance structure of the Bank consists of a decision-making system, an execution system and a supervision system, among which, the decision-making system comprises the Board of Directors and its Risk Management and Consumers' Interest Protection Committee and the senior management; the execution system comprises liquidity management department, asset and liability business department and information and technology department, etc.; and the supervision system comprises the Board of Supervisors, the Audit Office, the Internal Control and Compliance Supervision Department and the Legal Affairs Department. The aforesaid systems perform their respective decision-making, execution and supervision functions based on the division of responsibility.

Liquidity Risk Management Strategy and Policy

We adhered to a prudent liquidity management strategy. We formulated our liquidity risk management policy pursuant to the regulatory requirements, external macroeconomic environment and our business development. 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 promptly fulfil the liquidity needs of assets, liabilities and off-balance sheet businesses and perform the payment obligations under normal business environment or under operational pressure; 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 economic and financial situation, monetary policies, and market liquidity, continued to monitor our bank-wide liquidity condition. 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 liquidity position. 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 2020, the internal and external liquidity situations faced by the Bank were complicated and ever-changing. Due to the impact of the pandemic, the global economic growth continued to slow down, and major economies all adopted loose monetary policies with greater fluctuations in market interest rates. We faced 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 2020, we fulfilled the regulatory requirements with liquidity ratios for RMB and foreign currency of 59.15% and 122.98%, respectively. The average of the liquidity coverage ratio over the fourth quarter in 2020 increased by 6.7 percentage points to 116.3% as compared to the previous quarter. At the end of 2020, the net stable funding ratio was 125.5%, with available stable funding of RMB18,996.1 billion in numerator and the required stable funding of RMB15,134.8 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 2020	**26,848**	**(12,801,017)**	**579,070**	**(627,463)**	**215,455**	**2,442,985**	**9,706,251**	**2,411,233**	**1,953,362**
31 December 2019	26,042	(11,689,668)	567,445	(690,128)	36,494	3,066,681	8,144,318	2,291,250	1,752,434

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 reputational risk.

In 2020, we revised the basic rules on operational risk management and released the grading and classification standards for operational risk. We included key areas such as online credit and outsourcing into our self-assessment, and expanded the scope of operational risk self-assessment. We analyzed operational risk on a quarterly basis and carried out monitoring and analysis on major operational risk events. We optimized our information systems for operational risk management, to improve the efficiency of operational risk reporting and our capability of automated data aggregation. We guided subsidiaries to carry out operational risk management and strengthened evaluation and assessment on their operational risk management.

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 2020, we continued to promote law-based governance. The legal risk management measures were formulated to improve our legal risk management system. We focused on serving digital transformation, mitigation of major credit risks, reform of the interest rate liberalization and businesses related to Sannong, inclusive finance and private enterprises with legal support. The customer privacy policies were updated to strengthen our customer information protection. We properly handled litigations, risk events and intellectual property disputes at home and prudently addressed the litigation-concerned risks abroad. For our subsidiaries, we augmented the guidance on the legal risk management, followed important laws and regulations overseas and conducted legitimacy assessments on cross-border data to establish an integrated legal risk management system at home and abroad.

To raise the legal consciousness of all the employees, we organized the broadcasting and learning of the Constitution, the Civil Code and other important laws and regulations. We implemented the Civil Code by making adaptive adjustments to our systems, contracts and products timely. The publicity on the rule of law for pandemic prevention and control was carried out and more than 50 documents were compiled including the *Legal Guidelines for the Prevention and Control of COVID-19* to improve our employees' ability to prevent and control the pandemic according to law.

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 2020, we further improve our reputational risk prevention and control mechanism, and coordinated and optimized the mechanism of pre-event investigation and early warning, in-event reporting and verification, and post-event rectification and evaluation, so as to improve our overall collaborative management ability. We strengthened monitoring and handling of issues related to public opinions, took the initiative to carry out positive advocacy and guidance especially in response to the online public opinions on the pandemic and financial services at important points in time, actively responded to public concerns, and promptly checked and rectified related problems.

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.

We managed country risk through tools and approaches such as country risk rating, limit control, exposure monitoring, provision for asset impairment and stress testing. In 2020, in response to changes in the external situation, we timely assessed country risk and made adjustments to country risk ratings and limits. Taking full account of the impact of country risk on our asset quality, we made full provision for asset impairment.

Risk Consolidated

In 2020, we continued to improve the risk consolidation management of the Group, and advanced the integration of risk management of the parent company and subsidiaries. We guided our subsidiaries to revise their risk appetite statements and risk management policies, and improve their quantitative indicators for risk appetite. We deployed our subsidiaries to provide financial services under the pandemic, and prevent and control pandemic related risks. The data of subsidiaries were incorporated into our risk data marts to achieve a centralized display of our principal business and risk conditions. We formulated and revised the risk management related systems of subsidiaries while continued to carry out risk monitoring, risk management assessment and risk evaluation of subsidiaries.

Capital Management

During the reporting period, we implemented our capital plan for 2019–2021 in accordance with the requirements of the *Capital Rules for Commercial Banks (Provisional)*, fulfilled the restriction and guidance functions of capital on business, enhanced internal and external capital replenishment capacity, improved our long-term mechanism of capital management, maintained prudent capital adequacy, and continuously enhanced the ability to serve the real economy.

Following the requirements of the Financial Stability Board (FSB) and other international and domestic regulatory requirements, as one of the Global Systemically Important Banks, we established a retest mechanism for the recovery and disposal plan and constantly improved risk warning and crisis management capabilities to reduce our risk spillover in the crises and strengthen the foundation for financial stability. We continued to enhance the establishment of the internal capital adequacy assessment process (ICAAP), completed the internal capital adequacy assessment for 2020, carried out the specific audit of ICAAP for 2020 and upgraded working mechanism continuously in order to consolidate the foundation of capital and risk management. We enhanced the research and analysis and advance planning of Total Loss Absorption Capacity (TLAC) in order to enhance our risk resistance capability.

We implemented advanced approaches of capital management and adopted advanced approaches of capital measurement and other approaches in the parallel implementation period to calculate capital adequacy ratio according to 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. The capital structure was further optimized, and capital strength was continuously enhanced.

In May 2020, we issued RMB40 billion of tier-2 capital bonds in the inter-bank bond market of China. After deducting expenses in relation to the issue, the proceeds were fully used to replenish our Tier 2 capital.

In May and August 2020, we issued RMB85 billion and RMB35 billion of write-down undated capital bonds in the inter-bank bond market of China, respectively. After deducting expenses in relation to the issue, the proceeds were fully used to replenish our additional Tier 1 capital.

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

Management of Economic Capital

We constrained total capital, optimized asset structure and controlled the growth of risk-weighted assets in order to achieve capital-intensive development. We focused on strategic objectives transmission and increased economic capital allocation in key areas, such as the fight against poverty, pandemic prevention and control, inclusive finance, and County Area Banking Business to continuously improve sophisticated management. We upgraded the capital management system, transmitted capital management policies promptly and effectively, which improved the efficiency of monitoring 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 *2020 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 2020, following the philosophy of "Giving Priority to CSR, Benefiting the People, Shouldering Responsibilities, Promoting Societal Prosperity", we actively performed social responsibilities, integrated the philosophy of responsibility into bank-wide management and operation, and actively contributed to the sustainable development of economy, environment and society while achieving our high-quality development.

Economic Responsibility

We supported fighting against poverty. We gave preferential credit resources and policies and fully guaranteed the credit scale and economic capital needs in poor areas, which helped win the fight against poverty. A series of special poverty alleviation actions such as poverty alleviation through consumption, poverty alleviation collaboration between eastern and western regions and poverty alleviation through education were organized and carried out, to support the development in poor areas. In 2020, the "Jinsui Yuanmeng" activity ended successfully. Over the past three years, we assisted more than 10,000 freshmen from poor families to realize their college dreams. The service channels in poor areas were continuously improved and the level of basic financial services was further enhanced. At the end of 2020, the coverage rate of Huinongtong electronic machines in 832 key counties and the administrative villages for national poverty alleviation reached 89.5%, and internet service channels such as mobile banking, internet banking and QR code payment covered all poor counties. Four targeted counties were lifted out of poverty with our guidance and support. We set up a "Fund for Preventing Relapses into Poverty" and a "Development Fund for Rural Revitalization and Poverty Removal through Developing Industries" in each of the four counties to consolidate the results of poverty alleviation. Please refer to "Discussion and Analysis — County Area Banking Business — Financial Poverty Alleviation" for more details.

We served the rural vitalization strategy. We promoted seven major actions of rural vitalization in-depth, focusing on agricultural and rural infrastructure construction, public services and people's livelihood in County Areas, characteristic, advantageous, emerging and green industries that enrich the people, construction of rural governance system, pandemic prevention and control, and stable production and supply of agricultural products. At the end of 2020, the loans and advanced to customers in County Areas Banking Business amounted to 5,305,305 million. We build a featured new brand of County Area Banking Business through innovation of financial product for rural vitalization and promotion of the digital transformation. Please refer to "Discussion and Analysis — County Area Banking Business" for more details.

We provided services to the real economy. Focused on key areas and weak links related to the "security in the six areas" and the "stability on the six fronts", we optimized the allocation of credit resources and improved the quality and efficiency of financial services. The loans increased by RMB1.81 trillion in 2020. We actively served the major national development strategies and supported the coordinated development of Beijing-Tianjin-Hebei Region, the Belt and Road Initiative, Yangtze River Economic Belt, the integration of the Yangtze River Delta, and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the Xiongan New Area. We provided inclusive financial services, continuously optimizing the process and offering reasonable fee reduction and interest concession, in order to boost the growth of private small and micro enterprises. At the end of 2020, the balance of our inclusive loans to small and micro enterprises reached RMB961.52 billion.

Environmental Responsibility

We upheld green operations. We advocated eco-friendly workplace and the financial transactions via electronic banking accounted for 99% of the total transactions in 2020. We launched a smart space and conference system which brought us a new way of work that is mobile, paperless, shared and scene-based, which encouraged go-green actions at office. As our response to the national call for energy conservation and carbon emission reduction, we formulated our energy conservation schedule and the power consumption of the head office decreased by 1.7 million kwh as compared to that of the previous year. We also practiced green procurement and adopted policies such as giving priority to products fitting for energy conservation and environmental protection purpose when procuring.

We promoted green finance. We continued to improve our green financial management system and operating mechanism and guided more financial resources to invest in green ecological environmental protection industries, aiming to build our domestically advanced and world-class green financial system. At the end of 2020, the balance of loans in green credit business reached RMB1,514.9 billion. In 2020, we contributed RMB8 billion to confound the National Green Development Fund, supporting sustainable development. Please refer to "Discussion and Analysis — Business Review — Sustainable Finance" for more details.

We committed to green public welfare. We actively carried out thematic public welfare activities such as waste sorting and food saving, and guided our staff to establish green environmental protection concepts through initiative signatures, promos, poster design competitions, and small classes for environmental protection. In 2020, we organized a total of 3,397 green public welfare activities such as tree planting and afforestation as well as Empty Plate Campaign, and a total of 35 thousand staff participated.

Social Responsibility

We enhanced quality and efficiency of our services. We empowered ourselves by science and technology. We actively explored the in-depth integration of financial services and scenes focusing on areas such as government affairs and people's livelihood, retail consumption and industrial chain. Our financial services were transferring from "everywhere" to "anytime". At the end of 2020, the number of monthly active users of our mobile banking was over 100 million and the number of contracted customers of our corporate internet banking reached 8.31 million. A Three-year Information Security Working Plan for 2020–2022 was formulated and published in order to ensure our customers' information security. We optimized the construction of customer complaint mechanism, by broadening customer complaint channels and standardizing complaint handling procedures, to promote rapid and proper resolution of complaints. In 2020, the customer satisfaction rate of the call services provided by our remote banking services centres recorded 99.63% and the customer complaints settlement rate was 100%.

We helped staff grow. We continuously carried forward the strategy of talent development for digital transformation, vigorously cultivated and selected outstanding young leaders, and build leadership teams at all branch levels with reasonable distribution by age and diversity of professional advantages. We conducted hierarchical and classified trainings through online and offline channels with the help of ABC Cloud Classroom, to continuously empower our employees. A total of 0.67 million employees were trained online in 2020.

We promoted social harmony. We actively carried out consumer education and publicity activities such as Sending Financial Knowledge to Your Home. In 2020, we were awarded as an excellent organization unit for joint publicity and education activities by the Financial Rights Protection Bureau of CBIRC. More than 35,000 centralized publicity activities were carried out in 2020. We actively conducted the pandemic prevention and control work, supported resume work and production of companies in a comprehensive way, to help win the battle against pandemic prevention and control. Please refer to "Discussion and Analysis — Pandemic Prevention and Control" for more details.

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 *2020 Corporate Social Responsibility Report* of the Bank published separately.

Corporate Governance Report

Shareholding Structure

Particulars of Ordinary Shares

Details of Changes in Share Capital

Unit: Share

	31 December 2019		Increase/decrease during the reporting period (+, –)			31 December 2020	
	Number of Shares	Percentage[4] (%)	New Shares Issued	Others	Sub-total	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-denominated 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. *Information in the table above was based on the share registration recorded in Shanghai Branch of China Securities Depository and Clearing Corporation Limited and Computershare Hong Kong Investor Services Limited.*
2. *"Shares held subject to restrictions on sales" refer 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 completion of the private placement
4	Shanghai Haiyan Investment Management Company Limited	1,259,445,843	2 July 2021	–	36 months from the date of completion of the private placement
5	Zhongwei Capital Holding Company Limited	755,667,506	2 July 2021	–	36 months from the date of completion of the private placement
6	China National Tobacco Corporation Hubei Province Company	503,778,337	2 July 2021	–	36 months from the date of completion of the private placement
7	New China Life Insurance Company Limited	191,460,957	2 July 2021	–	36 months from the date of completion of the private placement

Particulars of shareholdings of the top 10 shareholders of the Bank

Total number of shareholders (31 December 2020)	**463,710** (as set out in the registers of shareholders of A Shares and H Shares), including 22,168 holders of H Shares and 441,542 holders of A Shares.
Total number of shareholders (28 February 2021)	**439,705** (as set out in the registers of shareholders of A Shares and H Shares), including 21,999 holders of H Shares and 417,706 holders of A Shares.

Particulars of shareholdings of the top 10 shareholders
(the information below is based on the registers of shareholders as at 31 December 2020) *Unit: Share*

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	–	35.29	123,515,185,240	9,877,329,974	None
HKSCC Nominees Limited	Overseas legal entity	H Shares	-3,332,144	8.73	30,557,749,002	–	Unknown
SSF	State-owned	A Shares	–	6.72	23,520,968,297	–	None
China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu	Others	A Shares	+167,599,401	0.78	2,721,874,500	–	None
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	Others	A Shares	+14,279,857	0.73	2,553,591,884	–	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	+17,848,058	0.40	1,413,691,613	–	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 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. 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 2020.*
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. *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 5,275,466,384 in aggregate, accounting for 1.51% 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.*
4. *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.*

Particulars of shareholdings of the top 10 shareholders not subject to restrictions on sales *Unit: Share*

Name of shareholders	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	30,557,749,002	H Shares
SSF	23,520,968,297	A Shares
China Life Insurance Company Limited — Traditional — General insurance products — 005L — CT001 Hu	2,721,874,500	A Shares
China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu	2,553,591,884	A Shares
China Securities Finance Corporation Limited	1,842,751,186	A Shares
Hong Kong Securities Clearing Company Limited	1,413,691,613	A Shares
Central Huijin Asset Management Ltd.	1,255,434,700	A Shares
China Shuangwei Investment Co., Ltd	746,268,000	A Shares

Notes:
1. *The information above is based on the registers of shareholders as at 31 December 2020.*
2. *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 2020.*
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. China Shuangwei Investment Co., Ltd is a wholly-owned subsidiary of China National Tobacco Corporation. 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.*
4. *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.*

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.

Except for MOF, Huijin and SSF, there was no other legal entity shareholder who held a shareholding of 5% or above in the Bank as at 31 December 2020.

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 2020, 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 2020 until the completion of the audits of the financial statements of its investees, the following financial data are the audited data for 2019. As at 31 December 2019, the total assets of Huijin amounted to RMB5,291,816,056.2 thousand, the total liabilities were RMB577,744,529.9 thousand and the owners' equity was RMB4,714,071,526.3 thousand in total. The net profit for 2019 was RMB532,636,980.6 thousand. The net cash flows generated from operating activities, investing activities and financing activities for 2019 amounted to RMB52,256,808.3 thousand.

As at 31 December 2020, 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. ZHU Hailin, Mr. LIAO Luming and Ms. ZHOU Ji as Non-executive Directors of the Bank.

Huijin issued a non-competition covenant, please see "Significant Events — Commitments" for more details.

As at 31 December 2020, the direct shareholdings of Huijin in its investees were as follows:

No.	Name of Institutions	Shareholding of Huijin
1.	China Development Bank	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 Group Ltd.	63.16%
7.	Evergrowing Bank Co., Limited	53.95%
8.	China Export & Credit Insurance Corporation	73.63%
9.	China Reinsurance (Group) Corporation ☆	71.56%
10.	New China Life Insurance Company Limited ★☆	31.34%
11.	China Jianyin Investment Limited	100.00%
12.	China Galaxy Financial Holding Co., Ltd.	69.07%
13.	Shenwan Hongyuan Group Co., Ltd. ★☆	20.05%
14.	China International Capital Corporation Limited ★☆	40.11%
15.	China Securities Co., Ltd. ★☆	30.76%
16.	China Galaxy Asset Management Co., Ltd.	13.3%
17.	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.*

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.

As at 31 December 2020, the SSF held 23,520,968,297 A shares of the Bank, representing 6.72% of the total share capital of the Bank. According to the information provided by the SSF to the Bank, the SSF also held 805,709,096 H shares of the Bank.

Interests and Short Positions Held by Substantial Shareholders and Other Persons[1] *Unit: Share*

Name	Capacity	Interest 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[2]	133,312,244,066 (A Shares)[3]	Long position	41.76	38.09
SSF	Beneficial owner	23,520,968,297 (A Shares)	Long position	7.37	6.72
China Life Insurance (Group) Company	Beneficial owner	267,883,000 (H Shares)	Long position	0.87	0.08
	Interest of controlled entity	3,143,120,000 (H Shares)[4]	Long position	10.23	0.90
China Life Insurance Company Limited	Beneficial owner	3,023,217,000 (H Shares)[4]	Long position	9.84	0.86
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
BlackRock, Inc.	Interest of controlled entity	1,833,602,445 (H Shares)[5]	Long position	5.97	0.52
		6,454,000 (H Shares)	Short position	0.02	0.00
China Taiping Insurance Holdings Company Limited	Interest of controlled entity	1,545,179,000 (H Shares)[6]	Long position	5.03	0.44
China Taiping Insurance Group Co., Ltd.	Interest of controlled entity	1,545,179,000 (H Shares)[6]	Long position	5.03	0.44
Taiping Life Insurance Co., Ltd.	Beneficial owner	1,545,179,000 (H Shares)[6]	Long position	5.03	0.44
Taiping Asset Management Co., Ltd.	Investment manager	1,543,690,000 (H Shares)	Long position	5.02	0.44
	Interest of controlled entity	1,489,000 (H Shares)[7]	Long position	0.00	0.00

Notes:

1. *At 31 December 2020, the Bank received notifications from the above persons regarding their interests or short positions in the 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.*
2. *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.*
3. *According to the register of members of the Bank at 31 December 2020, 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.*
4. *China Life Insurance Company Limited, China Life Insurance (Overseas) Company Limited and China Life Property Insurance Company Limited held 3,023,217,000, 71,270,000 and 48,633,000 H Shares of the Bank, respectively. As they are controlled entities of China Life Insurance (Group) Company, China Life Insurance (Group) Company is deemed to be interested in the 3,143,120,000 H Shares in aggregate directly held by them.*
5. *BlackRock, Inc. is deemed to be interested in 1,836,607,204 H Shares in aggregate, directly or indirectly held by BlackRock Investment Management, LLC and BlackRock Financial Management, Inc., both of which are wholly-owned subsidiaries of BlackRock, Inc.*
6. *China Taiping Insurance Group Co., Ltd. and its non-wholly owned subsidiary, China Taiping Insurance Holdings Company Limited are deemed to be interested in 1,545,179,000 H Shares directly held by Taiping Life Insurance Co., Ltd., which is the controlled entity of China Taiping Insurance Group Co., Ltd. and China Taiping Insurance Holdings Company Limited.*
7. *Taiping Asset Management Co., Ltd. is deemed to be interested in 1,489,000 H Shares directly held by Taiping Fund Management Co., Ltd., which is the controlled entity of Taiping Asset Management Co., Ltd., and such number of shares represents approximately 0.0048% of the issued class shares.*

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 relevant decision-making procedure and mechanism are complete, and the distribution standards and proportion are clearly stated. Independent Non-executive Directors have diligently fulfilled their duties, made their due efforts and expressed their opinions. The minority shareholders have opportunities to fully express their opinions and requests, and their legitimate interests have been adequately protected.

Profits and Dividends Distribution

Our profit for the year ended 31 December 2020 is set out in "Discussion and Analysis — Financial Statement Analysis".

Upon approval at the 2019 Annual General Meeting, we distributed cash dividend of RMB1.819 (tax inclusive) per ten shares, with a total amount of RMB63,662 million (tax inclusive), to shareholders of A Shares and H Shares on our registers of members at the close of business on 9 July 2020.

The Board of Directors proposed distribution of cash dividends of RMB1.851 (tax inclusive) for each ten shares of 349,983,033,873 ordinary shares for 2020 with a total amount of approximately RMB64,782 million (tax inclusive). The distribution plan will be submitted for approval at the 2020 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 16 June 2021. The register of transfers of H Shares will be closed from 11 June 2021 to 16 June 2021 (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 10 June 2021. Dividends of A Shares are expected to be paid on 17 June 2021 and dividends of H Shares are expected to be paid before or on 8 July 2021. 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

	2019	2018	2017
Cash dividend (tax inclusive)	63,662	60,862	57,911
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.

Particulars of Preference Shares

Issuance and Listing of Preference Shares

Code	Abbreviation	Issuance date	Issuance price (in RMB)	Coupon rate	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	None	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	None	40 billion	Replenish the additional Tier 1 capital

Notes:

1. *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.*
2. *The coupon rate of "農行優1" in the second dividend period is 5.32% since 5 November 2019; the coupon rate of "農行優2" in the second dividend period is 4.84% since 11 March 2020.*

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

Unit: Share

As at the end of the reporting period, the Bank had a total of 29 holders[1] of preference shares "農行優1".

At 28 February 2021 (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 31 holders of preference shares "農行優1".

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.	Others	Domestic preference shares	+7,000,000	67,000,000	16.75	None
China Merchants Fund Management Co., Ltd.	Others	Domestic preference shares	–	49,000,000	12.25	None
Beijing Tiandi Fangzhong Asset Management Co., Ltd.	Others	Domestic preference shares	–	35,000,000	8.75	None
PICC Life Insurance Company Limited	Others	Domestic preference shares	–	30,000,000	7.50	None
Ping An Life Insurance Company of China, Ltd.	Others	Domestic preference shares	–	30,000,000	7.50	None
Hexie Health Insurance Co., Ltd.	Others	Domestic preference shares	–	30,000,000	7.50	None
Bank of Ningbo Co., Ltd.	Others	Domestic preference shares	–	15,000,000	3.75	None
China Merchants Securities Asset Management Co., Ltd.	Others	Domestic preference shares	+13,600,000	13,600,000	3.40	None
Zhonghai Trust Co., Ltd.	Others	Domestic preference shares	-7,449,160	12,550,840	3.14	None
Beiyin Fengye Asset Management Co., Ltd.	Others	Domestic preference shares	–	12,000,000	3.00	None

Notes:

1. *China Merchants Fund Management Co., Ltd. and China Merchants Securities Asset Management Co., Ltd. are acting in concert. Save as mentioned above, the Bank is not aware of any other connections between the above holders of preference shares, and between the above holders of preference 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 is categorized as "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).*
5. *The preference shares "農行優1" of the Bank are shares not subject to restrictions on sale, and the top 10 holders of preference shares "農行優1" who are not subject to restrictions on sales are the same as the top 10 holders of preference shares.*

[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2" (360009) *Unit: Share*

As at the end of the reporting period, the Bank had a total of 34 holders of preference shares "農行優2".

At 28 February 2021 (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 33 holders of preference shares "農行優2".

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	Others	Domestic preference shares	–	50,000,000	12.50	None
China National Tobacco Corporation	Others	Domestic preference shares	–	50,000,000	12.50	None
Maxwealth Fund Management Co., Ltd.	Others	Domestic preference shares	–	25,000,000	6.25	None
China Zheshang Bank Co., Ltd.	Others	Domestic preference shares	+25,000,000	25,000,000	6.25	None
China Mobile Communications Group Co., Ltd.	Others	Domestic preference shares	–	20,000,000	5.00	None
Bank of Communications Schroder Fund Management Co., Ltd.	Others	Domestic preference shares	–	20,000,000	5.00	None
Bank of China Limited, Shanghai Branch	Others	Domestic preference shares	–	20,000,000	5.00	None
China National Tobacco Corporation Jiangsu Province Company	Others	Domestic preference shares	–	20,000,000	5.00	None
China National Tobacco Corporation Yunnan Province Company	Others	Domestic preference shares	–	20,000,000	5.00	None
Shanghai Tobacco Group Co., Ltd.	Others	Domestic preference shares	–	15,700,000	3.93	None

Notes:

1. *China Shuangwei Investment Co., Ltd., China National Tobacco Corporation Jiangsu Province Company, China National Tobacco Corporation Yunnan Province Company and Shanghai Tobacco Group Co., Ltd. are the 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 — General insurance product — 005L — CT001 Hu" and "China Life Insurance Company Limited — Dividend distribution — Individual dividend — 005L — FH002 Hu" are both under the management of China Life Insurance Company Limited. Save as mentioned above, the Bank is not aware of any connections between the above holders of preference shares, and between the above holders of preference shares and the top 10 shareholders of ordinary shares, or whether they are parties acting in concert.*
2. *As stipulated in the Standards on the Content and Format of Information Disclosure of Companies with Public Offerings No. 2 — 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 is categorized as "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).*
5. *The preference shares "農行優2" of the Bank are shares not subject to restrictions on sale, and the top 10 holders of preference shares "農行優2" who are not subject to restrictions on sales are the same as the top 10 holders of preference shares.*

Dividends Distribution of Preference Shares

Dividends of our preference shares are paid in cash annually. When we resolve to cancel part or all of the dividends to holders of preference shares, such 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.

Stock name	Issuance date	Registration date	Distribution method	Coupon rate	Dividend per share (tax included)	Total dividend (tax included)
農行優2 (360009)	11 March 2020	10 March 2020	Cash dividend	5.50%	RMB5.50	RMB2,200 million
農行優1 (360001)	5 November 2020	4 November 2020	Cash dividend	5.32%	RMB5.32	RMB2,128 million
農行優2 (360009)	11 March 2021	10 March 2021	Cash dividend	4.84%	RMB4.84	RMB1,936 million

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 or 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 the *Accounting Standards for Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the 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 *International Financial Reporting Standard 9 — Financial Instruments and International Accounting Standard 32 — Financial Instruments: Presentation* issued by the International Accounting Standards Board, we are of the view that the terms of preference shares "農行優1" and "農行優2" meet the definition of equity instruments.

Details of Issuance and Listing of Securities

Issue 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.

Shareholders' Rights

Convening of Extraordinary General Meetings

We protect shareholders' rights strictly in compliance with the regulatory requirements and related 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, and submit proposals 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 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, which shall be deemed to have failed to convene and preside over such meeting, 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 consult copies of minutes of the shareholders' general meetings free of charge during the business hours of the Bank. If any shareholder requests to obtain from the Bank a copy of the relevant minutes of the shareholders' general meetings, the Bank shall send such copy within seven days after the receipt of the reasonable fees. Shareholders who request to consult 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. 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.

Special Regulations of Holders of Preference Shares

The holders of preference shares are entitled to voting rights in the event of the circumstances outlined below happen to the Bank: (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 and the Bank shall provide online voting. The notice of such meetings shall be delivered to holders of preference shares following notice procedures 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.

Protection of Minority Shareholders' Interests

The Implementation of One-share-one-vote

The Bank strictly implemented the one-share-one-vote among shareholders. The shares of the Bank shall be issued following the principles of fairness and justice, and each share in the same class has the same rights. For the same class of shares issued at the same time, each share shall be issued on the same conditions and at the same price. All entities or individuals subscribing for the shares shall pay the same price for each share. A shareholder shall enjoy rights and assume obligations according to the class and amount of shares held. Shareholders who hold shares of the same class shall have the same rights, including (1) to receive dividends and other kinds of distribution of interests based on the number of shares held by them; (2) to attend or appoint a proxy to attend the shareholders' general meetings, and to exercise voting rights based on the number of shares held by them, and etc.

Communication Channel

Shareholders' general meetings of the Bank are held in the form of on-site meetings. Minority shareholders have the right to attend or appoint a proxy to attend the shareholders' general meetings of the Bank, and to exercise voting rights based on the number of shares held by them by way of on-site voting or online voting.

According to the requirements of the relevant laws, regulations and the Articles of Association, minority shareholders have the right to obtain relevant information of the Bank, including: status of the share capital of the Bank, minutes of the shareholders' general meetings; the published financial and accounting reports, interim reports and annual reports of the Bank, and etc.

For the Bank's information disclosure and investor relations management, please refer to "Corporate Governance Report — Communication with Stakeholders — Communication with Shareholders".

Returns to Shareholders

For details of dividends distribution on ordinary shares, please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares". For details of dividends distribution on Preference shares, please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Preference Shares".

Role of Independent Non-executive Directors

Article 151 of the Articles of Association provides that Independent Non-executive Directors shall provide objective, fair and independent opinions on the matters related to the protection of minority shareholders' interests, such as material related party transactions, profit distribution plans and modification of profit distribution policy, nomination or appointment and removal of directors, appointment or removal of senior management, remuneration of directors and senior management, and appointment of external auditors.

In 2020, Independent Non-executive Directors of the Bank provided objective, fair and independent opinions on the proposals including the profit distribution plan for 2019, the appointments of auditors for 2020, the appointment of auditors for 2021, the nomination of Mr. ZHANG Xuguang as an Executive Director candidate, the nomination of Mr. HUANG Zhenzhong as an Independent Non-executive Director candidate, the nomination of Mr. LIAO Luming as a Non-executive Director candidate, the nomination of Mr. ZHU Hailin as a Non-executive Director candidate, the nomination of Ms. ZHOU Ji as a Non-executive Director candidate, the appointment of Mr. XU Han as an Executive Vice President, the 2019 remuneration of the Directors, the 2019 remuneration of senior management members, and the appointment of Mr. HAN Guoqiang as the Secretary to the Board of Directors and the Company Secretary. Independent Non-executive Directors of the Bank were of the view that the content of the proposals and the consideration procedures were in compliance with the requirements of the relevant laws, regulations and the Articles of Association of the Bank, and there was no circumstance that would jeopardize the interests of the Bank and all shareholders, especially the interests of minority shareholders.

Directors, Supervisors and Senior Management

Basic Information of Directors, Supervisors and Senior Management

Name	Position	Gender	Age	Tenure
Incumbent Directors				
GU Shu	Chairman of the Board of Directors, Executive Director	Male	53	2021.01–2024.01
ZHANG Qingsong	Vice Chairman of the Board of Directors, Executive Director, President	Male	55	2020.01–2023.01
ZHANG Xuguang	Executive Director, Executive Vice President	Male	56	2020.10–2023.10
ZHU Hailin	Non-executive Director	Male	55	2020.06–2023.06
LIAO Luming	Non-executive Director	Male	57	2017.08–2023.06
LI Qiyun	Non-executive Director	Male	57	2018.06–2021.06
LI Wei	Non-executive Director	Male	54	2019.05–2022.05
WU Jiangtao	Non-executive Director	Male	49	2019.07–2022.07
ZHOU Ji	Non-executive Director	Female	48	2021.03–2024.03
XIAO Xing	Independent Non-executive Director	Female	50	2015.03–2021.05
WANG Xinxin	Independent Non-executive Director	Male	68	2016.05–2022.05
HUANG Zhenzhong	Independent Non-executive Director	Male	56	2017.09–2023.06
LEUNG KO May Yee, Margaret	Independent Non-executive Director	Female	68	2019.07–2022.07
LIU Shouying	Independent Non-executive Director	Male	56	2019.07–2022.07
Incumbent Supervisors				
WANG Jingdong	Chairman of the Board of Supervisors, Supervisor Representing Shareholders	Male	58	2018.11–2021.11
FAN Jianqiang	Supervisor Representing Shareholders	Male	56	2020.11–2023.11
XIA Taili	Supervisor Representing Employees	Male	58	2018.08–2021.08
SHAO Lihong	Supervisor Representing Employees	Male	48	2018.08–2021.08
WU Gang	Supervisor Representing Employees	Male	55	2019.10–2022.10
LI Wang	External Supervisor	Male	57	2015.06–2021.11
ZHANG Jie	External Supervisor	Male	56	2018.11–2021.11
LIU Hongxia	External Supervisor	Female	57	2018.11–2021.11
Incumbent Senior Management				
ZHANG Qingsong	Vice Chairman of the Board of Directors, Executive Director, President	Male	55	2019.11–
ZHANG Xuguang	Executive Director, Executive Vice President	Male	56	2019.12–
LIN Li	Executive Vice President	Male	52	2021.03–
ZHAN Dongsheng	Executive Vice President	Male	55	2019.04–
CUI Yong	Executive Vice President	Male	51	2019.05–
XU Han	Executive Vice President	Male	55	2020.10–
LI Zhicheng	Chief Risk Officer	Male	58	2017.02–
HAN Guoqiang	Secretary to the Board of Directors	Male	54	2020.11–
Former Directors, Supervisors and Senior Management				
ZHOU Mubing	Former Chairman of the Board of Directors, Executive Director	Male	63	2016.07–2021.01
ZHANG Keqiu	Former Executive Director, Executive Vice President	Female	57	2019.04–2020.11
XU Jiandong	Non-executive Director	Male	57	2015.02–2020.06
CHEN Jianbo	Non-executive Director	Male	57	2015.01–2020.06
WANG Xingchun	Supervisor Representing Shareholders	Male	57	2014.06–2020.06
ZHOU Wanfu	Former Secretary to the Board of Directors	Male	55	2018.04–2020.03

Notes:
1. *Mr. GU Shu has served as the Chairman of the Bank's Board of Directors since February 2021. His term of office as a Director is set out in the table above.*
2. *The term of office of Ms. ZHANG Keqiu as a former Executive Director of the Bank is set out in the table above. Her term of office as a former Executive Vice President of the Bank began in July 2017.*
3. *On 19 March 2021, Mr. LIN Li was nominated as an Executive Director of the Bank by the Board of Directors of the Bank, subject to the consideration and approval by the shareholders' general meeting of the Bank and the ratification of his qualification by the CBIRC.*
4. *Please refer to "Changes in Directors, Supervisors and Senior Management" in this section for information relating to the changes in the Directors, Supervisors and senior management of the Bank.*

Biography of Directors, Supervisors and Senior Management

Biography of Directors

GU Shu Chairman of the Board of Directors, Executive Director

Mr. GU Shu holds a doctor's degree in economics from Shanghai University of Finance and Economics and is a senior accountant. He has served as the Executive Director of the Bank since January 2021 and the Chairman of the Board of Directors and an Executive Director of the Bank since February 2021. Mr. GU previously served as the deputy general manager of the Accounting and Settlement Department, the deputy general manager of the Planning and Finance Department, the general manager of the Finance and Accounting Department, the board secretary and concurrently general manager of the Corporate Strategy and Investor Relations Department, and president of Shandong Branch of Industrial and Commercial Bank of China. Mr. GU was appointed as the executive vice president and the president of Industrial and Commercial Bank of China in October 2013 and October 2016, respectively. Mr. GU served as the vice chairman of the board, an executive director and the president of Industrial and Commercial Bank of China in December 2016.

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. Mr. ZHANG 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. Mr. ZHANG successively served in several positions in 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. Mr. ZHANG was appointed as the executive vice president of Bank of China in November 2016, and an executive director as well as the vice president of 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. He concurrently serves as the chairman of China Institute of Rural Finance.

ZHANG Xuguang Executive Director, 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 was appointed as an Executive Vice President of the Bank in December 2019 and has served as an Executive Director and an Executive Vice President since October 2020. Mr. ZHANG worked for China National Aero-Technology Import & Export Corporation. In addition, Mr. ZHANG previously served as the executive 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 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.

ZHU Hailin Non-executive Director

Mr. ZHU Hailin received a doctor's degree in economics from the Chinese Academy of Fiscal Sciences. He is an expert entitled to Government Special Allowance granted by the State Council, a certified public accountant in China (a non-practicing member), and a supervisor for Ph.D. candidates. He currently works with Central Huijin Investment Ltd. and has served as a Non-executive Director of the Bank since June 2020. Since August 1992, he had served successively as the deputy division-chief and division-chief of the Accounting Department of the MOF, and the deputy director of National Accountant Assessment & Certification Centre of the MOF (deputy bureau level). He served as a Non-executive Director of China Construction Bank Corporation in July 2017.

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 Centre of the MOF, a deputy director, senior engineer, deputy chief engineer (director level) and deputy general manager (deputy bureau level) of the Information Network Centre 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. Mr. LI currently works with Central Huijin Investment Ltd., and has served as a Non-executive Director of the Bank since May 2019. Mr. LI 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. Mr. WU currently works with Central Huijin Investment Ltd. Mr. WU has served as a Non-executive Director of the Bank since July 2019. Mr. WU 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 and deputy president of the Beijing branch of Hua Xia Bank Co., Ltd. Since September 2016, Mr. WU has served as a general manager of the audit department of the head office of Hua Xia Bank Co., Ltd.

ZHOU Ji Non-executive Director

Ms. ZHOU Ji received a master's degree in National Economic Planning and Management from Department of National Economic Management of Renmin University of China, and is an economist. Ms. ZHOU currently works with Central Huijin Investment Ltd. Ms. ZHOU has served as a Non-executive Director of the Bank since March 2021. She previously worked as a deputy director of Balance of Payments Division and a deputy director of Analysis and Forecast Division of Balance of Payments Department of the State Administration of Foreign Exchange (the "SAFE"); a director of Balance of Payments Statistics Division of Balance of Payments Department of the SAFE; a deputy director of Balance of Payments Department and a deputy director of Capital Account Management Department of the SAFE.

XIAO Xing   Independent Non-executive Director

Ms. XIAO Xing holds a doctor's degree in accounting. She currently works as chair and professor of the Department of Accounting, School of Economics and Management, Tsinghua University and an executive vice president 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 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*. Mr. WANG 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 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. Mr. HUANG 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., Yunnan Jinggu Forestry Co., Ltd. and Beijing Leadman Biochemistry Co., Ltd. He is currently 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 and CECEP Solar Energy Technology 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. She 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 cohead 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, Li & Fung 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 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, the director of All China Federation of Supply and Marketing Cooperatives, 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. Mr. WANG has served as the Chairman of the Board of Supervisors and a Supervisor Representing Shareholders of the Bank since November 2018. Mr. WANG successively worked in the Ministry of Agriculture, Animal Husbandry and Fisheries, the State Economic Commission and State Agriculture Investment Corporation. He 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. Mr. WANG served as an executive vice president of Industrial and Commercial Bank of China since December 2013 and an executive director and executive vice president of Industrial and Commercial Bank of China since December 2016.

FAN Jianqiang   Supervisor Representing Shareholders

Mr. FAN Jianqiang holds a master's degree in science from The Hong Kong Polytechnic University and is a senior auditor and a senior economist. He has served as a Supervisor Representing Shareholders of the Bank since November 2020. Mr. FAN previously served as the director of the Second Division of Finance Audit Division and the director of the Personnel and Education Division of Special Commissioner's Office in Chengdu of the National Audit Office of the PRC. From July 2009, he successively served as the deputy general manager of the Preparatory Team of the Chengdu Regional Office, the vice general manager of the Chengdu Regional Office of the Audit Office, and the vice general manager of the Wuhan Regional Office of the Audit Office of the Bank. He worked as deputy general manager of the Audit Office of the Bank (deputy bureau level) from October 2013. He worked as the vice general manager of the Audit Office of the Bank from April 2014. He served as the general manager of the Xi'an Regional Office of the Audit Office of the Bank in March 2018.

XIA Taili Supervisor Representing Employees

Mr. XIA Taili holds a bachelor's degree in philosophy from Hubei Colleague of Finance and Economics and is a senior political worker. Mr. XIA has served as a Supervisor Representing Employees of the Bank since August 2018. Mr. XIA 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 from Hunan Colleague of Finance and 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 served as a Supervisor Representing Employees of the Bank since October 2019. Mr. WU previously served as the director of Business Division IV, 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. Mr. LI has served as an External Supervisor of the Bank since June 2015. Mr. LI 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. Mr. LI concurrently serves as a lawyer at Beijing Tiantai Law Firm 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. Mr. ZHANG 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, Ms. LIU 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. Ms. LIU 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., Langold Real Estate Co., Ltd., Shandong Humon Smelting Co., Ltd., Hebei Xingtai Rural Commercial Bank Company Limited, 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., Dalian Zeus Entertainment Co., Ltd., etc.

Biography of Senior Management

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

LIN Li　Executive Vice President

Mr. LIN Li holds a doctor's degree in Economics from Southwestern University of Finance and Economics and is a senior economist. Mr. LIN has served as an Executive Vice President of the Bank since March 2021. Mr. LIN successively worked in China Raw Materials Investment Corporation and China Development Bank. He previously served as a deputy director and director of general office, a director and secretary to the board of directors of China Everbright Group Corporation (concurrently serving as chief of the Reform and Development Steering Group Office of China Everbright Group Corporation, chief of the Office of Executive Directors of China Everbright Holdings Company Limited (in Hong Kong), a director of Sun Life Everbright Life Insurance Co., Ltd. and chairman of the board of supervisors of China Everbright Investment Management Co., Ltd.), and the executive vice president and senior executive vice president of China Everbright Bank (concurrently serving as a director of China UnionPay). Mr. LIN was appointed as the vice president of Agricultural Development Bank of China in January 2014, and served as an executive director and the vice president of Agricultural Development Bank of China in February 2018.

ZHAN Dongsheng　Executive Vice President

Mr. ZHAN Dongsheng received a bachelor's degree in agronomy from Southwest Agriculture University, and is a senior economist. Since April 2019, Mr. ZHAN has served as an Executive Vice President of the Bank. Mr. ZHAN 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. He 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.

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. Mr. CUI 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. Mr. CUI 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.

XU Han Executive Vice President

Mr. XU Han received a master's degree in engineering from Shanghai University of Technology, is a senior engineer and an expert entitled to Government Special Allowance granted by the State Council allowances of the State Council. Since October 2020, Mr. XU has served as an Executive Vice President of the Bank. Mr. XU previously served in various positions in Bank of Communications, including the deputy general manager of IT Department of Hong Kong Branch, deputy general manager of Computer Department, vice CEO (CEO for Domestic Business) and CEO of Pacific Credit Card Centre, general manager of Personal Finance Department (Consumer Rights Protection Department), general manager of Personal Finance Department (Consumer Rights Protection Department) and general manager of Network Channel Department, general manager of Personal Finance Department (Consumer Rights Protection Department) and chief executive officer of Internet Centre (Online Centre), and chief business officer (Retail and Private Business Sector) and general manager of Personal Finance Department (Consumer Rights Protection Department).

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.

HAN Guoqiang   Secretary to the Board of Directors

Mr. HAN Guoqiang received a master's degree in business administration from Lanzhou University, and is a senior economist. He has served as the Secretary to the Board of Directors of the Bank since November 2020. Mr. HAN previously served as a vice principal and the principal of the training institute of the Gansu Branch of the Bank, the assistant president and vice president of Gansu Branch of the Bank. From May 2014, Mr. HAN served as the president of Gansu Branch of the Bank. Mr. HAN served as the president of Chongqing Branch of the Bank from August 2016.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

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.

On 18 June 2020, Mr. XU Jiandong resigned as a Non-executive Director of the Bank due to work arrangements.

On 29 June 2020, Mr. ZHANG Xuguang was elected as an Executive Director of the Bank at the 2019 Annual General Meeting of the Bank. The qualification of Mr. ZHANG Xuguang was ratified by the CBIRC on 12 October 2020.

On 29 June 2020, Mr. HUANG Zhenzhong was re-elected as an Independent Non-executive Director of the Bank, Mr. LIAO Luming was re-elected as a Non-executive Director of the Bank and Mr. ZHU Hailin was elected as a Non-executive Director of the Bank at the 2019 Annual General Meeting of the Bank.

On 29 June 2020, Mr. CHEN Jianbo resigned as a Non-executive Director of the Bank due to work arrangements.

On 30 November 2020, Ms. ZHANG Keqiu resigned as an Executive Director of the Bank due to work arrangements.

On 7 January 2021, Mr. ZHOU Mubing resigned as the Chairman of the Board of Directors and Executive Director of the Bank due to his age.

On 28 January 2021, Mr. GU Shu was elected as an Executive Director of the Bank at the 2021 First Extraordinary General Meeting of the Bank. The qualification of Mr. GU Shu as the Chairman of the Board of Directors[1] was ratified by the CBIRC on 9 February 2021.

On 27 November 2020, Ms. ZHOU Ji was elected as a Non-executive Director of the Bank at the 2020 Second Extraordinary General Meeting of the Bank. The qualification of Ms. ZHOU Ji was ratified by the CBIRC on 5 March 2021.

On 19 March 2021, Mr. LIN Li was appointed as an Executive Director of the Bank by the Board of Directors of the Bank, subject to the consideration and approval by the shareholders' general meeting of the Bank and the ratification of his qualification by the CBIRC.

Changes in Supervisors

On 28 June 2020, Mr. WANG Xingchun ceased to serve as a Supervisor Representing Shareholders of the Bank, a member of the Due Diligence Supervision Committee of the Board of Supervisors and a member of the Finance and Internal Control Supervision Committee of the Board of Supervisors due to the expiry of his term of office.

On 27 November 2020, Mr. FAN Jianqiang was elected as a Supervisor Representing Shareholders of the Bank at the 2020 Second Extraordinary General Meeting of the Bank.

On 10 December 2020, the 10th meeting of the Board of Supervisors of the Bank in 2020 confirmed Mr. FAN Jianqiang as a member of the Due Diligence Supervision Committee of the Board of Supervisors and a member of the Finance and Internal Control Supervision Committee of the Board of Supervisors.

1 *On 7 January 2021, Mr. GU Shu was elected as the Chairman of the Board of Directors of the Bank at the meeting of the Board of Directors.*

Changes in Senior Management

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 change of job assignment.

On 3 July 2020, Mr. XU Han was appointed as an Executive Vice President of the Bank by the Board of Directors of the Bank. The qualification of Mr. XU Han was ratified by the CBIRC on 12 October 2020.

On 28 September 2020, Mr. HAN Guoqiang was appointed as the Secretary to the Board of Directors of the Bank by the Board of Directors of the Bank and served as our Company Secretary and authorized representative. His qualification for the Secretary to the Board of Directors took effect on 3 November 2020. With the waiver on his qualification for the Company Secretary granted by the Hong Kong Stock Exchange, Mr. HAN Guoqiang's term of office as the Company Secretary shall commence from the date of his appointment and he started to serve as the authorized representative of the Bank on the same day.

On 30 November 2020, Ms. ZHANG Keqiu resigned as an Executive Vice President of the Bank due to work arrangements.

On 19 March 2021, Mr. LIN Li was appointed as an Executive Vice President of the Bank by the Board of Directors of the Bank. The qualification of Mr. LIN Li was ratified by the CBIRC on 31 March 2021.

Shareholdings of Directors, Supervisors and Senior Management

At the end of the reporting period, 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.

Remuneration of Directors, Supervisors and Senior Management

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 in line with the relevant state regulations, which the Bank has followed to pay the salaries. The final remuneration of the Directors, Supervisors and senior management for 2020 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 2020

Name	Position	Tenure	Remuneration paid in 2020 (Unit: RMB Ten Thousand) 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)	Whether receiving remuneration from shareholders' unit or other related parties (Y/N)
GU Shu	Chairman of the Board of Directors, Executive Director	2021.01–2024.01	–	–	–	–	N
ZHANG Qingsong	Vice Chairman of the Board of Directors, Executive Director, President	2020.01–2023.01	61.94	14.95	–	76.89	N
ZHANG Xuguang	Executive Director, Executive Vice President	2020.10–2023.10	55.74	14.57	–	70.31	N
ZHU Hailin	Non-executive Director	2020.06–2023.06	–	–	–	–	Y
LIAO Luming	Non-executive Director	2017.08–2023.06	–	–	–	–	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
ZHOU Ji	Non-executive Director	2021.03–2024.03	–	–	–	–	Y
XIAO Xing	Independent Non-executive Director	2015.03–2021.05	–	–	41.00	41.00	Y
WANG Xinxin	Independent Non-executive Director	2016.05–2022.05	–	–	38.00	38.00	Y
HUANG Zhenzhong	Independent Non-executive Director	2017.09–2023.06	–	–	38.00	38.00	Y
LEUNG KO May Yee, Margaret	Independent Non-executive Director	2019.07–2022.07	–	–	36.99	36.99	Y
LIU Shouying	Independent Non-executive Director	2019.07–2022.07	–	–	36.00	36.00	N
WANG Jingdong	Chairman of the Board of Supervisors, Supervisor Representing Shareholders	2018.11–2021.11	61.94	14.95	–	76.89	N
FAN Jianqiang	Supervisor Representing Shareholders	2020.11–2023.11	–	–	–	–	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	–	–	5.00	5.00	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
ZHAN Dongsheng	Executive Vice President	2019.04–	55.74	14.57	–	70.31	N
CUI Yong	Executive Vice President	2019.05–	55.74	14.57	–	70.31	N
XU Han	Executive Vice President	2020.10–	32.52	9.23	–	41.75	N
LI Zhicheng	Chief Risk Officer	2017.02–	97.41	20.76	–	118.17	N
HAN Guoqiang	Secretary to the Board of Directors	2020.11–	8.11	1.76	–	9.87	N

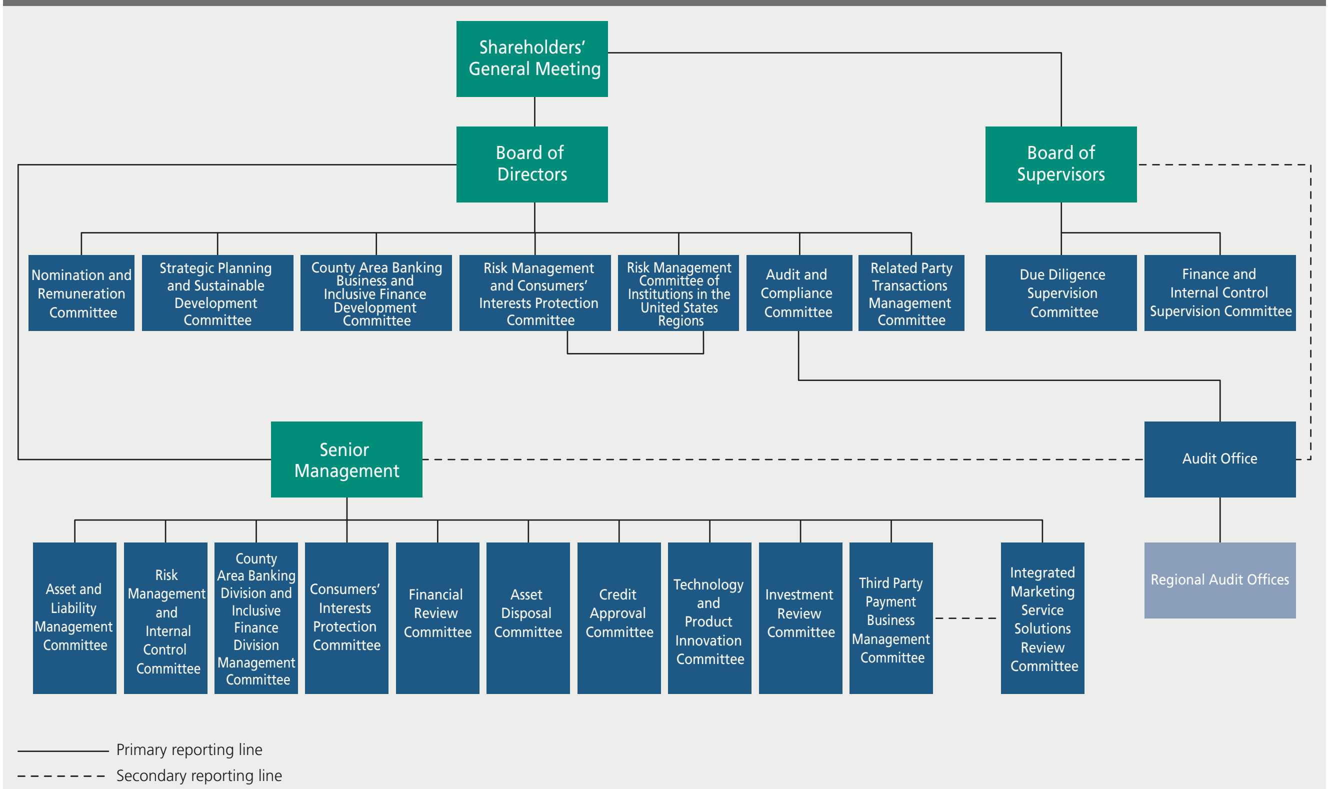
Notes:

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. ZHU Hailin, Mr. LIAO Luming, Mr. LI Qiyun, Mr. LI Wei, Mr. WU Jiangtao and Ms. ZHOU Ji as our Non-executive Directors, did not receive any remuneration from the Bank.*
3. *Mr. ZHOU Mubing, the former Chairman of the Board of Directors and Executive Director, received a remuneration of RMB768.9 thousand during his term of office in the Bank in 2020.*
4. *Ms. ZHANG Keqiu, the former Executive Director and Executive Vice President of the Bank, received a remuneration of RMB642.6 thousand during her term of office in the Bank in 2020.*
5. *Mr. XU Jiandong and Mr. CHEN Jianbo, the former Non-executive Director, did not receive the any director's fee from the Bank in 2020.*
6. *Mr. FAN Jianqiang did not receive any fee as our Supervisor Representing Shareholders from the Bank in 2020.*
7. *Mr. WANG Xingchun, the former Supervisor Representing Shareholders, did not receive any fee as our Supervisor Representing Shareholders from the Bank in 2020.*
8. *Mr. ZHOU Wanfu, the former Secretary to the Board of Directors, received a remuneration of RMB291.5 thousand during his term of office in the Bank in 2020.*
9. *The total remuneration (before tax) paid to the Directors, Supervisors and senior management, including former Directors, Supervisors and senior management, by the Bank in 2020 was RMB9,987.9 thousand.*

Operation of Corporate Governance

Corporate Governance Structure

Corporate Governance Structure Chart of the Bank



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

During the reporting period, we placed emphasis to enhance the communication and interaction among the Board of Directors, the Board of Supervisors and the senior management. We held the first seminar for Directors, Supervisors and the senior management in which the senior management introduced the operation and management situation of the Bank and listened to the opinions and advice of the Directors and Supervisors on the operation and management. During the reporting period, we held a joint training for the Directors and Supervisors for 2020. The directors and supervisors of both the Head Office and our subsidiaries participated in the training and interaction. They discussed in depth the key issues of concern in performing their duties, which enhanced the efficiency of communication and the synergy effect.

Shareholders' General Meetings

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.

Shareholders' General Meetings *Number of attendance in person[1]/meeting requiring attendance*

Meetings	Date	Proposals reviewed	Reports listened to	Attendance of Directors
The 2020 First Extraordinary General Meeting	28 February 2020	The fixed assets investment budget for 2020; the issuance plans of write-down undated capital bonds; and the issuance plans of write-down eligible tier-2 capital instruments	None	14/14
The 2019 Annual General Meeting	29 June 2020	The 2019 work report of the Board of Directors; the 2019 work report of the Board of Supervisors; the final financial accounts for 2019; the profit distribution plan for 2019; the appointments of auditors for 2020; the re-election of Mr. HUANG Zhenzhong as an Independent Non-executive Director; the re-election of Mr. LIAO Luming as a Non-executive Director; the election of Mr. ZHU Hailin as a Non-executive Director; proposal for the additional budget of epidemic prevention donations for 2020; and the election of Mr. ZHANG Xuguang as an Executive Director	the 2019 work report of Independent Directors; the report on the implementation of the *Plan on Authorization of General Meeting of Shareholders to the Board of Directors* for 2019; and the report on the management of related party transactions for 2019	13/13
The 2020 Second Extraordinary General Meeting	27 November 2020	the remuneration plan for Directors for 2019; the remuneration plan for Supervisors for 2019; the election of Ms. ZHOU Ji as a Non-executive Director; the election of Mr. FAN Jianqiang as a Supervisor representing shareholders; and proposal for the additional donation budget for anti-pandemic materials for 2020	None	14/14

Notes:

1. *Attendance in person includes attendance on site and attendance by way of electronic communication such as telephone and video conference.*
2. *The Bank published the poll results announcements and legal opinions on the above shareholders' general meetings in a timely manner in accordance with regulatory requirements. Such poll results announcements were published on the website of the Hong Kong Stock Exchange on 28 February 2020, 29 June 2020 and 27 November 2020, respectively, and on the website of the Shanghai Stock Exchange as well as on the newspapers designated by the Bank for information disclosure on 1 March 2020, 30 June 2020 and 28 November 2020, respectively.*
3. *For details of the attendance of each Director, please refer to "Attendance of Directors at Meetings".*

Board of Directors

Details 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.

Composition of the Board of Directors

At the end of the reporting period, the Board of Directors of the Bank consisted of 13 Directors, including three Executive Directors, namely Mr. ZHOU Mubing, Mr. ZHANG Qingsong and Mr. ZHANG Xuguang; five Non-executive Directors, namely Mr. ZHU Hailin, 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.

Terms of Directors

Each Director shall be elected at the shareholders' general meetings. A Director shall serve a term of three years commencing from the date on which such Director is ratified by the CBIRC or approved by the shareholders' general meeting. A Director may serve consecutive terms if being re-elected upon the expiration of the previous term, and the re-elected term shall commence from the date on which the re-election is approved by the shareholders' general meeting. The term of an Independent Non-executive Director shall not exceed six years on an aggregated basis.

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 of the Bank are separate. The Chairman shall not be held concurrently by the legal representative or the person-in-charge of any controlling shareholder of the Bank. The roles of the Chairman and the President of the Bank are separate and independent, with clear division of responsibilities.

As at the end of the reporting period, Mr. ZHOU Mubing served as the Chairman of the Board of Directors and our legal representative and was responsible for organizing the Board of Directors to make decisions on material issues such as our development strategies.

Mr. ZHANG Qingsong served as the President of the Bank, who was in charge of our management of business operations. 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.

Training of Our Directors

Training Methods: Duty performance training for Directors and Supervisors, training conference, review of training materials, etc.
Training Contents: ESG, carbon neutrality, international anti-money laundering, corporate governance, financial poverty alleviation, deepening financial services for advanced manufacturing industries, and other special topics.

Training of Our Secretary to the Board of Directors and Company Secretary

Training Methods: Online training and on-site exams
Training Duration: 7 days (not less than 15 hours)
Training Contents: Qualification training for the Secretary to the Board of Directors Conducted by the Shanghai Stock Exchange

Diversity of the Board of Directors

Number of Directors	% of Independent Non-executive Directors	% of female Directors	% of Directors with professional background in law	% of Directors with professional background in finance and audit	% of Directors under 55 (inclusive) years old:
13	38.46%	21.60%	23.08%	61.54%	38.46%

Note: The percentage of female Directors is calculated based on the weighted average number of months that the Directors actually served in 2020.

We have formulated a policy on diversity of 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 to be taken on an ongoing basis in the process of achieving it. We acknowledged and appreciated the benefits of diversity of the composition of the Board of Directors and regarded it 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 talent, skills, industry experience, cultural and educational background, gender, age, ethnicity and other factors, in setting the composition of the Board of Directors. All appointments of Directors shall be decided after taking into consideration of talent, skills and experience required for the overall operation of the Board of Directors.

The Board of Directors of the Bank is composed of professionals in the fields of accounting, law and economics, while achieving diversity in various dimensions such as gender, age and length of service, which effectively improved the decision-making ability and strategic management of the Board of Directors.

Independent Non-executive Directors

Name	Number of other listed companies Independent Directors served in	Annual training (hours)
XIAO Xing	3	40
WANG Xinxin	3	26
HUANG Zhenzhong	2	42
LEUNG KO May Yee, Margaret	2	26
LIU Shouying	None	40

Independence of Independent Non-executive Directors

As at the end of the reporting period, the qualifications, number and proportion of the Independent Non-executive Directors were in full compliance with the applicable regulatory requirements. The Independent Non-executive Directors were not involved in any business or financial interests of the Bank or its subsidiaries, nor did they hold any managerial position in the Bank. We have received annual independence confirmation letters from each of the Independent Non-executive Directors and confirmed their independence.

Performance of Duties by Independent Non-executive Directors

During the reporting period, the Independent Non-executive Directors worked for the Bank at no less than 15 working days. The Directors who served as the chairmen of the Audit and Compliance Committee, the Risk Management and Consumers' Interest Protection Committee and the Related Party Transaction Management Committee worked for the Bank at no less than 25 working days.

During the reporting period, the Independent Non-executive Directors did not raise any objection to the resolutions of the Board of Directors or special committees.

Details were disclosed in the *Annual Working Report of Independent Non-executive Directors*, which was published on the website of the Shanghai Stock Exchange.

Issues that the Independent Non-executive Directors paid close attention to during the reporting period

The Independent Non-executive Directors focused on key issues such as management of related party transactions, nomination of the senior management members, information disclosure, internal control, operation of the Board of Directors and its special committees, etc. They made clear judgments on relevant matters in accordance with the law and regulations, expressed their opinions and made recommendations independently and objectively.

Communications between Independent Non-executive Directors and external auditors

The Independent Non-executive Directors listened to a number of reports from the external auditors with respect to the audit results, annual audit plan, management letter, etc. In the course of preparation of the 2019 Annual Report, the Independent Non-executive Directors individually communicated with the external auditors regarding issues identified in the audits.

The role of Independent Non-executive Directors in terms of internal control

The Independent Non-executive Directors considered the proposals, including the work plan of internal control evaluation for 2020, the report on internal control evaluation for 2019, the work report on prevention and control of cases of violations for 2019, and listened to the reports, including the work report on financial statements and audit of internal control for 2019, the audit report for 2019, the report on compliance risk management for 2019, the summary of anti-money laundering work for 2019 and the work arrangement for 2020, the report on related party transactions management for 2019 and the report on the related party transactions management and rectification for the first three quarters of 2020.

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* 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 2020, the balance of the guarantee business of the Bank (including letters of guarantee issued and guarantees by the Group) amounted to RMB264,646 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.

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

Other independent opinions

For details, please see "Corporate Governance Report — Shareholding Structure — Protection of Minority Shareholders' Interests".

Means for Non-executive Directors to access information

Daily information support	We regularly provides the Non-executive Directors with important operational information such as financial operations, asset and liability operations and risk management report, and other important documents and information updates such as newly added or newly revised rules and regulations, meeting materials, internal audit reports, *Comprehensive Information Morning Post, Internal Information Circulars*, etc. The Non-executive Directors have permission to access to our intelligent office portal, integrated financial and accounting management platform, operating management information platform, credit management system, as well as internal control and compliance management system, which protects the Non-executive Directors' right to know.
Communication with the Senior Management	The mechanism for Directors to sit in on the president's office meetings and on the meetings held by special committees of the senior management was established. During the reporting period, Non-executive Directors sat in on 33 president's office meetings and 10 meetings held by special committees of the senior management. The Non-executive Directors participated in 10 communication meetings for proposals before the meetings of the Board of Directors and had in-depth and thorough discussions on the content of the proposals. The Non-executive Directors sat in on meetings for monthly business briefings and for departmental thematic debriefings, so as to gain a timely and comprehensive understanding of our operation management.
Communication with independent third parties such as external auditors	The Non-executive Directors and the external auditors held seven symposiums, having in-depth communication on the audit work and the issues identified in the audit and review.
Investigations and research	The Non-executive Directors visited six branches to conduct investigation and research and learnt about the front-line situation through various ways including field trips and on-site symposiums. They prepared written investigation and research reports and made work recommendations focusing on key areas such as the impact of the COVID-19 pandemic on financial services for Sannong, small and micro enterprises and poverty alleviation, FinTech empowering financial services for Sannong, construction of open banking, development of banks in provincial capital city, and guarantee management for corporate credit business.

Meetings of the Board of Directors

Item	Details
Number of regular meetings held	4
Number of extraordinary meetings held	9
Total number of meetings held	13
Particulars of considering proposals or listening to reports	The Board of Directors considered 77 proposals such as periodic reports, profit distribution, nominating candidates of Directors and appointment of the senior management members, etc. The Board of Directors listened to 19 reports such as the evaluation of the implementation of strategic planning, the report on internal capital adequacy assessment for 2020, and the work on consumer interests' protection, etc.

Attendance of Directors at Meetings

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

Directors	Shareholders' General Meetings	Meetings of the Board of Directors	Meetings of Special Committees of the Board of Directors						
			Strategic Planning and Sustainable Development Committee	County Area Banking Business and Inclusive Finance Development Committee	Nomination and Remuneration Committee	Audit and Compliance Committee	Risk Management and Consumers' Interests Protection Committee	Related Party Transactions Management Committee	Risk Management Committee of Institutions in the United States Regions
Executive Directors									
ZHOU Mubing	3/3	12/13	7/8						
ZHANG Qingsong	3/3	12/12	7/7	2/2	3/3				
ZHANG Xuguang	1/1	3/3	1/1				2/2		1/1
Non-executive Directors									
ZHU Hailin	1/1	6/6	2/2		1/1				
LIAO Luming	3/3	13/13	8/8	3/3			7/7		4/4
LI Qiyun	3/3	13/13	8/8				7/7	1/1	4/4
LI Wei	3/3	13/13		3/3	3/3	6/6			
WU Jiangtao	3/3	13/13		3/3		6/6	7/7		4/4
Independent Non-executive Directors									
XIAO Xing	3/3	11/13	7/8	3/3	3/3	6/6			
WANG Xinxin	3/3	10/13			2/3		7/7	2/2	3/4
HUANG Zhenzhong	3/3	13/13			3/3		7/7	2/2	4/4
LEUNG KO May Yee, Margaret	3/3	13/13				6/6	7/7	2/2	4/4
LIU Shouying	3/3	10/13		1/3	3/3	4/6			
Former Directors									
ZHANG Keqiu	3/3	10/12	5/7				5/6		2/4
XU Jiandong	1/1	7/7	5/5		1/1				
CHEN Jianbo	2/2	7/7	5/5	1/1			3/3		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 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.

Implementation of Resolutions of the Shareholders' General Meetings by the Board of Directors

During the reporting period, the Board of Directors strictly implemented the resolutions of the shareholders' general meetings and the authorization to the Board of Directors by the shareholders' general meeting, and seriously implemented the proposals considered and approved by the shareholders' general meetings, including the fixed assets investment budget and issuance plans of write-down undated capital bonds.

Responsibilities of Directors on Financial Statements

The Directors acknowledge their responsibility for preparing the financial report of each accounting period, and they are of the view that such financial report gives 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 2019 and the first quarterly report, interim report and third quarterly report for 2020.

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 construction of our internal control and risk management systems and the risk level (including 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 and 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", "Corporate Governance Report — Risk Governance" and "Corporate Governance Report — Internal Control".

Details of the Special Committees under the Board of Directors

The Special Committees under the Board of Directors of the Bank and the Compositions of Their Members at the End of the Reporting Period

	Strategic Planning and Sustainable Development Committee	County Area Banking Business and Inclusive Finance Development Committee	Nomination and Remuneration Committee	Audit and Compliance Committee	Risk Management and Consumers' Interests Protection Committee	Related Party Transactions Management Committee	Risk Management Committee of Institutions in the United States Regions
Executive Directors							
ZHOU Mubing	C						
ZHANG Qingsong	M	C	M				
ZHANG Xuguang	M				M		M
Non-executive Directors							
ZHU Hailin	M		M				
LIAO Luming	M	M			M		M
LI Qiyun	M				M		M
LI Wei		M	M	M			
WU Jiangtao		M		M	M		M
Independent Non-executive Directors							
XIAO Xing	M	M	M	C			
WANG Xinxin			C		M	M	M
HUANG Zhenzhong			M		C	M	C
LEUNG KO May Yee, Margaret				M	M	C	M
LIU Shouying		M	M	M			
Proportion of Independent Non-executive Directors	14.29%	33.33%	57.14%	60%	42.86%	100%	42.86%

Notes:

1. *C refers to the Chairman of the relevant Committees and M refers to the Member of the relevant Committees.*
2. *On 14 January 2020, Mr. ZHANG Qingsong served as a member of the Strategic Planning and Sustainable Development Committee, the Chairman and a member of the County Area Banking Business and Inclusive Finance Development Committee and a member of the Nomination and Remuneration Committee.*
3. *On 18 June 2020, Mr. XU Jiandong resigned as a member of the Strategic Planning and Sustainable Development Committee and a member of the Nomination and Remuneration Committee.*
4. *On 29 June 2020, Mr. CHEN Jianbo resigned as a member of the Strategic Planning and Sustainable Development Committee, a member of the County Area Banking Business and Inclusive Finance Development Committee, a member of the Risk Management and Consumers' Interests Protection Committee and a member of the Risk Management Committee of Institutions in the United States Regions.*
5. *On 3 July 2020, 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. ZHANG Xuguang, Mr. ZHU Hailin, Mr. LI Qiyun, Mr. HUANG Zhenzhong and Ms. LEUNG KO May Yee, Margaret in the special committees accordingly. For details, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.*
6. *On 30 November 2020, Ms. ZHANG Keqiu resigned as a member of the Strategic Planning and Sustainable Development Committee, a member of the Risk Management and Consumers' Interests Protection Committee, and a member of the Risk Management Committee of Institutions in the United States Regions.*

7. *On 25 December 2020, the Board of Directors of the Bank reviewed and approved the Proposal on the Adjustments to the Structure of the Special Committees of the Board of Directors, and separately established the Related Party Transactions Management Committee, which was a committee under the Risk Management and Consumers' Interests Protection Committee formerly; it standardized the names of certain special committees: renamed "Strategic Planning Committee" as "Strategic Planning and Sustainable Development Committee" and the duties of which were added by including "formulate the sustainable development strategies and goals of the Bank and regularly assess the risks associated with sustainable development and the implementation of the sustainable development strategies". For details, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.*
8. *On 7 January 2021, Mr. ZHOU Mubing resigned as the Chairman and a member of the Strategic Planning and Sustainable Development Committee.*
9. *On 9 February 2021, Mr. GU Shu served as the Chairman and a member of the Strategic Planning and Sustainable Development Committee.*
10. *On 30 March 2021, the Board of Directors of the Bank reviewed and approved the proposal on Adjusting the Members of the Special Committees of the Board of Directors to adjust the positions of Mr. ZHU Hailin, Ms. ZHOU Ji in the special committees. For details, please refer to the announcements published by the Bank on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.*

Performance of the Special Committees of the Board of Directors

Special Committees	Duties	Number of meetings	Reviewing Proposals or Listening to Reports
Strategic Planning and Sustainable Development Committee	Review our 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 make suggestions to the Board of Directors. Formulate the sustainable development strategies and goals of the Bank and regularly assess the risks associated with sustainable development and the implementation of the sustainable development strategies.	8	Reviewed 18 proposals relating to the operation plan for 2020, the fixed assets investment budget for 2020 and the issue of write-down undated capital bonds, and provided relevant advice and suggestions on aspects including the issue of capital bonds and written-off of bad debts.
County Area Banking Business and Inclusive Finance Development Committee	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 and Inclusive Finance, as well as supervise the implementation of the strategic development plan, policies and basic management rules of the County Area Banking Business and Inclusive Finance, and make suggestions to the Board of Directors.	3	Reviewed a proposal on the specific evaluation plan of Inclusive Financial Business for 2020; and listened to three reports relating to the forecast of the County Area Banking Division's financial target in 2020, operating conditions of serving Sannong and business in the County Area and follow-up work plan, and operating conditions of Inclusive Finance business and follow-up work plan.
Nomination and Remuneration Committee[1]	Formulate standards and procedures for election of Directors, chairman and members of special committees of the Board of Directors and senior management members, and make recommendations regarding the proposed candidates for Directors and senior management members and their qualifications to the Board of Directors, as well as formulate the remuneration policies for Directors and senior management members, and submit the remuneration packages to the Board of Directors for consideration.	3	Reviewed 11 proposals including the nomination of Director candidates, appointment of Executive Vice President, appointment of Secretary to the Board of Directors and adjustment of chairmen and members of special committees of the Board of Directors; and listened to the notification of the Board of Supervisors on the results of the performance evaluation on the Board of Directors, the senior management and their members in 2019.

Special Committees	Duties	Number of meetings	Reviewing Proposals or Listening to Reports
Audit and Compliance Committee	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 make suggestions to the Board of Directors; as well as review and approve our general policy on prevention of cases of violations, and effectively review and supervise our prevention of cases of violations.	6	Reviewed 13 proposals including 2020 audit project plans, 2019 annual report and its abstract, 2019 internal control assessment report and appointment of annual auditors; listened to 15 reports including *2019 Financial Statements and Internal Control Audit Work Report of ABC* by PricewaterhouseCoopers, 2019 anti-money laundering work summary and 2020 work arrangement, 2019 compliance risk management report and 2019 audit report. Enhanced communication with our external auditors and the supervision on their work and listened to the reports of external auditors on the audit results, the annual audit plan and the management letter etc. During the preparation of 2019 annual report, the members of the Audit and Compliance Committee conducted separate communication and discussion about the issues identified in audit with the external auditors. The Bank has separately disclosed the *Annual Performance of the Audit and Compliance Committee*, details of which was published on the website of the Shanghai Stock Exchange.
Risk Management and Consumers' Interests Protection Committee	Review our strategic plan of risk management, risk appetite, material risk management policies, risk management report and allocation plan of risk-weighted capital, review our strategies, policies and objectives of consumers' interests protection, continuously supervise the risk management system, supervise and evaluate risk management and consumers' interests protection, and make suggestions to the Board of Directors.	7	Reviewed 11 proposals relating to the comprehensive risk management report, information technology risk management measures (revision), basic system of credit management (revision), legal risk management measures and limits and strategies of country risk in 2021; and listened to nine reports relating to management of liquidity risk in 2019, the operation of IRB system and the validation of the advanced approach on capital management and the work for protecting customers' interest in 2019; and made relevant advice and suggestions on the risks control, which include credit risks, market risks and operating risks, etc.
Related Party Transactions Management Committee	Identify our related parties, review our basic management system for related party transactions, review and record the related party transactions, and make suggestions to the Board of Directors.	2	Reviewed two proposals relating to the list of related parties; regularly listened to the report in relation to related party transactions management, reviewed and approved the information of our related parties; and made relevant advice and suggestions on the enhancement of the management of our related parties and the transactions.

Special Committees	Duties	Number of meetings	Reviewing Proposals or Listening to Reports
Risk Management Committee of Institutions in the United States Regions	Review and approve the risk management policies in relation to businesses in the United States regions and supervise its implementation, as well as 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 and Consumers' Interests Protection Committee.	4	Reviewed six proposals relating to the basic risk management policies anti-money laundering compliance policy, sanctions policy and third-party risk management policy of the New York Branch; and listened to seven reports including the report on the risk and compliance work of the New York Branch, regularly reviewed the risks in relation to business in the United States regions and made relevant advice and suggestions.

Note: 1. 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 the Articles of Association including articles 138 and 148 therein 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 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 "Diversity 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, any resolution at such meeting shall be passed by favorable votes from more than half of its members.

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 duties of the Board of Directors and the senior management, supervising the due diligence of Directors and senior management members and questioning accordingly, urging Directors and senior management members to rectify their acts which impair the Bank's benefits; proposing the dismissal of or initiating litigation against Directors and senior management members who breach the laws, administrative rules, the Articles of Association or the resolution of the shareholders' general meeting; 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 consideration; supervising the financial activities, business decisions, risk management and internal control of the Bank and guiding the work of internal audit department of the Bank; reviewing financial information such as financial reports, operation reports and profit distribution plans to be submitted by the Board of Directors to the shareholders' general meeting and engaging certified accountants and auditors to review such reports in the name of the Bank, if any problems are identified; supervising the implementation of strategic plans, policies and basic management systems 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 work; performing other duties as required by applicable laws, administrative regulations, departmental rules and the Articles of Association or authorized by the shareholders' general meeting.

Composition of the Board of Supervisors

At the end of the reporting period, the Board of Supervisors of the Bank consisted of eight Supervisors, including two Supervisors Representing Shareholders, namely Mr. WANG Jingdong and Mr. FAN Jianqiang, 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.

Meetings of the Board of Supervisors

Items	Details
Regular meetings of the Board of Supervisors	4
Extraordinary meetings of the Board of Supervisors	6
Total number of meetings	10
Reviewing and Approving Proposals or Listening to Reports	Reviewed 23 proposals including the annual report for 2019 and its abstract and listened to 19 reports including the report on the rectification of regulatory notification issues for 2019.

Note: 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 and monitoring work according to the requirements of the Board of Supervisors.

Attendance of Supervisors at Meetings *Number of attendance in person[1]/number of meetings requiring attendance*

Supervisors	Meetings 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
Supervisor Representing Shareholders			
WANG Jingdong	9/10	2/2	4/4
FAN Jianqiang	1/1		
Supervisor Representing Employees			
XIA Taili	9/10	1/2	4/4
SHAO Lihong	10/10		4/4
WU Gang	10/10	2/2	
External Supervisor			
LI Wang	9/10	2/2	
ZHANG Jie	10/10	2/2	4/4
LIU Hongxia	9/10		3/4
Former Supervisors			
WANG Xingchun	3/3	1/1	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.

The main responsibilities of the Due Diligence Supervision Committee are as follows: to formulate and carry out the implementation plans for supervising due diligence of the Board of Directors, senior management and their members upon approval of the Board of Supervisors; to submit a review report on due diligence of the Board of Directors, senior management and their members and to provide advice 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 non-executive directors and members of each special committee to the Board of Supervisors; to formulate the assessment plan, organize the performance evaluation of supervisors, and provide recommendations in respect thereof to the Board of Supervisors; to make proposals on the compensation and allowance distribution plan for supervisors and submit the plan to the Board of Supervisors for approval; to review and handle the relevant matters, documents and information reported or provided by the Board of Directors, senior management or any of their members; and to perform other duties as required by the laws, administrative regulations and departmental rules, or as authorized by the Board of Supervisors. At the end of the reporting period, the Due Diligence Supervision Committee comprised six Supervisors, namely Mr. WANG Jingdong, Mr. FAN Jianqiang, Mr. XIA Taili, Mr. WU Gang, Mr. LI Wang and Mr. ZHANG Jie. The Due Diligence Supervision Committee was chaired by Mr. WANG Jingdong.

The Meetings of the Due Diligence Supervision Committee

Number of Meetings	Reviewing Proposals or Listening to Reports
2	Reviewed four proposals including the report of evaluation on due diligence of the Board of Directors, the Board of Supervisors, the senior management and their respective members for 2019.

The main responsibilities of the Finance and Internal Control Supervision Committee are as follows: to formulate and carry out the work and implementation plans of the Finance and Internal Control Supervision Committee upon approval of the Board of Supervisors; to supervise the implementation of the strategic plan for development of, the policies and basic management system of the County Area Banking Business of the Bank and evaluate the implementation effectiveness and provide recommendation in respect thereof to the Board of Supervisors; to oversee and inspect the financial and accounting reports, operation reports 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 supervise and inspect the financial activities, business decisions, risk management and internal control of the Bank upon the approval of the Board of Supervisors; to recommend to the Board of Supervisors for engagement of an external auditing firm to perform audit on the Bank when necessary; to guide the work of the internal audit department; to review and handle the relevant matters or documents or information reported or provided by the Board of Directors, senior management or any of their members; and 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 independence and effectiveness of external audit, and make suggestions to the Board of Supervisors; to perform other duties as required by the laws, administrative regulations and departmental rules, or as authorized by the Board of Supervisors. At the end of the reporting period, the Finance and Internal Control Supervision Committee comprised six Supervisors, namely Mr. WANG Jingdong, Mr. FAN Jianqiang, Mr. XIA Taili, Mr. SHAO Lihong, Mr. ZHANG Jie and Ms. LIU Hongxia. The Finance and Internal Control Supervision Committee was chaired by Ms. LIU Hongxia.

The Meetings of the Finance and Internal Control Supervision Committee

Number of Meetings	Reviewing Proposals or Listening to Reports
4	Reviewed eight proposals including the annual report for 2019 and its abstract; and listened to 17 reports including monitoring and analysis report on the financial and operating situation for 2019.

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 work reports, and carried out supervision and investigations. They attended meetings of the Board of Supervisors and its special committees thereof, and provided professional, rigorous and independent advice and opinions. The External Supervisors played active roles in improving our corporate governance and enhancing our operation management level.

Work of Board of Supervisors

Please refer to "Report of the Board of Supervisors".

Senior Management

As our execution 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 resolutions of the Board; 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 making 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, etc.

Composition of the Senior Management

At the end of the reporting period, the Bank's senior management comprised seven members, namely, Mr. ZHANG Qingsong, Mr. ZHANG Xuguang, Mr. ZHAN Dongsheng, Mr. CUI Yong, Mr. XU Han, Mr. LI Zhicheng and Mr. HAN Guoqiang.

Work of the Senior Management

Authorized by the Board of Directors, the senior management effectively promoted the bank-wide operation and management in compliance with the Articles of Association and other governance documents of the Bank. During the reporting period, the senior management members held more than 400 president's office meetings and thematic conferences to study on how to implement the decisions and plans of the Board of Directors and formulate operating plans, operating strategies and management measures which were subject to well-timed adjustments in response to market changes. The senior management members proactively invited Directors and Supervisors to attend key meetings and events, solicited their opinions and advice, and maintained close communication with the Board of Directors and the Board of Supervisors, thereby constantly improving the quality and efficiency of operation and management.

Related Party Transactions and Intra-group Transactions

Management System of Related Party Transactions and Intra-group Transactions

The Bank has formulated the related party transactions management systems, including the *General Regulation for Related Party Transactions Management of Agricultural Bank of China Limited* and *Implementation Regulations for Related Party Transactions Management of Agricultural Bank of China*, as well as intra-group transactions management systems, including the *Measures for Intra-group Transactions Management of Agricultural Bank of China* and *Operating Rules for intra-group Transactions Limit Management of Agricultural Bank of China (Provisional)*, which standardized the related party transactions and intra-group transactions management of the Bank.

Procedures and entities in charge to review and approve related party transactions and intra-group transactions

The Shareholders' General Meeting and the Board of Directors of the Bank shall supervise and manage related party transactions of the Bank. The responsibilities of the Related Party Transactions Management Committee under the Board of Directors are to manage the related party transactions of the Bank; review and approval of the general management system for related party transactions and make suggestions to the Board of Directors; identify our related parties; review, approve or maintain fillings of the related party transactions of the Bank within its scope of duties and authorities.

The related party transactions and intra-group transactions of the Bank shall be approved in accordance with its business authorization, while the material related party transactions are subject to the approval of the Board of Directors. The general intra-group transactions exceeding the mandatory limit and material intra-group transactions are subject the approval of the President and the Board of Directors, respectively.

The related party transactions between the Bank and a related party with a single transaction volume amounting to more than 30 million (inclusive) and representing more than 5% (inclusive) of the absolute value of the Bank's latest audited net asset, and the related party transactions with non-commercial banking guarantees provided to related parties shall be submitted to the Shareholders' General Meeting for approval after being reviewed and approved by the Board of Directors.

Details of the Related Party Transactions

In 2020, 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 2020, 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 in accordance with the domestic laws and regulations and accounting standards, please refer to "Note IV. 40 Related Party Transactions" to the Consolidated Financial Statements.

Incentive & Constraint Mechanism

For details of annual due diligence evaluation of Directors, Supervisors and Senior Management Members by the Board of Supervisors, please refer to "Report of the Board of Supervisors".

For details of the remuneration mechanism of Directors, Supervisors and Senior Management, please refer to "Corporate Governance Report — Directors, Supervisors and Senior Management — Remuneration of Directors, Supervisors and Senior Management".

For details of the performance assessment mechanism and the career development of employees, please refer to "Discussion and Analysis — Business Review — Human Resources Management and Institution Management".

Risk Governance

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.

We adopt a prudent risk appetite, operate strictly in compliance with laws and regulations, and insist on maintaining a balance among capital, risks and gains, as well as consistency in security, profitability and liquidity. We seek to achieve moderate returns through undertaking an appropriate level of risk, and maintain sufficient risk provisions and capital adequacy, as well as good regulatory ratings and external ratings to provide assurance for realizing our strategic objectives and operation plans. In 2020, we further optimized and improved the risk appetite statements and the quantitative indicator system through review assessment on the risk appetite based on changes in internal and external situations.

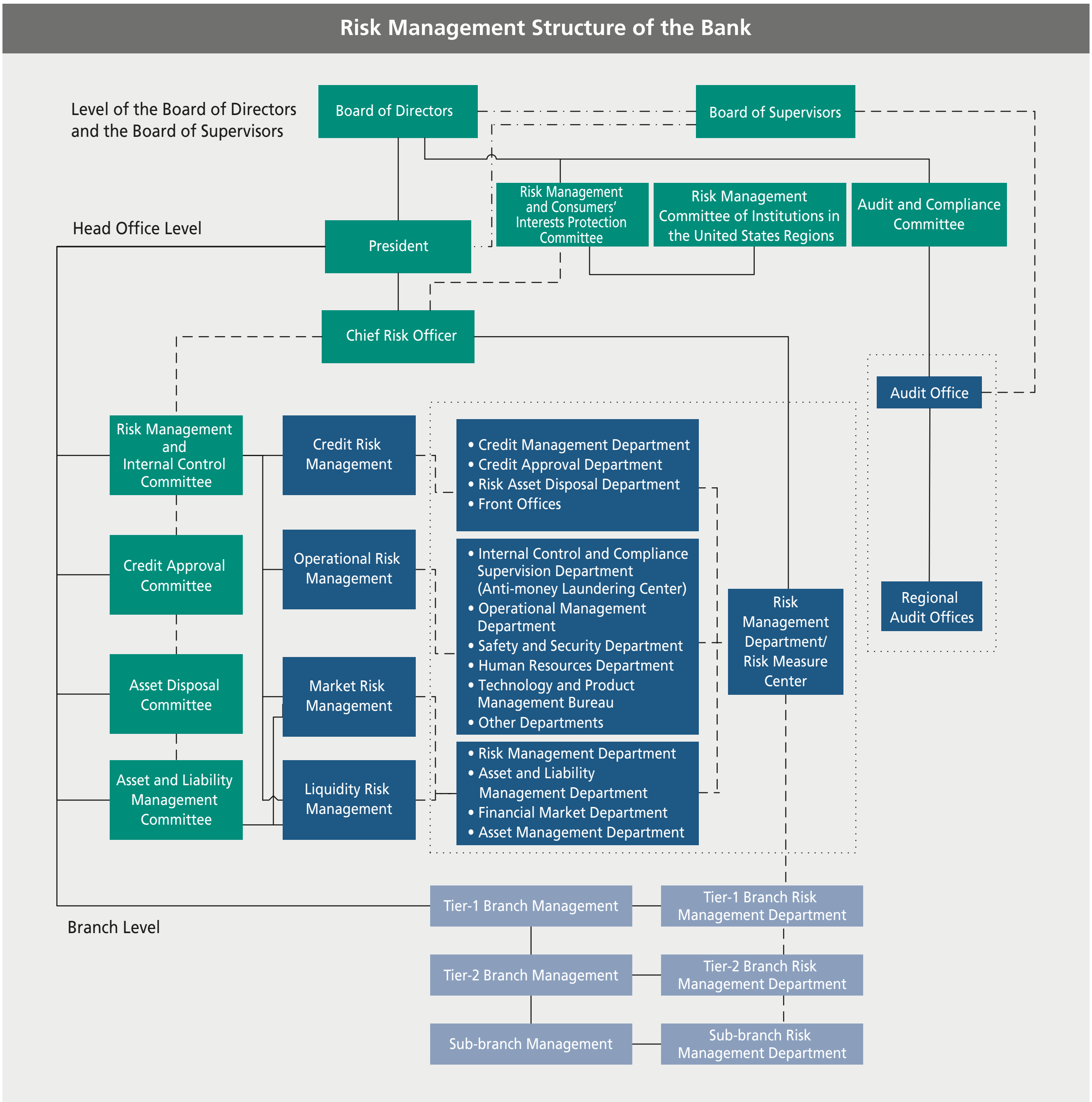
Risk Management Structure

The Board of Directors assumes the ultimate responsibility for risk management. The Risk Management and 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" for risk management comprised the risk bearing departments, risk management departments and internal audit departments. In 2020, we further promoted the integration of risk management in the parent company and the subsidiaries, optimized the management frameworks of credit risk, market risk and operational risk.


Risk Management Structure of the Bank
Level of the Board of Directors and the Board of Supervisors
Board of Directors
Board of Supervisors
Head Office Level
President
Risk Management and Consumers' Interests Protection Committee
Risk Management Committee of Institutions in the United States Regions
Audit and Compliance Committee
Chief Risk Officer
Audit Office
Risk Management and Internal Control Committee
Credit Approval Committee
Asset Disposal Committee
Asset and Liability Management Committee
Credit Risk Management
Operational Risk Management
Market Risk Management
Liquidity Risk Management
• Credit Management Department
• Credit Approval Department
• Risk Asset Disposal Department
• Front Offices
• Internal Control and Compliance Supervision Department (Anti-money Laundering Center)
• Operational Management Department
• Safety and Security Department
• Human Resources Department
• Technology and Product Management Bureau
• Other Departments
• Risk Management Department
• Asset and Liability Management Department
• Financial Market Department
• Asset Management Department
Risk Management Department/ Risk Measure Center
Regional Audit Offices
Branch Level
Tier-1 Branch Management
Tier-1 Branch Risk Management Department
Tier-2 Branch Management
Tier-2 Branch Risk Management Department
Sub-branch Management
Sub-branch Risk Management Department

Role and Responsibilities of the Chief Risk Officer

The Chief Risk Officer of the Bank is to lead the construction of a comprehensive risk management system and the implementation of Basel Capital Accord, coordinate the establishment of the Bank's organizational structure for risk management, supervise the implementation of risk management strategies and risk appetite, review major risk management policies and rules, promote the establishment and improvement of risk management information system and data quality control mechanism, and lead the reporting of the Bank's overall risk management to the Board of Directors and its special committees.

Management and Status of Various Risks

Please refer to "Discussion and Analysis — Risk Management".

Internal Control

Internal Control Environment

Principal and Department

The Board of Directors of the Bank is responsible for establishing a sound internal control, effectively implementing it, evaluating its effectiveness, and disclosing internal control evaluation reports. The Audit and Compliance Committee, the Risk Management and 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. Under the vertical management, the Bank established the internal Audit Office and regional internal audit offices to perform the responsibilities of audit supervision over internal control and are responsible for and report to the Board of Directors and its Audit and Compliance Committee. There are internal control and compliance supervision departments at the Head Office and all branch levels, which are responsible for organising, promoting and coordinating internal control of the Bank.

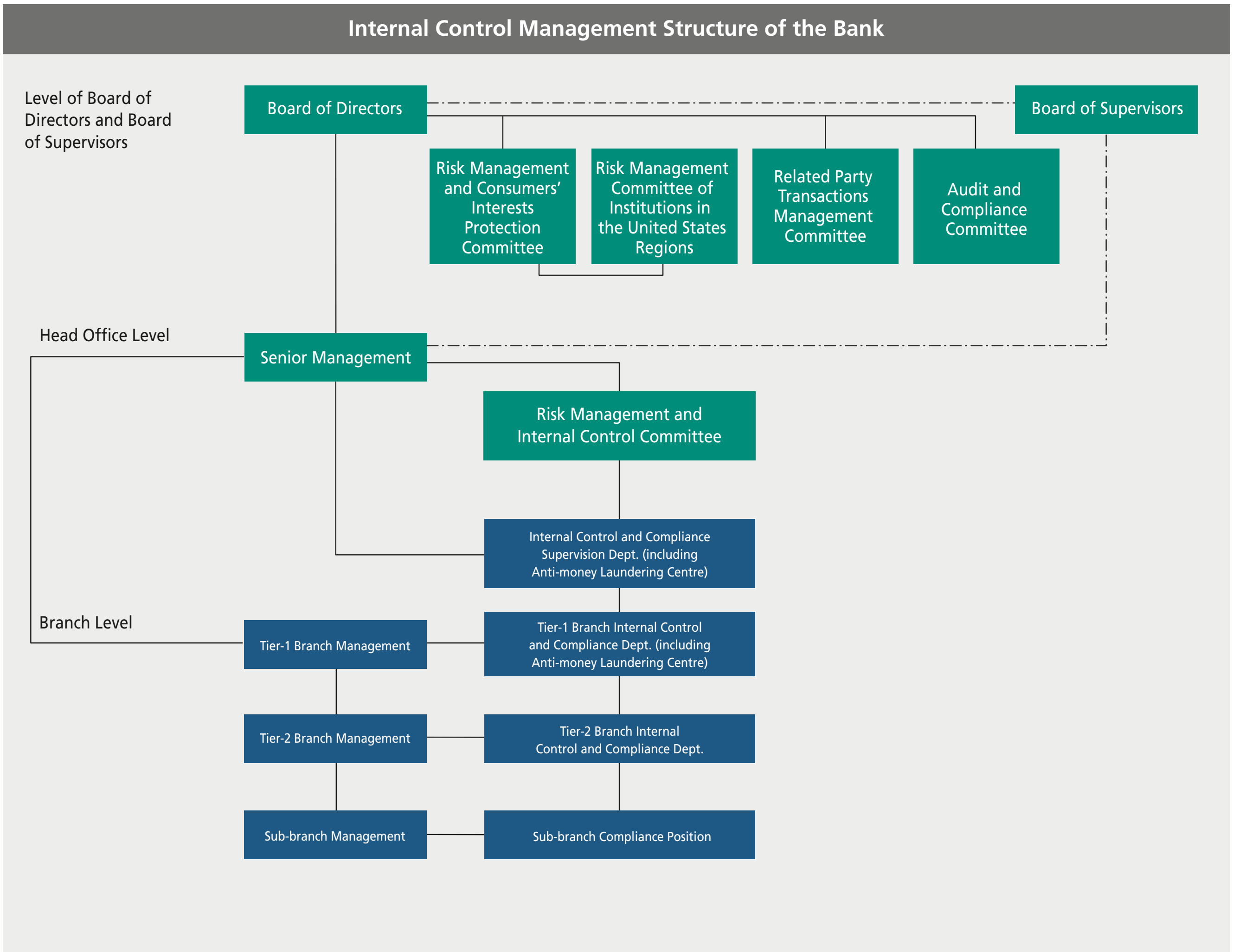
Objectives of Internal Control Management

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 fulfilment of our business goals and development strategies.

Internal Control Assessment

The Board of Directors has considered and approved the *2020 Internal Control Assessment Report of Agricultural Bank of China Limited,* details of which are published on the website of the Shanghai Stock Exchange.

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 2020 in accordance with the relevant regulations, details of which are published on the website of the Shanghai Stock Exchange.



Internal Control Activities

Implementation of Internal Control

Our internal control environment was optimized. We issued the *Compliance Culture Manual for Directors, Supervisors and Senior Management* and conducted activities for learning and education on the *Employee Code of Conduct* to guide our employees to properly perform their duties and engrain their concept of being compliant proactively and creating value by compliance. We revised the *Basic Compliance Management System* to improve the compliance management system, clarify the fundamental requirements of compliance management, and ensure compliant and sound operation of the Bank. We also amended the *Basic Standards for Management of Rules and Regulations* to optimize the mechanism for the whole process management of rules and regulations and give play to the role of rules and regulations in internal control.

Our risk management was enhanced. Targeting at prevention of and control five types of material risks, including material cases of violations, material regulatory penalties, material asset losses, material system failures, and material abnormal liquidity, we carried out investigation and management of potential material risks. We utilized tools or platforms such as risk monitoring models and preventing, monitoring and early warning on cases of violations to strengthen early warning and monitoring and promptly release risk alerts. We conducted investigations on key areas vulnerable to regulatory penalties with timely analysis and rectification, in a bid to reduce losses on violations.

Control action was taken efficiently. Within the scope of authorization by the Board of Directors, authority was properly delegated by the president or sub-delegated to all levels. The authorized persons at all levels conducted review and approval on the business strictly within their delegated authority. We issued the *Administrative Measures for Compliance Review* to improve the process for compliance review and control compliance risks from the source. We issued the *Administrative Measures for Compulsory Vacation* and the *Administrative Measures for Withdrawal of Employees in Performing Duties* to strengthen the management of employees in key positions and prevent operational risks. We strengthened the management of the list for related parties and daily monitoring and inspection on related party transactions to strictly control the risk of related party transactions. We reinforced intra-group trading limit management to consolidate the firewall against intra-group trading risks. We continued to promote the establishment of a long-term compliance management mechanism for overseas institutions, formulated solutions to evaluate overseas institutions and subsidiaries with optimized evaluation indicators, and duly monitored the compliance of various institutions and conducted special evaluation on them. We organized meetings for compliance officers of overseas institutions and conducted special trainings on internal control and compliance management for subsidiaries to improve the capabilities of their compliance officers to perform their duties. Through the effective combination of information systems, relevant management rules and processes, the automatic control of system is strengthened to reasonably ensure the truthfulness, reliability, completeness and timeliness of the financial reports.

Smooth information and communication sharing was maintained. We built an intensive, shared and intelligent internal control system that adapts to the development of the new era in terms of system construction, process standards, and tools and technologies. We optimized and upgraded the information systems for internal control and compliance as well as operational risk management and formed a unified view of our internal control. We strengthened the docking between systems and optimized the incident reporting processes, to solve the problems of disconnection among different systems and isolation of data and information.

Our internal supervision and evaluation were improved. We advanced in the modes and approaches for inspection and supervision. We organized inspection projects including investigation on the risks of cases of violations, special check of employees' involvement in gambling, check of illegal guarantees and fee management, and participated in the prevention and mitigation of risks of illegal fund raising, through which to take the initiative to identity problems and addressed risks in a timely manner, which ensured the steady development of our businesses. An anticipated evaluation indicator system was explored to establish to make internal control evaluation more forward-looking. Adhering to the principles of exemption from liabilities if diligently performing duties and being accountable in accordance with regulations, we properly handled the persons accountable for cases of violations, non-performing credit assets and problems identified during internal and external inspections.

Internal Supervision

Role of Audit and Compliance Committee

For details, please refer to "Corporate Governance Report — Operation of Corporate Governance — Board of Directors".

Role of the Board of Supervisors

The Board of Supervisors supervised our financial activities, tracked the management in respect of deposit pricing, assets and liabilities, consolidated financial statements, etc. It regularly listened to the monitoring and analysis reports on the financial and operation results, as well as on audits by external auditor, and considered and expressed independent opinions on our periodic reports, final financial accounts proposals and profit distribution plans. It carried out internal control supervision, regularly listened to reports on prevention and control of risks of cases of violations and problems identified during internal and external inspections and related rectification, and followed up with the construction of our internal control, anti-money laundering, compliance management of overseas institutions and foreign exchange compliance management.

Anti-money Laundering and Sanctions Compliance

Customer due diligence was improved in respect of the quality and efficiency. We conducted governance on data of personal and corporate customers, improved rules and management of customer due diligence, launched a customer due diligence system, and developed customer due diligence tools, in order to strengthen customer identification and money-laundering risk control.

We promoted the assessment on money-laundering risk in respect of clients, products and institutions and maintained highly frequent and high quality compliance trainings to continuously enhance all employees' capabilities to perform their duties in respect of anti-money laundering and sanctions compliance.

We improved our ability to monitor, analyse and manage money-laundering risk. We upgraded and improved systems in relation to anti-money laundering, optimized monitoring model for suspicious transactions and enhanced the collection, analysis, investigation and management of clues to risks, through which to play our important role in safeguarding China's financial security and social stability.

We enhanced the level of our sanctions compliance management. We strengthened our capabilities to analyse and rapidly response to sanctions information, refined relevant policies, enhanced the ability to identify sanction risk, and sped up the construction of an enterprise-level platform for intelligent control of sanctions compliance to ensure the implementation of requirements for sanctions compliance.

Anti-corruption and Anti-bribery

Taking the three-year Sharp Arrow Plan for prevention of cases of violations as our action program, we implemented the *Administrative Measures for Prevention of Cases of Violations of Agricultural Bank of China, Administrative Measures for Criminal-related Cases of Agricultural Bank of China, Decisions on Further Strengthening the Prevention and Control of Cases of Violations* and other systems and measures to improve the prevention and management system and enhance our ability to prevent and control cases of violations.

Our staff's moral sense of corruption and bribery was heightened. We employed our characteristic Three Lines and One Grid management mode to strengthen not only the investigations on employees' violation behaviours but also the supervision and management of employees in key positions. We improved the mechanisms for reported clues to violation and verifying early warning information, which encouraged employees to report internal acts in violation of laws, regulations or disciplines with integrity, and required to be strictly confidential so as to protect the rights and interests of informants. We continued to carry out education activities, through demonstration of cases of violations, to constantly raise the awareness of all the employees to operate in compliance with laws and regulations, so as to prevent the risk of cases-related to employees' corruption and bribery.

Employees' Conduct Management

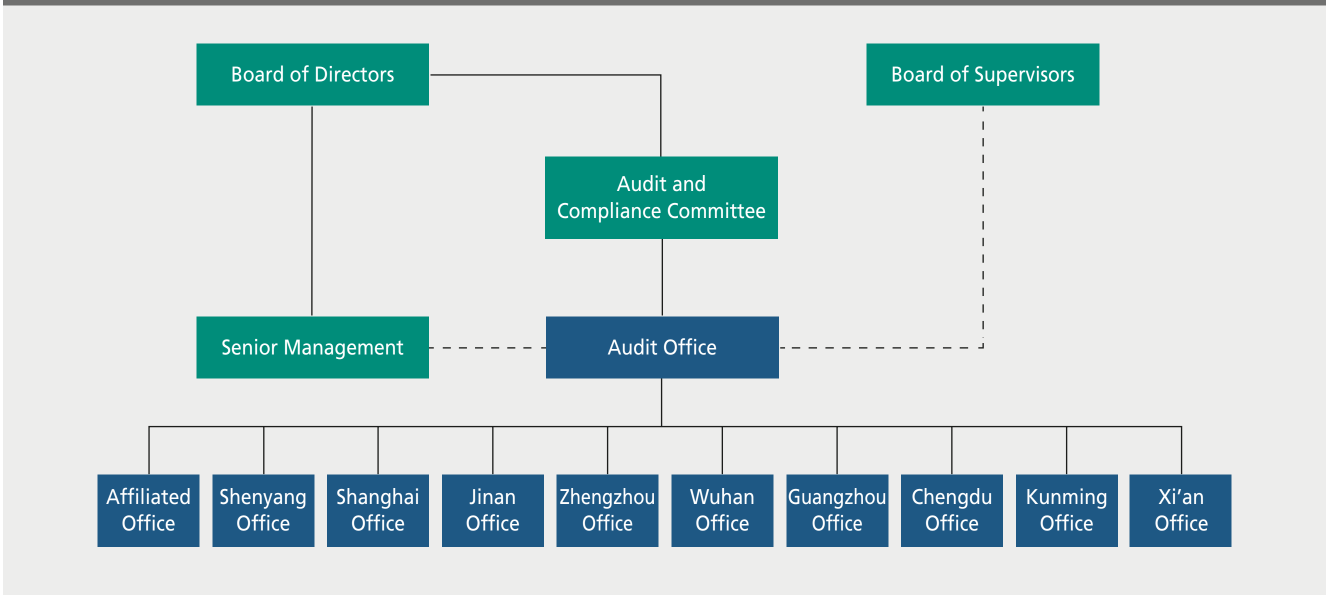
Compliance culture took roots in the Bank. The *Employee Code of Conduct* is not only the first session for new employees' orientation, but also a lifelong compulsory course for all employees. We integrated regulatory requirements, duties of positions, typical cases and treatment of violations with the learning and education of the *Employee Code of Conduct*, through which to continue to promote our compliance culture. During the reporting period, we organized Five-One activities, that is, giving one lecture, holding one large seminar, taking one learning test, writing one learning experience report, and making one commitment to compliance. Learning progress was reported via the official WeChat account of ABC culture and ABC e-class to expand the influence of career ethics education for employees.

Internal Audit

Structure of Internal Audit

Our audit department 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 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 audit works across the Bank. The regional offices under the Audit Office perform audit supervision and rectification supervision for their respective branches, and implements the annual audit plan approved by the Board of Directors and shall be accountable to and report to the Audit Office following the arrangement of 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 and the subsidiaries of integrated operations.

The chart of organizational structure of internal audit of the Bank



Operation 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 serving the real economy, internal control and prevention of cases of violations, credit business, financial management and intermediary business. We conducted specific audits on various aspects, including targeted poverty alleviation, special re-loan for pandemic prevention and control, exemption from repayment of non-performing loans, anti-money laundering and sanction compliance, consumers' interests protection, consolidated management at group level, credit card and ETC business, bill business and information technology management. The audit for overseas institutions was steadily promoted, and the audit on responsibilities of the senior management was standardized. We carried out supervision on the rectification of problems identified during the internal and external audit. We continuously promoted the digital transformation of audit, intensified off-site monitoring efforts and strengthened audit skill trainings. 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.

Audit Recommendations

During the reporting period, our audit department put forward audit recommendations in areas such as credit, finance and accounting, intermediary business and internal control and prevention of cases of violations. We attached great importance to various audit findings and audit recommendations, formulated rectification measures in a timely manner, and implemented rectification requirements and audit recommendations, to ensure the problems found in the audit were effectively rectified.

External Audit

Information on External Auditors

The consolidated financial statements of the Group for 2020 prepared in accordance with CASs and IFRSs have been audited by PricewaterhouseCoopers Zhong Tian LLP[1] and PricewaterhouseCoopers[2] (collectively, the "PricewaterhouseCoopers"), respectively, in accordance with the China Standards on Auditing and International Standards on Auditing, on both of which the unqualified audit opinions were issued. The external auditors also implemented audit procedures and issued audit opinions on the effectiveness of the Group's internal control of consolidated financial statements.

The external auditors regularly attended the meetings of the Audit and Compliance Committee of the Board of Directors to communicate audit plans and major audit findings; put forward management recommendations on findings related to internal control to optimize our business management and issued management letters, and reported to the Group's Board of Directors and its Audit and Compliance Committee as well as the Board of Supervisors; and independently verified and evaluated implementations of the findings related to internal control and the management recommendations.

1 *PricewaterhouseCoopers Zhong Tian LLP is Recognized 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.*

Independence of External Auditors

The external auditors reported to the Audit and Compliance Committee of the Board of Directors in compliance with the code of professional ethics related to independence in accordance with the requirements of "Communication with Those Charged with Governance" in the International Standards on Auditing and Chinese Certified Public Accountants Auditing Standards. In providing audit and non-audit services, the external auditors of the Bank followed the International Code of Ethics for Professional Accountants (including international independence standards), the Chinese Code of Professional Ethics for Certified Public Accountants, relevant regulatory requirements and PricewaterhouseCoopers's own strict independence policy to ensure their independence in both form and substance.

External Auditors' Engagement and Remuneration

As approved by the 2019 Annual General Meeting of the Bank, we engaged PricewaterhouseCoopers as our 2020 accounting firm. PricewaterhouseCoopers have provided audit services for us for eight consecutive years from 2013 to 2020.

In 2020, a total fee of RMB122.30 million was paid to PricewaterhouseCoopers by us for the Group's financial statements audit service, including RMB9.78 million for internal control audit service. In 2020, a total fee of RMB14.12 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 2020, a total fee of RMB9.34 million was paid to PricewaterhouseCoopers and its network member firms by us for providing non-audit professional services including bond issuance and tax advisory service.

Change of Auditors

In accordance with the *Management Measures for Selection and Engagement of Accounting Firms in State-Owned Financial Institutions (Cai Jin [2020] No. 6)* issued by the Ministry of Finance, as PricewaterhouseCoopers will reach the maximum service period of eight years after completing the annual audits for 2020, external auditors of the Bank have to be changed.

The Audit and Compliance Committee of the Board of Directors and the Board of Directors of the Bank reviewed and approved the *Proposal on Appointment of External Auditors for 2021* on 29 October and 30 October 2020, respectively, and agreed to appoint KPMG Huazhen LLP and KPMG as our 2021 accounting firms. This appointment of accounting firms shall be submitted to the shareholders' general meeting of the Bank for consideration.

Communication with Stakeholders

Communication with Shareholders

Information Disclosure

The Chairman of the Board of Directors of the Bank shall assume primary responsibility for the management of information disclosure affairs. The Secretary to the Board of Directors is responsible for the organizing and coordinating information disclosure affairs. We have established an information disclosure mechanism covering the basic system, administrative measures and operating instructions, complying with the regulatory requirements for listed companies. We faithfully and diligently perform our duties of information disclosure, carry out information disclosure work in accordance with laws and regulations, continuously bring forth new ideas in information disclosure and disclose information in a true, accurate, complete, timely and fair manner.

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.

Statutory information disclosure. In 2020, the Bank disclosed 348 documents on the Shanghai Stock Exchange and the Hong Kong Stock Exchange in aggregate, and the assessment on our information disclosure by the Shanghai Stock Exchange was "A".

Voluntary information disclosure. We enhanced the ESG information disclosure, strengthened disclosure on measures and results relating to our development strategy, so as to respond to market and investor concerns effectively and improve our transparency of information disclosure.

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

Investor Relations

Results announcement press conferences. We convened two results announcement press conferences for 2019 annual results and 2020 interim results.

Investor and analyst meetings. We organized nearly one hundred investor and analyst meetings in various forms including on-site meeting and teleconferencing, covering leading investment and research institutions in the market. Hot topics in the market were communicated deeply at the meetings.

Online Q&A. We replied to investors' enquiries on the Shanghai Securities E-platform regularly and actively participated in the event named the day of collective reception of internet investors of the listed companies in Beijing for 2020.

Capital market summits. We participated in nearly 20 capital market summits.

Other communication with investors. We continued to answer calls on the investors' hotline and receive the IR email to answer investors' enquiries.

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

Team of Investor Relationship Management under the Office of the Board of Directors of Agricultural Bank of China Limited

Address:	No. 69, Jianguomen Nei Avenue, Dongcheng District, Beijing, China
Tel:	86-10-85109619
Fax:	86-10-85126571
E-mail:	ir@abchina.com

Communication with Customers

For details, please see "Discussion and Analysis — Business Review".

Communication with Employees, Communities, Suppliers and Other Stakeholders

For details, please see the *2020 Corporate Social Responsibility Report* of the Bank published separately.

Communication with Lawyers

We applied the lawyer witness system for the shareholders' general meetings, and lawyers have issued their legal opinions. The lawyers put forward compliance suggestions on our information disclosure documents and important issues in relation to corporate governance.

Communication with External Auditors

For details, please see "Corporate Governance Report — External Audit".

Other Information on Corporate Governance

Corporate Governance Code

We fully complied with all the principles and code provisions, and almost all the recommended best practices 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 special committees under the Board of Directors performed their duties strictly in accordance with the applicable requirements of corporate governance.

Assessment on Corporate Governance

In 2020, we conducted a comprehensive and detailed self-assessment on our corporate governance system and its constructions through 162 indicators of eight aspects, such as leadership of the Party, governance of shareholders, governance of the Board of Directors, governance of the Board of Supervisors and the senior management, internal control on risks, governance of related party transactions, market constraints and governance of other stakeholders, and we also received a regulatory assessment from the CBIRC.

Significant Changes to the Articles of Association

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

Securities Transactions by Directors and Supervisors

The Bank has 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 2020.

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 *Companies Ordinance* of Hong Kong are set out in relevant sections including "Discussion and Analysis", "Corporate Governance Report", "Significant Events", "Notes to the Consolidated Financial Statements" and this "Report of the Board of Directors".

In particular, please refer to "Business Review" and "Risk Management" under "Discussion and Analysis" and "Risk Governance" under "Corporate Governance Report" 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 — Sustainable Finance" , "Discussion and Analysis — Business Review — Consumers' 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 "Corporate Governance Report — Internal Control" for the compliance with the relevant laws and regulations that would have a significant impact on the Bank. Please refer to "Business Review — Human Resources Management and Institution Management", "Business Review — Sustainable Finance" and "Business Review — Consumers' Interests Protection" under "Discussion and Analysis" and "Communications with Stakeholders" under "Corporate Governance Report" for the Bank's relationships with its employees, clients and shareholders.

Major Customers

For the year ended 31 December 2020, the five largest customers of the Bank accounted for less than 30% of the interest income and other operating income of the Bank.

Share Capital and Public Float

At 31 December 2020, 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 2020, 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.

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; or

 (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.

Profits and Dividends Distribution

The Board of Directors proposed distribution of cash dividends of RMB1.851 (tax inclusive) for each ten shares of 349,983,033,873 ordinary shares for 2020 with a total amount of approximately RMB64,782 million (tax inclusive). The distribution plan will be submitted for approval at the 2020 Annual General Meeting. Please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares" for details.

The Dividends Distribution Policy and Implementation of the Cash Dividend Policy

Please refer to "Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares".

Reserves

Details of the changes of reserves for the year ended 31 December 2020 are set out in "Consolidated Statement of Changes in Equity" in the Consolidated Financial Statements.

Financial Summary

Summary of operating results, assets and liabilities for the five years ended 31 December 2020 is set out in "Basic Corporate Information and Major Financial Indicators".

Donations

During the year ended 31 December 2020, our external donations (domestic) amounted to RMB199.17 million.

Property and Equipment

Details of the changes of property and equipment for the year ended 31 December 2020 are set out in "Note IV. 21 Property and Equipment" to the Consolidated Financial Statements.

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.

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

For the year ended 31 December 2020, 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, the controlling shareholders of the Bank or any of their 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.

Rights of Directors and Supervisors to Acquire Shares or Debentures

For the year ended 31 December 2020, the Bank did not grant any rights to acquire shares or debentures to any Directors or Supervisors, nor was any of such rights exercised by any Directors or Supervisors. Neither the Bank nor its subsidiaries entered into any agreements or arrangements enabling the Directors or Supervisors to obtain benefits by acquiring shares or debentures of the Bank or any other corporations.

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

None of the Directors or Supervisors of the Bank had any interests or short positions 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 (including interests and short positions deemed to be owned by them under such provisions 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 "Corporate Governance Report — Shareholding Structure — Particulars of Ordinary Shares".

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 "Corporate Governance Report — Directors, Supervisors and Senior Management — Remuneration of Directors, Supervisors and Senior Management". 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.

Financial, Business and Family Relationship among Directors

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

Use of Proceeds

All the proceeds raised were used to strengthen our capital base to support the future development of our business as disclosed in the prospectus, offering documents and other documents.

Significant Projects Invested by Non-raised Capital

For the year ended 31 December 2020, we had no significant projects invested by non-raised capital.

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.

Subsidiaries

Particulars of our principal subsidiaries at 31 December 2020 are set out in "Discussion and Analysis — Business Review".

Related Party Transactions

Please refer to "Corporate Governance Report — Related Party Transactions and Intra-group Transactions".

Auditors

Please refer to "Corporate Governance Report — External Audit".

Members of the Board of Directors

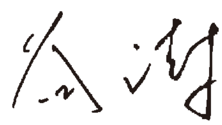
As at the date of this report of the Board of Directors, the composition of the Board of Directors is as follows:

Executive Directors: Mr. GU Shu, Mr. ZHANG Qingsong and Mr. ZHANG Xuguang;

Non-executive Directors: Mr. ZHU Hailin, Mr. LIAO Luming, Mr. LI Qiyun, Mr. LI Wei, Mr. WU Jiangtao and Ms. ZHOU Ji; and

Independent Non-executive Directors: Ms. XIAO Xing, Mr. WANG Xinxin, Mr. HUANG Zhenzhong, Ms. LEUNG KO May Yee, Margaret and Mr. LIU Shouying.

By Order of the Board of Directors



GU Shu
Chairman of the Board of Directors
30 March 2021

Report of the Board of Supervisors

Work of the Board of Supervisors

In 2020, the Board of Supervisors explored to carry out the comprehensive business supervision focusing on due diligence supervision, financial supervision, internal control and risk supervision, etc., innovated ways and methods, enhanced supervision efficiency, and carried out supervision independently in accordance with the law, so that it played its due role in our corporate governance, reform and development.

The Board of Supervisors resolutely implemented various decisions and deployments of the Central Committee of the Communist Party of China and the State Council, and carried out supervision and research work. It focused on winning the fight against the pandemic and the last fight against poverty as well as building a moderately prosperous society in all respects, closely followed the three major tasks of serving the real economy, preventing and controlling financial risks, and deepening financial reform, so as to adapt to the new situation and new tasks. It carried out supervision and investigations, paying close attention to responding to the COVID-19 pandemic by the Bank, providing financial services to support the recovery and development of the real economy, serving major national regional development strategies, and providing financial services for Sannong and the fight against poverty as well as preventing and mitigating financial risks. It conducted supervisory investigations and made recommendations on supervision to promote the implementation of relevant works.

The Board of Supervisors conducted due diligence interviews and evaluations to promote the compliance and efficient performance of duties of the Board of Directors and senior management. Through monitoring and analysis, sitting in on meetings, supervisory investigations and due diligence evaluation, etc., it continuously innovated and standardized the methods of due diligence supervision and evaluation to supervise the due diligence of the Board of Directors and senior management. In particular, the Board of Supervisors conducted due diligence interviews with the certain presidents of our branches, Non-executive Directors and relevant departments of the Head Office to fully understand the due diligence of the senior management and its members. On this basis, the Board of Supervisors supervised and evaluated on the due diligence of the Board of Directors, Board of Supervisors and senior management as well as the due diligence of individual members.

The Board of Supervisors supervised the financial and operation activities to promote our steady operation and high quality development. It regularly listened to reports on monitoring and analysing the financial and operation conditions, as well as audit reports of external auditing firms, paying close attention to our deposit business development, credit structure, prevention and control of credit risk, and implementation of fee reduction and interest concession policies. Followed up on the guidelines and requirements of the regulatory authorities on deposit and loan pricing, the Board of Supervisors conducted research and investigation on the pricing of our innovative deposit products, based on which to formulate the *Recommendations on Further Strengthening the Management of Deposit Pricing*. The members of the Board of Supervisors sat in on meetings of the senior management to understand our financial and operation situation in a timely manner; held meetings to listen to special reports from the senior management on inclusive finance, management of consolidated statements and remuneration management, etc. The Board of Supervisors supervised the implementation of our strategic plans, policies and basic management systems for the development of County Area Banking Business, based on which to form a supervision and evaluation report.

The Board of Supervisors carried out supervision on internal control in order to promote its improvement. It regularly listened to reports on prevention and control of risks of cases of violations, and monitoring and analysis of problems identified during internal and external inspection and rectification. It continued to pay attention to our operation relating to construction of internal control, anti-money laundering, compliance management of overseas institutions, and foreign exchange compliance management. The Board of Supervisors listened to the annual supervision and evaluation report on internal control, and reviewed and approved the annual internal control evaluation report, during which it focused on the improvement of measures for internal control evaluation, internal control assessment and rating, and identification of internal control deficiencies and related rectification. The Board of Supervisors conducted a thematic investigation on electronic seal management and put forward relevant supervisory recommendations.

The Board of Supervisors continued to strengthen its own construction and continuously improved its efficiency of supervision. It improved its supervision mechanism, by strengthening communication with the Board of Directors and the senior management, flexibly adjusting its work rhythm during the pandemic, and actively striving for initiatives to ensure that it kept pace with the times and fulfilled its duties and responsibilities. It improved its supervision system, that the *Working Rules of the Board of Supervisors of Agricultural Bank of China Limited* was revised to strengthen the mechanism guarantee of supervision work. It strengthened its support for Supervisors to perform their duties, by sorting of information requirements of Supervisors and establishing a mechanism for regular reporting of work information to provide comprehensive and timely information support for Supervisors in performing their duties. It nominated Supervisor Representing Shareholders to enrich the strength of its own. It strengthened the guidance to the office of the Board of Supervisors, to urge it to do a good job on daily supervision and monitoring, follow up on the implementation of the recommendations and opinions on the Board of Supervisors, explore innovative ways and methods of supervision, enhance the initiative and foresight of work, and improve its service level.

Annual Due Diligence Evaluation of Incumbent Directors, Supervisors and Senior Management Members by the Board of Supervisors

To carry out the due diligence evaluation of the Board of Directors, the Board of Supervisors and senior management and their members in 2020 in a standardized and orderly manner, in accordance with the Articles of Association of the Bank, the Board of Supervisors formulated a plan for due diligence evaluation. Through interviews with Non-executive Directors, related departments of the Head Office and the tier-1 branches, the Board of Supervisors listened to their opinions and suggestions on the Bank's corporate governance, reform and development, as well as operation and management. By ways of daily sitting in on meetings, collection of due diligence information, self-evaluation and mutual evaluation of Directors and Supervisors, respectively, self-evaluation of the senior management members, and questionnaire surveys, the Board of Supervisors comprehensively and objectively sorted out, analysed and evaluated due diligence of the Board of Directors, Board of Supervisors and senior management and their members based closely on their duties, formed corresponding due diligence evaluation report, and assessed their due diligence levels.

Independent Opinions of the Board of Supervisors

Operation Compliance

During the reporting period, the Bank strictly adhered to operation compliance in accordance with applicable laws and regulations, and continued to optimize the 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 are in compliance with laws, administrative regulations and regulatory requirements. The announcement gives a true, accurate and complete view of the consolidated financial position and operating results of the Group.

Information Disclosure

During the reporting period, the Bank conscientiously implemented the relevant policies and measures on information disclosure, performed the duties of the information disclosure and disclosed the information in a true, accurate and complete manner, without any false report, misleading statement or material omission.

County Area Banking Business

During the reporting period, the Bank's County Area Banking Division operated in compliance with the external regulatory requirements.

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 *2020 Internal Control Assessment Report of Agricultural Bank of China Limited*.

Due Diligence Evaluation of Directors, Supervisors and Senior Management Members

Incumbent Directors, Supervisors and senior management members turned out to be satisfactory in the annual due diligence evaluation.

Saved as disclosed above, the Board of Supervisors had no objection to other 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 2021

Commitments

Subject of Commitment	Commitments	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

Note: 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. At 31 December 2020, the SSF strictly fulfilled the above commitment, and there was no violation of the commitment.

Material Litigations and Arbitrations

During the reporting period, there was no litigation or arbitration with material impact on our operations.

At 31 December 2020, the value of the claims of the pending litigation or arbitration in which the Bank was involved as a defendant, a respondent or a third party amounted to approximately RMB6.028 billion. The management believes that the Bank has made full provision for potential losses arising from the aforesaid litigation or arbitration, and they will not have any material adverse effect on our financial position or operating results.

Material Equity Investments and Material Non-equity Investments in Progress

In July 2018, we entered into the *Promoters' Agreement on National Financing Guarantee Fund Co., Ltd.*, pursuant to which, we shall invest RMB3 billion in National Financing Guarantee Fund Co., Ltd., which shall be paid up annually in four years from 2018. In November 2018, June 2019 and April 2020, we completed the first, second and third contributions with RMB0.75 billion each, respectively.

In July 2020, we entered into the *Promoters' Agreement on the National Green Development Fund Co., Ltd.*, pursuant to which, we shall invest RMB8 billion in the National Green Development Fund Co., Ltd. Such investment is subject to the CBIRC's approval.

In August 2020, the Board of Directors of the Bank considered and approved to increase the share capital of ABC International Holdings Limited (a subsidiary of the Bank) by HKD4.25 billion. Such capital increase is subject to the CBIRC's approval.

In December 2020, the Board of Directors of the Bank considered and approved to increase the share capital of ABC Financial Asset Investment Co., Ltd. (a subsidiary of the Bank) by RMB10 billion. Upon CBIRC's approval in January 2021, the Bank has completed this capital increase.

Please refer to our relevant announcements published on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Hong Kong Stock Exchange (www.hkexnews.hk) for details.

During the reporting period, saved as disclosed above, we did not have any other material equity and non-equity investment.

Others

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 schemes such as share appreciation rights scheme for 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 custody, contracting or leasing arrangements on our assets, which were subject to disclosure.

Material Guarantees

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 guarantees required to be disclosed, except for the financial guarantee services within the business scope as approved by the PBOC and the CBIRC.

Major Centralized Procurement

During the reporting period, there were no centralized 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 2020*.

Penalties Imposed on the Bank and its Directors, Supervisors, Senior Management and Controlling Shareholders

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 its Directors, Supervisors, senior management members or controlling shareholders was investigated by competent authorities, subject to coercive measures imposed by judicial authorities or disciplinary authorities, transferred to judicial authorities for prosecution or held criminally liable, investigated, suffered administrative punishment, barred from the market or disqualified by the CSRC, subject to material administrative punishments imposed by other administrative authorities including environmental protection, work safety and taxation, or publicly denounced by any stock exchanges.

Integrity of the Bank and Controlling Shareholders

There was no circumstance where the Bank or its controlling shareholders have failed to fulfill an effective court judgment or repay any outstanding debt of a significant amount that was matured.

Financial Poverty Alleviation

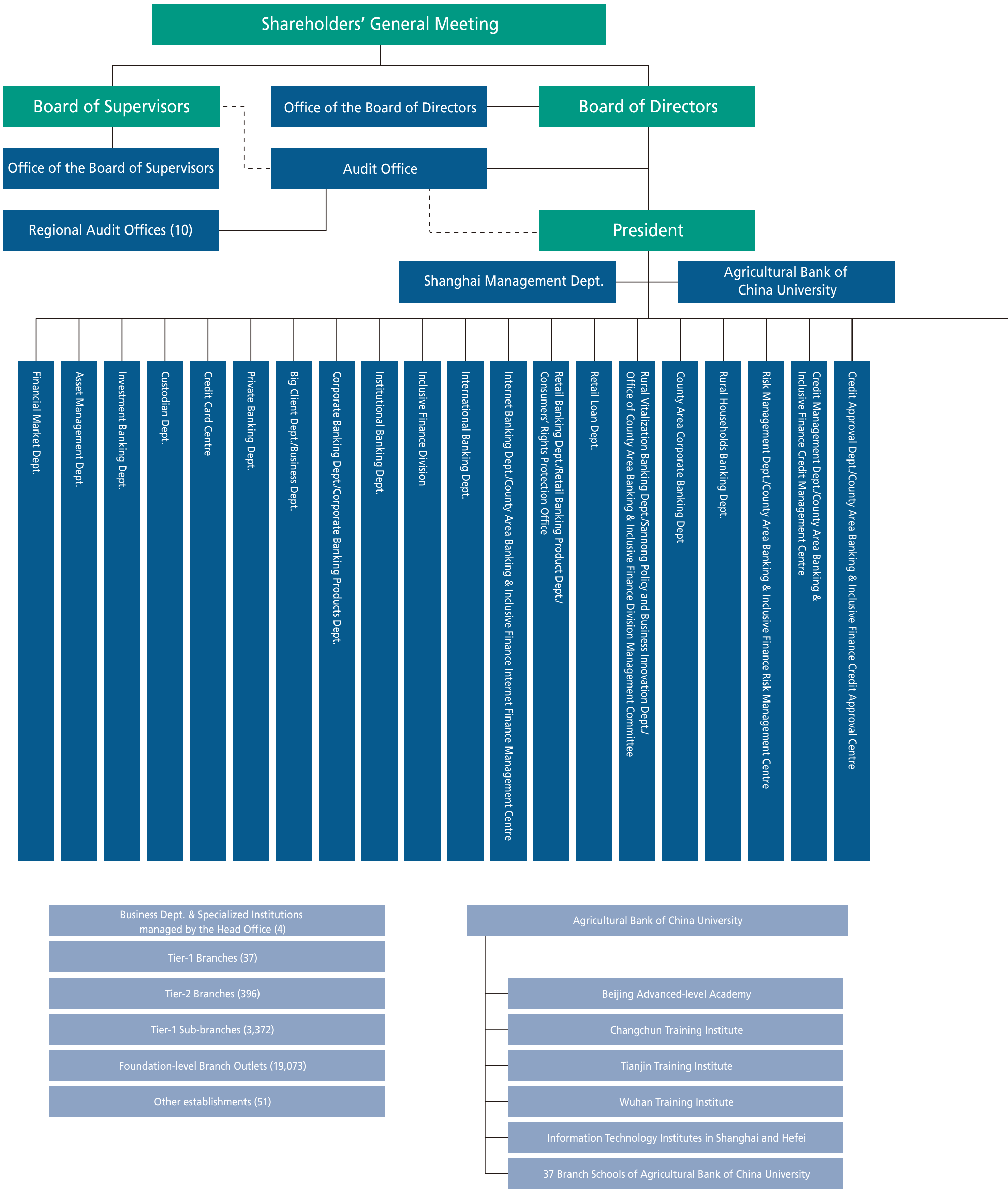
Please refer to "Discussion and Analysis — County Area Banking Business — Financial Poverty Alleviation".

Honors and Awards

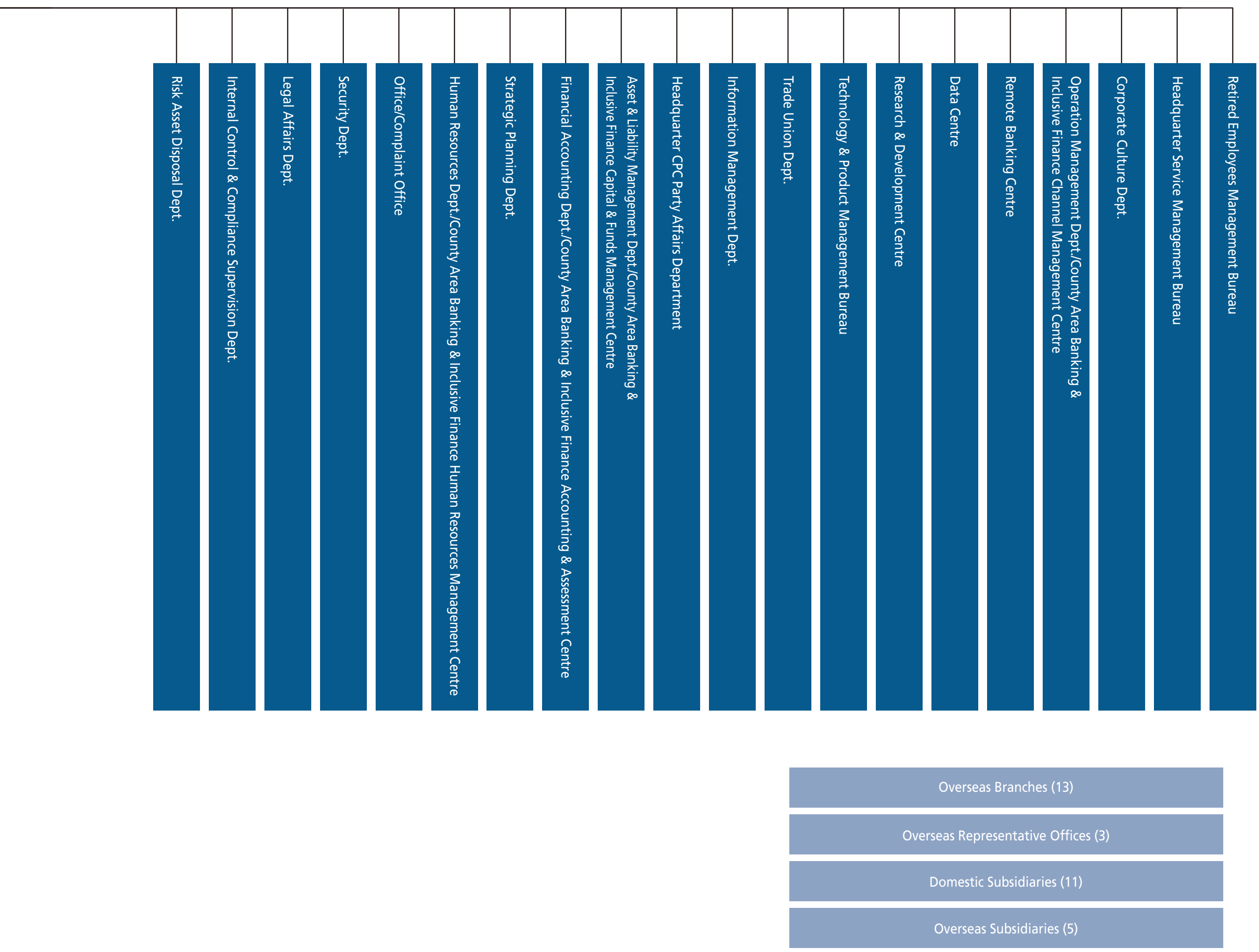
Organizations	Honours and Awards
PBOC	The First Prize of the Science and Technology Development of Banks in 2019 (Middle-end Platforms for Full Stack Technology of ABC)
CBIRC	Excellent Organizational Enterprise in Joint Publicity and Education Activities of 2020
China Banking Association	Special Prize of the "Best Technical Innovation Award" Best Effectiveness Award for "Three Major Challenges" Best Inclusive Financial Effectiveness Award Best Social Responsibility Special Contribution Branch Outlets Award Best Social Responsibility Administrator Award
Securities Times	2020 TianJi Award for All-round Bank Investment Banking Business 2020 TianJi Award for Banking Wealth Management Brand 2020 TianJi Award for Best Inclusive Financial Service Social Responsibility Award for the Listed Companies in China
The Asset	ESG Golden Award Rank No. 2 of Top Investment House in Asian Foreign Currency Bonds for Commercial Banking institutions in the PRC/Hong Kong Best Private Bank in China Best Pension Trustee Best Risk Management Project Award Best Information Security Project Award
21st Century Business Herald	2020 Excellent ESG Enterprise Bank of Inclusive Finance Business in 2020 Excellent Retail Bank of Asia in 2020 Excellent Private Bank in 2020 Outstanding Corporate Citizen in 2020 Best Commercial Bank in 2020 Excellent Growing Wealth Management Subsidiary in 2020
Asiamoney	Best Green Bond Bank Best Retail Bank for Precious Metal
China Foreign Exchange Trade System	2019 Best Award for Post-Transaction Service Support in Interbank Foreign Exchange Market
Southern Weekly	Outstanding Responsible Enterprise of the Year Influential Enterprise of the Year Annual Model Enterprise for Targeted Poverty Alleviation

Organizations	Honours and Awards
China Central Depository & Clearing Co., Ltd.	Excellent Financial Bond Issuer Excellent ABS Originator 2019 Top 100 Settlement — Outstanding Self-employed Agency Award 2019 Top 100 Settlement — Outstanding Custodian Award
The Banker	Top 10 Investment Bank Innovation Award Financial Services Innovation Award for Top 10 Small and Micro Enterprises Top 10 Consumer Financial Innovation Award Top 10 Intelligent Risk Control Innovation Award
Global Finance	Best Precious Metal Service Star "Best Custodian Bank" in China
Shanghai Commercial Paper Exchange	Outstanding Member in 2019 Outstanding Banking Dealer in 2019 Outstanding Accepting Institution in 2019 Excellent Custody and Settlement Institution in 2019 Excellent Bill Payment Service Institution in 2019 Excellent Information Statistics Institution in 2019
Caijing	Evergreen Award • Excellent Innovative Service Bank of the Year
Hong Kong Commercial Daily	Special Contribution Award for COVID-19 Control of China's Financial Industry Top 10 Inclusive Finance Innovative Institution Top 10 Inclusive Finance Innovative Technology
hexun.com	Outstanding Financial Institution of the Year
jiemian.com	2020 Excellent Finance Awards — Excellent Institution Award
China Business	2020 State-controlled Commercial Bank of Excellent Competitiveness
Shanghai Securities News	Annual Asset Management Excellence Award
finance.sina.com.cn	Best Bank for Responsible Investment
The Economic Observer, Jing Guan Culture Media	2019–2020 Excellent Financial Enterprise — ESG Industry Model of Responsible Investment
Wealth	Wealth APAC & China Awards — Best Domestic Private Bank — Risk Management (state-owned banks group)

Organizational Chart



Organizational Chart



List of Branches and Institutions

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 Jiangjin 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
PRC
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 Chuanjin 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

• **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: 7/F, Lujiazui Business Plaza
1600 Century Avenue
Pudong New District
Shanghai 200122
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 CO., LTD.**

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: 010-85101611
FAX: 010-65212368

- **ABC HUBEI HANCHUAN RURAL BANK LIMITED LIABILITY COMPANY**

ADD: No. 32 Xinzheng Road (Jianshece Road)
Xinhe Town
Hanchuan
Hubei Province 431600
PRC
TEL: 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 District
Yan’an
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

List of Branches and Institutions

Overseas Institutions

- **HONG KONG BRANCH**

ADD: 25/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong, China
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, Tokyo, 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 Macau, 21 andar, em Macau, China
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,
China
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,
China
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

- **TAIPEI REPRESENTATIVE OFFICE**

ADD: 3203, No. 333, Keelung Road, Sec.1,
Xinyi District, Taipei City, 11012, Taiwan,
China
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 China Banking and Insurance Regulatory Commission.

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 116.3% in the fourth quarter of 2020, representing an increase of 6.7 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 mainly include 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*.

The averages of the daily liquidity coverage ratio and individual line items over the fourth quarter in 2020 are as follows:

In millions of RMB, except for percentages

No.		Total unweighted value	Total weighted value
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		5,497,305
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	12,953,345	1,204,271
3	*Stable deposits*	1,821,228	91,059
4	*Less stable deposits*	11,132,117	1,113,212
5	Unsecured wholesale funding, of which:	7,847,013	3,169,115
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	2,654,612	649,113
7	*Non-operational deposits (all counterparties)*	5,142,224	2,469,825
8	*Unsecured debt*	50,177	50,177
9	Secured wholesale funding		3,715
10	Additional requirements, of which:	3,214,116	1,068,596
11	*Outflows related to derivative exposures and other collateral requirements*	891,419	891,419
12	*Outflows related to loss of funding on debt products*	59	59
13	*Credit and liquidity facilities*	2,322,638	177,118
14	Other contractual funding obligations	149,142	149,142
15	Other contingent funding obligations	1,418,813	61,944
16	TOTAL CASH OUTFLOWS		5,656,783
CASH INFLOWS			
17	Secured lending (e.g. reverse repos and borrowed securities)	318,281	318,281
18	Inflows from fully performing exposures	1,134,744	561,846
19	Other cash inflows	965,965	965,965
20	TOTAL CASH INFLOWS	2,418,990	1,846,092
			Total Adjusted Value
21	TOTAL HQLA		4,426,515
22	TOTAL NET CASH OUTFLOWS		3,810,691
23	LIQUIDITY COVERAGE RATIO (%)		116.3%

Appendix II Leverage Ratio Information

As at 31 December 2020, the Bank's leverage ratio, calculated in accordance with the *Rules for the Administration of the Leverage Ratio of Commercial Banks (amended)* issued by the CBIRC, was 7.42%, higher than the regulatory requirement.

In millions of RMB, except for percentages

Item	31 December 2020	30 September 2020	30 June 2020	31 March 2020
Tier 1 capital, net	**2,195,256**	2,143,136	2,073,819	2,013,406
Adjusted on-and off-balance sheet assets	**29,572,540**	29,601,836	28,933,349	28,863,234
Leverage ratio	**7.42%**	7.24%	7.17%	6.98%

In millions of RMB

No.	Item	Balance
1	Total consolidated assets	27,205,047
2	Adjustment for consolidation	(95,745)
3	Adjustment for clients' assets	–
4	Adjustment for derivatives	38,017
5	Adjustment for securities financing transactions	1,036
6	Adjustment for off-balance sheet items	2,433,205
7	Other adjustments	(9,020)
8	**Adjusted on-and off-balance sheet assets**	**29,572,540**

In millions of RMB, except for percentages

No.	Item	Balance
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	26,231,159
2	Less: Deductions from Tier 1 capital	(9,020)
3	**Adjusted on-balance sheet assets (excluding derivatives and securities financing transactions)**	**26,222,139**
4	Replacement cost of all derivatives (net of eligible margin)	54,841
5	Potential risk exposure of all derivatives	45,791
6	Gross-up of collaterals deducted from the balance sheet	–
7	Less: receivables assets resulting from providing eligible margin	(869)
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	191
10	Less: Deductible amounts of written credit derivative assets	–
11	**Derivative assets**	**99,954**
12	Securities financing transaction assets for accounting purpose	816,206
13	Less: Deductible amounts of securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction	1,036
15	Securities financing transaction assets resulting from agent transaction	–
16	**Securities financing transaction assets**	**817,242**
17	Off-balance sheet items	5,799,734
18	Less: Adjustments for conversion to credit equivalent amounts	(3,366,529)
19	**Adjusted off-balance sheet items**	**2,433,205**
20	Tier 1 capital, net	2,195,256
21	Adjusted on-and off-balance sheet assets	29,572,540
22	**Leverage ratio**	**7.42%**

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 China Banking and Insurance Regulatory Commission.

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 semi-annual 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 2020 decreased by 1.4 percentage points to 123.3% compared to the previous quarter, with a weighted value of RMB18,830.6 billion for available stable funds and a weighted value of RMB15,273.7 billion for required stable funds. In the fourth quarter of 2020, the net stable funding ratio increased by 2.2 percentage points to 125.5% compared to the previous quarter, with a weighted value of RMB18,996.1 billion for available stable funds and a weighted value of RMB15,134.8 billion for required stable funds.

The net stable funding ratios of the third quarter of 2020 and the fourth quarter of 2020 and all related individual items were set out in the following table:

Net Stable Funding Ratio of the Third Quarter of 2020

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	2,121,262	–	–	299,910	2,421,173
2	Regulatory capital	2,121,262	–	–	269,910	2,391,173
3	Other capital instruments	–	–	–	30,000	30,000
4	Retail deposits and deposits from small business customers	6,687,384	6,164,882	134	116	11,663,216
5	Stable deposits	1,918,807	–	–	–	1,822,867
6	Less stable deposits	4,768,577	6,164,882	134	116	9,840,349
7	Wholesale funding	5,255,256	4,065,901	448,835	474,489	4,516,227
8	Operational deposits	2,523,354	–	–	–	1,261,677
9	Other wholesale funding	2,731,902	4,065,901	448,835	474,489	3,254,550
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other Liabilities	6	1,751,727	174,032	186,101	229,967
12	NSFR derivative liabilities				43,150	–
13	All other liabilities and equity not included in the above categories	6	1,751,727	174,032	142,951	229,967
14	Total ASF					18,830,583

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
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					873,215
16	Deposits held at other financial institutions for operational purpose	1,582	315,587	191,171	–	254,170
17	Performing loans and securities	3,712	3,132,082	2,357,885	10,299,218	1,168,235
18	Performing loans to financial institutions secured by Level 1 HQLA	–	–	–	152,922	152,922
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,470	964,659	228,477	49,048	308,206
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:	62	2,013,341	1,988,387	5,409,280	6,571,874
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	4	90,183	29,310	162,310	159,654
22	Performing residential mortgages, of which:	–	98,505	99,002	4,344,507	3,791,571
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	3	3	87	64
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	2,180	55,577	42,019	343,461	343,662
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	163,217	716,371	821,350	1,150,848	2,776,455
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				7,368	6,263
29	NSFR derivative assets				40,180	–
30	NSFR derivative liabilities before deduction of variation margin posted[1]				11,170	11,170
31	All other assets not included in the above categories	163,217	716,371	821,350	1,103,300	2,759,022
32	Off-balance Sheet Items				4,192,875	201,654
33	Total RSF					15,273,729
34	Net stable funding ratio (%)					123.3%

[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.*

Net Stable Funding Ratio of the Fourth Quarter of 2020

In millions of RMB, except for percentages

No.		Unweighted value by residual maturity: No maturity	Less than 6 months	6–12 months	Over 1 year	Total weighted value
Available stable funding (ASF) item						
1	Capital	2,172,962	–	–	299,918	2,472,880
2	Regulatory capital	2,172,962	–	–	269,918	2,442,880
3	Other capital instruments	–	–	–	30,000	30,000
4	Retail deposits and deposits from small business customers	6,748,529	6,081,041	152	124	11,644,491
5	Stable deposits	1,952,326	–	–	–	1,854,710
6	Less stable deposits	4,796,203	6,081,041	152	124	9,789,781
7	Wholesale funding	5,298,707	3,939,668	683,285	482,479	4,657,972
8	Operational deposits	2,607,640	–	–	–	1,303,820
9	Other wholesale funding	2,691,067	3,939,668	683,285	482,479	3,354,152
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	71	1,534,426	148,720	205,710	220,754
12	NSFR derivative liabilities				59,317	–
13	All other liabilities and equity not included in the above categories	71	1,534,426	148,720	146,393	220,754
14	Total ASF					18,996,097
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					960,172
16	Deposits held at other financial institutions for operational purpose	3,450	162,861	257,460	–	211,885
17	Performing loans and securities	7,806	3,470,783	2,219,483	10,455,524	11,320,925
18	Performing loans to financial institutions secured by Level 1 HQLA	–	2,282	240	121,757	122,219
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	5,708	1,189,843	210,613	46,405	331,044
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:	100	2,127,909	1,863,244	5,532,025	6,674,903
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	11	73,106	56,527	149,903	157,170
22	Performing residential mortgages, of which:	–	100,105	101,104	4,455,731	3,887,964
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	2	2	84	62

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
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,998	50,644	44,282	299,606	304,795
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	174,626	597,859	732,189	1,000,096	2,476,544
27	Physical traded commodities, including gold	–				–
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				7,368	6,263
29	NSFR derivative assets				40,621	–
30	NSFR derivative liabilities before deduction of variation margin posted[1]				13,510	13,510
31	All other assets not included in the above categories	174,626	597,859	732,189	952,107	2,456,771
32	Off-balance Sheet Items				3,462,037	165,298
33	Total RSF					15,134,823
34	Net stable funding ratio (%)					125.5%

[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 and the Instructions for G-SIB Assessment Exercise issued by the Basel Committee on Banking Supervision.

In millions of RMB

Category	Item	Balance/ Amount in 2020
Size	1. Total adjusted on- and off-balance sheet assets	29,572,540
Interconnectedness	2. Intra-financial system assets	1,934,439
	3. Intra-financial system liabilities	1,901,919
	4. Securities outstanding	2,762,370
Substitutability	5. Payments activity (from the beginning of the year to the end of the reporting period)	352,600,045
	6. Assets under custody	10,105,008
	7. Underwritten transactions (from the beginning of the year to the end of the reporting period)	2,251,465
Complexity	8. Notional amount of OTC derivatives	2,926,152
	9. Trading and available-for-sale securities	421,685
	10. Level 3 assets	91,002
Global (cross-jurisdictional activity)	11. Cross-jurisdictional claims	601,820
	12. Cross-jurisdictional liabilities	704,425

Auditor's Report and Consolidated Financial Statements

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 188 to 349, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- 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 2020, 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 Ethics 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 2020, the carrying amount of Group's loans and advances to customers was RMB14,552.43 billion, of which RMB13,974.38 billion were measured at amortized cost and RMB578.00 billion were measured at fair value through other comprehensive income. A loss allowance of RMB618.01 billion was recognized for loans and advances to customers measured at amortized cost and a loss allowance of RMB13.20 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 2020 amounted to RMB138.99 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.	We obtained an understanding of the management's internal control and assessment process of the measurement of expected credit losses for loans and advances to customers, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. 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, relevant 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) Evaluation and approval of the measurement result of expected credit losses for loans and advances to customers.

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers (Continued)	
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 relevant 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.	The substantive procedures we preformed, primarily including: According to the risk characteristics of assets, we evaluated the segmentation of business operations. We assessed the appropriateness of the modelling methodologies adopted for ECL measurement by comparing with the industry practice. 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. We examined the accuracy of data inputs for the ECL models, and evaluated the reasonableness of relevant parameters, covering (i) examination of supporting information on a sample basis, including contractual information, such as maturity dates, and other financial and non-financial information, such as the borrower's historical and reporting date information, which have been agreed with the underlying data used to generate probability of default and internal credit ratings, and assessment of the reasonableness of probability of default; (ii) assessment of the reasonableness of the loss given default using historical data and benchmarking against industry practices; and (iii) examination of borrowing contracts and assessment of the reasonableness of exposure at default and discount rates. In addition, we performed back-testing on probability of default, loss given default, and assessed the impact of back-testing results on the models.

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 parameters; (2) Determination of whether or not there was a significant increase in credit risk, default or credit-impaired; (3) Economic indicators, economic scenarios and weightings used in the forward looking measurement; (4) Estimation of future cash flows for corporate loans and advances in stage III. The Group established internal controls for the measurement of ECL. The loss allowances for loans and advances to customers involved significant amounts, and were subject to high degree of estimation uncertainty. The inherent risk in relation to ECL measurement was considered significant as the Group adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions. In view of these reasons, we identified this 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 evaluated 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. 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, relevant parameters and data, 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 2020, 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 RMB241.50 billion and RMB92.19 billion, respectively. In addition, as at 31 December 2020, 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 RMB2,170.62 billion and RMB440.73 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 audit matter.	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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Kwok Wai, Jimmy.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2021

Consolidated Income Statement

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
	IV	**2020**	2019
Interest income	1	**930,932**	873,140
Interest expense	1	**(385,853)**	(372,270)
Net interest income	1	**545,079**	500,870
Fee and commission income	2	**91,166**	88,316
Fee and commission expense	2	**(16,621)**	(15,389)
Net fee and commission income	2	**74,545**	72,927
Net trading gain	3	**16,405**	19,067
Net (loss)/gain on financial investments	4	**(7,312)**	5,793
Net gain on derecognition of financial assets measured at amortized cost		**1**	–
Other operating income	5	**30,614**	30,693
Operating income		**659,332**	629,350
Operating expenses	6	**(229,897)**	(224,096)
Credit impairment losses	8	**(164,699)**	(138,605)
Impairment losses on other assets		**(204)**	(118)
Operating profit		**264,532**	266,531
Share of result of associates and joint ventures	20	**518**	45
Profit before tax		**265,050**	266,576
Income tax expense	9	**(48,650)**	(53,652)
Profit for the year		**216,400**	212,924
Attributable to:			
Equity holders of the Bank		**215,925**	212,098
Non-controlling interests		**475**	826
		216,400	212,924
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 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Profit for the year	**216,400**	212,924
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	**(8,855)**	9,239
Loss allowance on financial assets at fair value through other comprehensive income	**3,754**	5,637
Income tax impact for fair value changes and loss allowance on financial assets at fair value through other comprehensive income	**1,440**	(4,206)
Foreign currency translation differences	**(2,591)**	746
Subtotal	**(6,252)**	11,416
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	**(114)**	383
Income tax impact for fair value changes on other equity investments designated at fair value through other comprehensive income	**29**	(98)
Subtotal	**(85)**	285
Other comprehensive income, net of tax	**(6,337)**	11,701
Total comprehensive income for the year	**210,063**	224,625
Total comprehensive income attributable to:		
Equity holders of the Bank	**209,637**	223,536
Non-controlling interests	**426**	1,089
	210,063	224,625

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	As at 31 December	
	IV	**2020**	2019
Assets			
Cash and balances with central banks	12	**2,437,275**	2,699,895
Deposits with banks and other financial institutions	13	**434,185**	235,742
Precious metals		**87,357**	30,063
Placements with and loans to banks and other financial institutions	14	**546,948**	523,183
Derivative financial assets	15	**61,937**	24,944
Financial assets held under resale agreements	16	**816,206**	708,551
Loans and advances to customers	17	**14,552,433**	12,819,764
Financial investments	18		
Financial assets at fair value through profit or loss		**583,069**	801,361
Debt instrument investments at amortized cost		**5,684,220**	4,946,741
Other debt instrument and other equity investments at fair value through other comprehensive income		**1,555,370**	1,674,828
Investment in associates and joint ventures	20	**8,865**	6,672
Property and equipment	21	**151,154**	152,484
Goodwill		**1,381**	1,381
Deferred tax assets	22	**133,355**	120,952
Other assets	23	**151,292**	130,930
Total assets		**27,205,047**	24,877,491
Liabilities			
Borrowings from central banks	24	**737,161**	608,536
Deposits from banks and other financial institutions	25	**1,394,516**	1,503,909
Placements from banks and other financial institutions	26	**390,660**	325,363
Financial liabilities at fair value through profit or loss	27	**27,817**	30,234
Derivative financial liabilities	15	**65,282**	29,548
Financial assets sold under repurchase agreements	28	**109,195**	53,197
Due to customers	29	**20,372,901**	18,849,155
Debt securities issued	30	**1,371,845**	1,108,212
Deferred tax liabilities	22	**334**	520
Other liabilities	31	**524,590**	414,956
Total liabilities		**24,994,301**	22,923,630

(Amounts in millions of Renminbi, unless otherwise stated)

	Notes IV	As at 31 December 2020	2019
Equity			
Ordinary shares	32	**349,983**	349,983
Other equity instruments	33	**319,875**	199,886
Preference shares		**79,899**	79,899
Perpetual bonds		**239,976**	119,987
Capital reserve	34	**173,556**	173,556
Investment revaluation reserve	35	**25,987**	29,684
Surplus reserve	36	**196,071**	174,910
General reserve	37	**311,449**	277,016
Retained earnings		**828,240**	741,101
Foreign currency translation reserve		**(372)**	2,219
Equity attributable to equity holders of the Bank		**2,204,789**	1,948,355
Non-controlling interests		**5,957**	5,506
Total equity		**2,210,746**	1,953,861
Total equity and liabilities		**27,205,047**	24,877,491

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 2021.

中国农业银行股份有限公司

Chairman

Vice Chairman

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
(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 2019		**349,983**	**199,886**	**173,556**	**29,684**	**174,910**	**277,016**	**741,101**	**2,219**	**1,948,355**	**5,506**	**1,953,861**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**215,925**	**–**	**215,925**	**475**	**216,400**
Other comprehensive income		**–**	**–**	**–**	**(3,697)**	**–**	**–**	**–**	**(2,591)**	**(6,288)**	**(49)**	**(6,337)**
Total comprehensive income for the year		**–**	**–**	**–**	**(3,697)**	**–**	**–**	**215,925**	**(2,591)**	**209,637**	**426**	**210,063**
Capital contribution from other equity instrument holders	33	**–**	**119,989**	**–**	**–**	**–**	**–**	**–**	**–**	**119,989**	**–**	**119,989**
Capital contribution from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25**	**25**
Appropriation to surplus reserve	36	**–**	**–**	**–**	**–**	**21,161**	**–**	**(21,161)**	**–**	**–**	**–**	**–**
Appropriation to general reserve	37	**–**	**–**	**–**	**–**	**–**	**34,433**	**(34,433)**	**–**	**–**	**–**	**–**
Dividends paid to ordinary equity holders	10	**–**	**–**	**–**	**–**	**–**	**–**	**(63,662)**	**–**	**(63,662)**	**–**	**(63,662)**
Dividends paid to other equity instrument holders	10	**–**	**–**	**–**	**–**	**–**	**–**	**(9,530)**	**–**	**(9,530)**	**–**	**(9,530)**
As at 31 December 2020		**349,983**	**319,875**	**173,556**	**25,987**	**196,071**	**311,449**	**828,240**	**(372)**	**2,204,789**	**5,957**	**2,210,746**
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	(76)	119,911
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	5,506	1,953,861

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Year ended 31 December	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**265,050**	266,576
Adjustments for:		
Amortization of intangible assets and other assets	**2,147**	1,934
Depreciation of property, equipment and right-of-use assets	**17,404**	16,777
Credit impairment losses	**164,699**	138,605
Impairment losses on other assets	**204**	118
Interest income arising from investment securities	**(238,995)**	(232,571)
Interest expense on debt securities issued	**35,746**	31,375
Revaluation gain on financial instruments at fair value through profit or loss	**(2,968)**	(9,641)
Net gain on investment securities	**(750)**	(494)
Share of result of associates and joint ventures	**(518)**	(45)
Net gain on disposal of property, equipment and other assets	**(1,003)**	(1,217)
Net foreign exchange gain/(loss)	**26,972**	(8,135)
	267,988	203,282
Net change in operating assets and operating liabilities:		
Net (increase)/decrease in balances with central banks, deposits with banks and other financial institutions	**(330,552)**	173,726
Net decrease/(increase) in placements with and loans to banks and other financial institutions	**29,377**	(42,279)
Net (increase)/decrease in financial assets held under resale agreements	**(49,415)**	15,474
Net increase in loans and advances to customers	**(1,832,315)**	(1,442,873)
Net increase in borrowings from central banks	**128,514**	49,587
Net increase/(decrease) in placements from banks and other financial institutions	**65,941**	(98)
Net increase in due to customers and deposits from banks and other financial institutions	**1,375,364**	1,854,777
Decrease/(Increase) in other operating assets	**94,748**	(148,837)
Increase/(Decrease) in other operating liabilities	**253,209**	(250,688)
Cash from operations	**2,859**	412,071
Income tax paid	**(63,795)**	(53,675)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	**(60,936)**	358,396

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	Notes	Year ended 31 December	
	IV	**2020**	2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from disposal/redemption of investment securities		**1,987,387**	1,731,574
Cash received from interest income arising from investment securities		**228,563**	223,034
Cash received from disposal of property, equipment and other assets		**8,350**	1,178
Cash paid for purchase of investment securities		**(2,669,040)**	(2,169,824)
Increase in investment in associates and joint ventures		**(1,676)**	(2,657)
Cash paid for purchase of property, equipment and other assets		**(22,844)**	(14,110)
NET CASH USED IN INVESTING ACTIVITIES		**(469,260)**	(230,805)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from issues of other equity instruments		**120,000**	120,000
Cash payments for transaction cost of other equity instruments issued		**(11)**	(13)
Cash received from debt securities issued		**1,731,396**	1,465,652
Repayments of debt securities issued		**(1,468,391)**	(1,141,046)
Cash payments for interest on debt securities issued		**(35,050)**	(28,441)
Cash payments for transaction cost of debt securities issued		**(6)**	(63)
Cash payments for principal portion and interest portion of lease liability		**(4,968)**	(4,687)
Capital contribution from non-controlling interests		**25**	—
Dividends paid to ordinary shareholders		**(63,662)**	(60,862)
Dividends paid to other equity instruments holders		**(9,530)**	(4,600)
NET CASH FROM FINANCING ACTIVITIES		**269,803**	345,940
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(260,393)**	473,531
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		**1,454,581**	978,441
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(19,035)**	2,609
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	38	**1,175,153**	1,454,581
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**655,726**	582,522
Interest paid		**(315,177)**	(318,125)

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 "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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1 Basic of preparation (Continued)

1.1 Other amendments to the accounting standards effective in 2020 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 2020.

(1)	Amendments to IAS 1 and IAS 8	The Definition of Material
(2)	Amendments to IFRS 3	The Definition of A Business
(3)	Amendments to IFRS 9, IAS 39 and IFRS 7	Interest rate benchmark reform
(4)	Amendment to IFRS 16	Covid-19-Related Rent Concessions

(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 adoption of the amendments did 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 adoption of the amendments did 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 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 2020 relevant to and adopted by the Group (Continued)

(4) Amendment to IFRS 16: Covid-19-Related Rent Concessions

On 28 May 2020, the IASB issued amendments to IFRS 16: Covid-19-Related Rent Concessions that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendments are mandatory for annual reporting periods beginning on or after 1 June 2020, earlier application is permitted. 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 2020

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)	Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark (IBOR) reform	1 January 2021
(2)	Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2022 possibly deferred to 1 January 2023
(3)	Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
(4)	Amendments to IAS 37	Cost of Fulfilling a Contract	1 January 2022
(5)	Amendments to IAS 16	Proceeds before Intended Use	1 January 2022
(6)	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	IASB Annual Improvements 2018–2020 cycle	1 January 2022
(7)	IFRS 17	Insurance Contracts	1 January 2023
(8)	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 2020* (Continued)

(1) *Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark (IBOR) reform*

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 that address issues that arise during the reform of an interest rate benchmark, including the replacement of one benchmark with an alternative one. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries. The amendments are effective for annual periods beginning on or after 1 January 2021, with early application permitted.

The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform, including: 1. For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. 2. Require an entity to prospectively cease to apply the Phase 1 reliefs to a non contractually specified risk component at the earlier of when changes are made to the non contractually specified risk component, or when the hedging relationship is discontinued. 3. Additional temporary exceptions from applying specific hedge accounting requirement. 4. Additional IFRS 7 disclosure requirements related to IBOR reform.

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 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 right. 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.

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 2020* (Continued)

(2) Amendments to IAS 1: Classification of Liabilities as Current or Non-current (Continued)

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. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023. The Group anticipates that the adoption of the amendments will have no impact on the Group's consolidated financial statements.

(3) Amendments to IFRS 3: Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(4) Amendments to IAS 37: Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37: Cost of Fulfilling a Contract. The amendments clarify the meaning of 'costs to fulfil a contract', they explain that the direct cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and; an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(5) Amendments to IAS 16: Proceeds before Intended Use

The IASB issued amendments to IAS 16: Proceeds before Intended Use. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included. 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 2020* (Continued)

(6) Annual improvements 2018-2020 cycle (IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The IASB issued amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual improvements 2018–2020 cycle, which include fees included in the 10% test for derecognition of financial liabilities, illustrative examples accompanying IFRS 16, 'Leases', subsidiary as a first-time adopter and taxation in fair value measurements. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(7) 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.

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 IASB issued the amendments to IFRS 17: Insurance contracts on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17. IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted, and the amendments should be applied at the same time.

The amendments to IFRS 17 affect all companies that issue insurance contracts in all jurisdictions that apply IFRS standards, including entities outside the insurance industry that issue such contracts. The amendments to IFRS 17 include: 1. Effective date. 2. Expected recovery of insurance acquisition cash flows. 3. Contractual service margin attributable to investment services. 4. Reinsurance contracts held — recovery of losses.

The Group has not completed its assessment of the impact on the Group's operating results and financial position of adopting IFRS 17.

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 2020 (Continued)

(8) 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 or capitalization as cost of related assets. 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 or capitalization as cost of related assets 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 or capitalized as cost of related assets 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 and hedge accounting

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 and hedge accounting (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.

The Group documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

(b) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the "other comprehensive income". The ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in other comprehensive income are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8 Financial instruments (Continued)

8.9 Derivative financial instruments and hedge accounting (Continued)

(b) Cash flow hedge (Continued)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur (for example, the recognised hedged asset is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the statement of 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 financial assets at fair value through profit or loss, debt instrument investments at amortized cost or other debt instrument and other equity investments at fair value through other comprehensive income 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.

(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 18 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

The transferee's (The Group) foreclosed assets of the type of financial assets are initially recognized at fair value; Debt assets of the type of financial assets transferred by the Group are initially measured at fair value; Debt assets other than the transferred financial assets are initially measured at the fair value of the waived creditors' rights and other costs such as taxes directly attributable to the asset.

When the creditor who pays off the debts with multiple assets or restructure debts in portfolio, the group firstly recognize and measure transferred financial instrument as well as reorganization creditors' rights under the standard disclosed in Note II 8. Then, distributing the net amount after the fair value of the waived debt deducting the confirmed amount of the transferred financial assets and the restructuring creditors' rights, in accordance with the fair value ratio of various assets other than the transferred financial assets, and on this basis, the cost of each asset is confirmed separately in accordance with the above regulations.

The difference between the fair value and book value of the waived creditors' rights is included in the consolidated income statement in the period.

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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

14 Investment property (Continued)

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights.

The accounting policies of impairment of investment property are included in Note II 18 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

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 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.

17 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.

18 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.

19 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.

20 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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

20 Provisions (Continued)

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.

21 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.

22 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.

23 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.

II SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

23 Contingent liabilities (Continued)

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 20 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.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

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.

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.

III CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

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	
	2020	2019
Interest income		
Loans and advances to customers	**631,753**	579,464
Including: Corporate loans and advances	**342,697**	326,409
Personal loans and advances	**279,855**	241,250
Discounted bills	**9,201**	11,805
Financial investments		
Debt instrument investments at amortized cost	**187,067**	172,710
Other debt instrument investments at fair value through other comprehensive income	**51,928**	59,861
Balances with central banks	**34,271**	35,024
Placements with and loans to banks and other financial institutions	**8,824**	13,585
Financial assets held under resale agreements	**9,984**	8,947
Deposits with banks and other financial institutions	**7,105**	3,549
Subtotal	**930,932**	873,140
Interest expense		
Due to customers	**(284,552)**	(279,737)
Deposits from banks and other financial institutions	**(37,588)**	(33,728)
Debt securities issued	**(35,746)**	(31,375)
Borrowings from central banks	**(20,424)**	(16,164)
Placements from banks and other financial institutions	**(6,114)**	(9,441)
Financial assets sold under repurchase agreements	**(1,429)**	(1,825)
Subtotal	**(385,853)**	(372,270)
Net interest income	**545,079**	500,870

(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	
		2020	2019
Fee and commission income			
Electronic banking services		**26,169**	25,209
Agency services		**21,043**	19,801
Bank cards	(i)	**14,702**	15,486
Consultancy and advisory services		**11,174**	10,109
Settlement and clearing services		**11,129**	11,443
Custodian and other fiduciary services		**4,435**	3,899
Credit commitment		**1,875**	1,895
Others		**639**	474
Subtotal		**91,166**	88,316
Fee and commission expense			
Bank cards	(i)	**(10,760)**	(8,847)
Electronic banking services		**(3,182)**	(3,992)
Settlement and clearing services		**(1,483)**	(1,770)
Others		**(1,196)**	(780)
Subtotal		**(16,621)**	(15,389)
Net fee and commission income		**74,545**	72,927

(i) In accordance with the requirements pursuant to the Notice on "Strict Implementation of Accounting Standards for Enterprises and Effective Enhancement of 2020 Annual Reports Compilation" issued by the MOF, State-owned Assets Supervision and Administration Commission of the State Council, the CBIRC and the China Securities Regulatory Commission (the "CSRC"), the Group recognised income and expenses from relevant credit card business as interest income. The comparative figures were adjusted accordingly.

3 NET TRADING GAIN

		Year ended 31 December	
		2020	2019
Net gain on debt instruments held for trading		**4,178**	11,095
Net gain on precious metals	(i)	**4,784**	4,304
Net gain/(loss) on foreign exchange rate derivatives		**3,211**	(571)
Net loss on interest rate derivatives		**(3,103)**	(1,421)
Others		**7,335**	5,660
Total		**16,405**	19,067

(i) Net gain on precious metals consists of net gain on precious metals and precious metal related derivative products.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4 NET (LOSS)/GAIN ON FINANCIAL INVESTMENTS

		Year ended 31 December	
		2020	2019
Net (loss)/gain on debt instruments designated as at FVPL		**(92)**	201
Net gain on other debt instruments measured at FVPL		**4,120**	5,073
Net loss on financial liabilities designated as at FVPL	(i)	**(11,271)**	–
Net gain on debt instruments measured at FVOCI		**750**	471
Net (loss)/gain on underlying assets and liabilities related to principal guaranteed wealth management products designated as at FVPL		**(748)**	36
Others		**(71)**	12
Total		**(7,312)**	5,793

(i) *Net loss on financial liabilities designated as at FVPL consists of the amount paid upon the maturity of structured deposits designated at FVPL.*

5 OTHER OPERATING INCOME

	Year ended 31 December	
	2020	2019
Insurance premium	**26,151**	22,938
Net (loss)/gain on foreign exchange	**(95)**	2,804
Government grant	**784**	824
Gain on disposal of property and equipment	**1,172**	1,017
Rental income	**950**	863
Others	**1,652**	2,247
Total	**30,614**	30,693

6 OPERATING EXPENSES

		Year ended 31 December	
		2020	2019
Staff costs	(1)	**123,345**	124,267
General operating and administrative expenses	(2)	**49,452**	48,246
Insurance benefits and claims		**27,873**	23,349
Depreciation and amortization		**19,551**	18,711
Tax and surcharges	(3)	**5,813**	5,688
Others		**3,863**	3,835
Total		**229,897**	224,096

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 OPERATING EXPENSES (Continued)

(1) Staff costs

	Year ended 31 December	
	2020	2019
Short-term employee benefits		
Salaries, bonuses, allowance and subsidies	**80,854**	79,255
Housing funds	**8,933**	8,524
Social insurance	**4,713**	5,450
Including: Medical insurance	**4,398**	4,902
Maternity insurance	**205**	407
Employment injury insurance	**110**	141
Labor union fees and staff education expenses	**3,613**	3,534
Others	**10,595**	10,044
Subtotal	**108,708**	106,807
Defined contribution benefits	**14,632**	17,399
Early retirement benefits	**5**	61
Total	**123,345**	124,267

(2) Included in general operating and administrative expenses is auditor's remuneration of RMB146 million for the year, consisting of RMB137 million for financial statements audit service and RMB9 million for non-audit professional service. (2019: RMB157 million for the year, consisting of RMB136 million for financial statements audit service and RMB21 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.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2020				
Item		**Fees**	**Basic salaries and allowance**	**Contribution to retirement benefit schemes**	**Other benefits in kind (xiii)**	**Total**
Executive Directors						
Zhou Mubing	(i)	–	619	77	73	769
Zhang Qingsong	(ii)	–	619	77	73	769
Zhang Xuguang	(iii)	–	557	74	72	703
Independent Non-Executive Directors						
Xiao Xing		410	–	–	–	410
Wang Xinxin		380	–	–	–	380
Huang Zhenzhong		380	–	–	–	380
Ms. LEUNG KO May Yee		370	–	–	–	370
Liu Shouying		360	–	–	–	360
Non-Executive Directors						
Liao Luming		–	–	–	–	–
Li Qiyun		–	–	–	–	–
Li Wei		–	–	–	–	–
Wu Jiangtao		–	–	–	–	–
Zhu Hailin	(iv)	–	–	–	–	–
Supervisors						
Wang Jingdong		–	619	77	73	769
Xia Taili		50	–	–	–	50
Shao Lihong		50	–	–	–	50
Wu Gang		50	–	–	–	50
Li Wang		280	–	–	–	280
Zhang Jie		310	–	–	–	310
Liu Hongxia		300	–	–	–	300
Fan Jianqiang	(v)	–	–	–	–	–
Senior Management						
Zhan Dongsheng		–	557	74	72	703
Cui Yong		–	557	74	72	703
Xu Han	(vi)	–	325	50	42	417
Li Zhicheng		–	974	135	73	1,182
Han Guoqiang	(vii)	–	81	11	7	99
Executive Director resigned						
Zhang Keqiu	(viii)	–	511	66	66	643
Non-Executive Directors resigned						
Chen Jianbo	(ix)	–	–	–	–	–
Xu Jiandong	(x)	–	–	–	–	–
Supervisors resigned						
Wang Xingchun	(xi)	–	–	–	–	–
Senior Management resigned						
Zhou Wanfu	(xii)	–	244	32	15	291
Total		**2,940**	**5,663**	**747**	**638**	**9,988**

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) Zhou Mubing ceased to be Chairman of the Board of Directors and Executive Director effective 7 January 2021.

(ii) Zhang Qingsong was elected Vice Chairman of the Board of Directors and Executive Director effective 14 January 2020.

(iii) Zhang Xuguang was elected Executive Director effective 12 October 2020.

(iv) Zhu Hailin was elected Non-Executive Director effective 29 June 2020.

(v) Fan Jianqiang was elected Supervisor of the Shareholders Representative effective 27 November 2020.

(vi) Xu Han was elected Executive Vice President effective 12 October 2020.

(vii) Han Guoqiang was elected Secretary of the Board of Directors effective 3 November 2020.

(viii) Zhang Keqiu ceased to be Executive Director and Executive Vice President effective 30 November 2020.

(ix) Chen Jianbo ceased to be Non-Executive Director effective 29 June 2020.

(x) Xu Jiandong ceased to be Non-Executive Director effective 18 June 2020.

(xi) Wang Xingchun ceased to be Supervisor representing Shareholder effective 29 June 2020.

(xii) Zhou Wanfu ceased to be Secretary of the Board of Directors and the company secretary effective 24 March 2020.

(xiii) 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 2020 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 2019 (Restated)				
Item		Fees	Basic salaries and allowance	Contribution to retirement benefit schemes	Other benefits in kind (xviii)	Total
Executive Directors						
Zhou Mubing		–	821	93	80	994
Zhang Keqiu	(i)	–	738	85	92	915
Independent Non-Executive Directors						
Xiao Xing		390	–	–	–	390
Wang Xinxin		367	–	–	–	367
Huang Zhenzhong		367	–	–	–	367
Ms. LEUNG KO May Yee	(ii)	145	–	–	–	145
Liu Shouying	(iii)	146	–	–	–	146
Non-Executive Directors						
Xu Jiandong		–	–	–	–	–
Chen Jianbo		–	–	–	–	–
Liao Luming		–	–	–	–	–
Li Qiyun		–	–	–	–	–
Li Wei	(iv)	–	–	–	–	–
Wu Jiangtao	(v)	–	–	–	–	–
Supervisors						
Wang Jingdong		–	821	93	80	994
Wang Xingchun		–	–	–	–	–
Xia Taili		50	–	–	–	50
Shao Lihong		50	–	–	–	50
Wu Gang	(vi)	12	–	–	–	12
Li Wang		280	–	–	–	280
Zhang Jie		310	–	–	–	310
Liu Hongxia		300	–	–	–	300
Senior Management						
Zhang Qingsong	(vii)	–	205	21	24	250
Zhang Xuguang	(viii)	–	62	7	7	76
Zhan Dongsheng	(ix)	–	677	75	123	875
Cui Yong	(x)	–	554	65	62	681
Li Zhicheng		–	1,946	147	79	2,172
Zhou Wanfu	(xi)	–	1,946	142	77	2,165

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 2019 (Restated)				
Item		Fees	Basic salaries and allowance	Contribution to retirement benefit schemes	Other benefits in kind (xviii)	Total
Executive Director resigned						
Wang Wei	(xii)	–	677	86	74	837
Cai Dong	(xiii)	–	431	52	49	532
Non-Executive Directors resigned						
Hu Xiaohui	(xiv)	–	–	–	–	–
Wen Tiejun	(xv)	271	–	–	–	271
Yuan Tianfan	(xv)	252	–	–	–	252
Supervisors resigned						
Liu Chengxu	(xvi)	41	–	–	–	41
Senior Management resigned						
Gong Chao	(xvii)	–	61	9	11	81
Total		2,981	8,939	875	758	13,553

(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 of Employees Representative effective 9 October 2019.

(vii) Zhang Qingsong was elected Executive President effective 25 October 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 of the Board of Directors and the company secretary effective 24 March 2020.

(xii) Wang Wei ceased to be Executive Director and Executive Vice President 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 Independent Non-Executive Director effective 30 August 2019.

(xvi) Liu Chengxu ceased to be the Supervisor of Employees Representative 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.

(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 2020 and 31 December 2019 were as follows:

	Year ended 31 December	
	2020	2019
Basic salaries and allowance	**15**	13
Discretionary bonuses	**12**	14
Contribution to retirement benefit schemes and other	**1**	1
Total	**28**	28

(ii) The number of these five individuals whose emoluments fell within the following bands are as follows:

	Year ended 31 December	
	2020	2019
RMB4,500,001 to RMB5,000,000 yuan	**3**	2
RMB5,000,001 to RMB5,500,000 yuan	**–**	1
RMB5,500,001 to RMB6,000,000 yuan	**–**	–
RMB6,000,001 to RMB6,500,000 yuan	**1**	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**	1

For the years ended 31 December 2020 and 31 December 2019, 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 2020 and 31 December 2019, 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 2020 and 31 December 2019, 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 2020 and 31 December 2019.

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 2020 and 31 December 2019 and as at 31 December 2020 and 31 December 2019, 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	
	2020	2019
Loans and advances to customers	**138,988**	131,833
Financial investments		
Debt instrument investments at amortized cost	**6,796**	301
Other debt instruments investments at fair value through other comprehensive income	**5,070**	985
Provision for guarantees and commitments	**10,575**	3,990
Placements with and loans to banks and other financial institutions	**1,419**	30
Deposits with banks and other financial institutions	**864**	514
Financial assets held under resale agreements	**936**	409
Others	**51**	543
Total	**164,699**	138,605

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
Current income tax		
— PRC Enterprise Income Tax	**58,220**	62,674
— Hong Kong Profits Tax	**664**	824
— Other jurisdictions	**(26)**	215
Subtotal	**58,858**	63,713
Deferred tax (Note IV 22)	**(10,208)**	(10,061)
Total	**48,650**	53,652

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 Mainland China. 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 2020 and 31 December 2019 can be reconciled to the profit per the consolidated income statement as follows:

		Year ended 31 December	
		2020	2019
Profit before tax		**265,050**	266,576
Tax calculated at applicable PRC statutory tax rate of 25%		**66,263**	66,644
Tax effect of income not taxable for tax purpose	(1)	**(36,294)**	(31,575)
Tax effect of costs, expenses and losses not deductible for tax purpose		**20,061**	18,684
Tax effect of perpetual note interest expense		**(1,300)**	–
Effect of different tax rates in other jurisdictions		**(80)**	(101)
Income tax expense		**48,650**	53,652

(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	
		2020	2019
Dividends on ordinary shares declared			
Cash dividend related to 2019	(1)	**63,662**	–
Cash dividend related to 2018	(2)	**–**	60,862
		63,662	60,862
Dividends on preference shares declared and paid	(3)	**4,328**	4,600
Interest on perpetual bonds declared and paid	(4)	**5,202**	–

(1) *Distribution of final dividend for 2019*

A cash dividend of RMB0.1819 per ordinary share related to 2019, amounting to RMB63,662 million in total was approved, after the required appropriations for the statutory surplus reserve and the general reserve for 2019 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 29 June 2020.

The above dividend was recognized as distribution and distributed during the year ended 31 December 2020.

(2) *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 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.

(3) *Distribution of dividend on preference shares for 2020*

A cash dividend at the dividend rate of 5.5% per annum related to the second tranche of preference shares of 2019 to 2020 amounting to RMB2,200 million in total was approved at the Board of Directors' Meeting held on 10 January 2020 and distributed on 11 March 2020.

A cash dividend at the dividend rate of 5.32% per annum related to the first tranche of preference shares of 2019 to 2020 amounting to RMB2,128 million in total was approved at the Board of Directors' Meeting held on 3 July 2020 and distributed on 5 November 2020.

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 interest on perpetual bonds for 2020*

Perpetual bonds listed in the statement of financial position refer to undated tier 1 capital bonds. An interest at the interest rate of 4.39% per annum related to the first tranche of perpetual bonds amounting to RMB3,732 million in total was declared on 17 August 2020 and distributed on 20 August 2020.

An interest at the interest rate of 4.20% per annum related to the second tranche of perpetual bonds amounting to RMB1,470 million in total was declared on 2 September 2020 and distributed on 7 September 2020.

(5) *A final dividend of RMB0.1851 per ordinary share in respect of the year ended 31 December 2020 totaling RMB64,782 million has been proposed by the directors and is subject to approval by the ordinary equity holders in the annual general meeting.*

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	
	2020	2019
Earnings:		
Profit for the year attributable to equity holders of the Bank	**215,925**	212,098
Less: profit for the year attributable to other equity instruments holders of the Bank	**(9,530)**	(4,600)
Profit for the year attributable to ordinary equity holders of the Bank	**206,395**	207,498
Number of shares:		
Weighted average number of ordinary shares in issue (in millions)	**349,983**	349,983
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 2020 and 31 December 2019, the Bank issued non-cumulative undated tier 1 capital bonds, respectively, and the specific terms are included in Note IV 33 Other equity instruments.

For the purpose of calculating basic earnings per share, cash dividends of RMB4,328 million of non-cumulative preference shares declared in respect of the year of 2020 and interests of RMB5,202 million of non-cumulative undated tier 1 capital bonds in respect of 2019 were deducted from the profit for the year attributable to equity holders of the Bank (2019: cash dividends of RMB4,600 million of non-cumulative preference shares).

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 2020 and 31 December 2019, 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	
		2020	2019
Cash		**76,281**	92,928
Mandatory reserve deposits with central banks	(1)	**2,126,330**	2,018,692
Surplus reserve deposits with central banks	(2)	**40,494**	393,607
Other deposits with central banks	(3)	**193,142**	193,631
Subtotal		**2,436,247**	2,698,858
Accrued interest		**1,028**	1,037
Total		**2,437,275**	2,699,895

(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) Reserve deposits with central banks include mandatory reserve deposits and surplus reserve deposits.

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 [2020] No.1), RMB deposit reserve ratio for financial institutions is reduced by 0.5% from 6 January 2020.

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 2020 issued by the People's Bank of China" (Yinbanfa [2020] No. 39), effective from 25 March 2020 and "Notice on Performance Appraisal Results Of the Sannong Banking Operations in Hubei province of Agricultural Bank of China Limited for 2020 issued by the People's Bank of China"(Yinbanfa [2020] No. 58), effective from 6 May 2020, RMB mandatory reserve deposits with the PBOC are based on 9.0% of qualified RMB deposits (31 December 2019: 9.5%). For the remaining Domestic Operations of the Bank, RMB mandatory reserve deposits are based on 11.0% of qualified RMB deposits (31 December 2019: 11.5%). For the overseas participating banks and clearing banks with eligible RMB deposits, RMB mandatory reserve deposits are based on 11.0% of qualified RMB deposits (31 December 2019: 11.5%). Foreign currency mandatory reserve deposits are based on 5% (31 December 2019: 5%) of qualified foreign currency deposits from customers.

(2) Surplus reserve deposits 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. From 12 October 2020, the foreign exchange risk reserve rate was adjusted from 20% to 0 ,according to the notice of "The Decision to Adjust the Foreign Exchange Risk Reserves rate to 0" issued by PBOC on 10 October 2020.

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2020	2019
Deposits with:		
Domestic banks	**391,366**	185,905
Other domestic financial institutions	**13,511**	14,292
Overseas banks	**27,826**	34,493
Subtotal	**432,703**	234,690
Accrued interest	**3,387**	2,118
Allowance for impairment losses	**(1,905)**	(1,066)
Deposits with banks and other financial institutions, net	**434,185**	235,742

As at 31 December 2020, the carrying amount of deposits with banks and other financial institutions which have been pledged as security was RMB14,098 million (31 December 2019: RMB14,670 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	
	2020	2019
Placements with and loans to:		
Domestic banks	**148,136**	162,772
Other domestic financial institutions	**219,887**	252,498
Overseas banks and other financial institutions	**179,927**	106,047
Subtotal	**547,950**	521,317
Accrued interest	**1,750**	3,289
Allowance for impairment losses	**(2,752)**	(1,423)
Placements with and loans to banks and other financial institutions, net	**546,948**	523,183

15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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 aggregated 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. The Group did not offset these financial assets and financial liabilities on a net basis. As at 31 December 2020 and 31 December 2019, 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 INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

	31 December 2020		
	Contractual/ notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives			
Currency forwards and swaps, and cross-currency interest rate swaps	**2,411,639**	**54,466**	**(57,312)**
Currency options	**70,259**	**3,721**	**(444)**
Subtotal		**58,187**	**(57,756)**
Interest rate derivatives			
Interest rate swaps	**352,044**	**1,009**	**(4,357)**
Precious metal contracts and others	**155,555**	**2,741**	**(3,169)**
Total derivative financial assets and liabilities		**61,937**	**(65,282)**

	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)

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (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 from 1 January 2013 and "Measurement Rule of Counterparty Default Risk Weighted Assets on Derivatives" issued by the CBIRC which was effective from 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 2020 and 31 December 2019, the credit risk weighted amount for derivative transaction counterparty was measured under the Internal Ratings — Based approach.

	As at 31 December	
	2020	2019
Counterparty credit default risk-weighted assets	**74,562**	79,547
Credit value adjustment risk-weighted assets	**11,905**	10,939
Total	**86,467**	90,486

(1) Fair value hedges

The following designated fair value hedging instruments are included in the derivative financial instruments disclosed above.

	31 December 2020		
	Notional amount	**Fair values**	
		Assets	**Liabilities**
Interest rate swaps	**63,256**	**18**	**(2,860)**

	30 December 2019		
	Notional amount	Fair values	
		Assets	Liabilities
Interest rate swaps	76,388	24	(1,195)

The Group uses interest rate swaps to hedge against changes arising from changes in interest rates in fair value of loans and advances to customers, other debt instrument investments at fair value through other comprehensive income.

The Group's net (losses)/gains on fair value hedges are as follow:

	Year ended 31 December	
	2020	2019
Net (losses)/gains on		
— hedging instruments	**(1,996)**	(1,881)
— hedged items	**1,915**	1,568

The gains and losses arising from the ineffective portion of fair value hedges were immaterial in 2020 and 2019.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (Continued)

(1) *Fair value hedges* (Continued)

The following table shows maturity details with notional amount of hedging instruments disclosed above:

	Fair value hedges					
	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
31 December 2020	**757**	**1,747**	**9,914**	**39,239**	**11,599**	**63,256**
31 December 2019	358	2,834	7,480	50,927	14,789	76,388

The following table sets out the details of the hedged items covered by the Group's fair value hedging strategies:

	31 December 2020				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	**63,801**	**–**	**–**	**–**	**Other debt instrument investments at fair value through other comprehensive income**
Loans	**4,595**	**–**	**167**	**–**	**Loans and advances to customers**
Total	**68,396**	**–**	**167**	**–**	

	31 December 2019				
	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	73,117	–	–	–	Other debt instrument investments at fair value through other comprehensive income
Loans	5,552	–	(51)	–	Loans and advances to customers
Total	78,669	–	(51)	–	

(2) *Cash flow hedges*

The Group uses interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate risks of debt securities issued. The maturities of hedging instruments and hedged items are both within one year.

In 2020, the Group's net gains from the cash flow hedge of RMB24 million was recognized in other comprehensive income (2019: net losses of RMB23 million) and the gains and losses arising from the ineffective portion of cash flow hedge were immaterial.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December	
	2020	2019
Analyzed by collateral type:		
Debt securities	**761,081**	681,891
Bills	**56,801**	27,958
Subtotal	**817,882**	709,849
Accrued interest	**866**	308
Allowance for impairment losses	**(2,542)**	(1,606)
Financial assets held under resale agreements, net	**816,206**	708,551

The collateral received in connection with financial assets held under resale agreement is disclosed in Note IV 42 Contingent Liabilities and Commitments — Collateral.

17 LOANS AND ADVANCES TO CUSTOMERS

17.1 Analyzed by measurement basis

		As at 31 December	
		2020	2019
Measured at amortized cost	(1)	**13,974,384**	12,279,377
Measured at fair value through other comprehensive income	(2)	**577,997**	540,387
Measured at fair value through profit or Loss	(3)	**52**	–
Total		**14,552,433**	12,819,764

(1) *Measured at amortized cost:*

	As at 31 December	
	2020	2019
Corporate loans and advances		
Loans and advances	**8,339,235**	7,381,532
Personal loans and advances	**6,218,837**	5,406,831
Subtotal	**14,558,072**	12,788,363
Accrued interest	**34,321**	31,592
Allowance for impairment losses	**(618,009)**	(540,578)
Carrying amount of loans and advances to customers measured at amortized cost	**13,974,384**	12,279,377

(2) *Measured at fair value through other comprehensive income:*

	As at 31 December	
	2020	2019
Corporate loans and advances		
Loans and advances	**188,522**	118,997
Discounted bills	**389,475**	421,390
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**577,997**	540,387

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS *(Continued)*

17.1 Analyzed by measurement basis (Continued)

(3) *Measured at fair value through profit or loss:*

	As at 31 December	
	2020	2019
Corporate loans and advances	**52**	–

17.2 Analyzed by ECL assessment method

	Year ended 31 December 2020			
	Stage I	Stage II	Stage III (i)	
	12m ECL	Lifetime ECL		Total
Gross loans and advances measured at amortized cost (accrued interest not included)	**13,995,576**	**325,383**	**237,113**	**14,558,072**
Allowance for impairment losses	**(397,768)**	**(60,700)**	**(159,541)**	**(618,009)**
Loans and advances to customers, net (accrued interest not included)	**13,597,808**	**264,683**	**77,572**	**13,940,063**
Loans and advances measured at fair value through other comprehensive income	**577,972**	**25**	**–**	**577,997**
Allowance for impairment losses of loans and advances to customers measured at fair value through other comprehensive income	**(13,195)**	**(2)**	**–**	**(13,197)**

	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)	12,280,857	320,316	187,190	12,788,363
Allowance for impairment losses	(351,550)	(57,693)	(131,335)	(540,578)
Loans and advances to customers, net (accrued interest not included)	11,929,307	262,623	55,855	12,247,785
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)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.2 Analyzed by ECL assessment method (Continued)

The expected credit loss ("ECL") for corporate loans and advances in stage I and stage II, as well as all 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 discounted cash flow method. For details, see Note IV 44.1 Credit Risk.

(i) At 31 December 2020, the Group's exposure of credit-impaired Stage III loans and advances covered by collateral and pledge of the Group was RMB43,840 million (31 December 2019: the exposure of impaired loans and advances covered by collateral and pledge of the Group was RMB30,745 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;

– The reversal of allowances caused by repayment, write-offs and financial assets transferred out.

(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 2020			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12m ECL (i)	Lifetime ECL (ii)		Total
1 January 2020	249,600	53,391	110,480	413,471
Transfer:				
Stage I to stage II	(9,141)	9,141	–	–
Stage II to stage III	–	(24,807)	24,807	–
Stage II to stage I	3,555	(3,555)	–	–
Stage III to stage II	–	2,875	(2,875)	–
Originated or purchased financial assets	98,077	–	–	98,077
Remeasurement	(4,839)	23,299	63,387	81,847
Repayment and transfer out	(54,703)	(6,645)	(23,566)	(84,914)
Write-offs	–	–	(36,599)	(36,599)
31 December 2020	282,549	53,699	135,634	471,882

	Year ended 31 December 2020			
	Stage I	Stage II	Stage III	
Personal loans and advances	12m ECL (iii)	Lifetime ECL (iv)		Total
1 January 2020	114,445	4,329	20,870	139,644
Transfer:				
Stage I to stage II	(2,535)	2,535	–	–
Stage II to stage III	–	(6,305)	6,305	–
Stage II to stage I	755	(755)	–	–
Stage III to stage II	–	523	(523)	–
Originated or purchased financial assets	55,463	–	–	55,463
Remeasurement	644	11,846	18,501	30,991
Repayment and transfer out	(40,358)	(5,170)	(8,470)	(53,998)
Write-offs	–	–	(12,776)	(12,776)
31 December 2020	128,414	7,003	23,907	159,324

(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 2019			
	Stage I	Stage II	Stage III	
Corporate loans and advances	12m ECL (v)	Lifetime ECL (vi)		Total
1 January 2019	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 (vii)	Lifetime ECL (viii)		Total
1 January 2019	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

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 2020, the provision rate of the Group's corporate loans and advances in Stage I remained 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 13% in the corresponding gross amount.

(ii) In 2020, the changes of the Group's loss allowance of corporate loans and advances in Stage II were mainly driven by a small increase of the provision rate of the Group's corporate loans and advances in Stage II. There was no significant change in the gross amount of Stage II corporate loans and advances as of 31 December 2020 compared to 1 January 2020.

In 2020, the changes of Group's loss allowance of corporate loans and advances in Stage III were mainly driven by both the net transfer between stages which led to a net increase of nearly 28% in the corresponding gross amount, and the net transfer in from Stage II and subsequent remeasurement. This impact was partially netted off by the repayment, transfer out and write-offs of Stage III corporate loans and advances.

(iii) In 2020, the provision rate of the Group's personal loans and advances in Stage I remained stable. The changes of the Group's loss allowance of personal loans and advances in Stage I were mainly driven a net increase of nearly 15% in the corresponding gross amount.

(iv) In 2020, the changes in loss allowance of the Group's personal loans and advances in Stage II were mainly driven by both the net transfer between Stages which led to a net increase of nearly 24% in the corresponding gross amount and the net transfer in from Stage I and subsequent remeasurement. This impact was netted off partially by the repayment of Stage II personal loans and advances.

In 2020, the changes in loss allowance of the Group's personal loans and advances in Stage III were mainly driven by both the net transfer between Stages which led to a net increase of nearly 21% in the corresponding gross amount and the net transfer in from Stage II and subsequent remeasurement. This impact was netted off partially by the repayment, transfer out and write-offs of Stage III personal loans and advances.

(v) 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.

(vi) 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 2019 compared to 1 January 2019.

(vii) 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.

(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 2019, the provision rate of the Group's personal loans and advances in Stage II remained stable. There was no significant change in the gross amount of Stage II personal loans and advances as of 31 December 2019 compared to 1 January 2019. Transfer between stages led to net increase in the gross amount of personal loans and advances in Stage II, this was mainly driven by the net transfer in from Stage I and the transferred amount was 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 partially netted off by the transfer to Stage III and the repayment of Stage II personal loans and advances. The transferred amount to Stage III was nearly 70% of the Stage II balances as of 1 January 2019. Repayment amount of Stage II personal loans and advances was about 20% of the Stage II balances as of 1 January 2019.

In 2019, the changes in loss allowance of the Group's personal loans and advances in Stage III were mainly driven by the net transfer in from Stage II and subsequent remeasurement. This impact was partially 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 2019 compared to 1 January 2019.

18 FINANCIAL INVESTMENTS

		As at 31 December	
		2020	2019
Financial assets at fair value through profit or loss	18.1	**583,069**	801,361
Debt instrument investments at amortized cost	18.2	**5,684,220**	4,946,741
Other debt instrument and other equity investments at fair value through other comprehensive income	18.3	**1,555,370**	1,674,828
Total		**7,822,659**	7,422,930

18.1 Financial assets at fair value through profit or loss

		As at 31 December	
		2020	2019
Financial assets held for trading	(1)	**223,960**	240,281
Other financial assets at fair value through profit or loss	(2)	**260,240**	216,052
Financial assets designated at fair value through profit or loss	(3)	**98,869**	345,028
Total		**583,069**	801,361
Analyzed as:			
Listed in Hong Kong		**4,613**	3,695
Listed outside Hong Kong	(i)	**390,444**	481,884
Unlisted		**188,012**	315,782
Total		**583,069**	801,361

(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	
	2020	2019
Debt securities issued by:		
Governments	**7,904**	10,371
Public sector and quasi-governments	**49,764**	45,231
Financial institutions	**79,243**	102,650
Corporates	**45,614**	43,207
Subtotal	**182,525**	201,459
Precious metal contracts	**21,959**	29,132
Equity	**4,944**	2,354
Fund	**14,532**	7,336
Total	**223,960**	240,281

(2) *Other financial assets at fair value through profit or loss (ii)*

	As at 31 December	
	2020	2019
Debt securities issued by:		
Public sector and quasi-governments	**25,372**	19,434
Financial institutions	**106,820**	72,334
Corporates	**1,816**	5,724
Subtotal	**134,008**	97,492
Equity	**97,401**	95,183
Fund and others	**28,831**	23,377
Total	**260,240**	216,052

(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 of the Group.

(3) *Financial assets designated at fair value through profit or loss (iii)*

	As at 31 December	
	2020	2019
Debt securities issued by:		
Governments	**9,440**	17,137
Public sector and quasi-governments	**18,071**	19,790
Financial institutions	**32,456**	147,389
Corporates	**3,899**	27,334
Subtotal	**63,866**	211,650
Deposits with banks and other financial institutions	**–**	28,207
Placements with and loans to banks and other financial institutions	**27,935**	104,184
Others	**7,068**	987
Total	**98,869**	345,028

(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	
		2020	2019
Debt securities issued by:			
Governments		**3,545,856**	2,755,256
Public sector and quasi-governments		**1,311,556**	1,278,027
Financial institutions		**204,310**	302,220
Corporates		**129,738**	124,558
Subtotal of debt securities		**5,191,460**	4,460,061
Receivable from the MOF	(i)	**290,891**	290,891
Special government bonds	(ii)	**93,348**	93,352
Others	(iii)	**14,413**	16,791
Subtotal		**5,590,112**	4,861,095
Accrued interest		**110,212**	95,134
Allowance for impairment losses		**(16,104)**	(9,488)
Debt instrument investments at amortized cost, net		**5,684,220**	4,946,741
Analyzed as:			
Listed in Hong Kong		**19,630**	17,851
Listed outside Hong Kong	(iv)	**5,304,920**	4,567,976
Unlisted		**359,670**	360,914
Total		**5,684,220**	4,946,741

(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 aggregated 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 2020			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
Gross debt instrument investments at amortized cost	5,697,187	2,064	1,073	5,700,324
Allowance for impairment losses	(14,850)	(190)	(1,064)	(16,104)
Debt instrument investments at amortized cost, net	5,682,337	1,874	9	5,684,220

	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

Debt instrument investments at amortized cost in stage II and stage III mainly included financial institutions bond, corporates bond and other debt instruments investments.

(2) Analyzed by movements in loss allowance (i)

	Year ended 31 December 2020			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
1 January 2020	8,409	32	1,047	9,488
Transfer:				
Stage I transfer to stage II	(33)	33	–	–
Originated or purchased financial assets	4,321	–	–	4,321
Remeasurement	3,295	126	144	3,565
Maturities or transfer out	(1,142)	(1)	–	(1,143)
Write-offs	–	–	(127)	(127)
31 December 2020	14,850	190	1,064	16,104

(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) (Continued)

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
1 January 2019	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

(i) As at 31 December 2020, 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. The decreases of the Group's loss allowance of debt instrument investments at amortized cost were mainly due to maturities or transfer out of debt instrument investments.

18.3 Other debt instrument and other equity investments at fair value through other comprehensive income

		Year ended 31 December 2020			
		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)	**1,537,987**	**1,551,439**	**13,452**	**(10,074)**
Equity instruments	(2)	**2,784**	**3,931**	**1,147**	**N/A**
Total		**1,540,771**	**1,555,370**	**14,599**	**(10,074)**

		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)

(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	
		2020	2019
Debt securities issued by :			
Governments		**702,202**	744,035
Public sector and quasi-governments		**242,345**	247,527
Financial institutions		**453,176**	478,172
Corporates		**119,079**	165,270
Subtotal		**1,516,802**	1,635,004
Others	(i)	**18,902**	18,556
Subtotal of debt instruments		**1,535,704**	1,653,560
Accrued interest		**15,735**	18,186
Total		**1,551,439**	1,671,746
Analyzed as:			
Listed in Hong Kong		**102,413**	107,477
Listed outside Hong Kong		**1,399,150**	1,499,316
Unlisted		**49,876**	64,953
Total		**1,551,439**	1,671,746

(i) Others primarily include investments in unconsolidated structured entities held by the Group (Note IV 41(2)), such as trust investment plans and debt investment plans.

(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 2020			
	Stage I	**Stage II**	**Stage III**	
	12m ECL	**Lifetime ECL**		**Total**
Other debt instruments at fair value through other comprehensive income	**1,545,343**	**6,030**	**66**	**1,551,439**
Allowance for impairment losses	**(9,536)**	**(432)**	**(106)**	**(10,074)**

	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)

Other debt instruments at fair value through other comprehensive income in stage II and stage III mainly included financial institutions bond corporates bond and financial institutions bond.

(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 2020			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
1 January 2020	**6,874**	**–**	**23**	**6,897**
Transfer:				
stage I transfer to stage II	**(211)**	**211**	**–**	**–**
Originated or purchased financial assets	**4,055**	**–**	**–**	**4,055**
Remeasurement	**1,029**	**221**	**90**	**1,340**
Maturities or transfer out	**(2,211)**	**–**	**(7)**	**(2,218)**
31 December 2020	**9,536**	**432**	**106**	**10,074**

	Year ended 31 December 2019			
	Stage I	Stage II	Stage III	
	12m ECL	Lifetime ECL		Total
1 January 2019	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

(ii) As at 31 December 2020, 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 remeasurement of remained debt instrument investments in the year. The decreases of the Group's loss allowance of other debt instrument investments at fair value through other comprehensive income were mainly due to maturities or transfer out of debt instrument investments.

(2) Equity instruments

	As at 31 December	
	2020	2019
Other financial institutions	**3,811**	2,878
Other enterprises	**120**	204
Total	**3,931**	3,082

(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 2020:

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	HKD4,113,392,450	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	USD100,000,002	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	(ii)	24 May 2012	Fujian, PRC	RMB150,000,000	51.00	51.00	Banking
ABC Life Insurance Co., Ltd.	(iii)	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		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.		25 July 2019	Beijing, PRC	RMB12,000,000,000	100.00	100.00	Wealth Management

During the year ended 31 December 2020 and 31 December 2019, 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 24 May 2020, ABC Xiamen Tong'an Rural Bank Limited Liability Company increased paid-in capital of RMB50 million from retained earnings, the proportion of equity interest and voting rights the Group held remained at 51%.

(iii) 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 2020 and 31 December 2019, there was no objective evidence noted for any goodwill impairment, and no impairment loss was recognized.

(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
Shenzhen Yuanzhifuhai No. 6 Investment Enterprise LP	(ii)	2015	Guangdong, PRC	RMB1,110,854,000	9.00	20.00	Equity investment, investment management and investment advisory service
Beijing Guofa Aero Engine Industry Investment Fund Center LP	(iii)	2018	Beijing, PRC	RMB6,343,200,000	15.61	20.00	Non Securities investment activities and related advisory services
Jilin Hongqizhiwang New Energy Automobile Fund Investment Management Center LP	(iii)	2019	Jilin, PRC	RMB3,885,500,000	25.30	20.00	Non Securities investment activities and related advisory services
Xinyuan (Beijing) Debt-to-Equity Special Equity Investment Center LP	(iii)	2020	Beijing, PRC	RMB6,000,000,000	15.67	14.29	Equity investment

(i) On 28 May 2015, the Sino-Congolese Bank of Africa (La Banque Sino-Congolaise pour I'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 operational decisions of BSCA.Bank, but does not constitute control or joint control over those decisions.

(ii) On 23 December 2020, the Bank's wholly-owned subsidiary, ABC Financial Assets Investment Co., Ltd. invested in Shenzhen Yuanzhifuhai No. 6 Investment enterprise LP, which was established in 2015. The Group has the right to participate in the financial and operational decisions of these enterprises but the right does not have control or joint control over those decisions.

(iii) 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 operational decisions of these enterprises but the right does not have control or joint control over those 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
Inner Mogolia Mengxingzhuli Development Fund Investment Center LP	2018	Inner Mongolia, PRC	RMB2,000,000,000	50.00	50.00	Equity Investment, investment Management and investment advisory service
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
Nongyi Zihuan (Jiaxing) Equity Investment Partnership LP	2019	Zhejiang, PRC	RMB400,000,000	70.00	50.00	Investment and investment management
Jianxinjintou Infrastructure Equity Investment (Tianjin) Fund LP	2019	Tianjin, PRC	RMB3,500,000,000	20.00	20.00	Equity Investment and investment management
Shaanxi nongying financial holding equity investment fund partnership LP	2019	Shaanxi, PRC	RMB1,000,000,000	50.00	50.00	Industrial investment, equity investment
Shenzhen CIMC Nongyin Shuren Investment Partnership LP	2019	Guangdong, PRC	RMB1,601,000,000	49.97	33.33	Venture capital business
Shanghai Diantousuihe Equity Investment Fund LP	2020	Shanghai, PRC	RMB5,000,000,000	80.00	50.00	Industrial investment, equity investment and investment consultation

(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* (Continued)

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 operational decisions of these limited partnerships with the other investors.

21 PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
Cost					
1 January 2020	193,465	67,116	13,364	4,321	278,266
Additions	4,918	7,060	1,519	5,484	18,981
Transfers	933	1,289	223	(2,445)	–
Disposals	(13,522)	(9,347)	(385)	(11)	(23,265)
31 December 2020	185,794	66,118	14,721	7,349	273,982
Accumulated depreciation					
1 January 2020	(73,609)	(48,465)	(3,393)	–	(125,467)
Charge for the year	(6,762)	(6,015)	(634)	–	(13,411)
Disposals	7,895	8,198	309	–	16,402
31 December 2020	(72,476)	(46,282)	(3,718)	–	(122,476)
Allowance for impairment losses					
1 January 2020	(265)	(16)	–	(34)	(315)
Impairment loss	–	–	(49)	–	(49)
Disposals	3	7	2	–	12
31 December 2020	(262)	(9)	(47)	(34)	(352)
Carrying value					
31 December 2020	113,056	19,827	10,956	7,315	151,154
1 January 2020	119,591	18,635	9,971	4,287	152,484

(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 2019	186,443	65,804	11,097	7,986	271,330
Additions	3,825	6,712	2,828	2,060	15,425
Transfers	5,097	226	1	(5,324)	–
Disposals	(1,900)	(5,626)	(562)	(401)	(8,489)
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

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 2020, 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.

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	
	2020	2019
Deferred tax assets	**133,355**	120,952
Deferred tax liabilities	**(334)**	(520)
Net	**133,021**	120,432

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22 DEFERRED TAXATION (Continued)

(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 2019	**114,140**	**9,175**	**533**	**7,640**	**(11,302)**	**246**	**120,432**
Credit/(charge) to the consolidated income statement	**7,804**	**1,251**	**(145)**	**2,885**	**(1,797)**	**210**	**10,208**
Credit to other comprehensive income	**–**	**–**	**–**	**–**	**2,381**	**–**	**2,381**
31 December 2020	**121,944**	**10,426**	**388**	**10,525**	**(10,718)**	**456**	**133,021**

	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

(2) Deferred income tax assets/(liabilities) and related temporary differences, before offsetting qualifying amounts, are attributable to the following items:

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary difference	**Deferred tax assets/ (liabilities)**	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Deferred tax assets				
Allowance for impairment losses	**487,775**	**121,944**	456,559	114,140
Fair value changes of financial instruments	**58,107**	**14,527**	23,426	5,856
Accrued but unpaid staff cost	**41,705**	**10,426**	36,700	9,175
Provision	**42,100**	**10,525**	30,558	7,640
Early retirement benefits	**1,551**	**388**	2,133	533
Others	**1,827**	**456**	1,019	255
Subtotal	**633,065**	**158,266**	550,395	137,599
Deferred tax liabilities				
Fair value changes of financial instruments	**(100,981)**	**(25,245)**	(68,635)	(17,158)
Others	**–**	**–**	(35)	(9)
Subtotal	**(100,981)**	**(25,245)**	(68,670)	(17,167)
Net	**532,084**	**133,021**	481,725	120,432

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 OTHER ASSETS

		As at 31 December	
		2020	2019
Accounts receivable and temporary payments	(1)	**97,619**	77,028
Land use rights	(2)	**19,340**	19,889
Right-of-use assets	(3)	**10,196**	10,805
Intangible assets		**4,154**	3,229
Interest receivable		**3,070**	3,183
Investment properties		**2,529**	2,730
Long-term deferred expenses		**2,233**	1,792
Value-added tax receivable		**1,192**	1,173
Foreclosed assets		**716**	594
Premiums receivable and reinsurance assets		**655**	564
Others		**9,588**	9,943
Total		**151,292**	130,930

(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 2020, the principals of these account receivables was RMB584 million (31 December 2019: RMB1,554 million), and the loss allowance at amount equal to lifetime ECL was RMB412 million (31 December 2019: RMB859 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 2020, the gross amount of these account receivables was RMB99,869 million (31 December 2019: RMB78,994 million), and the loss allowance was RMB2,422 million (31 December 2019: RMB2,661 million).

(2) *According to 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 2020, 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 2020, the right-of-use assets recognized by the Group mainly include operation buildings, and are mainly used for daily business. The depreciation expense for the year ended 31 December 2020 was amounting to RMB3,993 million (for the year ended 31 December 2019: RMB3,700 million), and the accumulated depreciation amounting to RMB7,361 million (31 December 2019: RMB3,700 million).*

24 BORROWINGS FROM CENTRAL BANKS

As at 31 December 2020, borrowings from central banks mainly included Medium-term Lending Facilities from PBOC amounting to RMB674,400 million (31 December 2019: RMB596,500 million).

25 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2020	2019
Deposits from:		
Domestic banks	**114,693**	100,894
Other domestic financial institutions	**1,229,313**	1,339,628
Overseas banks	**2,006**	3,242
Other overseas financial institutions	**42,691**	55,438
Subtotal	**1,388,703**	1,499,202
Accrued interest	**5,813**	4,707
Total	**1,394,516**	1,503,909

(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	
	2020	2019
Placements from:		
Domestic banks and other financial institutions	**222,377**	148,603
Overseas banks and other financial institutions	**167,291**	175,124
Subtotal	**389,668**	323,727
Accrued interest	**992**	1,636
Total	**390,660**	325,363

27 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

		As at 31 December	
		2020	2019
Financial liabilities held for trading			
Precious metal contracts		**13,725**	14,147
Subtotal		**13,725**	14,147
Financial liabilities designated at fair value through profit or loss			
Placements from banks and other financial institutions by principal guaranteed wealth management	(1)	**9,540**	6,681
Overseas debt securities		**–**	3,505
Liabilities of the controlled structured entities		**4,452**	5,901
Others		**100**	–
Subtotal		**14,092**	16,087
Total		**27,817**	30,234

(1) *The Group designates placements from banks and other financial institutions by principal guaranteed wealth management as financial liabilities at fair value through profit or loss.*

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.

28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December	
	2020	2019
Analyzed by type of collateral:		
Debt securities	**107,844**	50,895
Bills	**1,325**	1,970
Subtotal	**109,169**	52,865
Accrued interest	**26**	332
Total	**109,195**	53,197

The collateral pledged under repurchase 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)

29 DUE TO CUSTOMERS

		As at 31 December	
		2020	2019
Demand deposits			
Corporate customers		**5,236,566**	4,973,481
Individual customers		**5,872,736**	5,689,617
Time deposits			
Corporate customers		**2,477,710**	2,306,667
Individual customers		**6,062,167**	5,223,243
Pledged deposits	(1)	**299,962**	250,847
Others		**158,231**	174,318
Subtotal		**20,107,372**	18,618,173
Accrued interest		**265,529**	230,982
Total		**20,372,901**	18,849,155

(1) Analyzed by activity to which pledged deposits are related to:

	As at 31 December	
	2020	2019
Guarantee and letters of guarantee	**73,606**	68,694
Trade finance	**100,822**	75,808
Bank acceptance	**48,718**	49,904
Letters of credit	**39,309**	17,571
Others	**37,507**	38,870
Total	**299,962**	250,847

(2) As at 31 December 2020, the Group reclassified the principal-guaranteed WMPs that were originally disclosed in Note IV 27 "Financial Liabilities at Fair Value Through Profit or Loss" to the item of "Due to Customers", relevant comparative amounts have been reclassified. The measurement of these principal-guaranteed WMPs is unchanged and at fair value through profit or loss. As at 31 December 2020 and 31 December 2019, the difference between the fair value of the principal-guaranteed WMPs and the structured deposits designated at fair value through profit or loss issued by the Group and the contractual amount payable to the holders of these products upon maturity was not material. As at 31 December 2020, due to customers measured at amortized cost of the Group amounted to RMB20,031,232 million (31 December 2019: RMB18,396,387 million), due to customers measured at fair value through profit or loss of the Group amounted to RMB341,669 million (31 December 2019: RMB452,768 million).

30 DEBT SECURITIES ISSUED

		As at 31 December	
		2020	2019
Bonds issued	(1)	**430,703**	348,686
Certificates of deposit issued	(2)	**252,569**	268,599
Other debt securities issued	(3)	**679,261**	482,345
Subtotal		**1,362,533**	1,099,630
Accrued Interest		**9,312**	8,582
Total		**1,371,845**	1,108,212

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

As at 31 December 2020 and 31 December 2019, there was no default related to any debt securities issued by the Group.

(1) Bonds issued

		As at 31 December	
		2020	2019
2.75% USD fixed rate Green Bonds maturing in October 2020	(i)	**–**	3,488
5.30% subordinated fixed rate bonds maturing in June 2026	(ii)	**50,000**	50,000
4.99% subordinated fixed rate bonds maturing in December 2027	(iii)	**50,000**	50,000
4.45% Tier-two capital fixed rate bonds maturing in October 2027	(iv)	**40,000**	40,000
4.45% Tier-two capital fixed rate bonds maturing in April 2028	(v)	**40,000**	40,000
4.28% Tier-two capital fixed rate bonds maturing in March 2029	(vi)	**50,000**	50,000
4.30% Tier-two capital fixed rate bonds maturing in April 2029	(vii)	**40,000**	40,000
3.10% Tier-two capital fixed rate bonds maturing in April 2030	(viii)	**40,000**	–
4.53% Tier-two capital fixed rate bonds maturing in March 2034	(ix)	**10,000**	10,000
4.63% Tier-two capital fixed rate bonds maturing in April 2034	(x)	**20,000**	20,000
Medium term notes issued	(xi)	**42,643**	31,163
1.99% fixed rate financial bond maturing in April 2023	(xii)	**20,000**	–
3.68% CNY fixed rate Green Bonds maturing in June 2022	(xiii)	**2,720**	3,000
3.90% fixed rate financial bond maturing in November 2023	(xiv)	**1,650**	–
3.30% fixed rate financial bond maturing in September 2022	(xv)	**3,870**	2,890
2.68% fixed rate financial bond maturing in March 2023	(xvi)	**4,000**	–
4.70% fixed rate capital replenishment bond maturing in August 2021	(xvii)	**2,410**	3,000
3.40% fixed rate financial bond maturing in September 2024	(xviii)	**2,000**	1,880
2.75% fixed rate financial bond maturing in March 2025	(xix)	**6,000**	–
3.80% fixed rate financial bond maturing in June 2025	(xx)	**500**	–
5.55% fixed rate capital replenishment bond maturing in March 2028	(xxi)	**3,500**	3,500
3.60% fixed rate capital replenishment bond maturing in March 2030	(xxii)	**1,500**	–
Total nominal value		**430,793**	348,921
Less: Unamortized issuance cost and discounts		**(90)**	(235)
Total		**430,703**	348,686

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (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 October 2015 have a tenor of 5 years matured in October 2020.

(ii) The subordinated fixed rate bonds issued in June 2011 have a tenor of 15 years, with a fixed coupon rate of 5.30%, 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 5.30% per annum from 7 June 2021 onwards.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) The Tier-two capital bonds issued in April 2019 have a tenor of 10 years, with a fixed coupon rate of 4.30% 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 4.30% 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.

(viii) The Tier-two capital bonds issued in April 2020 have a tenor of 10 years, with a fixed coupon rate of 3.10% payable annually. The Bank has an option to redeem part or all of the bonds at face value on 5 May 2025 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 3.10% per annum from 6 May 2025 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) Bonds issued (Continued):

(ix) 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.

(x) 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.

(xi) The medium term notes ("MTNs") were issued by the Overseas Operations of the Group and are measured at amortized cost. The details of medium term notes issued were as follows:

	As at 31 December 2020		
	Maturity dates ranging from	**Coupon rates (%)**	**Outstanding balance**
Fixed rate HKD MTNs	**October 2022**	**1.00**	**4,208**
Fixed rate USD MTNs	**June 2021 to October 2025**	**1.00–3.88**	**18,871**
Floating rate USD MTNs	**September 2021 to November 2023**	**3 months Libor+68 to 85bps**	**19,564**
Total			**42,643**

	As at 31 December 2019		
	Maturity dates ranging from	Coupon rates (%)	Outstanding balance
Fixed rate HKD MTNs	August 2020	2.18–2.52	470
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			31,163

(xii) The fixed rate Financial bonds issued by ABC in April 2020 have a tenor of 3 years, with a fixed coupon rate of 1.99%, payable annually.

(xiii) The CNY green bonds issued by ABC Financial Leasing Co., Ltd. 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 Leasing Co., Ltd. in November 2020 have a tenor of 3 years, with a fixed coupon rate of 3.90%, payable annually.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30 DEBT SECURITIES ISSUED (Continued)

(1) Bonds issued (Continued):

(xv) 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 3.30%, payable annually.

(xvi) The fixed rate Financial bonds issued by ABC Financial Assets Investment Co., Ltd. in March 2020 have a tenor of 3 years, with a fixed coupon rate of 2.68%, payable annually.

(xvii) The fixed rate Financial bonds issued by ABC International Holdings Limited in August 2018 have a tenor of 3 years, with a fixed coupon rate of 4.70%, payable annually.

(xviii) 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 3.40%, payable annually.

(xix) The fixed rate Financial bonds issued by ABC Financial Assets Investment Co. Ltd in March 2020 have a tenor of 5 years, with a fixed coupon rate of 2.75%, payable annually.

(xx) The fixed rate Financial bonds issued by ABCI Investment Suzhou Corporation Limited in June 2020 have a tenor of 5 years, with a fixed coupon rate of 3.80%, payable annually.

(xxi) The fixed rate Capital replenishment debt issued by ABC Life 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.

(xxii) The fixed rate Capital replenishment debt issued by ABC Life in March 2020 have a tenor of 10 years, with a fixed coupon rate of 3.60%, payable annually. ABC Life Insurance has an option to redeem all of the bonds at face value on 25 March 2025. If ABC Life Insurance do not exercise this option, the coupon rate of the bonds would increase to 4.60% per annum from 26 March 2025 onwards.

(2) As at 31 December 2020, 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 -0.02% to 3.66% per annum (As at 31 December 2019, the terms of the certificates of deposit ranged from one month to seven years, with interest rates ranging from -0.23% to 3.66%).

(3) Other debt securities issued by the Group

(i) As at 31 December 2020, 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 0.00% to 2.14% per annum (As at 31 December 2019, the terms of the commercial papers ranged from three months to one year, with interest rates ranging from -0.22% to 2.85%).

(ii) As at 31 December 2020, the interbank certificate of deposit were issued by the Bank's Head Office. The term of the interbank certificate of deposit ranged from one month to one year, with interest rates ranging from 1.58% to 3.35% per annum (As at 31 December 2019, the term of the interbank certificate of deposit ranged from one month to one year, with interest rates ranging from 2.70% to 3.24%).

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES

		As at 31 December	
		2020	2019
Clearing and settlement		**168,852**	105,682
Insurance liabilities		**89,651**	73,588
Staff costs payable	(1)	**56,811**	50,471
Income taxes payable		**54,340**	59,286
Provision	(2)	**42,100**	30,558
VAT and other taxes payable		**10,235**	8,541
Lease liabilities		**9,824**	10,280
Suspense accounts		**5,168**	4,579
Amount payable to the MOF		**711**	561
Others		**86,898**	71,410
Total		**524,590**	414,956

(1) *Staff costs payable*

		As at 31 December	
		2020	2019
Short-term employee benefits	(i)	**47,380**	43,130
Defined contribution benefits	(ii)	**7,880**	5,208
Early retirement benefits	(iii)	**1,551**	2,133
Total		**56,811**	50,471

(i) *Short-term employee benefits*

		2020			
		1 January	**Increase**	**Decrease**	**31 December**
Salaries, bonuses, allowance and subsidies	(a)	**31,289**	**81,087**	**(77,366)**	**35,010**
Housing funds	(a)	**184**	**8,933**	**(9,009)**	**108**
Social insurance including:	(a)	**332**	**4,713**	**(4,660)**	**385**
— Medical insurance		**311**	**4,398**	**(4,342)**	**367**
— Maternity insurance		**13**	**205**	**(209)**	**9**
— Employment injury insurance		**8**	**110**	**(109)**	**9**
Labor union fees and staff education expenses		**7,049**	**3,613**	**(2,623)**	**8,039**
Others		**4,276**	**10,612**	**(11,050)**	**3,838**
Total		**43,130**	**108,958**	**(104,708)**	**47,380**

(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)

(i) Short-term employee benefits (Continued)

		2019			
		1 January	Increase	Decrease	31 December
Salaries, bonuses, allowance and subsidies	(a)	29,499	79,255	(77,465)	31,289
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		3,552	10,044	(9,320)	4,276
Total		39,698	106,807	(103,375)	43,130

(a) Salaries, bonuses, allowance and subsidies, housing funds and social insurance are timely distributed and paid in accordance with relevant laws and regulations and the Group's policy.

(ii) Defined contribution benefits

	2020			
	1 January	**Increase**	**Decrease**	**31 December**
Basic pensions	**452**	**8,110**	**(7,943)**	**619**
Unemployment insurance	**34**	**249**	**(243)**	**40**
Annuity Scheme	**4,722**	**6,367**	**(3,868)**	**7,221**
Total	**5,208**	**14,726**	**(12,054)**	**7,880**

	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

The defined contribution benefits are timely distributed and paid in accordance with 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)

(iii) Early retirement benefits

	2020			
	1 January	**Increase**	**Decrease**	**31 December**
Early retirement benefits	**2,133**	**5**	**(587)**	**1,551**

	2019			
	1 January	Increase	Decrease	31 December
Early retirement benefits	2,883	61	(811)	2,133

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	As at 31 December	
	2020	2019
Discount rate	**2.90%**	2.80%
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 (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.

(2) Provision

		As at 31 December	
		2020	2019
Loan commitments and financial guarantee contracts	(i)	**35,756**	25,213
Litigation provision		**5,560**	4,490
Others		**784**	855
Total		**42,100**	30,558

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31 OTHER LIABILITIES (Continued)

(2) Provision (Continued)

(i) Analyzed by movements in loss allowance for loan commitments and financial guarantee contracts

		Year ended 31 December 2020			
		Stage I	Stage II	Stage III	
		12m ECL	Lifetime ECL		Total
1 January 2020		22,836	2,032	345	25,213
Transfer:					
stage I transfer to stage II		(682)	682	–	–
stage II transfer to stage III		–	(348)	348	–
stage II transfer to stage I		3	(3)	–	–
Increase	(a)	18,613	–	–	18,613
Remeasurement		720	6	401	1,127
Decrease	(a)	(8,134)	(708)	(355)	(9,197)
31 December 2020		33,356	1,661	739	35,756

		Year ended 31 December 2019			
		Stage I	Stage II	Stage III	
		12m ECL	Lifetime ECL		Total
1 January 2019		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

(a) The impact of loss allowance driven by new loan commitments and financial guarantee contracts signed in 2020 and 2019 is disclosed as "Increase". The impact of loss allowance driven by withdrawals, advances or expiration of loan commitments and financial guarantee contracts in 2020 and 2019 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 2020	
	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 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

(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 SAR. Their par value is denominated in RMB when they were initially offered and are currently traded in HKD.

(2) As at 31 December 2020 and 31 December 2019, 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 issued		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
Perpetual bonds	Undated tier 1 capital bonds in 2019 — first tranche[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	NA
	Undated tier 1 capital bonds in 2019 — second tranche[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	NA
	Undated tier 1 capital bonds in 2020 — first tranche[2]	3.48% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	850	85,000	No maturity date	NA
	Undated tier 1 capital bonds in 2020 — second tranche[2]	4.50% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	350	35,000	No maturity date	NA

(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 2020. The first tranche of preference shares bears a dividend rate of 6% per annum; dividends are non-cumulative and where payable, are 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 on 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.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS (Continued)

(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. (Continued)

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 2020. The second tranche of preference shares bears a dividend rate of 5.5% per annum; dividends are non-cumulative and where payable, are 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 request the Bank to redeem the preference shares.

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, the first tranche of preference shares and the second tranche of 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. In June 2018, the Bank has issued 25.19 billion ordinary A shares to specific investors. 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 in the offering documents, to maintain the relative interests between preference shareholders and ordinary equity holders. Upon completion of the private placement of ordinary shares by the Bank, the mandatory conversion price of the first tranche of preference shares and the second tranche of 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.

The carrying amount, net of direct issuance expenses, was RMB79,899 million as at 31 December 2020 (31 December 2019: RMB79,899 million).

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS (Continued)

(2) With the authorization of the annual general meeting and the approval from regulatory authorities, the Bank was permitted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "Bonds") of an amount no more than RMB120 billion in 2019.

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%.

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 in 2020.

The Bank issued undated additional tier 1 capital bonds (first tranche) with the amount of RMB85 billion in the national interbank bond market on 8 May 2020, and the issuance was completed on 12 May 2020. 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 3.48%.

The Bank issued undated additional tier 1 capital bonds (second tranche) with the amount of RMB35 billion in the national interbank bond market on 20 August 2020, and the issuance was completed on 24 August 2020. 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 4.50%.

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.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 OTHER EQUITY INSTRUMENTS (Continued)

(2) With the authorization of the annual general meeting and the approval from regulatory authorities, the Bank was permitted to issue undated additional tier 1 capital bonds ("Perpetual bonds" or the "Bonds") of an amount no more than RMB120 billion in 2019. *(Continued)*

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.

The carrying amount, net of direct issuance expenses, was RMB239,976 million as at 31 December 2020 (31 December 2019: RMB119,987 million).

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 shareholders in 2018. Share premium was recorded in the capital reserve after deducting direct issue expenses, which consisted primarily of underwriting fees and professional fees.

35 INVESTMENT REVALUATION RESERVE

	2020		
	Gross carrying amount	**Tax effect**	**Net effect**
31 December 2019	**39,875**	**(10,191)**	**29,684**
Fair value changes on debt instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	**(4,238)**	**1,188**	**(3,050)**
— Amount removed from other comprehensive income and recognized in profit or loss	**(750)**	**188**	**(562)**
Fair value changes on equity instruments at fair value through other comprehensive income:			
— Amount of gains recognized directly in other comprehensive income	**(114)**	**29**	**(85)**
31 December 2020	**34,773**	**(8,786)**	**25,987**

	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

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 2021, 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 RMB21,040 million (2019: RMB20,623 million) 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 on 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 2020, the Group transferred RMB34,433 million (2019: RMB37,826 million) to the General Reserve pursuant to the regulatory requirements in the PRC and overseas jurisdictions. Of this amount, RMB34,211 million (2019: RMB37,626 million) related to the appropriation proposed for the year ended 31 December 2019 which was approved in the annual general meeting held on 22 June 2020.

On 30 March 2021, the Board of Directors' meeting approved a proposal of appropriation of RMB39,217 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	
	2020	2019
Cash	**76,281**	92,928
Balance with central banks	**51,802**	401,632
Deposits with banks and other financial institutions	**76,904**	105,571
Placements with and loans to banks and other financial institutions	**207,568**	150,495
Financial assets held under resale agreements	**762,598**	703,955
Total	**1,175,153**	1,454,581

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 Production and Construction Corps Branch), 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 2020										
External interest income	295,937	146,586	104,665	90,675	100,397	146,982	22,471	23,219	–	930,932
External interest expense	(62,901)	(81,914)	(40,592)	(61,183)	(50,040)	(57,814)	(17,574)	(13,835)	–	(385,853)
Inter-segment interest (expense)/income	(236,844)	56,373	26,000	56,045	43,094	40,319	16,672	(1,659)	–	–
Net interest income	(3,808)	121,045	90,073	85,537	93,451	129,487	21,569	7,725	–	545,079
Fee and commission income	32,182	14,579	11,403	9,492	8,660	12,101	2,148	601	–	91,166
Fee and commission expense	(4,023)	(2,620)	(2,476)	(1,975)	(2,281)	(2,529)	(549)	(168)	–	(16,621)
Net fee and commission income	28,159	11,959	8,927	7,517	6,379	9,572	1,599	433	–	74,545
Net trading gain/(loss)	10,463	359	(151)	(156)	(110)	897	(76)	5,179	–	16,405
Net gain/(loss) on financial investments	4,058	(5,648)	(2,280)	(2,462)	(1,034)	(1,550)	(223)	1,827	–	(7,312)
Net gain on derecognition of financial assets measured at amortized cost	1	–	–	–	–	–	–	–	–	1
Other operating income	(1,839)	721	492	485	307	1,356	59	29,033	–	30,614
Operating income	37,034	128,436	97,061	90,921	98,993	139,762	22,928	44,197	–	659,332
Operating expenses	(15,628)	(33,097)	(24,797)	(28,845)	(33,345)	(47,362)	(13,395)	(33,428)	–	(229,897)
Credit impairment losses	(15,181)	(26,704)	(17,796)	(26,626)	(31,237)	(37,932)	(6,398)	(2,825)	–	(164,699)
Impairment losses on other assets	(1)	1	–	12	3	(130)	(38)	(51)	–	(204)
Operating profit	6,224	68,636	54,468	35,462	34,414	54,338	3,097	7,893	–	264,532
Share of results of associates and joint ventures	4	–	–	–	–	–	–	514	–	518
Profit before tax	6,228	68,636	54,468	35,462	34,414	54,338	3,097	8,407	–	265,050
Income tax expense										(48,650)
Profit for the year										216,400
Depreciation and amortization included in operating expenses	1,570	3,170	2,572	3,360	3,075	4,150	1,202	452	–	19,551
Capital expenditure	2,438	2,942	2,937	2,537	3,673	4,607	1,658	1,930	–	22,722
As at 31 December 2020										
Segment assets	5,956,432	5,698,994	3,443,268	4,676,597	3,917,314	5,231,854	1,175,767	1,207,010	(4,235,544)	27,071,692
Including: Investment in associates and joint ventures	210	–	–	–	–	–	–	8,655	–	8,865
Unallocated assets										133,355
Total assets										27,205,047
Include: non-current assets (1)	12,523	31,128	18,944	28,896	27,810	42,014	11,127	27,410	–	199,852
Segment liabilities	(3,726,048)	(5,748,167)	(3,442,287)	(4,710,246)	(3,940,522)	(5,264,694)	(1,186,993)	(1,156,214)	4,235,544	(24,939,627)
Unallocated liabilities										(54,674)
Total liabilities										(24,994,301)
Loan commitments and financial guarantee contracts	32,779	970,556	558,971	496,243	422,731	523,658	77,342	87,024	–	3,169,304

(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 2019										
External interest income	288,232	131,213	93,283	85,043	89,614	133,281	21,701	30,773	–	873,140
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	12,514	102,802	79,991	78,518	82,781	117,809	19,495	6,960	–	500,870
Fee and commission income	27,767	14,687	11,335	9,855	9,128	12,559	2,302	683	–	88,316
Fee and commission expense	(3,477)	(2,644)	(2,297)	(2,045)	(1,940)	(2,352)	(471)	(163)	–	(15,389)
Net fee and commission income	24,290	12,043	9,038	7,810	7,188	10,207	1,831	520	–	72,927
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	53,412	117,085	90,032	86,083	90,460	129,343	21,319	41,616	–	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	35,794	54,863	42,301	28,720	39,944	53,853	912	10,144	–	266,531
Share of results of associates and joint ventures	10	–	–	–	–	–	–	35	–	45
Profit before tax	35,804	54,863	42,301	28,720	39,944	53,853	912	10,179	–	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	1,375	1,684	2,397	4,091	884	2,786	–	16,847
As at 31 December 2019										
Segment assets	6,353,747	5,027,205	3,080,472	4,298,291	3,562,994	4,854,865	1,041,973	1,187,050	(4,650,058)	24,756,539
Including: Investment in associates and joint ventures	207	–	–	–	–	–	–	6,465	–	6,672
Unallocated assets										120,952
Total assets										24,877,491
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)	(5,050,147)	(3,089,422)	(4,326,587)	(3,570,710)	(4,873,329)	(1,052,150)	(1,139,664)	4,650,058	(22,863,824)
Unallocated liabilities										(59,806)
Total liabilities										(22,923,630)
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.

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 2020					
External interest income	354,333	279,727	290,119	6,753	930,932
External interest expense	(120,316)	(194,091)	(68,422)	(3,024)	(385,853)
Inter-segment interest (expense)/income	(12,647)	168,042	(155,395)	–	–
Net interest income	221,370	253,678	66,302	3,729	545,079
Fee and commission income	55,436	33,274	496	1,960	91,166
Fee and commission expense	(10,044)	(6,490)	(5)	(82)	(16,621)
Net fee and commission income	45,392	26,784	491	1,878	74,545
Net trading gain	–	–	8,920	7,485	16,405
Net (loss)/gain on financial investments	(7,284)	(4,180)	1,440	2,712	(7,312)
Net gain on derecognition of financial assets measured at amortized cost	–	–	1	–	1
Other operating income	1,375	1,321	25	27,893	30,614
Operating income	260,853	277,603	77,179	43,697	659,332
Operating expenses	(71,055)	(101,669)	(24,700)	(32,473)	(229,897)
Credit impairment losses	(112,122)	(37,359)	(13,706)	(1,512)	(164,699)
Impairment losses on other assets	(156)	4	–	(52)	(204)
Operating profit	77,520	138,579	38,773	9,660	264,532
Share of results of associates and joint ventures	–	–	–	518	518
Profit before tax	77,520	138,579	38,773	10,178	265,050
Income tax expense					(48,650)
Profit for the year					216,400
Depreciation and amortization included in operating expenses	4,397	11,209	3,544	401	19,551
Capital expenditure	4,076	12,708	4,491	1,447	22,722
At 31 December 2020					
Segment assets	8,618,358	6,372,074	11,586,282	494,978	27,071,692
Including: Investment in associates and joint ventures	–	–	–	8,865	8,865
Unallocated assets					133,355
Total assets					27,205,047
Segment liabilities	(8,590,691)	(12,926,172)	(3,129,836)	(292,928)	(24,939,627)
Unallocated liabilities					(54,674)
Total liabilities					(24,994,301)
Loan commitments and financial guarantee contracts	2,146,637	1,022,667	–	–	3,169,304

(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	340,663	241,427	285,030	6,020	873,140
External interest expense	(113,527)	(187,247)	(68,698)	(2,798)	(372,270)
Inter-segment interest (expense)/income	(3,271)	159,577	(156,306)	–	–
Net interest income	223,865	213,757	60,026	3,222	500,870
Fee and commission income	52,997	33,415	152	1,752	88,316
Fee and commission expense	(7,638)	(7,695)	(2)	(54)	(15,389)
Net fee and commission income	45,359	25,720	150	1,698	72,927
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	271,113	240,579	79,102	38,556	629,350
Operating expenses	(74,423)	(97,310)	(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	110,385	93,623	52,899	9,624	266,531
Share of results of associates and joint ventures	–	–	–	45	45
Profit before tax	110,385	93,623	52,899	9,669	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	2,884	8,389	2,937	2,637	16,847
At 31 December 2019					
Segment assets	7,710,290	5,826,866	10,771,924	477,459	24,756,539
Including: Investment in associates and joint ventures	–	–	–	6,672	6,672
Unallocated assets					120,952
Total assets					24,877,491
Segment liabilities	(8,021,219)	(11,885,863)	(2,707,432)	(249,310)	(22,863,824)
Unallocated liabilities					(59,806)
Total liabilities					(22,923,630)
Loan commitments and financial guarantee contracts	1,565,535	844,493	–	–	2,410,028

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)

County Area and Urban Area segments *(Continued)*

	County Area banking business	Urban Area banking business	Eliminations	Consolidated total
For the year ended 31 December 2020				
External interest income	230,691	700,241	–	930,932
External interest expense	(121,062)	(264,791)	–	(385,853)
Inter-segment interest income/(expense)	122,135	(122,135)	–	–
Net interest income	231,764	313,315	–	545,079
Fee and commission income	35,742	55,424	–	91,166
Fee and commission expense	(6,439)	(10,182)	–	(16,621)
Net fee and commission income	29,303	45,242	–	74,545
Net trading gain	221	16,184	–	16,405
Net (loss)/gain on financial investments	(4,001)	(3,311)	–	(7,312)
Net gain on derecognition of financial assets measured at amortized cost	–	1	–	1
Other operating income	4,507	26,107	–	30,614
Operating income	261,794	397,538	–	659,332
Operating expenses	(91,401)	(138,496)	–	(229,897)
Credit impairment losses	(52,276)	(112,423)	–	(164,699)
Impairment losses on other assets	(27)	(177)	–	(204)
Operating profit	118,090	146,442	–	264,532
Share of results of associates and joint ventures	–	518	–	518
Profit before tax	118,090	146,960	–	265,050
Income tax expense				(48,650)
Profit for the year				216,400
Depreciation and amortization included in operating expenses	7,567	11,984	–	19,551
Capital expenditure	6,990	15,732	–	22,722
At 31 December 2020				
Segment assets	9,638,372	17,570,020	(136,700)	27,071,692
Including: Investment in associates and joint ventures	–	8,865	–	8,865
Unallocated assets				133,355
Total assets				27,205,047
Segment liabilities	(8,942,453)	(16,133,874)	136,700	(24,939,627)
Unallocated liabilities				(54,674)
Total liabilities				(24,994,301)
Loan commitments and financial guarantee contracts	970,680	2,198,624	–	3,169,304

(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 2019				
External interest income	205,982	667,158	–	873,140
External interest expense	(116,959)	(255,311)	–	(372,270)
Inter-segment interest income/(expense)	115,125	(115,125)	–	–
Net interest income	204,148	296,722	–	500,870
Fee and commission income	34,022	54,294	–	88,316
Fee and commission expense	(6,155)	(9,234)	–	(15,389)
Net fee and commission income	27,867	45,060	–	72,927
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	236,739	392,611	–	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	97,771	168,760	–	266,531
Share of results of associates and joint ventures	–	45	–	45
Profit before tax	97,771	168,805	–	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	4,790	12,057	–	16,847
At 31 December 2019				
Segment assets	8,699,610	16,171,807	(114,878)	24,756,539
Including: Investment in associates and joint ventures	–	6,672	–	6,672
Unallocated assets				120,952
Total assets				24,877,491
Segment liabilities	(8,085,320)	(14,893,382)	114,878	(22,863,824)
Unallocated liabilities				(59,806)
Total liabilities				(22,923,630)
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)

40 RELATED PARTY TRANSACTIONS

(1) *The Group and the MOF*

As at 31 December 2020, the MOF directly owned 35.29% (31 December 2019: 35.29%) 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.

The Group had the following balances and transactions with the MOF in its ordinary course of business under normal commercial terms:

	31 December 2020	
	Balance	Ratio to similar transactions
Assets		
Treasury bonds and special government bond	**754,668**	**9.65%**
Receivable from the MOF	**316,656**	**4.05%**
Liabilities		
Amount payable to the MOF	**711**	**0.14%**
Due to customers	**8,385**	**0.04%**
— redemption of treasury bonds on behalf of the MOF	**4**	**–**

	2020	
	Amount	Ratio to similar transactions
Interest income	**30,376**	**3.26%**
Interest expense	**(100)**	**0.03%**
Fee and commission income	**1,294**	**1.42%**
Net gain on financial investment	**95**	**0.58%**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(1) The Group and the MOF (Continued)

	31 December 2019	
	Balance	Ratio to similar transactions
Assets		
Treasury bonds and special government bond	643,568	8.67%
Receivable from the MOF	307,723	4.15%
Other accounts receivable	1,004	0.77%
Liabilities		
Amount payable to the MOF	520	0.13%
Due to customers	7,772	0.04%
Other liabilities		
— redemption of treasury bonds on behalf of the MOF	4	–
— amount payable to the MOF	41	0.01%

	2019	
	Amount	Ratio to similar transactions
Interest income	30,195	3.46%
Interest expense	(253)	0.07%
Fee and commission income	1,552	1.76%
Net gain on financial investment	162	0.85%

Interest rate ranges for transactions with the MOF during the year are as follows:

	Year ended 31 December	
	2020	2019
	%	%
Treasury bonds and receivable from the MOF	**0.00–9.00**	0.13–9.00
Due to customers	**0.00–2.81**	0.00–3.41

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 2020, Huijin directly owned 40.03% (31 December 2019: 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. These balances and transactions are priced based on market prices and conducted under normal commercial terms.

	31 December 2020	
	Balance	Ratio to similar transactions
Assets		
Loans and advances to customers	3,951	0.03%
Financial investments	67,509	0.86%
Liabilities		
Due to customers	5,447	0.03%

	2020	
	Amount	Ratio to similar transactions
Interest income	2,844	0.31%
Interest expense	(148)	0.04%
Net gain/(loss) on financial investment	29	0.18%

(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 Huijin (Continued)

	31 December 2019	
	Balance	Ratio to similar transactions
Assets		
Loans and advances to customers	22,024	0.17%
Financial investments	68,455	0.92%
Liabilities		
Due to customers	1,862	0.01%

	2019	
	Amount	Ratio to similar transactions
Interest income	2,314	0.27%
Interest expense	(270)	0.07%
Net gain/(loss) on financial investment	65	0.34%

Interest rate ranges for transactions with Huijin during the year are as follows:

	Year ended 31 December	
	2020	2019
	%	%
Loans and advances to customers	**3.55–3.92**	3.92–4.35
Financial investments	**2.15–5.15**	2.84–5.15
Due to customers	**1.73–2.25**	1.38–2.25

(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 Central Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms. Corresponding balances with these banks and financial institutions were as follows:

	31 December 2020	
	Balance	Ratio to similar transactions
Assets		
Deposits with banks and other financial institutions	89,726	20.67%
Placements with and loans to banks and other financial institutions	100,125	18.31%
Derivative financial assets	17,137	27.67%
Financial assets held under resale agreements	27,349	3.35%
Loans and advances to customers	64,047	0.44%
Financial investments	731,695	9.35%
Liabilities		
Deposits from banks and other financial institutions	92,890	6.66%
Placements from banks and other financial institutions	147,049	37.64%
Derivative financial liabilities	11,259	17.25%
Financial assets sold under repurchase agreements	48,444	44.36%
Due to customers	3,921	0.02%
Equity		
Other equity instruments	2,000	0.63%
Off-balance sheet items		
Non-principal guaranteed wealth management products issued by the Bank	3,000	0.15%

(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 (Continued)

	31 December 2019	
	Balance	Ratio to similar transactions
Assets		
Deposits with banks and other financial institutions	63,637	26.99%
Placements with and loans to banks and other financial institutions	61,520	11.76%
Derivative financial assets	4,360	17.48%
Financial assets held under resale agreements	94,067	13.28%
Loans and advances to customers	53,117	0.41%
Financial investments	768,800	10.36%
Liabilities		
Deposits from banks and other financial institutions	157,640	10.48%
Placements from banks and other financial institutions	94,756	29.12%
Derivative financial liabilities	5,518	18.67%
Financial assets sold under repurchase agreements	1,309	2.46%
Due to customers	1,438	0.01%
Equity		
Other equity instruments	2,000	1.00%
Off-balance sheet items		
Non-principal guaranteed wealth management products issued by the Bank	5,002	0.29%

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(3) National Council for Social Security Fund of the People's Republic of China

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 ("SSF") for a one-time transfer. As at 31 December 2020 and 31 December 2019, the Bank's shares held by SSF accounted for 6.95% of the Bank's total share capital. The daily business transactions between the Group and the SSF are priced based on market prices and conducted on normal commercial terms. The Group had the following balances and transactions with the SSF:

	31 December 2020	
	Balance	**Ratio to similar transactions**
Assets		
Financial assets held under resale agreements	**33,966**	**4.16%**
Liabilities		
Due to customers	**51,827**	**0.25%**

	2020	
	Amount	**Ratio to similar transactions**
Interest income	**158**	**0.02%**
Interest expense	**(2,026)**	**0.53%**

	31 December 2019	
	Balance	Ratio to similar transactions
Assets		
Financial assets held under resale agreements	25,854	3.65%
Liabilities		
Due to customers	55,815	0.30%

	2019	
	Amount	Ratio to similar transactions
Interest income	177	0.02%
Interest expense	(1,810)	0.49%

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(3) *National Council for Social Security Fund of the People's Republic of China (Continued)*

Interest rate ranges for transactions with SSF during the interim period are as follows:

	Year ended 31 December	
	2020	2019
	%	%
Financial assets held under resale agreements	**0.63–3.35**	0.87–5.05
Due to customers	**0.30–5.20**	0.30–5.20

(4) *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.

(5) *The Bank and its subsidiaries*

The Bank had the following balances and transactions with its subsidiaries in its ordinary course of business. These balances and transactions are priced based on market prices and conducted under normal commercial terms.

	31 December 2020	
	Balance	**Ratio to similar transactions**
Assets		
Placements with and loans to banks and other financial institutions	**87,643**	**16.02%**
Financial assets held under resale agreements	**1,786**	**0.22%**
Financial investments	**6,230**	**0.08%**
Other assets	**24**	**0.02%**
Liabilities		
Deposits from banks and other financial institutions	**18,657**	**1.34%**
Due to customers	**1,624**	**0.01%**
Other liabilities	**753**	**0.14%**
Off-balance sheet items		
Letters of guarantee issued and guarantees	**8,482**	**3.21%**
Non-principal guaranteed wealth management products issued by the Bank	**331**	**0.02%**

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(5) The Bank and its subsidiaries (Continued)

	2020	
	Amount	**Ratio to similar transactions**
Interest income	**1,568**	**0.17%**
Net gain on financial investments	**107**	**0.65%**
Fee and commission income	**1,807**	**1.98%**
Other operating income	**9**	**0.03%**
Interest expense	**(373)**	**0.10%**
Fee and commission expense	**(909)**	**5.47%**
Operating expense	**(197)**	**0.09%**

	31 December 2019	
	Balance	Ratio to similar transactions
Assets		
Placements with and loans to banks and other financial institutions	88,805	16.97%
Financial investments	2,709	0.04%
Other assets	21	0.02%
Liabilities		
Deposits from banks and other financial institutions	10,895	0.72%
Due to customers	950	0.01%
Other liabilities	1,040	0.25%
Off-balance sheet items		
Letters of guarantee issued and guarantees	12,557	5.81%

	2019	
	Amount	Ratio to similar transactions
Interest income	792	0.09%
Fee and commission income	1,506	1.71%
Other operating income	1	–
Interest expense	(253)	0.07%
Fee and commission expense	(268)	1.74%
Operating expense	(143)	0.06%

	As at 31 December	
	2020	2019
	%	%
Placements with and loans to banks and other financial institutions	**0.04–4.10**	0.53–3.60
Financial assets held under resale agreements	**1.44–2.96**	1.00–4.70
Financial investments	**2.50–4.70**	3.30–4.70
Loans and advances to customers	**N/A**	4.60–4.60
Deposits from banks and other financial institutions	**0.00–4.13**	0.01–3.10
Due to customers	**0.30–3.15**	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)

(6) 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. These balances and transactions are priced based on market prices and conducted under normal commercial terms.

	2020	
	Amount	**Ratio to similar transactions**
Interest income	**1**	**–**

	2019	
	Amount	Ratio to similar transactions
Interest income	–	–

	Year ended 31 December	
	2020	2019
	%	%
Placements with and loans to banks and other financial institutions	**2.00–2.44**	–

(7) 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 2020, the balance of loans and advances to the above related parties is RMB6.85 million (31 December 2019: RMB9,536.42 million).

The remuneration of Directors and other members of key management during the years was as follows:

	Year ended 31 December	
	2020	2019
Salaries, bonuses and staff welfare	**9.99**	13.55

According to the regulations of the relevant authorities in the PRC, the key management personnel's final emoluments for the year ended 31 December 2020 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 2019 was not decided at the time when the Group's 2019 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 2019 was RMB9.97 million. Supplementary announcement on final compensation of RMB13.55 million was released by the Bank on 28 September 2020. The comparative figures for the year of 2019 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)

(8) *Related natural persons transactions*

The Group issued 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). As at 31 December 2020, the balance of such loan amounted to RMB12.87 million (31 December 2019: RMB7.49 million).

As at 31 December 2020, the Bank's balance of credit related transactions to the related natural persons, and entities that are controlled, jointly controlled, or significantly influenced by either the key management personnel of the Group or their close relatives as defined in the Administration of Connected Transactions between Commercial Banks and Their Insiders totalled RMB3.06 billion (31 December 2019: RMB13.07 billion), and did not have any non credit transaction balance (31 December 2019: RMB1.41 billion).

(9) *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:

	31 December 2020	
	Balance	**Ratio to similar transactions**
Deposits from Annuity Scheme	**4,326**	**0.02%**

	2020	
	Amount	**Ratio to similar transactions**
Interest expense	**(185)**	**0.05%**

	31 December 2019	
	Balance	Ratio to similar transactions
Deposits from Annuity Scheme	3,196	0.02%

	2019	
	Amount	Ratio to similar transactions
Interest expense	(157)	0.04%

Interest rate range for transactions with the Annuity Scheme during the year is as follows:

	Year ended 31 December	
	2020	2019
	%	%
Deposits from Annuity Scheme	**0.00–5.00**	0.00–5.00

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40 RELATED PARTY TRANSACTIONS (Continued)

(10) 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 2020		As at 31 December 2019	
	Related party transactions	**Proportion**	Related party transactions	Proportion
Deposits from banks and other financial institutions	**89,726**	**20.67%**	63,637	26.99%
Placements with and loans to banks and other financial institutions	**100,125**	**18.31%**	61,520	11.76%
Derivative financial assets	**17,137**	**27.67%**	4,360	17.48%
Financial assets held under resale agreements	**61,315**	**7.51%**	119,921	16.92%
Loans and advances to customers	**67,998**	**0.47%**	75,141	0.59%
Financial investments	**1,870,528**	**23.91%**	1,788,546	24.09%
Other asset	**–**	**–**	1,004	0.77%
Deposits from banks and other financial institutions	**92,890**	**6.66%**	157,640	10.48%
Placements from banks and other financial institutions	**147,049**	**37.64%**	94,756	29.12%
Derivative financial liabilities	**11,259**	**17.25%**	5,518	18.67%
Financial assets sold under repurchase agreements	**48,444**	**44.36%**	1,309	2.46%
Due to customers	**69,580**	**0.34%**	66,887	0.35%
Other liabilities	**715**	**0.14%**	565	0.14%
Other equity instruments	**2,000**	**0.63%**	2,000	1.00%
Non-principal guaranteed wealth management products issued by the Bank	**3,000**	**0.15%**	5,002	0.29%

Transaction amount

	2020		2019	
	Related party transactions	**Proportion**	Related party transactions	Proportion
Interest income	**33,379**	**3.59%**	32,686	3.74%
Interest expense	**(2,274)**	**0.59%**	(2,333)	0.63%
Net gain on financial investment	**124**	**0.76%**	227	1.19%
Fee and commission income	**1,294**	**1.42%**	1,552	1.76%

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 are measured 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 2020, the total assets of these consolidated structured entities were RMB241,504 million (31 December 2019: RMB464,477 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 2020, the total assets invested by these WMPs amounted to RMB2,170,621 million (31 December 2019: RMB1,960,701 million) and the corresponding outstanding WMPs issued by the Group amounted to RMB1,949,722 million (31 December 2019: RMB1,727,350 million). During the year ended 31 December 2020, the Group's interest in these WMPs included net fee and commission income of RMB6,243 million (2019: RMB4,971 million) and net interest income of 632 million (2019: RMB574 million), which related to placements and repo transactions entered into by the Group with these WMP Vehicles.

The Group enters into placements and repo transactions at market interest rates with these WMPs. The average balance during 2020 and the outstanding balance as at 31 December 2020 of these transactions were RMB23,423 million (weighted average outstanding period of 6.25 days) (2019: RMB15,810 million and 5.29 days) and RMB143,545 million (31 December 2019: RMB116,900 million), respectively. The Group was under no obligation to enter into these transactions. As at 31 December 2020 and 31 December 2019, 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.

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)

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 2020 and 31 December 2019. The Group was not required to absorb any losses incurred by WMPs. During the period ended 31 December 2020 and 2019, 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, asset management plans and asset-backed securities. As at 31 December 2020, the total assets of these products amounted to RMB440,726 million (31 December 2019: RMB478,339 million). During the year ended 31 December 2020, the Group's interest in these products mainly included net fee and commission income of 830 million (2019: RMB797 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, trust plans and asset-backed securities. As at 31 December 2020, the related carrying amount of investments and the maximum exposure by the Group to these other unconsolidated structured entities was RMB92,193 million (31 December 2019: RMB73,521 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 2020. 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 2020, provisions of RMB5,560 million were made by the Group (31 December 2019: RMB4,490 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 2020.

Capital commitments

	As at 31 December	
	2020	2019
Contracted but not provided for	**2,507**	2,606

In addition, as at 31 December 2020 and 31 December 2019, the Group did not have outstanding equity investment commitments for its investee companies.

Loan commitments and financial guarantee contracts

	As at 31 December	
	2020	2019
Loan commitments		
— With an original maturity of less than 1 year	**207,288**	149,602
— With an original maturity of 1 year or above	**1,409,990**	907,194
Subtotal	**1,617,278**	1,056,796
Bank acceptances	**429,841**	339,829
Credit card commitments	**695,183**	646,134
Guarantee and letters of guarantee	**264,646**	216,229
Letters of credit	**162,356**	151,040
Total	**3,169,304**	2,410,028

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 acceptances.

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 CBIRC 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 2020 and 31 December 2019, credit risk weighted amount for credit commitments was measured under the Internal Ratings — Based approach.

	As at 31 December	
	2020	2019
Credit risk weighted amount for credit commitments	**1,240,078**	1,063,652

(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	
	2020	2019
Debt securities	**114,573**	55,738
Bills	**1,327**	1,978
Total	**115,900**	57,716

As at 31 December 2020, the financial assets sold under repurchase agreements by the Group (disclosed in Note IV 28) as at 31 December 2020 amounted to RMB109,195 million (31 December 2019: RMB53,197 million). Repurchase agreements are primarily due within 1 years 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 2020 amounted to RMB1,026,931 million in total (31 December 2019: RMB863,190 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 2020 and 31 December 2019.

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 payable interest in accordance with the terms of the related early redemption arrangement.

As at 31 December 2020, the nominal value of treasury bonds the Group was obligated to redeem prior to maturity was RMB67,622 million (31 December 2019: RMB75,795 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 2020 and 31 December 2019, the Group did not have unfulfilled commitment in respect of securities underwriting business.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 2020, the total amount of unexpired asset-backed securities included accumulative loans transferred by the Group before impairment allowance was RMB69,291 million (31 December 2019: RMB67,016 million). RMB14,130 million of this balance (31 December 2019: RMB11,855 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 2019: RMB55,161 million) was in respect of performing loans and the Group concluded that it had continuing involvement in these assets. As at 31 December 2020, the Group continued to recognize assets of RMB6,564 million (31 December 2019: RMB6,923 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 2020, the Group transferred non-performing loans through disposal to third parties or issuing asset-back securities, with gross loan balance of RMB27,837 million (2019: RMB32,414 million). 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 2020, of these collateral pledged disclosed in Note IV 42 Contingent Liabilities and Commitments — Collateral, RMB4,050 million (31 December 2019: RMB2,955 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 2020, the carrying amount of debt securities lent to counterparties was RMB17,150 million (31 December 2019: RMB12,368 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 advances, 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 year ended 31 December 2020 was RMB49,375 million (During the year ended 31 December 2019: RMB51,398 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. Considering COVID-19 prevention and collection and disposal of non-performing loans, the group accelerated the disposal of non-performing loans to ensure the stability of assets quality.

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 applying appropriate limits subject to different level of management authority, and 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 measured 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 model 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 relevant parameters of ECL measurement include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group establishes its PD models, LGD models and EAD models 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. It varies depending on the type of counterparty, method of recourse and priority, and the availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

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 2020 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 instruments, 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.

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 macro-economic indicators that affect the credit risk and ECL of various portfolio. Macro-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 analysis to determine the correlation between these economic indicators and the PDs and LGDs. The Group assesses and forecasts these economic indicators at least on an annual basis, calculates the best estimates for the future, and regularly reviews and assesses results.

In 2020, the forecast value of 2021 GDP growth rate under each scenario is as follows: 8.80% under base scenario, 11.12% under upside scenario, and 6.48% under downside scenario.

Based on statistical analysis and expert judgements, the Group determines the weightings of multiple scenarios and the corresponding macro-economic forecast under each 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.

(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)

***Measurement of ECL** (Continued)*

Forward-looking information (Continued)

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 is less than 5%.

When evaluating forward-looking information of ECL models in 2020, the Group comprehensively considered the impact of COVID-19 on the macro economic and banking industry, and the influence of government policies.

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.

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 acceptances, 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	
		2020	2019
Balances with central banks		**2,360,994**	2,606,967
Deposits with banks and other financial institutions		**434,185**	235,742
Placements with and loans to banks and other financial institutions		**546,948**	523,183
Derivative financial assets		**61,937**	24,944
Financial assets held under resale agreements		**816,206**	708,551
Loans and advances to customers	(i)	**14,552,433**	12,819,764
Financial investments			
Financial assets at fair value through profit or loss		**469,308**	693,758
Debt instrument investments at amortized cost	(ii)	**5,684,220**	4,946,741
Other debt instrument investments at fair value through other comprehensive income	(iii)	**1,551,439**	1,671,746
Other financial assets		**101,562**	80,858
Subtotal		**26,579,232**	24,312,254
Loan commitments and financial guarantee contracts	(iv)	**3,133,548**	2,384,815
Total		**29,712,780**	26,697,069

(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 2020		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	8,439,076	21,073	8,460,149
Medium	–	258,288	258,288
High	–	198,795	198,795
Gross carrying amount	8,439,076	478,156	8,917,232
Allowance for impairment loss	(269,354)	(189,331)	(458,685)
Net amount	8,169,722	288,825	8,458,547

Personal Loans and advances	As at 31 December 2020		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	6,134,472	–	6,134,472
Medium	–	46,047	46,047
High	–	38,318	38,318
Gross carrying amount	6,134,472	84,365	6,218,837
Allowance for impairment loss	(128,414)	(30,910)	(159,324)
Net amount	6,006,058	53,455	6,059,513

(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 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	5,337,918	–	5,337,918
Medium	–	37,193	37,193
High	–	31,720	31,720
Gross carrying amount	5,337,918	68,913	5,406,831
Allowance for impairment loss	(114,445)	(25,199)	(139,644)
Net amount	5,223,473	43,714	5,267,187

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 2020		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	5,697,187	–	5,697,187
Medium	–	2,064	2,064
High	–	1,073	1,073
Gross carrying amount	5,697,187	3,137	5,700,324
Allowance for impairment loss	(14,850)	(1,254)	(16,104)
Net amount	5,682,337	1,883	5,684,220

	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

(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 2020		
	Stage I 12m ECL	Stage II & Stage III Lifetime ECL	Total
Credit risk grade			
Low	1,545,343	–	1,545,343
Medium	–	6,030	6,030
High	–	66	66
Gross carrying amount	1,545,343	6,096	1,551,439

	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

(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 2020 and 31 December 2019, 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			
	2020		2019	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Head Office	**350,679**	**3.9**	318,970	4.0
Yangtze River Delta	**1,996,025**	**22.4**	1,710,643	21.6
Pearl River Delta	**1,139,535**	**12.8**	960,384	12.1
Bohai Rim	**1,302,504**	**14.6**	1,198,828	15.2
Central China	**1,302,925**	**14.6**	1,125,021	14.2
Western China	**2,088,255**	**23.4**	1,886,512	23.8
Northeastern China	**344,039**	**3.9**	316,802	4.0
Overseas and Others	**393,322**	**4.4**	404,759	5.1
Subtotal	**8,917,284**	**100.0**	7,921,919	100.0
Personal loans and advances				
Head Office	**50**	**–**	55	–
Yangtze River Delta	**1,484,067**	**23.9**	1,286,246	23.8
Pearl River Delta	**1,331,142**	**21.4**	1,175,768	21.7
Bohai Rim	**912,175**	**14.7**	802,153	14.8
Central China	**997,845**	**16.0**	857,033	16.0
Western China	**1,265,565**	**20.4**	1,083,958	20.0
Northeastern China	**207,899**	**3.3**	186,464	3.4
Overseas and Others	**20,094**	**0.3**	15,154	0.3
Subtotal	**6,218,837**	**100.0**	5,406,831	100.0
Gross loans and advances to customers	**15,136,121**		13,328,750	

(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			
	2020		2019	
	Amount	**% of total**	Amount	% of total
Corporate loans and advances				
Transportation, logistics and postal services	**1,915,191**	**21.5**	1,689,787	21.3
Manufacturing	**1,450,816**	**16.3**	1,291,327	16.3
Leasing and commercial services	**1,261,700**	**14.1**	1,047,843	13.2
Production and supply of power, heat, gas and water	**976,377**	**11.0**	900,036	11.4
Real estate	**798,017**	**8.9**	704,973	8.9
Water, environment and public utilities management	**621,772**	**7.0**	517,448	6.5
Retail and wholesale	**469,831**	**5.3**	386,064	4.9
Finance	**556,342**	**6.2**	623,570	7.9
Construction	**222,858**	**2.5**	233,961	2.9
Mining	**206,502**	**2.3**	212,201	2.7
Others	**437,878**	**4.9**	314,709	4.0
Subtotal	**8,917,284**	**100.0**	7,921,919	100.0
Personal loans and advances				
Residential mortgage	**4,662,632**	**75.0**	4,163,293	77.0
Personal business	**380,305**	**6.1**	264,980	4.9
Personal consumption	**196,859**	**3.2**	181,234	3.3
Credit cards	**542,563**	**8.7**	474,205	8.8
Others	**436,478**	**7.0**	323,119	6.0
Subtotal	**6,218,837**	**100.0**	5,406,831	100.0
Gross loans and advances to customers	**15,136,121**		13,328,750	

(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 2020			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	**1,537,763**	**958,928**	**1,679,137**	**4,175,828**
Guaranteed loans	**619,901**	**428,989**	**640,554**	**1,689,444**
Loans secured by collateral	**1,062,045**	**521,244**	**5,395,327**	**6,978,616**
Pledged loans	**623,848**	**101,553**	**1,566,832**	**2,292,233**
Total	**3,843,557**	**2,010,714**	**9,281,850**	**15,136,121**

	31 December 2019			
	Less than 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	1,273,415	765,757	1,403,329	3,442,501
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	3,484,677	1,717,088	8,126,985	13,328,750

(4) Past due loans (ii)

	31 December 2020					
	Up to 30 days	31–90 days	91–360 days	361 days to 3 years	Over 3 years	Total
Unsecured loans	**5,678**	**4,645**	**12,114**	**2,675**	**3,526**	**28,638**
Guaranteed loans	**10,136**	**2,890**	**11,336**	**9,287**	**2,020**	**35,669**
Loans secured by collateral	**32,138**	**20,145**	**33,540**	**26,513**	**6,636**	**118,972**
Pledged loans	**2,042**	**554**	**3,803**	**5,274**	**481**	**12,154**
Total	**49,994**	**28,234**	**60,793**	**43,749**	**12,663**	**195,433**

	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

(ii) 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 2020 and 31 December 2019, 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 2020 amounted to RMB71,466 million (31 December 2019: RMB57,266 million).

During the period ended 31 December 2020, as a result of debt-for-equity swaps, the Group recognized ordinary shares upon renegotiation of RMB1,649 million (during the period ended 31 December 2019: RMB2,123 million). The loss associated with these debt-for equity swaps 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 2020			
Credit grade		**Low**	**Medium**	**High**	**Total**
Debt securities issued by					
— Governments		**4,288,607**	**–**	**–**	**4,288,607**
— Public sector and quasi-governments		**1,590,893**	**–**	**–**	**1,590,893**
— Financial institutions		**658,182**	**2,580**	**–**	**660,762**
— Corporates	(ii)	**247,717**	**4,796**	**66**	**252,579**
Special government bond		**94,125**	**–**	**–**	**94,125**
Receivable from the MOF		**316,656**	**–**	**–**	**316,656**
Others		**31,500**	**528**	**9**	**32,037**
Total		**7,227,680**	**7,904**	**75**	**7,235,659**

		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

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 2020 and 31 December 2019 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 2020 and 31 December 2019.

(ii) As at 31 December 2020, the ratings of super short-term commercial papers of the Group amounted to RMB341 million (31 December 2019: RMB15,834 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 2020								
	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	–	116,773	11,869	4,322	12,653	–	–	2,291,658	2,437,275
Deposits with banks and other financial institutions	–	86,976	17,494	57,867	258,811	13,037	–	–	434,185
Placements with and loans to banks and other financial institutions	17	–	209,386	155,901	151,016	29,328	1,300	–	546,948
Derivative financial assets	–	–	9,931	14,614	34,987	2,375	30	–	61,937
Financial assets held under resale agreements	3,689	–	755,438	33,315	23,764	–	–	–	816,206
Loans and advances to customers	20,062	–	543,994	812,515	3,009,584	2,858,842	7,307,436	–	14,552,433
Financial assets at fair value through profit or loss	5	11,416	40,928	61,053	138,374	107,775	100,896	122,622	583,069
Debt instrument investments at amortized cost	5	–	48,499	100,327	471,210	2,721,956	2,342,223	–	5,684,220
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	39,377	44,870	352,924	723,392	390,876	3,931	1,555,370
Other financial assets	3,070	91,657	1,220	798	1,821	125	87	2,784	101,562
Total financial assets	26,848	306,822	1,678,136	1,285,582	4,455,144	6,456,830	10,142,848	2,420,995	26,773,205
Borrowings from central banks	–	(30)	(57,653)	(44,542)	(634,135)	(801)	–	–	(737,161)
Deposits from banks and other financial institutions	–	(930,759)	(81,439)	(126,179)	(38,640)	(217,499)	–	–	(1,394,516)
Placements from banks and other financial institutions	–	–	(187,137)	(104,911)	(88,924)	(2,391)	(7,297)	–	(390,660)
Financial liabilities at fair value through profit or loss	–	(13,725)	(9,540)	–	(100)	(230)	–	(4,222)	(27,817)
Derivative financial liabilities	–	–	(8,719)	(11,101)	(39,995)	(4,411)	(1,056)	–	(65,282)
Financial assets sold under repurchase agreements	–	–	(84,786)	(6,920)	(16,977)	(512)	–	–	(109,195)
Due to customers	–	(11,921,912)	(554,505)	(1,256,439)	(2,955,410)	(3,672,501)	(12,134)	–	(20,372,901)
Debt securities issued	–	–	(113,725)	(360,635)	(456,191)	(88,196)	(353,098)	–	(1,371,845)
Other financial liabilities	–	(241,413)	(1,562)	(2,318)	(9,317)	(27,304)	(63,012)	(5,540)	(350,466)
Total financial liabilities	–	(13,107,839)	(1,099,066)	(1,913,045)	(4,239,689)	(4,013,845)	(436,597)	(9,762)	(24,819,843)
Net position	26,848	(12,801,017)	579,070	(627,463)	215,455	2,442,985	9,706,251	2,411,233	1,953,362

(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 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	2,673,237	2,572,187	6,372,769	–	12,819,764
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	3,183	70,044	1,371	1,449	2,028	221	1	2,561	80,858
Total financial assets	26,042	657,201	1,648,744	1,196,643	4,081,315	6,129,669	8,476,396	2,299,857	24,515,867
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)	(6,681)	–	(3,505)	–	–	(5,901)	(30,234)
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	–	(11,268,019)	(675,622)	(1,336,503)	(2,658,324)	(2,898,060)	(12,627)	–	(18,849,155)
Debt securities issued	–	–	(66,682)	(181,008)	(493,388)	(56,452)	(310,682)	–	(1,108,212)
Other financial liabilities	–	(159,786)	(76,761)	(2,010)	(4,472)	(8,823)	(721)	(2,706)	(255,279)
Total financial liabilities	–	(12,346,869)	(1,081,299)	(1,886,771)	(4,044,821)	(3,062,988)	(332,078)	(8,607)	(22,763,433)
Net position	26,042	(11,689,668)	567,445	(690,128)	36,494	3,066,681	8,144,318	2,291,250	1,752,434

(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 2020								
	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	–	116,773	11,869	4,322	12,653	–	–	2,291,658	2,437,275
Deposits with banks and other financial institutions	–	86,976	17,515	58,080	263,326	14,419	–	–	440,316
Placements with and loans to banks and other financial institutions	17	–	211,242	158,751	154,809	30,258	1,308	–	556,385
Financial assets held under resale agreements	3,689	–	758,771	33,440	23,928	–	–	–	819,828
Loans and advances to customers	82,234	–	615,894	949,240	3,596,570	4,669,491	11,070,548	–	20,983,977
Financial assets at fair value through profit or loss	5	11,416	41,369	62,296	147,124	134,878	124,902	126,481	648,471
Debt instrument investments at amortized cost	443	–	63,769	128,789	595,532	3,187,505	2,887,451	–	6,863,489
Other debt instrument and other equity investments at fair value through other comprehensive income	–	–	41,424	49,589	384,091	798,307	442,817	2,784	1,719,012
Other financial assets	–	91,657	1,220	798	1,821	125	87	2,784	98,492
Total non-derivative financial assets	86,388	306,822	1,763,073	1,445,305	5,179,854	8,834,983	14,527,113	2,423,707	34,567,245
Non-derivative financial liabilities									
Borrowings from central banks	–	(30)	(57,653)	(44,848)	(647,586)	(790)	–	–	(750,907)
Deposits from banks and other financial institutions	–	(930,759)	(81,706)	(126,901)	(42,211)	(235,630)	–	–	(1,417,207)
Placements from banks and other financial institutions	–	–	(187,271)	(105,240)	(89,826)	(3,444)	(7,850)	–	(393,631)
Financial liabilities at fair value through profit or loss	–	(13,725)	(9,543)	–	(100)	(230)	–	(4,222)	(27,820)
Financial assets sold under repurchase agreements	–	–	(87,891)	(6,929)	(17,032)	(516)	–	–	(112,368)
Due to customers	–	(11,922,145)	(555,122)	(1,261,386)	(2,998,626)	(3,939,672)	(14,692)	–	(20,691,643)
Debt securities issued	–	–	(113,895)	(364,892)	(478,222)	(163,736)	(398,939)	–	(1,519,684)
Other financial liabilities	–	(241,177)	(1,562)	(2,321)	(9,368)	(27,800)	(63,212)	(5,540)	(350,980)
Total non-derivative financial liabilities	–	(13,107,836)	(1,094,643)	(1,912,517)	(4,282,971)	(4,371,818)	(484,693)	(9,762)	(25,264,240)
Net position	86,388	(12,801,014)	668,430	(467,212)	896,883	4,463,165	14,042,420	2,413,945	9,303,005

(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 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	88,886	–	631,291	747,818	3,213,978	4,254,361	9,636,082	–	18,572,416
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	–	70,044	1,371	1,449	2,028	221	1	2,561	77,675
Total non-derivative financial assets	92,772	657,201	1,737,381	1,348,842	4,763,781	8,300,990	12,095,299	2,304,013	31,300,279
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)	(6,691)	–	(3,540)	–	–	(5,901)	(30,279)
Financial assets sold under repurchase agreements	–	–	(22,813)	(18,722)	(11,878)	–	–	–	(53,413)
Due to customers	–	(11,268,210)	(677,446)	(1,341,855)	(2,694,078)	(3,107,445)	(15,256)	–	(19,104,290)
Debt securities issued	–	–	(67,271)	(186,093)	(516,177)	(115,060)	(365,107)	–	(1,249,708)
Other financial liabilities	–	(159,672)	(76,762)	(2,014)	(4,530)	(9,363)	(944)	(2,706)	(255,991)
Total non-derivative financial liabilities	–	(12,346,944)	(1,077,753)	(1,891,071)	(4,108,431)	(3,335,549)	(389,761)	(8,607)	(23,158,116)
Net position	92,772	(11,689,743)	659,628	(542,229)	655,350	4,965,441	11,705,538	2,295,406	8,142,163

(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 2020					
	Less than 1 month	**1–3 months**	**3–12 months**	**1–5 years**	**Over 5 years**	**Total**
Derivatives on a net basis	**(18)**	**(120)**	**(39)**	**(2,203)**	**(1,018)**	**(3,398)**

	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)

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 2020					
	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	**529,178**	**530,154**	**1,540,225**	**51,085**	**–**	**2,650,642**
— Cash outflow	**(527,974)**	**(526,854)**	**(1,545,117)**	**(50,938)**	**–**	**(2,650,883)**
Total	**1,204**	**3,300**	**(4,892)**	**147**	**–**	**(241)**

	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)

(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 off-balance sheet items primarily include loan commitments, bank acceptances, credit card commitments, guarantees and letters of guarantee and letters of credit. 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 2020			
	Less than 1 year	**1–5 years**	**Over 5 years**	**Total**
Loan commitments	**277,152**	**387,315**	**952,811**	**1,617,278**
Bank acceptances	**429,841**	**–**	**–**	**429,841**
Credit card commitments	**695,183**	**–**	**–**	**695,183**
Guarantee and letters of guarantee	**135,533**	**118,620**	**10,493**	**264,646**
Letters of credit	**157,942**	**4,414**	**–**	**162,356**
Total	**1,695,651**	**510,349**	**963,304**	**3,169,304**

	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 acceptances	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

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.

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

		2020			
		At the end of the year	Average	Maximum	Minimum
Interest rate risk		59	88	164	52
Exchange rate risk	(1)	28	165	213	28
Commodity risk		62	75	120	9
Overall VaR		87	232	362	87

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

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 precious metal. 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 2020				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total
Cash and balances with central banks	2,365,609	54,151	1,296	16,219	2,437,275
Deposits with banks and other financial institutions	363,597	50,938	2,393	17,257	434,185
Placements with and loans to banks and other financial institutions	293,880	185,248	38,894	28,926	546,948
Derivative financial assets	56,666	1,084	45	4,142	61,937
Financial assets held under resale agreements	816,206	–	–	–	816,206
Loans and advances to customers	14,076,068	351,117	52,231	73,017	14,552,433
Financial assets at fair value through profit or loss	552,067	11,165	6,856	12,981	583,069
Debt instrument investments at amortized cost	5,617,868	58,301	4,271	3,780	5,684,220
Other debt instrument and other equity investments at fair value through other comprehensive income	1,309,570	206,292	2,518	36,990	1,555,370
Other financial assets	84,200	10,622	3,415	3,325	101,562
Total financial assets	25,535,731	928,918	111,919	196,637	26,773,205
Borrowings from central banks	(735,900)	–	–	(1,261)	(737,161)
Deposits from banks and other financial institutions	(1,336,474)	(26,379)	(20,775)	(10,888)	(1,394,516)
Placements from banks and other financial institutions	(136,469)	(200,492)	(32,327)	(21,372)	(390,660)
Financial liabilities at fair value through profit or loss	(27,817)	–	–	–	(27,817)
Derivative financial liabilities	(4,367)	(60,268)	(257)	(390)	(65,282)
Financial assets sold under repurchase agreements	(83,009)	(18,995)	–	(7,191)	(109,195)
Due to customers	(19,873,361)	(430,007)	(33,570)	(35,963)	(20,372,901)
Debt securities issued	(1,065,150)	(216,330)	(26,198)	(64,167)	(1,371,845)
Other financial liabilities	(310,910)	(32,108)	(2,399)	(5,049)	(350,466)
Total financial liabilities	(23,573,457)	(984,579)	(115,526)	(146,281)	(24,819,843)
Net on-balance sheet position	1,962,274	(55,661)	(3,607)	50,356	1,953,362
Net notional amount of derivatives	138,397	34,139	19,124	(30,638)	161,022
Loan commitments and financial guarantee contracts	2,893,041	236,335	7,914	32,014	3,169,304

(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 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	12,348,860	348,051	51,769	71,084	12,819,764
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	70,179	7,601	1,336	1,742	80,858
Total financial assets	23,308,106	914,302	124,693	168,766	24,515,867
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	(26,729)	(3,505)	–	–	(30,234)
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	(18,432,646)	(357,021)	(36,907)	(22,581)	(18,849,155)
Debt securities issued	(797,166)	(244,866)	(25,539)	(40,641)	(1,108,212)
Other financial liabilities	(242,709)	(8,318)	(1,360)	(2,892)	(255,279)
Total financial liabilities	(21,617,339)	(897,301)	(132,513)	(116,280)	(22,763,433)
Net on–balance sheet position	1,690,767	17,001	(7,820)	52,486	1,752,434
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 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 2020		31 December 2019	
RMB	**Profit before tax**	**Other comprehensive income**	Profit before tax	Other comprehensive income
5% appreciation	**(2,433)**	**(462)**	(938)	(298)
5% depreciation	**2,433**	**462**	938	298

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-judgment 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-bearing 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 2020						
	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	2,158,126	3,294	12,653	–	–	263,202	2,437,275
Deposits with banks and other financial institutions	99,175	57,083	256,632	13,037	–	8,258	434,185
Placements with and loans to banks and other financial institutions	210,779	156,519	149,070	28,830	–	1,750	546,948
Derivative financial assets	–	–	–	–	–	61,937	61,937
Financial assets held under resale agreements	755,068	33,616	22,967	–	–	4,555	816,206
Loans and advances to customers	4,117,253	2,171,094	7,121,297	619,431	489,037	34,321	14,552,433
Financial assets at fair value through profit or loss	40,569	68,013	142,140	100,054	93,128	139,165	583,069
Debt instrument investments at amortized cost	63,386	119,236	463,453	2,617,463	2,310,470	110,212	5,684,220
Other debt instrument and other equity investments at fair value through other comprehensive income	78,608	83,737	343,781	648,946	380,632	19,666	1,555,370
Other financial assets	–	–	–	–	–	101,562	101,562
Total financial assets	7,522,964	2,692,592	8,511,993	4,027,761	3,273,267	744,628	26,773,205
Borrowings from central banks	(55,900)	(43,676)	(629,737)	(803)	–	(7,045)	(737,161)
Deposits from banks and other financial institutions	(1,009,086)	(123,822)	(33,266)	(213,122)	–	(15,220)	(1,394,516)
Placements from banks and other financial institutions	(187,801)	(109,893)	(90,775)	–	(1,199)	(992)	(390,660)
Financial liabilities at fair value through profit or loss	(9,532)	–	(100)	(230)	–	(17,955)	(27,817)
Derivative financial liabilities	–	–	–	–	–	(65,282)	(65,282)
Financial assets sold under repurchase agreements	(84,777)	(6,914)	(16,966)	(512)	–	(26)	(109,195)
Due to customers	(12,399,566)	(1,216,463)	(2,875,560)	(3,555,434)	(12,129)	(313,749)	(20,372,901)
Debt securities issued	(137,270)	(373,181)	(444,048)	(63,081)	(344,953)	(9,312)	(1,371,845)
Other financial liabilities	–	–	–	–	–	(350,466)	(350,466)
Total financial liabilities	(13,883,932)	(1,873,949)	(4,090,452)	(3,833,182)	(358,281)	(780,047)	(24,819,843)
Interest rate gap	(6,360,968)	818,643	4,421,541	194,579	2,914,986	(35,419)	1,953,362

(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 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	209,697	154,261	134,853	21,083	–	3,289	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	5,114,958	343,985	252,466	31,592	12,819,764
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	–	–	–	–	–	80,858	80,858
Total financial assets	9,117,241	2,212,747	6,462,297	3,734,664	2,306,853	682,065	24,515,867
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	(6,684)	–	(3,505)	–	–	(20,045)	(30,234)
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	(11,854,959)	(1,298,677)	(2,596,724)	(2,804,783)	(12,502)	(281,510)	(18,849,155)
Debt securities issued	(84,224)	(212,941)	(478,509)	(20,551)	(303,405)	(8,582)	(1,108,212)
Other financial liabilities	–	–	–	–	–	(255,279)	(255,279)
Total financial liabilities	(13,098,759)	(1,870,937)	(3,944,741)	(2,920,622)	(319,856)	(608,518)	(22,763,433)
Interest rate gap	(3,981,518)	341,810	2,517,556	814,042	1,986,997	73,547	1,752,434

(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 2020		31 December 2019	
	Net interest income	**Other comprehensive income**	Net interest income	Other comprehensive income
+100 basis points	**(37,556)**	**(67,941)**	(25,867)	(42,579)
−100 basis points	**37,556**	**67,941**	25,867	42,579

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 CBIRC 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 2020	31 December 2019
Common Equity Tier-one Capital Adequacy Ratio	(1)	**11.04%**	11.24%
Tier-one Capital Adequacy Ratio	(1)	**12.92%**	12.53%
Capital Adequacy Ratio	(1)	**16.59%**	16.13%
Common Equity Tier-one Capital	(2)	**1,884,392**	1,748,467
Deductible Items from Common Equity Tier-one Capital	(3)	**(9,020)**	(7,883)
Net Common Equity Tier-one Capital		**1,875,372**	1,740,584
Additional Tier-one Capital	(4)	**319,884**	199,894
Net Tier-one Capital		**2,195,256**	1,940,478
Tier-two Capital	(5)	**622,668**	557,833
Net Capital		**2,817,924**	2,498,311
Risk-weighted Assets	(6)	**16,989,668**	15,485,352

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.

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45 CAPITAL MANAGEMENT (Continued)

(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.

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 2020 and 31 December 2019.

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 2020 and 31 December 2019, there was no significant changes in the valuation techniques or inputs used to determine fair value measurements.

(Amounts in millions of Renminbi, unless otherwise stated)

IV NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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.

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 2020				
	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)	**5,273,439**	**5,333,755**	**27,772**	**5,151,535**	**154,448**
Financial liabilities					
Bonds issued	**439,621**	**441,775**	**28,749**	**413,026**	**–**

	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	–

(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 2020			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
— Exchange rate derivatives	–	58,187	–	58,187
— Interest rate derivatives	–	1,009	–	1,009
— Precious metal contracts and others	–	2,741	–	2,741
Subtotal	–	61,937	–	61,937
Loans and advances to customers				
— Discounted bills and forfeiting	–	577,997	–	577,997
— Negotiation L/C	–	52	–	52
Subtotal	–	578,049	–	578,049
Financial investment				
Financial assets at fair value through profit or loss				
— Held for trading				
Bonds	1,257	181,268	–	182,525
Precious metal contracts	–	21,959	–	21,959
Equity	3,912	1,032	–	4,944
Fund	14,323	209	–	14,532
— Other financial assets at fair value through profit or loss				
Bonds	–	132,530	1,478	134,008
Equity	1,842	23,561	71,998	97,401
Fund and others	2,998	6,936	18,897	28,831
— Financial assets designated at fair value through profit or loss				
Debt securities	8,750	55,116	–	63,866
Placements with and loans to banks and other financial institutions	–	24,493	3,442	27,935
Others	–	–	7,068	7,068
Subtotal	33,082	447,104	102,883	583,069
Other debt instruments and other equity investments at fair value through other comprehensive income				
Debt instruments				
— Bonds	114,780	1,417,718	–	1,532,498
— Others	–	531	18,410	18,941
Equity instruments	1,222	–	2,709	3,931
Subtotal	116,002	1,418,249	21,119	1,555,370
Total assets	149,084	2,505,339	124,002	2,778,425

(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 2020			
	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	–	(13,725)	–	(13,725)
— Financial liabilities designated at fair value through profit or loss				
Placements from banks and other financial institutions by principal guaranteed wealth management	–	–	(9,540)	(9,540)
Liabilities of the controlled structured entities	(4,222)	–	(230)	(4,452)
Others	–	(100)	–	(100)
Subtotal	(4,222)	(13,825)	(9,770)	(27,817)
Derivative financial liabilities				
— Exchange rate derivatives	–	(57,756)	–	(57,756)
— Interest rate derivatives	–	(4,357)	–	(4,357)
— Precious metal contracts	–	(3,169)	–	(3,169)
Subtotal	–	(65,282)	–	(65,282)
Due to customers				
Due to customers measured at fair value	–	(268,551)	(73,118)	(341,669)
Total liabilities	(4,222)	(347,658)	(82,888)	(434,768)

(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
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
Subtotal	–	540,387	–	540,387
Financial investment				
Financial assets 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 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				
Placements from banks and other financial institutions by principal guaranteed wealth management	–	–	(6,681)	(6,681)
Overseas debt securities	–	(3,505)	–	(3,505)
Liabilities of the structured subject of control	(5,901)	–	–	(5,901)
Subtotal	(5,901)	(17,652)	(6,681)	(30,234)
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)	(306,294)	(452,768)
Total liabilities	(5,901)	(193,674)	(312,975)	(512,550)

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, precious metal contracts and structured deposit measured at fair value. 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, currency options and structured deposit measured at fair value 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.

(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)

Level 3 financial assets of the Group mainly represented underlying assets invested by principal-guaranteed WMPs issued by the Group including placements with and loans to banks and other financial institutions and credit assets. The counterparties of these placements are primarily 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 2020 and 31 December 2019.

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:

	2020			
	Financial assets at fair value through profit or loss	Other debt instrument and other equity investments at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Due to customers measured at fair value
1 January 2020	96,871	20,569	(6,681)	(306,294)
Purchases	62,943	6,875	(230)	–
Issues	–	–	(185,640)	(1,155,477)
Settlements/disposals	(57,086)	(6,406)	183,361	1,395,128
Total loss/(gain) recognized in				
— Profit or loss	155	108	(580)	(6,475)
— Other comprehensive income	–	(27)	–	–
31 December 2020	102,883	21,119	(9,770)	(73,118)
Change in unrealized loss/(gain) for the period included in profit or loss for assets/liabilities held at the end of the year	899	–	(100)	–

(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)

	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	Due to customers measured at fair value
1 January 2019	65,029	33	15,568	(9,949)	(33)	(255,766)
Purchases	116,620	–	8,183	–	–	–
Issues	–	–	–	(103,160)	–	(1,453,314)
Settlements/disposals	(87,063)	(33)	(3,503)	106,543	33	1,410,824
Total loss/(gain) recognized in						
— Profit or loss	2,285	–	–	(115)	–	(8,038)
— Other comprehensive income	–	–	321	–	–	–
31 December 2019	96,871	–	20,569	(6,681)	–	(306,294)
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	–	–	89	–	(4)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the period are presented in net (loss)/gain 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 27 January 2021, a cash dividend at the dividend rate of 4.84% per annum related to the second tranche of preference shares amounting to RMB1,936 million in total was approved and the dividend was distributed on 11 March 2021.

(2) Pursuant to the meeting of the Board of Directors on 30 March 2021, the proposal for profit appropriations of the Bank for the year ended 31 December 2020 are set forth as follows:

(i) An appropriation of RMB21,040 million to the statutory surplus reserve (Note IV 36);

(ii) An appropriation of RMB39,217 million to the general reserve(Note IV 37);

(iii) A cash dividend of RMB0.1851 per ordinary share in respect of the year ended 31 December 2020 based on the number of ordinary shares issued as at 31 December 2020 totaling RMB 64,782 million (Note IV 10).

As at 31 December 2020, 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.

48 Comparatives

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(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 2020	2019
Assets			
Cash and balances with central banks		**2,436,779**	2,699,397
Deposits with banks and other financial institutions		**413,567**	210,400
Precious metals		**87,357**	30,063
Placements with and loans to banks and other financial institutions		**634,055**	611,187
Derivative financial assets		**61,937**	24,944
Financial assets held under resale agreements		**812,797**	701,304
Loans and advances to customers		**14,489,992**	12,765,561
Financial investments			
Financial assets at fair value through profit or loss		**396,298**	608,494
Debt instrument investments at amortized cost		**5,651,053**	4,915,498
Other debt instrument and other equity investments at fair value through other comprehensive income		**1,439,296**	1,579,790
Investment in subsidiaries	19	**41,544**	41,543
Investments in associates and joint ventures		**210**	208
Controlled structured entities investments		**119,862**	131,462
Property and equipment		**139,588**	141,692
Deferred tax assets		**132,489**	120,072
Other assets		**143,978**	124,823
Total assets		**27,000,802**	24,706,438
Liabilities			
Borrowings from central banks		**737,048**	608,488
Deposits from banks and other financial institutions		**1,413,174**	1,514,804
Placements from banks and other financial institutions		**344,907**	284,187
Financial liabilities at fair value through profit or loss		**23,365**	24,333
Derivative financial liabilities		**65,254**	29,496
Financial assets sold under repurchase agreements		**104,440**	49,360
Due to customers		**20,371,534**	18,847,324
Debt securities issued		**1,326,408**	1,081,040
Other liabilities		**427,892**	332,021
Total liabilities		**24,814,022**	22,771,053

(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 2020	2019
Equity			
Ordinary shares	32	**349,983**	349,983
Other equity instruments	33	**319,875**	199,886
Preference shares		**79,899**	79,899
Perpetual bonds		**239,976**	119,987
Capital reserve	34	**173,357**	173,357
Investment revaluation reserve	35	**25,784**	29,549
Surplus reserve	36	**195,591**	174,551
General reserve	37	**309,642**	275,790
Retained earnings		**812,626**	730,309
Foreign currency translation reserve		**(78)**	1,960
Total equity		**2,186,780**	1,935,385
Total equity and liabilities		**27,000,802**	24,706,438

Approved and authorized for issue by the Board of Directors on 30 March 2021.

中国农业银行股份有限公司

Chairman

Vice Chairman

(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 2019		**349,983**	**199,886**	**173,357**	**29,549**	**174,551**	**275,790**	**730,309**	**1,960**	**1,935,385**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**210,401**	**–**	**210,401**
Other comprehensive income		**–**	**–**	**–**	**(3,765)**	**–**	**–**	**–**	**(2,038)**	**(5,803)**
Total comprehensive income for the year		**–**	**–**	**–**	**(3,765)**	**–**	**–**	**210,401**	**(2,038)**	**204,598**
Capital contribution from equity holders	33	**–**	**119,989**	**–**	**–**	**–**	**–**	**–**	**–**	**119,989**
Appropriation to surplus reserve	36	**–**	**–**	**–**	**–**	**21,040**	**–**	**(21,040)**	**–**	**–**
Appropriation to general reserve	37	**–**	**–**	**–**	**–**	**–**	**33,852**	**(33,852)**	**–**	**–**
Dividends to ordinary equity holders	10	**–**	**–**	**–**	**–**	**–**	**–**	**(63,662)**	**–**	**(63,662)**
Dividends to other equity instrument holder	10	**–**	**–**	**–**	**–**	**–**	**–**	**(9,530)**	**–**	**(9,530)**
As at 31 December 2020		**349,983**	**319,875**	**173,357**	**25,784**	**195,591**	**309,642**	**812,626**	**(78)**	**2,186,780**

	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

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 2020	**30 June 2020**	**30 September 2020**	**31 December 2020**
Average Liquidity Coverage Ratio	**145.2%**	**141.7%**	**109.6%**	**116.3%**

	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%

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 2020				
Spot assets	**945,515**	**115,422**	**198,148**	**1,259,085**
Spot liabilities	**(924,311)**	**(115,269)**	**(145,891)**	**(1,185,471)**
Forward purchases	**1,172,479**	**43,880**	**68,332**	**1,284,691**
Forward sales	**(1,115,324)**	**(24,756)**	**(96,172)**	**(1,236,252)**
Net options position	**(23,016)**	**–**	**(2,798)**	**(25,814)**
Net long position	**55,343**	**19,277**	**21,619**	**96,239**
Net structural position	**6,212**	**6,125**	**3,103**	**15,440**

	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	(886,247)	(132,354)	(115,503)	(1,134,104)
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	62,791	(10,652)	12,004	64,143
Net structural position	6,262	9,136	3,088	18,486

(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 2020				
Asia Pacific	**113,364**	**32,576**	**238,427**	**384,367**
— of which attributable to Hong Kong	**28,559**	**10,627**	**161,943**	**201,129**
Europe	**33,806**	**26,701**	**63,320**	**123,827**
North and South America	**321,131**	**98,147**	**296,938**	**716,216**
Africa	**591**	**–**	**101**	**692**
Total	**468,892**	**157,424**	**598,786**	**1,225,102**

	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

(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	
	2020	2019
Overdue		
within 3 months	**78,228**	71,118
between 3 and 6 months	**27,106**	16,799
between 6 and 12 months	**33,687**	32,851
over 12 months	**56,412**	62,225
Total	**195,433**	182,993
Percentage of overdue loans and advances to customers in total loans		
within 3 months	**0.52%**	0.53%
between 3 and 6 months	**0.18%**	0.12%
between 6 and 12 months	**0.22%**	0.25%
over 12 months	**0.37%**	0.47%
Total	**1.29%**	1.37%

(2) Overdue and rescheduled loans and advances to customers

	As at 31 December	
	2020	2019
Total rescheduled loans and advances to customers	**71,466**	57,266
Including: rescheduled loans and advances to customers overdue for not more than 3 months	**10,478**	11,166
Percentage of rescheduled loans and advances to customers overdue for not more than 3 months in total loans	**0.07%**	0.08%

(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 2020 and 31 December 2019.

中国农业银行
AGRICULTURAL BANK OF CHINA

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