中国建设银行
China Construction Bank

China Construction Bank Corporation

Annual Report 2020

CORPORATE INTRODUCTION

China Construction Bank Corporation, headquartered in Beijing, is a leading large-scale commercial bank in China. Its predecessor, China Construction Bank, was established in October 1954. It was listed on the Hong Kong Stock Exchange in October 2005 (stock code: 939) and the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2020, the Bank's market capitalisation reached US$191,889 million, ranking fourth among all listed banks in the world. The Group ranks second among global banks by Tier 1 capital.

The Bank provides customers with comprehensive financial services. With 14,741 banking outlets and 349,671 staff members, the Bank serves hundreds of millions of personal and corporate customers. The Bank has subsidiaries in various sectors, including fund management, financial leasing, trust, insurance, futures, pension and investment banking, and has more than 200 overseas entities covering 31 countries and regions.

The Bank proactively practices "New Finance", and fully promotes the implementation of the "Three Major Strategies" of house rental, inclusive finance and FinTech. By adhering to the digitalised operation strategy of "building ecologies, setting up scenarios and expanding user base", the Bank strives to achieve a breakthrough at the Customer Community with its root deeply planted among the general public so as to serve as a "warm and cosy" bank for the ordinary people. Moreover, the Bank focuses on empowering the Business Community, so as to create an ecology featuring co-existence and co-prosperity and become a full-life-cycle partner of its corporate customers. Furthermore, the Bank promotes its connection with the Government Community, striving to support social governance so as to become a national trusted financial pillar.

Adhering to the "market-oriented, customer-centric" business concept, the Bank is committed to developing itself into a world class banking group with top value creation capability. The Bank strives to achieve the integration of short-term and long-term benefits, and the synthesis of business goals and social responsibilities objectives, so as to maximise the value for its stakeholders including customers, shareholders, associates and society.

CONTENTS

VISION

Build a world class banking group with top value creation capability.

CORE VALUES

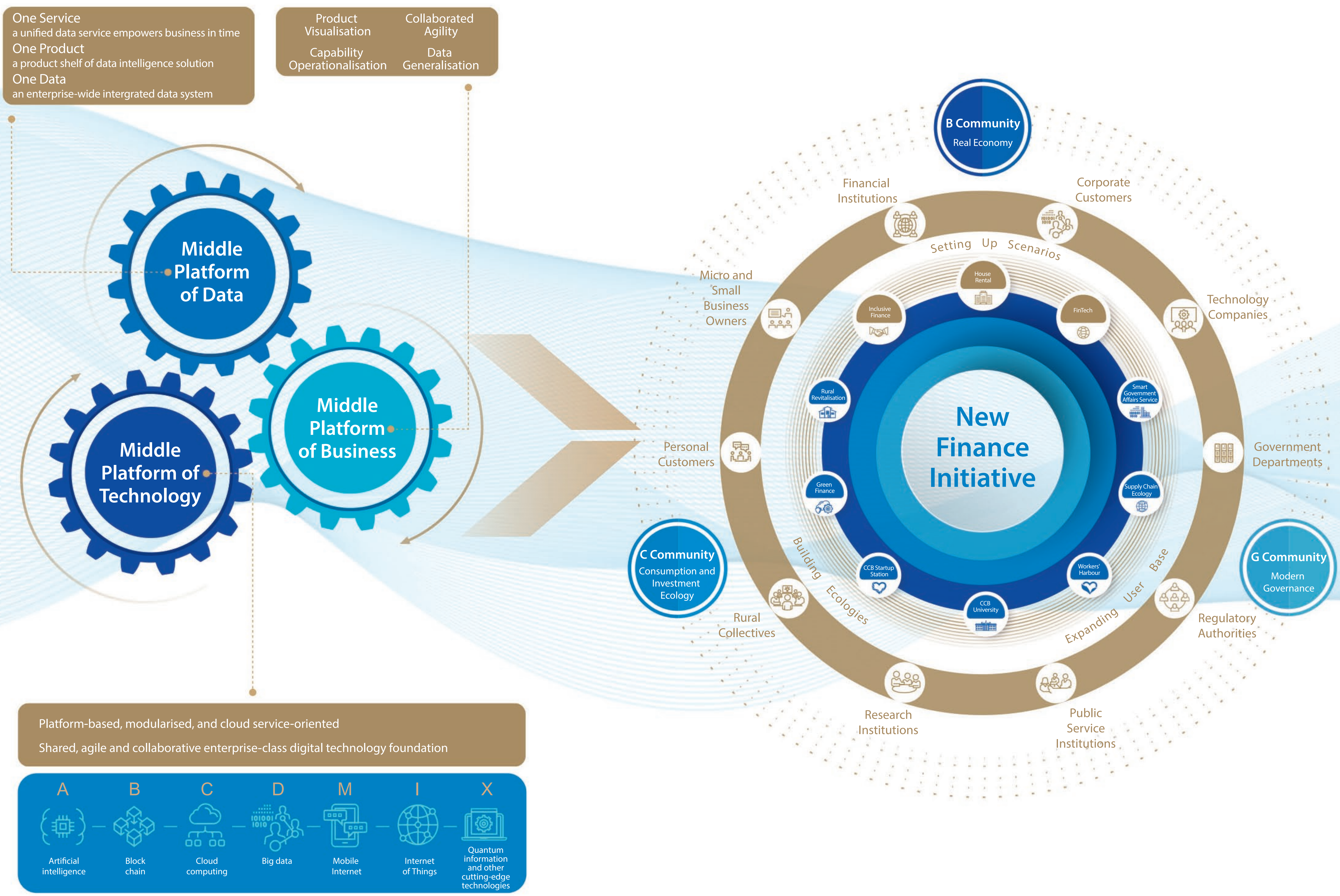
Integrity, Impartiality, Prudence, Creation

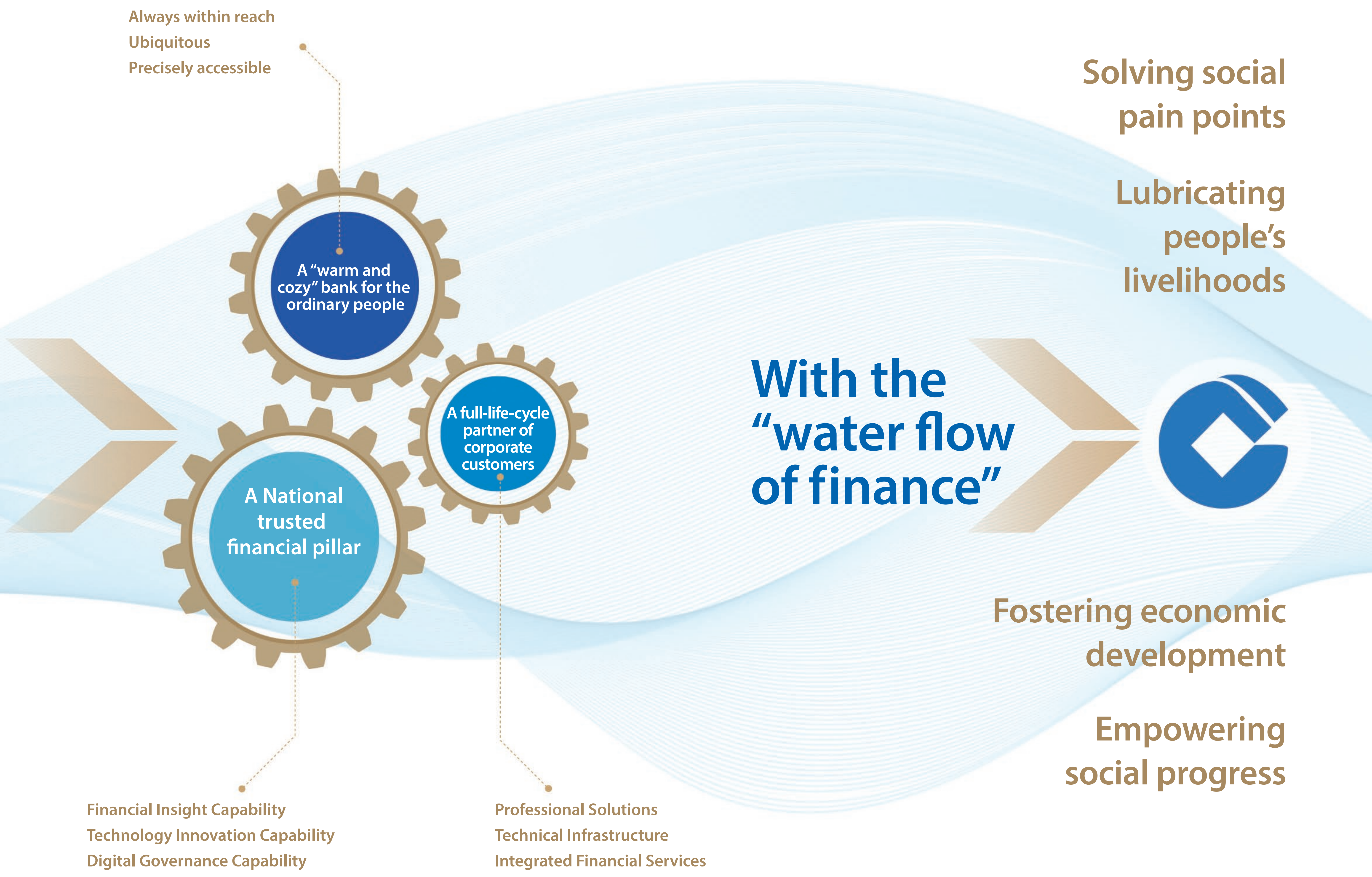
MISSIONS

Provide better services to our customers, create higher value to our shareholders, build up broader career path for our associates, and assume full responsibilities as a corporate citizen.

For further information, please visit
www.ccb.com


Toward the
longed-for destination,
we shall march
with no dread.
CCB will forge ahead
on the way of New Finance.
Scan for more


One Service
a unified data service empowers business in time
One Product
a product shelf of data intelligence solution
One Data
an enterprise-wide intergrated data system
Product Visualisation
Collaborated Agility
Capability Operationalisation
Data Generalisation
Middle Platform of Data
Middle Platform of Business
Middle Platform of Technology
Platform-based, modularised, and cloud service-oriented
Shared, agile and collaborative enterprise-class digital technology foundation
A
B
C
D
M
I
X
Artificial intelligence
Block chain
Cloud computing
Big data
Mobile Internet
Internet of Things
Quantum information and other cutting-edge technologies
B Community
Real Economy
C Community
Consumption and Investment Ecology
G Community
Modern Governance
Financial Institutions
Corporate Customers
Technology Companies
Government Departments
Regulatory Authorities
Public Service Institutions
Research Institutions
Rural Collectives
Personal Customers
Micro and Small Business Owners
Setting Up Scenarios
Building Ecologies
Expanding User Base
House Rental
FinTech
Inclusive Finance
Rural Revitalisation
Smart Government Affairs Service
Green Finance
Supply Chain Ecology
CCB Startup Station
Workers' Harbour
CCB University
New Finance Initiative


Always within reach
Ubiquitous
Precisely accessible
A "warm and cozy" bank for the ordinary people
A full-life-cycle partner of corporate customers
A National trusted financial pillar
Financial Insight Capability
Technology Innovation Capability
Digital Governance Capability
Professional Solutions
Technical Infrastructure
Integrated Financial Services
With the "water flow of finance"
Solving social pain points
Lubricating people's livelihoods
Fostering economic development
Empowering social progress

IMPORTANT NOTICE

The Board, the board of supervisors, directors, supervisors and senior management of the Bank warrant that the information in this report is truthful, accurate and complete and contains no false representations or misleading statements, or material omissions, and they assume severally and jointly legal liability.

This annual report and the results announcement have been reviewed and approved at the Board meeting of the Bank held on 26 March 2021. All 15 directors of the Bank attended the meeting.

The Board proposed a cash dividend of RMB0.326 per share (including tax) for 2020 to all the shareholders.

The financial statements of the Group prepared in accordance with PRC GAAP for the year of 2020 have been audited by Ernst & Young Hua Ming LLP, and the financial statements prepared in accordance with IFRS have been audited by Ernst & Young. Both auditors have provided audit report with unqualified audit opinion.

The Board of China Construction Bank Corporation
26 March 2021

Mr. Wang Jiang, vice chairman, executive director and president of the Bank, Mr. Kenneth Patrick Chung, independent non-executive director of the Bank, and Mr. Graeme Wheeler, independent non-executive director of the Bank, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.

We have included in this annual report certain forward-looking statements with respect to our financial position, operating results and business development. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements do not constitute a substantive commitment to investors. Please be fully aware of the risks and understand the differences between plans, projections and commitments.

The main risks faced by the Group include credit risk, market risk, operational risk, liquidity risk, reputational risk and country risk. We proactively took measures to manage various risks effectively. For more information, please refer to "Risk Management" in the "Management Discussion and Analysis".

This annual report is prepared in both Chinese and English. In the case of discrepancy between the two versions, the Chinese version shall prevail.

CORPORATE INFORMATION

Legal name and abbreviation in Chinese	中國建設銀行股份有限公司 (abbreviated as "中國建設銀行")
Legal name and abbreviation in English	CHINA CONSTRUCTION BANK CORPORATION (abbreviated as "CCB")
Legal representative	Tian Guoli
Authorised representative	Wang Jiang Ma Chan Chi
Secretary to the Board	Hu Changmiao
Contact address	No. 25, Financial Street, Xicheng District, Beijing
Company secretary	Ma Chan Chi
Principal place of business in Hong Kong	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Registered address and office address	No. 25, Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: 86-10-67597114
Website	www.ccb.com
Hotline for customer service and complaints	95533
Contact information for investors	Telephone: 86-10-66215533 Facsimile: 86-10-66218888 Email: ir@ccb.com
Newspapers for information disclosure	*China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily*
Website of the Shanghai Stock Exchange for publishing the annual report prepared in accordance with PRC GAAP	www.sse.com.cn
HKEXnews website of Hong Kong Exchanges and Clearing Limited for publishing the annual report prepared in accordance with IFRS	www.hkexnews.hk
Place where copies of this annual report are kept	Board of Directors Office of the Bank
Listing stock exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939 H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939 Domestic preference share: Shanghai Stock Exchange Stock abbreviation: 建行優1 Stock code: 360030
Certified public accountants	Ernst & Young Hua Ming LLP Address: 16/F, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Avenue, Dongcheng District, Beijing Signing accountants: Wang Pengcheng, Tian Zhiyong and Feng Suoteng Ernst & Young Address: 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Legal advisor as to PRC laws	Commerce & Finance Law Offices Address: 6/F, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing
Legal advisor as to Hong Kong laws	Clifford Chance Address: 27/F, Jardine House, One Connaught Place, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: No. 188 Yanggaonan Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Rating information	Standard & Poor's: long-term "A"/short-term "A-1"/stable outlook Moody's: long-term "A1"/short-term "P-1"/stable outlook Fitch: long-term "A"/short-term "F1+"/stable outlook ESG rating of MSCI: A

DEFINITIONS

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

The abbreviations of organisations

"ABC"	Agricultural Bank of China Limited
"Bank"	China Construction Bank Corporation
"Baowu Steel Group"	China Baowu Steel Group Corporation Limited
"Board"	Board of directors
"BOC"	Bank of China Limited
"CBIRC"	China Banking and Insurance Regulatory Commission
"CCB" or "Group"	China Construction Bank Corporation and its subsidiaries
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Brasil"	China Construction Bank (Brasil) Banco Múltiplo S/A
"CCB Europe"	China Construction Bank (Europe) S.A.
"CCB Financial Leasing"	CCB Financial Leasing Co., Ltd.
"CCB Futures"	CCB Futures Co., Ltd.
"CCB Housing"	CCB Housing Services Co., Ltd.
"CCB Indonesia"	PT Bank China Construction Bank Indonesia Tbk
"CCB International"	CCB International (Holdings) Limited
"CCB Investment"	CCB Financial Asset Investment Co., Ltd.
"CCB Life"	CCB Life Insurance Co., Ltd.
"CCB London"	China Construction Bank (London) Limited
"CCB Malaysia"	China Construction Bank (Malaysia) Berhad
"CCB New Zealand"	China Construction Bank (New Zealand) Limited
"CCB Pension"	CCB Pension Management Co., Ltd.
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"CCB Property & Casualty"	CCB Property & Casualty Insurance Co., Ltd.
"CCB Russia"	China Construction Bank (Russia) Limited
"CCB Trust"	CCB Trust Co., Ltd.
"CCB Wealth Management"	CCB Wealth Management Co., Ltd.
"China CITIC Bank"	China CITIC Bank Corporation Limited
"CSRC"	China Securities Regulatory Commission

"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huijin"	Central Huijin Investment Ltd.
"ICBC"	Industrial and Commercial Bank of China Limited
"MOF"	Ministry of Finance of the People's Republic of China
"Sino-German Bausparkasse"	Sino-German Bausparkasse Co., Ltd.
"State Council"	State Council of the People's Republic of China
"State Grid"	State Grid Corporation of China
"Yangtze Power"	China Yangtze Power Co., Limited

Platforms, products and services

"CCB Cloud"	A cloud service brand built and operated independently by the Bank on the basis of cloud computing, so as to provide multi-level FinTech products and diversified ecological services to all kinds of users, including the Group, financial institutions and those who pursue services such as government affairs service and housing service
"CCB Huidongni"	A one-stop mobile finance service platform built by the Bank for inclusive finance customers by using the Internet, big data, artificial intelligence and biometric technologies
"CCB Match Plus"	An open platform leveraging FinTech to provide corporate customers with smart matchmaking services and a full range of financial solutions in cross-border transaction scenarios
"CCB SMART Custody"	A comprehensive custody services brand of the Bank featuring safety, multiple choices, accuracy, reliability and technology
"CCB Startup Station"	A one-stop online and offline comprehensive service platform featuring "Finance + Incubation + Industry + Education" for startups and innovative enterprises, established by the Bank in cooperation with government departments, venture capital companies, core enterprises, research institutions and incubators with internal and external high-quality resources
"CCB Yunongtong"	A comprehensive service brand for rural revitalisation by implementing New Finance through offline inclusive finance service outlets and online comprehensive service platform of the Bank
"Cloud Workshop"	A new digital service window of the Bank that integrates online and offline services, as well as social and financial, enabling professional account managers to provide online financial services to customers
"Cross-border e+"	A one-stop cross-border online financial service innovative platform built by the Bank to support the whole processes of cross-border trade
"Cross-border Quick Loan"	An online unsecured credit trade financing service provided by the Bank for small and micro cross-border trade enterprises
"FITS®"	Financial Total Solutions, a comprehensive investment banking brand of the Bank incorporating a host of financial products and instruments
"Huishibao"	A comprehensive settlement service platform of the Bank designed to fulfill the treasury management requirements of niche markets and core enterprises in the supply chains
"Long Fortune"	An intelligent and automated portfolio investment strategy service provided by the Bank to customers through multi-dimensional comprehensive assessment of customers, and with the use of intelligent algorithm and portfolio optimisation models
"Long Pay"	An internet-based enterprise-level mobile digital payment brand of the Bank, which includes a group of comprehensive integrated payment and settlement products and services

"Mingonghui"	An innovative financial service product of the Bank to address pain points in migrant workers' wage payment
"Oxygen Tank for Enterprises"	Various market-oriented integrated financial and non-financial assistance services provided by the Bank jointly with local governments to support enterprises in temporary difficulties during the COVID-19
"Shanfutong"	A supply chain financial service provided by the Bank to customers as well as the upstream and downstream on e.ccb.com based on the supply chain relationship with corporate customers
"WMPs"	Wealth management products
"Yunyi Loans"	A credit business of the Bank designed to serve the whole industrial chain of COVID-19 prevention and control (including medical care), as well as inclusive finance customers affected by the pandemic, such as small and micro businesses, business owners, and individual businesses
"Yunong Quick Loan"	A loan service provided by the Bank to agriculture-related small and micro businesses, individual businesses, new agricultural business entities and farmers based on data of agricultural production and operation

Others

"AML"	Anti-money laundering
"Company Law"	The Company Law of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"New financial instruments standard" or "IFRS 9"	*International Financial Reporting Standard No. 9 – Financial Instruments* issued by International Accounting Standards Board, which came into effect on 1 January 2018
"PBC"	The People's Bank of China
"PRC GAAP"	*Accounting Standards for Business Enterprises* and other relevant requirements promulgated by the MOF on 15 February 2006 and afterwards

RANKINGS AND AWARDS

UK magazine The Banker
- The Second Place of Top 1000 World Banks Ranking 2020

US magazine FORTUNE
- Ranking No.30 of Fortune Global 500 2020

US magazine GLOBAL FINANCE
- Best Bank for Cross-Border Trade 2020

Singapore magazine THE ASIAN BANKER
- Commercial Bank of the Year in China 2020

Hong Kong magazine ASIAMONEY
- Overall Best National Retail Bank 2020

CHINA BUSINESS JOURNAL
- Highly Competitive Bank in Internationalization of RMB 2020

FINANCIAL NEWS
- Digital Management Bank of the year 2020

SECURITIES DAILY
- Digital Economy Sail Award 2020

CHINA BANKING ASSOCIATION
- Best Contribution to Targeted Poverty Alleviation Award 2020

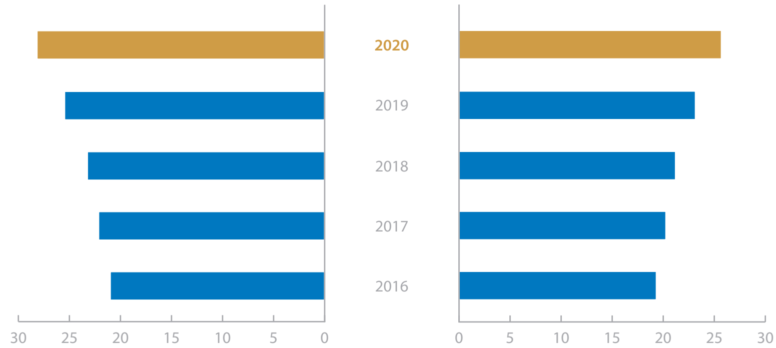
DIRECTORS & BOARDS
- Best Board

FINANCIAL AND OPERATION HIGHLIGHTS

RAPID GROWTH IN ASSETS AND LIABILITIES

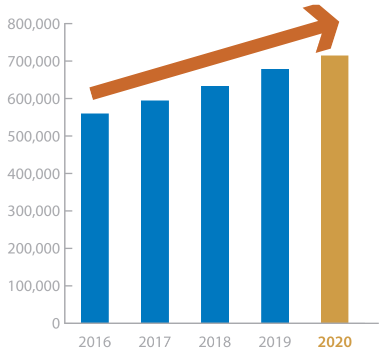
Assets
(in trillions of RMB)

Liabilities
(in trillions of RMB)



STEADY GROWTH IN OPERATING INCOME

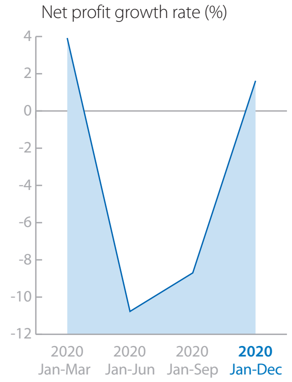
(in millions of RMB)



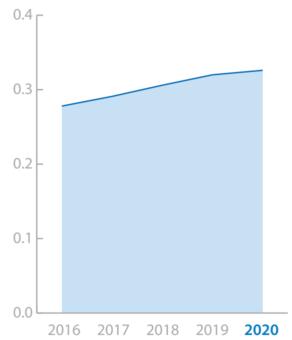
CORE INDICATORS REMAINING STABLE

Return on average assets	Return on average equity	Total capital ratio	Non-performing loan (NPL) ratio
1.02%	**12.12%**	**17.06%**	**1.56%**

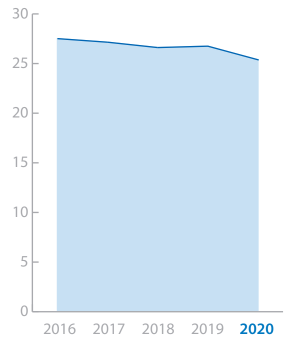
Net profit growth rate (%)



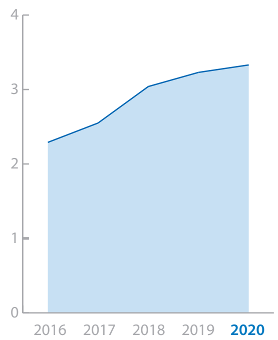
Dividends (RMB/share)



Cost-to-income ratio (%)

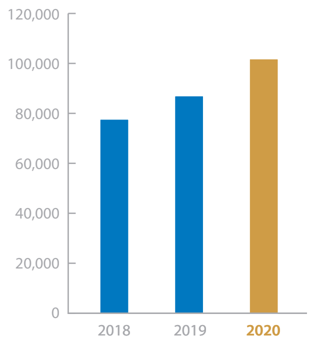


Allowances to total loans (%)

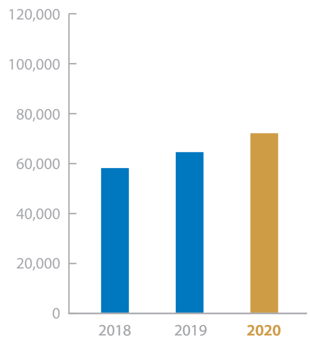


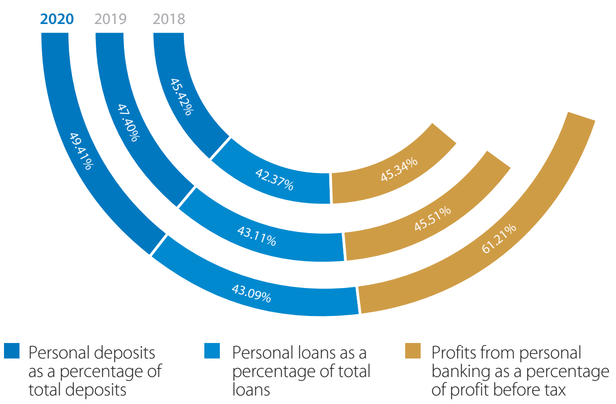
THE LARGEST RETAIL CREDIT BANK POSITION STRENGTHENED

Balance of personal deposits
(in hundred million of RMB)



Balance of personal loans
(in hundred million of RMB)

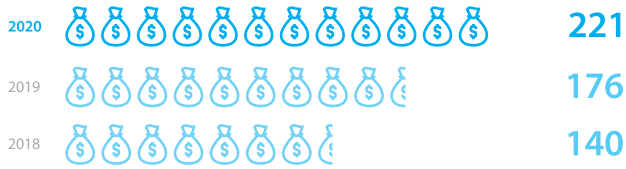




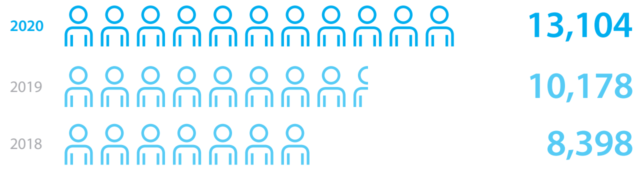
Note: Personal loans and personal deposits as shown above are for the Bank' s domestic business.

CONTINUED INCREASE IN INVESTMENT IN FINTECH

Investment in FinTech (in hundred million of RMB)

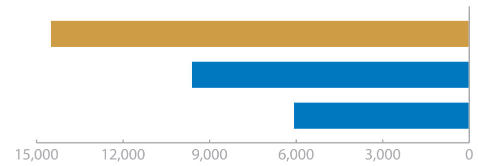


FinTech employees (person)

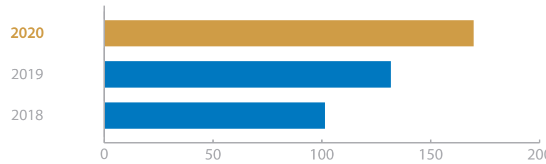


INCLUSIVE FINANCE LEADING THE MARKET, OPEN AND SHARED SERVICES FOR THE PEOPLE'S LIVELIHOOD

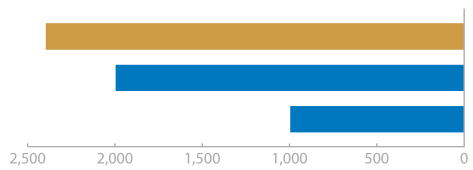
Balance of the inclusive finance loans (in hundred million of RMB)



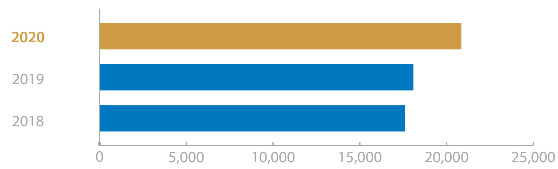
Number of inclusive finance loan borrowers (ten thousand)



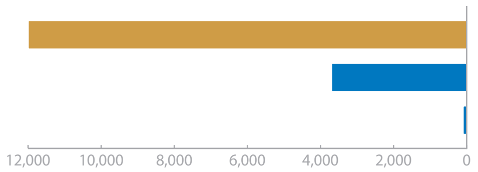
Cumulative number of listed properties on the comprehensive house rental service platform (ten thousand)



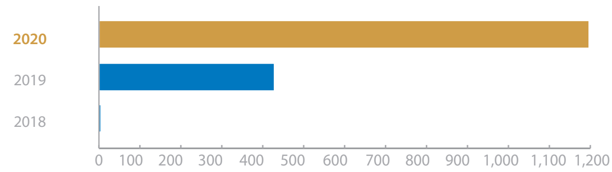
Balance of agriculture-related loans (in hundred million of RMB)



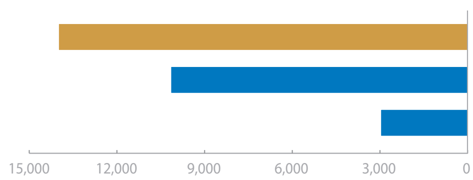
Total number of registered users of smart government affairs platform (ten thousand)



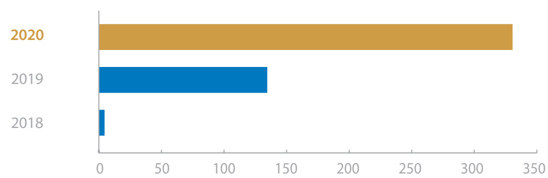
Cumulative number of people served by "Mingonghui" (ten thousand person – times)



Number of people served by "Workers' Harbours" (ten thousand person – times)

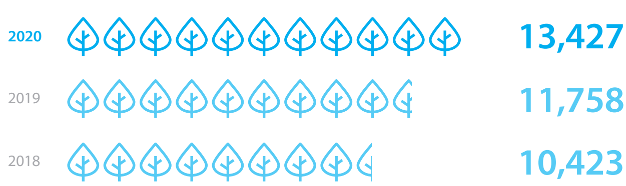


Cumulative number of people receiving "Financial Literacy Promotion" public training service (ten thousand person – times)



FULFILLING ESG RESPONSIBILITIES AS A LARGE BANK

Balance of green loans (in hundred million of RMB)



Public welfare donations (in hundred million of RMB)

Note: In 2020, total charitable donations amounted to RMB449 million, of which RMB317 million was donated by the Bank and its employees to fight against COVID-19 worldwide, and RMB132 million was donated to targeted poverty alleviation.

FINANCIAL HIGHLIGHTS

The financial information set forth in this annual report is prepared on a consolidated basis in accordance with the IFRS and expressed in RMB unless otherwise stated.

(Expressed in millions of RMB unless otherwise stated)	2020	2019	Change (%)	2018	2017	2016
For the year						
Net interest income[1]	575,909	537,066	7.23	508,842	459,607	427,207
Net fee and commission income[1]	114,582	110,898	3.32	100,471	101,119	105,686
Other net non-interest income	23,733	30,037	(20.99)	24,459	33,305	26,967
Operating income	714,224	678,001	5.34	633,772	594,031	559,860
Operating expenses	(188,574)	(188,132)	0.23	(174,764)	(167,043)	(171,515)
Credit impairment losses	(193,491)	(163,000)	18.71	(151,109)	N/A	N/A
Other impairment losses	3,562	(521)	(783.69)	121	N/A	N/A
Profit before tax	336,616	326,597	3.07	308,160	299,787	295,210
Net profit	273,579	269,222	1.62	255,626	243,615	232,389
Net profit attributable to equity shareholders of the Bank	271,050	266,733	1.62	254,655	242,264	231,460
Net profit attributable to ordinary shareholders of the Bank	265,426	262,771	1.01	250,719	241,219	230,393
As at 31 December						
Net loans and advances to customers[1]	16,231,369	14,542,001	11.62	13,366,492	12,574,473	11,488,355
Total assets	28,132,254	25,436,261	10.60	23,222,693	22,124,383	20,963,705
Deposits from customers	20,614,976	18,366,293	12.24	17,108,678	16,363,754	15,402,915
Total liabilities	25,742,901	23,201,134	10.96	21,231,099	20,328,556	19,374,051
Total equity	2,389,353	2,235,127	6.90	1,991,594	1,795,827	1,589,654
Total equity attributable to equity shareholders of the Bank	2,364,808	2,216,257	6.70	1,976,463	1,779,760	1,576,500
Share capital	250,011	250,011	–	250,011	250,011	250,011
Common Equity Tier 1 capital after regulatory adjustments[2]	2,261,449	2,089,976	8.20	1,889,390	1,691,332	1,549,834
Tier 1 capital after regulatory adjustments[2]	100,068	119,716	(16.41)	79,720	79,788	19,741
Tier 2 capital after regulatory adjustments[2]	471,164	427,896	10.11	379,536	231,952	214,340
Total capital after regulatory adjustments[2]	2,832,681	2,637,588	7.40	2,348,646	2,003,072	1,783,915
Risk-weighted assets[2]	16,604,591	15,053,291	10.31	13,659,497	12,919,980	11,937,774
Per share (In RMB)						
Basic and diluted earnings per share	1.06	1.05	0.95	1.00	0.96	0.92
Final cash dividend proposed after the reporting period	0.326	0.320	1.88	0.306	0.291	0.278
Net assets per share attributable to ordinary shareholders of the Bank	9.06	8.39	7.99	7.59	6.80	6.23

1. Adjusted income from credit card installment business and adjusted prior years' relative comparatives accordingly.
2. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.

Financial ratios (%)	2020	2019	Change +/(-)	2018	2017	2016
Profitability indicators						
Return on average assets[1]	1.02	1.11	(0.09)	1.13	1.13	1.18
Return on average equity	12.12	13.18	(1.06)	14.04	14.80	15.44
Net interest spread[2]	2.04	2.16	(0.12)	2.22	2.11	2.11
Net interest margin[2]	2.19	2.32	(0.13)	2.36	2.23	2.25
Net fee and commission income to operating income[2]	16.04	16.36	(0.32)	15.85	17.02	18.88
Cost-to-income ratio[3]	25.38	26.75	(1.37)	26.61	27.15	27.51
Capital adequacy indicators						
Common Equity Tier 1 ratio[4]	13.62	13.88	(0.26)	13.83	13.09	12.98
Tier 1 ratio[4]	14.22	14.68	(0.46)	14.42	13.71	13.15
Total capital ratio[4]	17.06	17.52	(0.46)	17.19	15.50	14.94
Total equity to total assets	8.49	8.79	(0.30)	8.58	8.12	7.58
Asset quality indicators						
Non-performing loan (NPL) ratio	1.56	1.42	0.14	1.46	1.49	1.52
Allowances to NPLs[5]	213.59	227.69	(14.10)	208.37	171.08	150.36
Allowances to total loans[6]	3.33	3.23	0.10	3.04	2.55	2.29

1. Adjusted by dividing net profit by the average of total assets at the beginning and end of the year.
2. Adjusted income from credit card installment business and adjusted prior years' comparatives accordingly.
3. Operating expenses (after deduction of taxes and surcharges) divided by operating income.
4. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.
5. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and the NPLs do not include the accrued interest.
6. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and the total loans do not include the accrued interest.

The following table sets forth the main quarterly financial indicators of the Group in 2020.

	2020				2019			
(In millions of RMB)	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	186,405	173,519	176,030	178,270	178,825	165,562	167,146	166,468
Net profit attributable to equity shareholders of the Bank	80,855	56,771	68,206	65,218	76,916	77,274	71,154	41,389
Net cash received from operating activities	495,018	(432,318)	547,978	(29,993)	281,660	(167,482)	63,761	403,348

Tian Guoli Chairman

Dear shareholders,

The year 2020 witnessed the overwhelming impact of the COVID-19 pandemic, creating formidable challenges for our operations. We earnestly followed through the decisions of the CPC Central Committee and the State Council, advanced the New Finance Initiative to coordinate the support for the COVID-19 response and the economic and social development, served the financial needs of the public, placed efforts into boosting the "Three Capabilities", and strengthened management foundations and risk controls, which enabled us to yield remarkable results. As of the end of 2020, the Group recorded total assets and a net profit of RMB28.13 trillion and RMB273,579 million respectively, representing an increase of 10.60% and 1.62% over the end of the previous year respectively. Return on average assets and return on average equity were 1.02% and 12.12% respectively, and both indicators ranked top among our peers. The NPL ratio was 1.56%, with asset quality maintaining stable. The Board proposed to distribute an annual cash dividend of RMB0.326 per share (including tax), subject to the consideration and approval of the shareholders at the Annual General Meeting.

The business results were attributable to the unremitting efforts of all 350,000 employees to forge ahead in spite of difficulties, crystallising the consistent trust and loyalty of our hundreds of millions of customers. This could not be achieved without the love and support of our shareholders and stakeholders across different parts of the society.

Empowering the fight against the pandemic of the century with distinguished financial services

Go where there is epidemic. In Wuhan, we were the only bank insisting on keeping our outlets open every day during lockdown. Across Hubei Province, over 2,400 CCB employees volunteered in communities to fight against COVID-19 on the frontlines. Throughout China, we supported epidemic prevention and control for 2.46 million communities and enterprises through donations of supplies worth RMB317 million, granting credit of nearly RMB600 billion, as well as digitalised services. We made targeted efforts to help ensure "stability on six fronts", maintained "security in six areas" and carried out relief policies to serve the real economy's restoration of growth. We endeavoured to protect the safety of our employees and stood together with our customers through the epidemic, conveying CCB's warmth to society.

We also actively channeled resources to the rest of the world and launched the "CCB Match Plus" platform with a featured section on "Global COVID-19 Prevention Supplies" in 14 languages, witnessing the successful export of 160 million pieces of medical and protection supplies to 28 countries and regions. We bridged and served both supply and demand online and played an important part in stabilising foreign trade and foreign capital, as well as ensuring unimpeded industrial and supply chains, elucidating the profound connotation of building a community with a shared future for mankind via finances.

"Three Major Strategies" facilitating explorations of New Financial Service models

In recent years, with a profound understanding of the new development philosophy, we have been following trends and riding the tide of the era to move forward. Measures have been implemented ahead of the market to carry out the "Three Major Strategies" – House Rental, Inclusive Finance and FinTech, whose mid-and-long term strategic effects are emerging gradually and systematically. This new way of financial thinking and financial service model have brought great vigour and vitality.

To address the housing needs of the general public, we set forth to cater to long-term rental trends. With shared thinking, we restructured the troubleshooting mechanism and created a duplicable and sustainable business model to offer new types of rental houses. By upgrading housing functions, making use of unoccupied houses and renovating old residences, we contributed to urban renewal and coordinated development of urban and rural areas, providing affordable, comfortable and decent living conditions for sanitation workers, industrial workers and migrant workers. In Guangzhou, Guangdong Province, Fenghe Village in the suburb has been revived from a "hollow village" into a popular destination in the social media through urban renewal, retaining the nostalgia for old villagers while providing a cozy home for new citizens.

We continued to enrich practices in inclusive finance by restructuring the SME credit system and exploring the "Wuhuasanyi" service model (characterised by batch customer acquisition, precise profiling, automatic approval, intelligent risk control and comprehensive services – achieving one-minute financing, one-stop services and transparent rates), thereby gradually resolving the worldwide conundrum of difficult and costly SME financing. We were the first bank to launch the one-stop mobile financing service platform "CCB Huidongni" and the first to break the RMB1 trillion mark in outstanding inclusive financial loans. We helped tens of thousands of SMEs to overcome the difficulties amid the epidemic. With the "CCB Startup Station" in place, we backed startups and innovation with inclusive finance. We reached deeper into rural areas and built 540,000 "CCB Yunongtong" service sites, enabling farmers to gain access to modern financial services in their villages. We developed the "Mingonghui" platform, helping over four million migrant workers receive their monthly, instead of yearly, wages in full and on time. CCB University was built jointly in an open manner and has continued to enlighten and empower the public with the "Financial Literacy Promotion" training service, benefiting 3.31 million people on a cumulative basis.

We persisted in technological self-reliance and self-improvement, implemented the FinTech strategy and strengthened data infrastructure. We provided the outlets with robust technological support and customer service capabilities through the "two-wheel drive" of technology and data. We restructured the three major middle platforms of business, data and technology and took huge strides towards an all-round digitalised operation. We built "Cloud Workshop" to ensure the continued availability of financial services and relied on smart government affairs service platforms to effectively pool resources and bolster the perfection of government administration and social governance. In addition, we empowered our peers by exporting technologies to advance the whole industry's technological level and risk control capability.

As the "Three Major Strategies" saw major advancements, the "First Curve" and the "Second Curve" gathered strength and gained momentum. The New Finance strategy has already worked its way into every aspect of our customer services and helped us withstand the stress test of COVID-19. Technological innovation, cooperation and sharing comprehensively enhanced our service capabilities in traditional business fields across the board and resulted in online and offline integration. With that, we have made meaningful progress in supporting new infrastructure and new urbanisation initiatives and major projects, private economy and advanced manufacturing, underpinning the development of key areas such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area, and satisfying the needs of hundreds of millions of customers for deposit, loan, remittance, bill payment and wealth management services. Meanwhile, we have also accumulated a lot of experience and consolidated our advantages in the industry, witnessing spillover effects far exceeded expectation.

Performing social responsibilities of a large bank with our financial mission firmly in mind

We shouldered our social responsibilities and supported the battle against poverty. We placed emphasis on poverty eradication through "one district and three counties" in Ankang, Shaanxi Province, and 1,370 poverty-stricken counties in other places, effectively linking the poverty battle with rural revitalisation through combination of targeted poverty alleviation and New Finance practices. The Leading Group of China Construction Bank for Poverty Alleviation and the Special Task Force of China Construction Bank for Lifting Ankang Out of Poverty received the accolade of "China's Advanced Group in Eradicating Poverty".

We further improved the facilities and functions of the "Workers' Harbours" at 14,000 outlets and sincerely and wholeheartedly gave warmth to the workers, which had a lot of resonance in society. We effectively protected the rights and interests of financial consumers, and in particular put customer privacy, data security and humanistic care at the forefront during the pandemic. Focusing on the country's goal to peak carbon emissions and achieve carbon neutrality, we continuously diversified our green finance activities and pushed the economy to go low carbon. At the end of 2020, MSCI rated CCB higher for ESG at A, marking an upgrade to top ranks among global large banks.

We are fully aware that risk management is the very lifeline that determines how far Finance can go. Internally, we anticipated and precisely tackled the risks and challenges brought by the pandemic, and actively advanced the building of a comprehensive, proactive and intelligent risk management system. Externally, we successfully concluded the risk disposition of Baoshang Bank, forming a signature solution for the custody of distressed banks. We empowered society and our peers with advanced risk management techniques and tools to build a new joint ecosystem of risk control and co-defend the bottom line of not incurring systemic risks.

2020 was a year that witnessed countless moving images. We were happy to see medical workers on the frontlines against the epidemic staying in the nearest CCB homes; sanitation workers taking a break at CCB outlets in all weathers and across all seasons; stranded young entrepreneurs finding their ways out in the "CCB Startup Station"; migrant workers receiving their wages on time thanks to "Mingonghui", which gave them peace of mind. Their smiles were of the utmost comfort to us, providing us reassurance in our belief that finance is not only a vocation, but also an undertaking for a better society.

Staying strategically focused, sailing into the boundless blue sea of high-quality development

Looking back over the past 15 years since IPO, we have drawn on best international practices to continuously improve the systems and mechanisms for corporate governance, endeavoured to translate the political advantage of the Party's leadership into strong momentum to boost high-quality economic and social development, explored a New Finance journey with Chinese characteristics, and provided CCB's perspectives for addressing the dilemma of global finance. Midway, we are pleased to see the practices of New Finance have created innovative business models and attracted wide social participation. The increase in those with like minds has firmed up our confidence in forging ahead. The development path of the financial sector in the future should be people-centric and balanced between social and commercial interests. All pain points are opportunities. We should engage in Finance supply-side reforms through resource sharing and open empowerment, tap into the potential of Finance to do good both internally and externally, and show that a big bank can also be gentle and flexible.

As the first year of the 14th Five-Year Plan, the year 2021 is also the start of building China into a modern socialist country in all respects. During the year, the new development pattern featuring "dual circulation" will take shape at a faster pace and potential domestic demand will be released in a continuous way. In addition, COVID-19 has accelerated digital transformation and technological innovation. The growing focus of the world on climate change and the ecological environment is promoting new forms of fast-paced business development and creating a pressing need for industrial restructuring and upgrading. Meanwhile, the geopolitical landscape remains complex and the changes in the pandemic, negative interest rates and unlimited quantitative easing have brought about great uncertainties for the global economic recovery, growth and financial market stability. As opportunities coexist with challenges, the possibilities awaiting the financial services are unimaginable.

As the Chinese saying goes, a ship would experience bigger waves in the middle of a river. Persistent efforts will be made to fulfil the people-centric New Finance Concept, rely on technological innovation and digital operation, to further play the role of a large bank in house rental, inclusive finance, rural vitalisation and green development, and provide financial solutions in meeting people's aspirations for a better life. At the same time, we will pursue internal improvement with great determination, gradually establish a set of systems and mechanisms to adapt to the development of New Finance, strengthen refined management, continuously improve risk controls, remove the barriers to talent mobility, improve the differentiated incentive system, and build a stage for giving full rein to the enterprising spirit of employees.

We are fortunate to be on the top of the tide in our era, having much to do and a long way to go. Engaging in Finance is like building an irrigation project, fostering economic development with the "water flow of finance", and lubricating people's livelihoods.

Where the "water" flows, prosperity prevails.

Tian Guoli
Chairman
26 March 2021

Dear shareholders,

In 2020, in the face of complex and challenging business environment, especially the severe impact of COVID-19, the Group resolutely implemented decisions and arrangements of the Central Committee of the Communist Party of China and the State Council of China, firmly shouldered its responsibilities and responded as a major bank, took proactive actions in overcoming difficulties, and achieved remarkable results.

Wang Jiang President

Maintaining solid operating performance with stable and balanced core indicators.

The Group achieved relatively fast growth in assets and liabilities. At the end of 2020, the Group's total assets reached RMB28.13 trillion, an increase of 10.60% over 2019, of which net loans and advances to customers were RMB16.23 trillion, an increase of 11.62%. Total liabilities amounted to RMB25.74 trillion, an increase of 10.96%, of which deposits from customers totalled RMB20.61 trillion, an increase of 12.24%. The Group maintained solid operating performance. Net profit was RMB273,579 million, an increase of 1.62% over 2019. Net interest income increased by 7.23% and net fee and commission income rose by 3.32%. Core indicators maintained the leading position among peers. Net interest margin was 2.19%, return on average assets was 1.02%, return on average equity was 12.12%, and total capital ratio was 17.06%.

Coordinating the prevention and control of COVID-19 and the economic and social development.

The Group set up a steering committee for COVID-19 prevention and control in the first instance, and successively introduced a number of financial service measures to fully support the prevention and control of COVID-19 and the economic recovery. It released credit resources through multiple channels to ensure stability in employment, financial operations, foreign trade, foreign investment, domestic investment and economic expectations, as well as security in job, basic living needs, operations of market participants, food and energy supply, stable industrial and supply chains, and the normal functioning of primary-level governments. Net loans and advances to customers increased by RMB1.69 trillion over 2019, up RMB513,859 million in terms of year-on-year growth. It took initiatives in the underwriting and investments of special government bonds for COVID-19 prevention and local government bonds. The Group adopted dedicated measures to support key sectors and weak parts, and the growth rates of loans to manufacturing industry, loans to infrastructure sector and green loans were 19.81%, 17.66% and 14.20% respectively. The Group further reduced service fees, provided favourable loan interest rates to key enterprises engaging in the prevention and control of COVID-19, and adopted measures such as deferred principal repayment and interest payment, loan extension and renewal to help customers affected by COVID-19.

Achieving remarkable results in implementing the concept of New Finance.

Making solid progress in house rental business. By the end of 2020, the comprehensive house rental service platform had covered more than 96% administrative regions at prefecture-level and above across the country, with over 24 million listed apartments on a cumulative basis. The Group actively carried out house deposit business, with 1.2 million contracted apartments on a cumulative basis. It initiated more than 230 "CCB home" projects, providing over 140,000 apartments under long-term lease contracts. It signed strategic cooperation agreements on the development of policy rental houses with 11 cities including Guangzhou, Hangzhou, Shenyang and Nanjing. The Group's practice in house rental business created a new path in supporting both lease and purchase of houses in the way of finance and improving the long-term development mechanism for the real estate market.

Growing into a leader in inclusive finance. At the end of 2020, the balance of inclusive finance loans was RMB1.45 trillion, an increase of RMB489.2 billion over 2019, ranking first among peers in terms of both size and increment. The application "CCB Huidongni" accumulated more than 110 million visits with more than 15 million downloads. It was the first domestic bank to realise inclusive finance loan securitisations in the mode of "continuous purchase". Its digital inclusive finance mode has become the basic blueprint for the PBC to formulate the industry standard of inclusive finance. It supported the critical battle against poverty alleviation, set up 540,000 "CCB Yunongtong" inclusive finance service sites which cover 80% of towns and administrative villages in China, and outperformed central financial institutions in terms of volume of consumption-driven poverty alleviation transactions. CCB University provided financial knowledge training to rural areas and a total of 3.31 million people had participated the "Financial Literacy Promotion" training sessions.

Empowering internal and external development with FinTech. The Group vigorously promoted the implementation of FinTech strategy, built a middle platform of technology in an all-round way, and constantly consolidated the foundation for technological innovation. It rapidly responded to business needs, further promoted the building of smart finance, created a new retail pattern that integrated C-community scenarios, built a new corporate banking ecosystem that integrated industry and finance, supported the coordinated development of capital market businesses, promoted the building of smart channels and smart operation capabilities, and improved the capability of integrated intelligent risk control at the group level. It applied FinTech to assist in the prevention and control of COVID-19 and the resumption of work and production. It leveraged the leading edge in "CCB Match Plus" online platform and enabled the whole-process digital online exhibition operation and cross-border connection. It formed a unified intelligent ecological service system that helped to improve the capability of digital government governance and provide services to sectors including house rental, rural revitalisation, education and medical care, with more than 280 million registered users. It provided services related to over 14,000 government affairs at more than 14,000 outlets. It empowered small and medium-sized financial institutions and provided risk control tools to 328 small and medium-sized banks to promote the co-governance of risks.

Pressing ahead with digitalised operation in a steady manner. The Group, adhering to the New Finance Concept of inclusiveness, openness and sharing, took the lead in digital transformation, took digitalised operation as the breakthrough point to implement "Three Major Strategies", and developed a set of effective digital transformation methods with CCB's characteristics in accordance with the basic logic of "building ecologies, setting up scenarios and expanding user base". Navigated by the head office, it continued to improve agile response mechanisms where the front, middle and back offices, the head office and branches, and the parent and subsidiaries can coordinate effectively. It actively promoted the construction of three major middle platforms of business, data and technology, and continued to enhance underlying supports such as navigating by strategies, channel coordination, risk and compliance, and financial allocation.

Weathering unprecedented challenges to risk and internal control capabilities.

The Group upheld the "steady, prudent, comprehensive and proactive" risk culture, and adopted systematic mindsets and comprehensive, proactive and intelligent ideas to explore and implement new ways of risk management that were adopted to the digital economy and New Finance. The Group established a modern risk control system driven by technologies, and improved the mechanisms of risk prevention and prediction, monitoring and early warning, control and resolution. It combined tools such as big data and rating cards to accurately assess customer risks. It accelerated the construction of key projects of intelligent risk control. It adjusted risk appetites, risk limits and credit policies, optimised customer ratings and credit approvals, and effectively supported enterprises to overcome operating difficulties. It continued to enhance the disposal of non-performing assets, and improved the "quantity, quality and efficiency" of disposal. At the end of 2020, the NPL ratio, allowances to NPLs and allowances to total loans of the Group were 1.56%, 213.59% and 3.33%, respectively.

The Group proactively responded to the high volatility of financial markets and set up a cross-department joint emergency response team on major market risks. It adhered to the principle of soundness and prudence, responded to changes in internal and external funds in a forward-looking manner, and comprehensively improved the refined management of liquidity risk. It continued to optimise the operational risk management system, and further improve the long-effect mechanism of business continuity management. It adhered to and steadily improved comprehensive, proactive and effective reputational risk management. It promoted the upgrading of country risk management system and reinforced the unified management of country risk at the group level. It consolidated compliance management fundamentals, and strictly implemented regulatory requirements on anti-money laundering and counter-terrorist financing. It successfully completed the custodian work of Baoshang Bank Co., Ltd.

2021 Outlook

The greatest theory is always the simplest, and the most important thing is to start doing it right now. In 2021, the external business environment remains grave and complex, presenting unprecedented opportunities and challenges. The year of 2021 is of special importance in China's modernisation progress as it marks the first year of the "14th Five-Year Plan" and the 100th anniversary of the Communist Party of China. The Group will adhere to the overall objective of pursuing progress while ensuring stability, have a keen grasp of the new development philosophy, implement new development concepts, support a new development paradigm and roll out the New Finance initiatives. The Group will continue to improve the "Three Capabilities", further promote the "Three Major Strategies", accelerate the building of a virtuous circulation mechanism that supports the high-quality development of the real economy and the Bank itself, fully embark on a new journey of high-quality development and celebrate the 100th anniversary of the Communist Party of China with outstanding results.

Finally, on behalf of the management, I would like to take this opportunity to extend my sincere gratitude to the Board and the Board of Supervisors for their tremendous support, as well as our customers for their trust and our staff members for their hard work.

Wang Jiang

President

26 March 2021

REPORT OF CHAIRMAN OF THE BOARD OF SUPERVISORS

Wang Yongqing Chairman of the board of supervisors

Dear shareholders,

Time changes, and things flourish. The year 2020 was an extraordinary year. Faced with the sudden onslaught of the COVID-19, the Group made concerted efforts and took the initiative to coordinate support for the prevention and control of the pandemic and development of economy and society, and made steady improvement in operating results and new achievements in transformation and growth. During 2020, the board of supervisors, in accordance with the request of laws, regulations, regulatory rules and the Articles of Association of the Bank, focused on the Bank's implementation of the national policies and deployment, promoted the "Three Major Strategies" and New Finance practices, and prevented and mitigated financial risks. It adopted issue-oriented, goal-oriented, and result-oriented approaches to earnestly fulfil supervision responsibilities, strived to improve the effectiveness of supervision, and promoted the steady development of the Bank with all parties related to corporate governance.

The board of supervisors has always been committed to the key supervision area of further improving the Bank's ability to serve the real economy. Facing the severe impacts of COVID-19, the board of supervisors attached great importance to work on the proper implementation of the arrangement to ensure stability in employment, financial operations, foreign trade, foreign investment, domestic investment and economic expectations, as well as security in job, basic living needs, operations of market participants, food and energy supply, stable industrial and supply chains, and the normal functioning of primary-level governments by the central government and etc., and supervised the implementation of national policies and deployment. The board of supervisors evaluated the implementation of inclusive finance strategic planning and put forward supervisory opinions on further promoting the implementation of the strategy and supporting small and micro businesses more effectively. The board of supervisors continuously followed up on the transformation of Group's asset management business, put forward the goal of "returning to the origin for standardised development" and built a diversified, balanced and sustainable management and business model from the Group's perspective, so as to create value for customers while achieving healthy development of the Bank.

Adhering to the systemic concept, the board of supervisors promoted the Bank reform from a supervisory perspective. The board of supervisors investigated and studied the data governance of the whole Bank in-depth, continued to promote technological development and innovation, proposed to accelerate the reform of ideology, organisational processes, and supported the high-quality development of the Bank with enhanced data governance capabilities. The board of supervisors launched a special study on the management mechanism of subsidiaries, proposed to strengthen strategic coordination within the Group and align the risk appetite from the top-level design and institutional mechanism, and further gave full play to the role of subsidiaries as a "functional supplement and strategic response".

The board of supervisors actively sought to achieve the balance between promoting development and preventing risks, and safeguarded the bottom line of wiping out systemic risks. It studied and judged trends and change of risks based on actual situation, and continued to pay attention to the building of a comprehensive, proactive and intelligent risk management system. Guiding the Bank to improve the capability of risk control, compliance, and modern governance, the board of supervisors focused on the long-term mechanism for compliance management and problem rectification, and continued to make steady progress in special governance work for repeated investigations of repeated offenders. Focusing on key areas and weak links of internal control, the board of supervisors continued to carry out anti-money laundering, case prevention and control and employee behaviour management and supervision, cultivated and created a sound internal control compliance culture.

Adhering to the people-centred development philosophy, the board of directors actively supported New Finance initiatives of the Bank. The board of supervisors attached great importance to the protection of consumers' rights and interests, encouraged the Bank to fully implement regulatory requirements. From the perspectives of concept, system and technology, it constantly optimised the organisation structure and management system for protection of consumers. With regard to New Finance initiatives such as house leasing, smart government affairs, CCB University and "Workers' Harbours", the board of supervisors pointed out that it was necessary to actively explore and improve the mechanism, and strived to transform the first mover advantage into institutional advantage and sustainable development advantage.

The board of supervisors effectively pressed ahead with the supervision process, and promoted standardised and efficient corporate governance. By attending meetings, listening to reports, taking interviews and conducting special investigations, the board of supervisors fully performed supervision responsibilities in performance evaluation, finance, internal control and risk management. It supervised financial reports, related party transactions, information disclosure, fund raising, disposal and acquisition of material assets in accordance with the law. It guided internal audit and supervised the quality of external audit. The supervisory and balancing role of the board of supervisors was given full play in bank governance and the board of supervisors continued to strengthen communication and coordination with all parties related to corporate governance to ensure supervisory opinions were effectively communicated and implemented in the decision-making, operation and management of the Bank.

Continuously improving capabilities and practices, the board of supervisors optimised its deliberation model, improved the quality and efficiency of meetings, and convened special meetings to deepen the supervision over important matters concerning the Bank's operation and management. Strategic and overarching issues of significant importance were selected to carry out special research, and all supervisors were encouraged to visit the community-level and front-line functions, interview and discuss with the staff from the head office, branches, subsidiaries and community-level outlets to understand actual situations and come up with diversified ideals of supervision. The board of supervisors successfully completed the replacement of supervisors representing shareholders as well as the co-optation of external supervisors, built a diversified team of supervisors, and further enhanced the overall ability to perform duties.

The board of supervisors has no choice but to forge ahead, as there is a long way to go. The year of 2021 marks the beginning of the 14th Five-Year Plan, and the board of supervisors will adhere to the original mission of finance, firmly establish a systematic concept, remain committed to innovation-driven development, accurately focus on important aspects of institution, system, and mechanism, and steadfastly embed the new development philosophy into the entire work process to promote the high-quality development of the Bank.

Wang Yongqing
Chairman of the board of supervisors
26 March 2021

FINANCIAL REVIEW

In 2020, the global economy fell into a deep recession in the wake of COVID-19, and developed economies introduced extremely loose monetary policies and massive fiscal stimulus programmes. China coordinated the prevention and control of COVID-19 and the economic and social development, and its economic performance recovered steadily, making it the only major economy in the world achieving positive economic growth. Its consumption and investments recovered steadily, exports gained strong momentum, and international payments were balanced. China's GDP and consumer price index increased by 2.3% and 2.5% year on year respectively.

Financial markets in China were stable. The money market was active with stable interest rates. The bond issuance and cash bond trading volume increased. The stock market index rebounded, with transaction volume and funds raised increasing year on year. Domestic regulators formulated numerous policies and measures to promote smooth financing channels, pressed ahead with the transformation of asset management businesses, accelerated the disposal of non-performing assets, and consolidated the capital foundation of banks. The interest spread of the banking sector narrowed, and the income from interest margin declined, bringing pressure on profitability. The rapid development of FinTech drove the digital transformation of the banking sector. Total assets of the sector grew steadily with stable credit quality and liquidity, and sufficient capacity to mitigate risks.

In 2020, the Group fully supported the prevention and control of COVID-19 and the resumption of work and production of enterprises, and improved the quality and efficiency in serving the real economy. The Group's total assets and liabilities increased rapidly. Total assets reached RMB28.13 trillion, an increase of 10.60%, of which net loans and advances to customers were RMB16.23 trillion, an increase of 11.62%. Total liabilities amounted to RMB25.74 trillion, an increase of 10.96%, of which deposits from customers totalled RMB20.61 trillion, an increase of 12.24%. Net interest income increased by 7.23%, and net fee and commission income rose by 3.32%. Operating income increased by 5.34% over the prior year to RMB714,224 million. Profit before provisions rose by 7.43% over 2019 to RMB526,545 million. The Group implemented stringent credit grading to proactively identify new non-performing assets. The Group's NPL ratio was 1.56%, up 0.14 percentage points from 2019. The Group's net profit was RMB273,579 million, up 1.62% over 2019. Return on average assets was 1.02%, return on average equity was 12.12%, and total capital ratio was 17.06%.

STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

In 2020, the Group actively addressed the impact of COVID-19 by continuously improving the quality and efficiency of operation and development. Profit before tax of the Group was RMB336,616 million, an increase of 3.07% over 2019. Net profit was RMB273,579 million, an increase of 1.62% over 2019. Key factors affecting the Group's profitability are as follows. Firstly, the growth of interest-earning assets led to a steady increase in net interest income, which increased by RMB38,843 million, or 7.23% over 2019. Secondly, net fee and commission income increased by RMB3,684 million, or 3.32% over 2019. Thirdly, operating expenses only increased by 0.23% over 2019, mainly due to the decrease in general expense. Cost-to-income ratio was 25.38%, 1.37 percentage points lower than that of 2019, staying at a sound level. Fourthly, sufficient provisions were made for impairment losses on loans and advances, with total impairment losses of RMB189,929 million, an increase of 16.15% over 2019.

The following table sets forth the composition of the Group's statement of comprehensive income and the changes during the respective periods.

(In millions of RMB, except percentages)	2020	2019	Change (%)
Net interest income	575,909	537,066	7.23
Net non-interest income	138,315	140,935	(1.86)
– Net fee and commission income	114,582	110,898	3.32
Operating income	714,224	678,001	5.34
Operating expenses	(188,574)	(188,132)	0.23
Credit impairment losses	(193,491)	(163,000)	18.71
Other impairment losses	3,562	(521)	(783.69)
Share of profits of associates and joint ventures	895	249	259.44
Profit before tax	336,616	326,597	3.07
Income tax expense	(63,037)	(57,375)	9.87
Net profit	273,579	269,222	1.62

Net interest income

In 2020, the Group's net interest income amounted to RMB575,909 million, an increase of RMB38,843 million, or 7.23% over 2019. The net interest income accounted for 80.63% of the operating income.

The following table sets forth the Group's average balances of assets and liabilities, related interest income or expense, and average yields or costs during the respective periods.

	2020			2019		
(In millions of RMB, except percentages)	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Gross loans and advances to customers	16,191,067	710,531	4.39	14,452,427	656,915	4.55
Financial investments	5,946,763	209,803	3.53	5,234,318	189,465	3.62
Deposits with central banks	2,454,146	35,537	1.45	2,356,099	34,769	1.48
Deposits and placements with banks and non-bank financial institutions	1,075,685	21,672	2.01	793,187	20,079	2.53
Financial assets held under resale agreements	604,669	11,966	1.98	352,397	8,657	2.46
Total interest-earning assets	26,272,330	989,509	3.77	23,188,428	909,885	3.92
Total allowances for impairment losses	(542,594)			(455,382)		
Non-interest-earning assets	1,817,863			1,743,092		
Total assets	27,547,599	989,509		24,476,138	909,885	
Liabilities						
Deposits from customers	19,718,339	313,852	1.59	17,860,809	280,934	1.57
Deposits and placements from banks and non-bank financial institutions	2,478,450	48,577	1.96	1,927,842	46,592	2.42
Debt securities issued	982,516	30,827	3.14	857,224	29,671	3.46
Borrowings from central banks	638,280	19,406	3.04	438,312	14,326	3.27
Financial assets sold under repurchase agreements	49,312	938	1.90	44,876	1,296	2.89
Total interest-bearing liabilities	23,866,897	413,600	1.73	21,129,063	372,819	1.76
Non-interest-bearing liabilities	1,326,591			1,218,932		
Total liabilities	25,193,488	413,600		22,347,995	372,819	
Net interest income		575,909			537,066	
Net interest spread			2.04			2.16
Net interest margin			2.19			2.32

In 2020, the Group proactively supported the prevention and control of COVID-19 and the resumption of work and production of enterprises, and continued to optimise the structure of assets and liabilities. The loan yields decreased due to factors such as the decline in the Loan Prime Rate (LPR) and the increased efforts to surrender parts of profits to support the real economy. The yields on bonds and deposits and placements with banks and non-bank financial institutions were lower than those of 2019 due to declining market interest rates. The cost of deposits rose slightly due to fierce competition for deposits. As a result, net interest spread reached 2.04%, down 12 basis points from 2019; net interest margin was 2.19%, down 13 basis points from 2019.

The following table sets forth the effects of the movement of average balances and average interest rates of the Group's assets and liabilities on the change in interest income and expense for 2020 versus 2019.

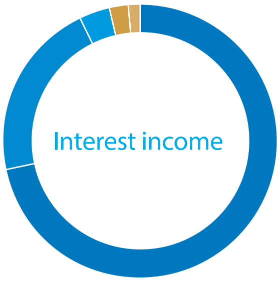
(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	77,275	(23,659)	53,616
Financial investments	25,163	(4,825)	20,338
Deposits with central banks	1,467	(699)	768
Deposits and placements with banks and non-bank financial institutions	6,241	(4,648)	1,593
Financial assets held under resale agreements	5,259	(1,950)	3,309
Change in interest income	115,405	(35,781)	79,624
Liabilities			
Deposits from customers	29,326	3,592	32,918
Deposits and placements from banks and non-bank financial institutions	11,841	(9,856)	1,985
Debt securities issued	4,068	(2,912)	1,156
Borrowings from central banks	6,148	(1,068)	5,080
Financial assets sold under repurchase agreements	119	(477)	(358)
Change in interest expense	51,502	(10,721)	40,781
Change in net interest income	63,903	(25,060)	38,843

1. Changes caused by both average balances and average interest rates were allocated to the volume factor and interest rate factor respectively based on the respective proportions of absolute values of volume factor and interest rate factor.

Net interest income increased by RMB38,843 million over 2019. In this amount, an increase of RMB63,903 million was due to the movements of average balances of assets and liabilities, and a decrease of RMB25,060 million was due to the movements of average yields and costs.

Interest income

In 2020, the Group realised interest income of RMB989,509 million, an increase of RMB79,624 million or 8.75% over 2019. In this amount, interest income from loans and advances to customers, financial investments, deposits with central banks, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements accounted for 71.81%, 21.20%, 3.59%, 2.19% and 1.21%, respectively.



The following table sets forth the average balance, interest income and average yield of each component of the Group's loans and advances to customers during the respective periods.

	2020			2019		
(In millions of RMB, except percentages)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	7,859,715	324,205	4.12	6,782,492	299,243	4.41
Short-term loans	2,564,049	103,083	4.02	2,100,343	92,164	4.39
Medium to long-term loans	5,295,666	221,122	4.18	4,682,149	207,079	4.42
Personal loans and advances	6,840,063	336,587	4.92	6,150,802	298,022	4.85
Short-term loans	1,066,718	58,979	5.53	881,747	47,226	5.36
Medium to long-term loans	5,773,345	277,608	4.81	5,269,055	250,796	4.76
Discounted bills	390,714	9,930	2.54	438,401	13,948	3.18
Overseas operations and subsidiaries	1,100,575	39,809	3.62	1,080,732	45,702	4.23
Gross loans and advances to customers	16,191,067	710,531	4.39	14,452,427	656,915	4.55

Interest income from loans and advances to customers amounted to RMB710,531 million, an increase of RMB53,616 million or 8.16% over 2019, mainly driven by the increase in average balances of corporate and personal loans and advances and the rise in average yield of personal loans and advances.

Interest income from financial investments amounted to RMB209,803 million, an increase of RMB20,338 million or 10.73% over 2019, mainly due to the 13.61% increase of the average balance of financial investments over 2019.

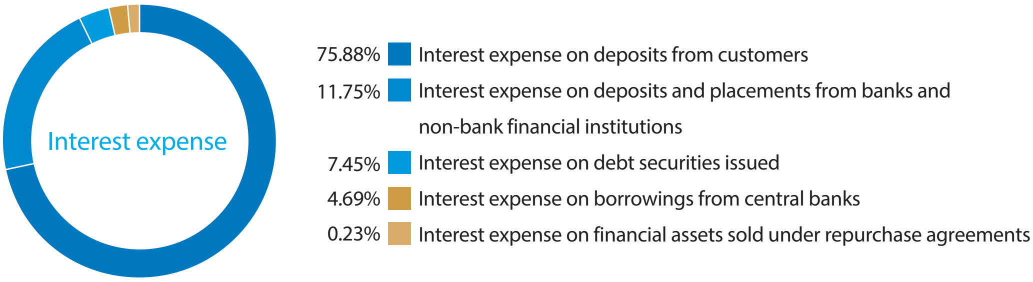
Interest income from deposits with central banks amounted to RMB35,537 million, an increase of RMB768 million or 2.21% over 2019, mainly due to the 4.16% increase of the average balance of deposits with central banks over 2019.

Interest income from deposits and placements with banks and non-bank financial institutions amounted to RMB21,672 million, an increase of RMB1,593 million or 7.93% over 2019, mainly due to the 35.62% increase of the average balance of deposits and placements with banks and non-bank financial institutions over 2019.

Interest income from financial assets held under resale agreements amounted to RMB11,966 million, an increase of RMB3,309 million or 38.22% over 2019, mainly due to the 71.59% increase of the average balance of financial assets held under resale agreements over 2019.

Interest expense

In 2020, the Group's interest expense was RMB413,600 million, an increase of RMB40,781 million or 10.94% over 2019. In this amount, interest expense on deposits from customers accounted for 75.88%, interest expense on deposits and placements from banks and non-bank financial institutions accounted for 11.75%, interest expense on debt securities issued accounted for 7.45%, interest expense on borrowings from central banks accounted for 4.69%, and interest expense on financial assets sold under repurchase agreements accounted for 0.23%.



The following table sets forth the average balance, interest expense and average cost of each component of the Group's deposits from customers during the respective periods.

	2020			2019		
(In millions of RMB, except percentages)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	9,645,218	139,189	1.44	8,940,187	124,459	1.39
Demand deposits	6,076,943	50,260	0.83	5,865,717	45,824	0.78
Time deposits	3,568,275	88,929	2.49	3,074,470	78,635	2.56
Personal deposits	9,571,844	167,353	1.75	8,424,052	145,910	1.73
Demand deposits	4,406,735	13,792	0.31	3,552,153	10,804	0.30
Time deposits	5,165,109	153,561	2.97	4,871,899	135,106	2.77
Overseas operations and subsidiaries	501,277	7,310	1.46	496,570	10,565	2.13
Total deposits from customers	19,718,339	313,852	1.59	17,860,809	280,934	1.57

Interest expense on deposits from customers was RMB313,852 million, an increase of RMB32,918 million or 11.72% over 2019, mainly because the average balance of deposits from customers increased by 10.40% and the average cost rose by 2 basis points over 2019.

Interest expense on deposits and placements from banks and non-bank financial institutions increased by RMB1,985 million or 4.26% over 2019 to RMB48,577 million. This was mainly because the average balance of deposits and placements from banks and non-bank financial institutions increased by 28.56% over 2019.

Interest expense on debt securities issued was RMB30,827 million, an increase of RMB1,156 million or 3.90% over 2019, mainly because the average balance of debt securities issued increased by 14.62% over 2019.

Interest expense on borrowings from central banks increased by RMB5,080 million or 35.46% to RMB19,406 million over 2019, mainly because the average balance of borrowings from central banks increased by 45.62% over 2019.

Interest expense on financial assets sold under repurchase agreements amounted to RMB938 million, down RMB358 million or 27.62% over 2019, mainly because the average cost of financial assets sold under repurchase agreements decreased by 99 basis points over 2019.

Net non-interest income

The following table sets forth the composition and change of the Group's net non-interest income during the respective periods.

(In millions of RMB, except percentages)	2020	2019	Change (%)
Fee and commission income	131,512	126,667	3.82
Fee and commission expense	(16,930)	(15,769)	7.36
Net fee and commission income	114,582	110,898	3.32
Other net non-interest income	23,733	30,037	(20.99)
Total other net non-interest income	138,315	140,935	(1.86)

In 2020, the Group's net non-interest income reached RMB138,315 million, a decrease of RMB2,620 million or 1.86% over 2019. Net non-interest income accounted for 19.37% of operating income.

Net fee and commission income

The following table sets forth the composition and change of the Group's net fee and commission income during the respective periods.

(In millions of RMB, except percentages)	2020	2019	Change (%)
Fee and commission income	131,512	126,667	3.82
Electronic banking service fees	29,007	25,666	13.02
Bank card fees	21,374	24,025	(11.03)
Agency service fees	17,366	16,894	2.79
Commission on trust and fiduciary activities	15,593	14,194	9.86
Wealth management service fees	13,398	12,899	3.87
Settlement and clearing fees	12,542	12,267	2.24
Consultancy and advisory fees	11,577	10,331	12.06
Guarantee fees	3,917	3,633	7.82
Credit commitment fees	1,309	1,449	(9.66)
Others	5,429	5,309	2.26
Fee and commission expense	(16,930)	(15,769)	7.36
Net fee and commission income	114,582	110,898	3.32

In 2020, the Group seized market opportunities, deeply understood customer needs, and actively explored and practised the concept of digitalised operation. As a result, net fee and commission income rose by 3.32% over 2019 to RMB114,582 million. The ratio of net fee and commission income to operating income was 16.04%, down 0.32 percentage points over 2019.

In this amount, electronic banking service fees increased by 13.02% to RMB29,007 million, mainly due to the steady increase in online payment transaction volume as the Group strengthened FinTech innovation and application and steadily improved its strength in online operation. Bank card fees decreased by 11.03% to RMB21,374 million, primarily due to the overall slowdown of social consumption growth. Agency service fees increased by 2.79% to RMB17,366 million, mainly due to rapid growth in the size of agency fund business. Commission on trust and fiduciary activities rose by 9.86% to RMB15,593 million, mainly because the Bank realised rapid growth of assets under custody through strengthening coordination and interaction of businesses within the Group, stepping up marketing efforts and cultivating the brand of "CCB SMART Custody". Wealth management service fees increased by 3.87% to RMB13,398 million, mainly because the Bank strengthened asset allocation, channel sales and investment and research capabilities, and steadily increased the volume of the Group's WMPs. Settlement and clearing fees increased by 2.24% to RMB12,542 million, mainly due to the rapid increase in income from international settlement as the Bank focused on stabilising foreign investment and trade and expanded upstream and downstream businesses of trade financing. Consultancy and advisory fees increased by 12.06% to RMB11,577 million, mainly due to the effective expansion of the customer base as the Bank improved investment and research service capacity, and completed the upgrading of the ecosystem of "FITS® 6+1" smart investment banking system.

Other net non-interest income

The following table sets forth the composition and change of the Group's other net non-interest income during the respective periods.

(In millions of RMB, except percentages)	2020	2019	Change (%)
Net gain arising from investment securities	5,765	9,093	(36.60)
Net gain on derecognition of financial assets measured at amortised cost	4,649	3,359	38.40
Net trading gain	4,313	9,120	(52.71)
Dividend income	3,182	1,184	168.75
Other net operating income	5,824	7,281	(20.01)
Total other net non-interest income	23,733	30,037	(20.99)

Other net non-interest income of the Group was RMB23,733 million, a decrease of RMB6,304 million, or 20.99% over 2019. In this amount, net gain arising from investment securities was RMB5,765 million, a decrease of RMB3,328 million over 2019, mainly due to the increase in expenses given increased size of structured deposits; net gain on derecognition of financial assets measured at amortised cost was RMB4,649 million, an increase of RMB1,290 million over 2019, mainly due to the increase in income from the transfer of securitisation assets; net trading gain was RMB4,313 million, a decrease of RMB4,807 million over 2019, mainly due to the decline in gains from trading debt securities from bond market interest rate fluctuations and the decrease in trading size of entrusted investments; dividend income was RMB3,182 million, an increase of RMB1,998 million over 2019, mainly due to the substantial increase in dividends of equity investments held by certain subsidiaries; other net operating income was RMB5,824 million, a decrease of RMB1,457 million over 2019, mainly due to the decrease in net operating income of certain subsidiaries.

Operating expenses

The following table sets forth the composition of the Group's operating expenses during respective periods.

(In millions of RMB, except percentages)	2020	2019	Change (%)
Staff costs	104,353	105,784	(1.35)
Premises and equipment expenses	34,929	33,675	3.72
Taxes and surcharges	7,325	6,777	8.09
Others	41,967	41,896	0.17
Total operating expenses	188,574	188,132	0.23
Cost-to-income ratio (%)	25.38	26.75	(1.37)

In 2020, the Group continuously strengthened cost management and optimised expenses structure. Cost-to-income ratio decreased by 1.37 percentage points over 2019 to 25.38%, continuing to stay at a sound level. Operating expenses were RMB188,574 million, an increase of RMB442 million or 0.23% over 2019. In this amount, staff costs were RMB104,353 million, a decrease of RMB1,431 million or 1.35% over 2019; premises and equipment expenses were RMB34,929 million, an increase of RMB1,254 million or 3.72% over 2019; taxes and surcharges were RMB7,325 million, an increase of RMB548 million or 8.09% over 2019; other operating expenses were RMB41,967 million, an increase of RMB71 million or 0.17% over 2019, mainly due to rapid increase in outlays on FinTech investment and marketing as a result of the Group's proactive support in strategy implementation and digitalised operation. In addition, general expense dropped due to the impact of COVID-19.

Impairment losses

The following table sets forth the composition of the Group's impairment losses during respective periods.

(In millions of RMB, except percentages)	2020	2019	Change (%)
Loans and advances to customers	167,139	148,942	12.22
Financial investments	7,675	7,286	5.34
Financial assets measured at amortised cost	7,919	5,789	36.79
Financial assets measured at fair value through other comprehensive income	(244)	1,497	(116.30)
Others	15,115	7,293	107.25
Total impairment losses	189,929	163,521	16.15

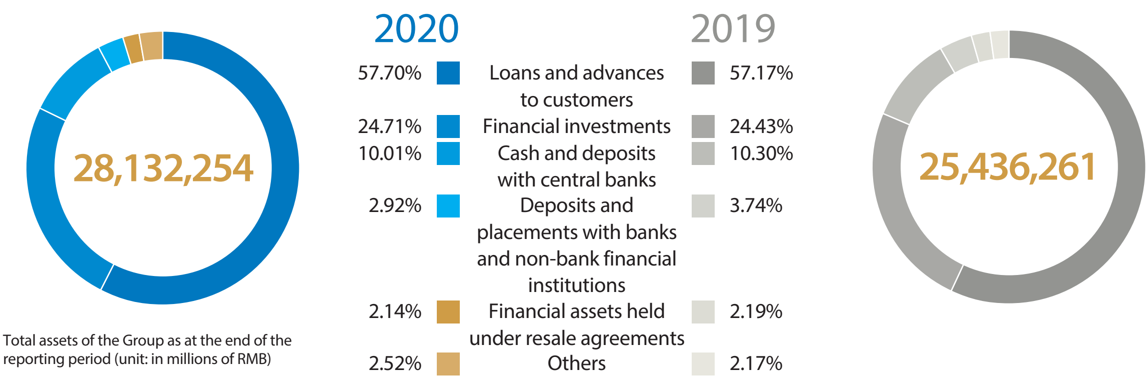
In 2020, the Group's impairment losses were RMB189,929 million, an increase of RMB26,408 million or 16.15% over 2019. This was mainly because impairment losses on loans and advances to customers increased by RMB18,197 million and other impairment losses increased by RMB7,822 million over 2019. Impairment losses on financial investments increased by RMB389 million. Specifically, impairment losses on financial assets measured at amortised cost increased by RMB2,130 million or 36.79% over 2019, mainly due to the increase in the size and average provision ratio of bond investments measured at amortised cost. Impairment losses on financial assets measured at fair value through other comprehensive income decreased by RMB1,741 million or 116.30% over 2019, mainly due to the decrease in the volume of bonds with high country risk.

Income tax expense

In 2020, the Group's income tax expense was RMB63,037 million, an increase of RMB5,662 million over 2019. The effective income tax rate was 18.73%, lower than the statutory rate of 25%. This was mainly because interest income from the PRC treasury bonds and local government bonds was non-taxable in accordance with the tax law.

STATEMENT OF FINANCIAL POSITION ANALYSIS

Assets



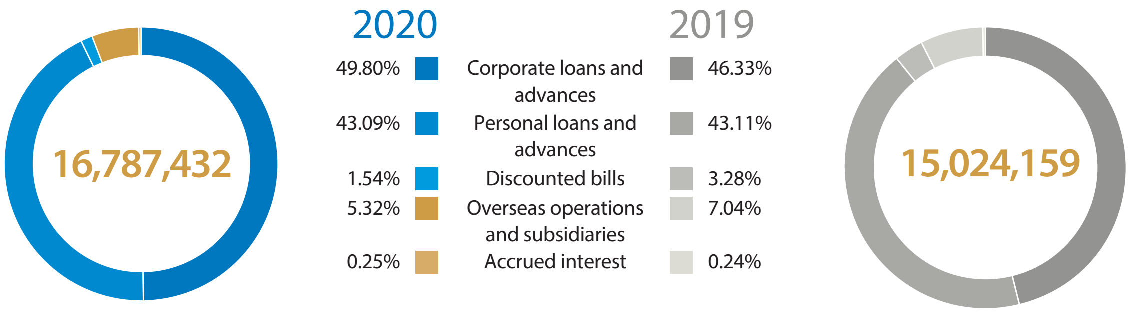
The following table sets forth the composition of the Group's total assets as at the dates indicated.

	As at 31 December 2020		As at 31 December 2019		As at 31 December 2018	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Loans and advances to customers	16,231,369	57.70	14,542,001	57.17	13,366,492	57.56
Loans and advances to customers measured at amortised cost	16,476,817	58.57	14,479,931	56.93	13,405,030	57.72
Allowances for impairment losses on loans	(556,063)	(1.98)	(482,158)	(1.90)	(417,623)	(1.80)
Book values of loans and advances to customers at fair value through other comprehensive income	259,061	0.92	492,693	1.94	308,368	1.33
Book values of loans and advances to customers at fair value through profit or loss	9,890	0.04	15,282	0.06	32,857	0.14
Accrued interest	41,664	0.15	36,253	0.14	37,860	0.17
Financial investments	6,950,653	24.71	6,213,241	24.43	5,714,909	24.61
Cash and deposits with central banks	2,816,164	10.01	2,621,010	10.30	2,632,863	11.34
Deposits and placements with banks and non-bank financial institutions	821,637	2.92	950,807	3.74	836,676	3.60
Financial assets held under resale agreements	602,239	2.14	557,809	2.19	201,845	0.87
Others[1]	710,192	2.52	551,393	2.17	469,908	2.02
Total assets	28,132,254	100.00	25,436,261	100.00	23,222,693	100.00

1. These comprise precious metals, positive fair value of derivatives, long-term equity investments, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

At the end of 2020, the Group's total assets stood at RMB28.13 trillion, an increase of RMB2.70 trillion or 10.60% over 2019. Specifically, the Group proactively promoted the resumption of work and production of enterprises and the high-quality development of the real economy. Loans and advances to customers increased by RMB1.69 trillion or 11.62% over 2019. The Group supported the proactive fiscal policy in China and vigorously subscribed to government bonds and local government bonds. Financial investments increased by RMB737,412 million or 11.87% over 2019. Cash and deposits with central banks increased by RMB195,154 million or 7.45% over 2019. Deposits and placements with banks and non-bank financial institutions decreased by RMB129,170 million or 13.59% over 2019. The Group dynamically adjusted the size and structure of interbank assets. Financial assets held under resale agreements increased by RMB44,430 million or 7.97% over 2019. As a result, of the total assets, the proportion of net loans and advances to customers increased by 0.53 percentage points to 57.70%, that of financial investments increased by 0.28 percentage points to 24.71%, that of cash and deposits with central banks decreased by 0.29 percentage points to 10.01%, that of deposits and placements with banks and non-bank financial institutions decreased by 0.82 percentage points to 2.92%, and that of financial assets held under resale agreements decreased by 0.05 percentage points to 2.14%.

Loans and advances to customers



Gross loans and advances to customers of the Group as at the end of the reporting period (unit: in millions of RMB)

The following table sets forth the composition of the Group's gross loans and advances to customers as at the dates indicated.

	As at 31 December 2020		As at 31 December 2019		As at 31 December 2018	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	8,360,221	49.80	6,959,844	46.33	6,497,678	47.14
Short-term loans	2,593,677	15.45	2,205,697	14.68	2,000,945	14.52
Medium to long-term loans	5,766,544	34.35	4,754,147	31.65	4,496,733	32.62
Personal loans and advances	7,233,869	43.09	6,477,352	43.11	5,839,803	42.37
Residential mortgages	5,830,859	34.73	5,305,095	35.31	4,753,595	34.49
Credit card loans	825,710	4.92	741,197	4.93	651,389	4.73
Personal consumer loans	264,581	1.58	189,588	1.26	210,125	1.52
Personal business loans[1]	138,481	0.82	48,053	0.32	40,043	0.29
Other loans[2]	174,238	1.04	193,419	1.29	184,651	1.34
Discounted bills	259,061	1.54	492,693	3.28	308,368	2.24
Overseas operations and subsidiaries	892,617	5.32	1,058,017	7.04	1,100,406	7.98
Accrued interest	41,664	0.25	36,253	0.24	37,860	0.27
Gross loans and advances to customers	16,787,432	100.00	15,024,159	100.00	13,784,115	100.00

1. These comprise personal loans for daily production and operation purposes and online loans for business purposes.
2. These comprise personal commercial property mortgage loans and home equity loans, etc.

At the end of 2020, the Group's gross loans and advances to customers stood at RMB16.79 trillion, an increase of RMB1.76 trillion or 11.74% over 2019, mainly due to the increase in domestic loans.

Corporate loans and advances reached RMB8.36 trillion, an increase of RMB1.40 trillion or 20.12% over 2019, mainly extended to sectors such as infrastructure, wholesale and retail trade and manufacturing. In this amount, short-term and medium to long-term loans were RMB2.59 trillion and RMB5.77 trillion respectively.

Personal loans and advances reached RMB7.23 trillion, an increase of RMB756,517 million or 11.68% over 2019. In this amount, residential mortgages experienced an increase of RMB525,764 million or 9.91% to RMB5.83 trillion; credit card loans were RMB825,710 million, an increase of RMB84,513 million or 11.40%; personal consumer loans increased by RMB74,993 million or 39.56% to RMB264,581 million; personal business loans increased by RMB90,428 million or 188.18% to RMB138,481 million.

Discounted bills decreased by RMB233,632 million to RMB259,061 million over 2019.

Loans and advances made by overseas operations and subsidiaries were RMB892,617 million, a decrease of RMB165,400 million or 15.63% over 2019.

Distribution of loans by type of collateral

The following table sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

	As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Unsecured loans	5,397,481	32.15	4,959,932	33.02
Guaranteed loans	2,222,110	13.24	1,920,411	12.78
Loans secured by property and other immovable assets	7,703,618	45.89	6,875,286	45.76
Other pledged loans	1,422,559	8.47	1,232,277	8.20
Accrued interest	41,664	0.25	36,253	0.24
Gross loans and advances to customers	16,787,432	100.00	15,024,159	100.00

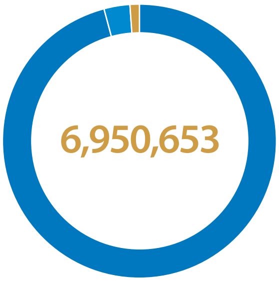
Allowances for impairment losses on loans and advances to customers

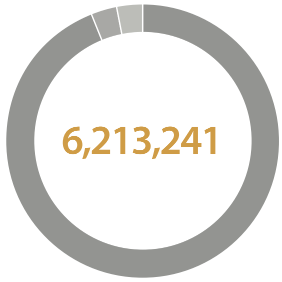
	2020			
(In millions of RMB)	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	240,027	92,880	149,251	482,158
Transfers:				
Transfers in (out) to Stage 1	4,187	(3,944)	(243)	–
Transfers in (out) to Stage 2	(10,992)	11,901	(909)	–
Transfers in (out) to Stage 3	(3,804)	(27,823)	31,627	–
Newly originated or purchased financial assets	141,273	–	–	141,273
Transfer out/repayment	(94,802)	(15,131)	(45,863)	(155,796)
Remeasurements	(461)	50,216	85,229	134,984
Write-off	–	–	(57,383)	(57,383)
Recoveries of loans and advances previously written off	–	–	10,827	10,827
As at 31 December 2020	275,428	108,099	172,536	556,063

The Group made provisions for impairment losses in line with changes in the quality of its credit assets as required by the new financial instruments standard. At the end of 2020, the allowances for impairment losses on loans and advances measured at amortised cost were RMB556,063 million. In addition, the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income were RMB840 million.

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses (ECL). For stage one, financial instruments with no significant increase in credit risk, ECL in the next 12 months is recognised. For stage two, financial instruments with significant increase in credit risk since initial recognition, but with no objective evidence of impairment, lifetime ECL is recognised. For stage three, financial instruments with objective evidence of impairment on the balance sheet date, lifetime ECL is recognised. The Group continued to make judgement based on substantive risk assessment and comprehensively considered regulatory and business environment, internal and external credit rating of customers, customer repayment ability, customer operation capacity, contract terms of loans, asset price, market interest rate, customer repayment behaviours, and forward-looking information, to assess whether the credit risk of relevant financial instruments had increased significantly since initial recognition. For borrowers who were eligible for temporary deferral in principal repayment and interest payment in the wake of COVID-19, the Group, by reference to guidelines by relevant regulators, did not consider these support measures as an automatic trigger of a significant increase in credit risk. The assessment of significant increase in credit risk and the measurement of ECL both incorporated forward-looking information. The Group developed scenarios specifically tailored for ECL measurement by reference to forecast results of authoritative international institutions and leveraging on the capability of internal experts. Expected credit losses are the discounted product of the weighted average of probability of defaults (PD), loss given defaults (LGD) and exposure at default (EAD) under the optimistic, baseline and pessimistic scenarios. Please refer to Note "Loans and advances to customers" to the financial statements for details of allowances for impairment losses on loans.

Financial investments





Total financial investments of the Group as at the end of the reporting period (unit: in millions of RMB)

The following table sets forth the composition of the Group's financial investments by nature as at the dates indicated.

	As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Debt securities	6,665,884	95.90	5,846,133	94.09
Equity instruments and funds	223,589	3.22	184,739	2.97
Other debt instruments	61,180	0.88	182,369	2.94
Total financial investments	6,950,653	100.00	6,213,241	100.00

At the end of 2020, the Group's financial investments totalled RMB6.95 trillion, an increase of RMB737,412 million or 11.87% over 2019. In this amount, debt securities increased by RMB819,751 million or 14.02% over 2019, and accounted for 95.90% of total financial investments, up 1.81 percentage points over 2019; equity instruments and funds increased by RMB38,850 million over 2019, and accounted for 3.22% of total financial investments, up 0.25 percentage points over 2019. Other debt instruments decreased by RMB121,189 million over 2019, with its proportion in total financial investments down to 0.88%.

The following table sets forth the composition of the Group's financial investments by measurement as at the dates indicated.

	As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Financial assets measured at fair value through profit or loss	577,952	8.31	675,361	10.87
Financial assets measured at amortised cost	4,505,243	64.82	3,740,296	60.20
Financial assets measured at fair value through other comprehensive income	1,867,458	26.87	1,797,584	28.93
Total financial investments	6,950,653	100.00	6,213,241	100.00

For further details on the financial instruments measured at fair value, please refer to Note "Risk Management-Fair Value of Financial Instruments" to the financial statements.

Debt securities

The following table sets forth the composition of the Group's debt instruments by currency as at the dates indicated.

	As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
RMB	6,438,835	96.60	5,572,754	95.32
USD	138,028	2.07	178,717	3.06
HKD	33,495	0.50	36,356	0.62
Other foreign currencies	55,526	0.83	58,306	1.00
Total debt securities	6,665,884	100.00	5,846,133	100.00

At the end of 2020, RMB debt securities totalled RMB6.44 trillion, an increase of RMB866,081 million or 15.54% over 2019. Foreign-currency debt securities totalled RMB227,049 million, a decrease of RMB46,330 million or 16.95% over 2019.

The following table sets forth the composition of the Group's debt instruments by issuer as at the dates indicated.

	As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Government	5,095,677	76.45	4,258,718	72.85
Central banks	39,619	0.59	40,792	0.70
Policy banks	781,313	11.72	780,481	13.35
Banks and non-bank financial institutions	363,852	5.46	339,230	5.80
Others	385,423	5.78	426,912	7.30
Total debt securities	6,665,884	100.00	5,846,133	100.00

Financial debt securities

At the end of 2020, the Group held financial debt securities issued by financial institutions totalling RMB1.15 trillion. In this amount, RMB781,313 million was issued by policy banks and RMB363,852 million was issued by banks and non-bank financial institutions, accounting for 68.23% and 31.77% respectively.

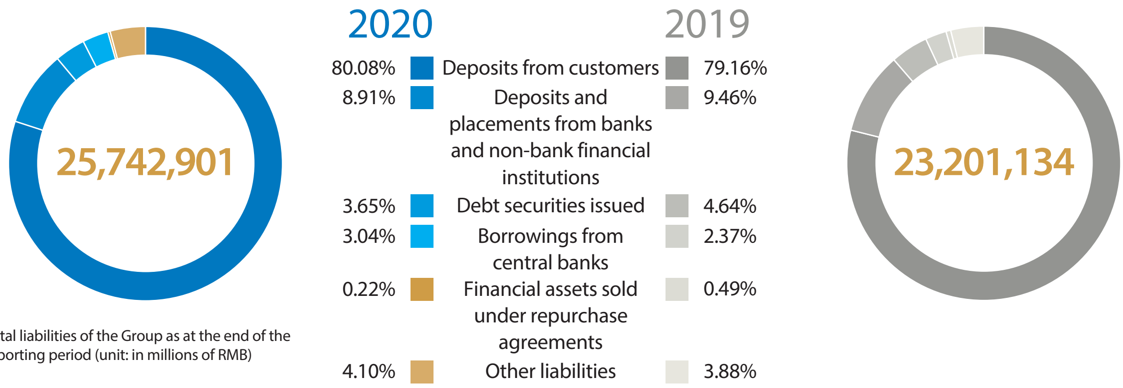
The following table sets forth the top ten financial debt securities held by the Group by par value at the end of the reporting period.

(In millions of RMB, except percentages)	Par value	Annual interest rate (%)	Maturity date	Allowances for impairment losses
Policy bank bond issued in 2019	17,440	3.75	2029-25-01	9.79
Policy bank bond issued in 2019	16,120	3.86	2029-20-05	9.17
Policy bank bond issued in 2020	16,040	3.23	2030-23-03	8.86
Policy bank bond issued in 2020	15,530	2.96	2030-17-04	8.45
Policy bank bond issued in 2019	13,100	3.48	2029-08-01	1.70
Policy bank bond issued in 2018	12,850	4.00	2025-12-11	7.13
Commercial bank bond issued in 2020	12,000	4.20	2030-24-09	–
Policy bank bond issued in 2020	11,750	3.34	2025-14-07	1.42
Policy bank bond issued in 2014	11,540	5.67	2024-08-04	1.53
Policy bank bond issued in 2014	11,340	5.79	2021-14-01	1.51

Repossessed assets

As part of its effort to recover impaired loans and advances to customers, the Group may obtain the title of the collateral, through legal actions or voluntary transfer from the borrowers, as compensation for the losses on loans and advances and interest receivable. At the end of 2020, the Group's repossessed assets were RMB1,994 million, and the balance of impairment allowances for repossessed assets was RMB1,197 million. Please refer to Note "Other Assets" to the financial statements for details.

Liabilities



The following table sets forth the composition of the Group's total liabilities as at the dates indicated.

	As at 31 December 2020		As at 31 December 2019		As at 31 December 2018	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	20,614,976	80.08	18,366,293	79.16	17,108,678	80.58
Deposits and placements from banks and non-bank financial institutions	2,293,272	8.91	2,194,251	9.46	1,847,697	8.70
Debt securities issued	940,197	3.65	1,076,575	4.64	775,785	3.66
Borrowings from central banks	781,170	3.04	549,433	2.37	554,392	2.61
Financial assets sold under repurchase agreements	56,725	0.22	114,658	0.49	30,765	0.15
Other liabilities[1]	1,056,561	4.10	899,924	3.88	913,782	4.30
Total liabilities	25,742,901	100.00	23,201,134	100.00	21,231,099	100.00

1. These comprise financial liabilities measured at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, provisions, deferred tax liabilities and other liabilities.

The Group continued to expand core liabilities and funding sources. At the end of 2020, the Group's total liabilities were RMB25.74 trillion, an increase of RMB2.54 trillion or 10.96% over 2019. In this amount, deposits from customers amounted to RMB20.61 trillion, up RMB2.25 trillion or 12.24% over 2019. Deposits and placements from banks and non-bank financial institutions increased by RMB99,021 million or 4.51% over 2019 to RMB2.29 trillion, primarily due to the increase in settlement funds such as deposits from securities and mutual funds companies. Debt securities issued were RMB940,197 million, a decrease of RMB136,378 million or 12.67% over 2019, mainly because some of certificates of deposit issued were not renewed upon maturity. Borrowings from central banks were RMB781,170 million, an increase of 42.18% over 2019, mainly due to rapid growth of borrowings from the PBC to support the lending business. Accordingly, in the Group's total liabilities, deposits from customers accounted for 80.08% of total liabilities, an increase of 0.92 percentage points over 2019. Deposits and placements from banks and non-bank financial institutions accounted for 8.91% of total liabilities, a decrease of 0.55 percentage points over 2019. Debt securities issued accounted for 3.65% of total liabilities, a decrease of 0.99 percentage points over 2019. Borrowings from central banks accounted for 3.04% of total liabilities, an increase of 0.67 percentage points over 2019.

Deposits from customers

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

	As at 31 December 2020		As at 31 December 2019		As at 31 December 2018	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	9,699,733	47.05	8,941,848	48.69	8,667,322	50.66
Demand deposits	6,274,658	30.44	5,927,636	32.28	5,854,542	34.22
Time deposits	3,425,075	16.61	3,014,212	16.41	2,812,780	16.44
Personal deposits	10,184,904	49.41	8,706,031	47.40	7,771,165	45.42
Demand deposits	4,665,424	22.63	4,100,088	22.32	3,271,246	19.12
Time deposits	5,519,480	26.78	4,605,943	25.08	4,499,919	26.30
Overseas operations and subsidiaries	453,991	2.20	510,907	2.78	492,942	2.88
Accrued interest	276,348	1.34	207,507	1.13	177,249	1.04
Total deposits from customers	20,614,976	100.00	18,366,293	100.00	17,108,678	100.00

At the end of 2020, domestic corporate deposits of the Bank were RMB9.70 trillion, an increase of RMB757,885 million or 8.48% over 2019. Domestic personal deposits of the Bank were RMB10.18 trillion, an increase of RMB1.48 trillion or 16.99% over 2019 and its proportion of the domestic deposits from customers increased by 1.89 percentage points to 51.22%. Deposits from overseas operations and subsidiaries amounted to RMB453,991 million, a decrease of RMB56,916 million, accounting for 2.20% of total deposits from customers. The Bank further used the system- and network-based methods to expand customer base and increase deposits, and improved the quality and efficiency of deposits business development. Domestic demand deposits were RMB10.94 trillion, an increase of RMB912,358 million or 9.10% over 2019 and its proportion of the domestic deposits from customers decreased by 1.80 percentage points to 55.02%. Domestic time deposits were RMB8.94 trillion, an increase of RMB1.32 trillion or 17.38% and its proportion of the domestic deposits from customers increased to 44.98%.

Debt securities issued

The Bank did not issue corporate debt securities that were required to be disclosed in accordance with *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Contents and Formats of Annual Reports (2017 Revision)* and *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 38 – Contents and Formats of Annual Reports on Corporate Debt Securities*. Please refer to Note "Debt securities issued" to the financial statements for details.

Shareholder's equity

The following table sets forth the Group's total equity and its composition as at the dates indicated.

(In millions of RMB)	As at 31 December 2020	As at 31 December 2019
Share capital	250,011	250,011
Other equity instruments	99,968	119,627
Preference shares	59,977	79,636
Perpetual bond	39,991	39,991
Capital reserve	134,263	134,537
Other comprehensive income	15,048	31,986
Surplus reserve	275,995	249,178
General reserve	350,228	314,389
Retained earnings	1,239,295	1,116,529
Total equity attributable to equity shareholders of the Bank	2,364,808	2,216,257
Non-controlling interests	24,545	18,870
Total equity	2,389,353	2,235,127

At the end of 2020, the Group's equity was RMB2.39 trillion, an increase of RMB154,226 million or 6.90% over 2019, primarily driven by the increase of RMB122,766 million in retained earnings. As the growth rate of total equity was slower than that of assets, the ratio of total equity to total assets for the Group dropped to 8.49%, down 0.30 percentage points over 2019.

Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives mainly include interest rate contracts, exchange rate contracts, precious metals and commodity contracts. Please refer to Note "Derivatives and hedge accounting" to the financial statements for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, capital commitments, government bond redemption obligations, and outstanding litigations and disputes. Specifically, credit commitments were the largest component, including undrawn loan facilities which are approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of 2020, the balance of credit commitments was RMB3.41 trillion, an increase of RMB327,723 million or 10.62% over 2019. Please refer to Note "Commitments and contingent liabilities" to the financial statements in this annual report for details on commitments and contingent liabilities.

ANALYSIS ON CASH FLOW STATEMENTS

Cash from operating activities

Net cash received from operating activities was RMB580,685 million, a decrease of RMB602 million over 2019, mainly due to the substantial increase in net increase in loans and advances to customers over the previous year.

Cash used in investing activities

Net cash used in investing activities was RMB642,158 million, an increase of RMB349,610 million over 2019, mainly due to the substantial increase in the purchase of investment securities over the previous year.

Cash used in financing activities

Net cash used in financing activities was RMB89,960 million, a decrease of RMB11,881 million over 2019, mainly due to the substantial increase in the proceeds from the issue of bonds over the previous year.

SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND CHANGES IN ACCOUNTING POLICIES

For the Group's significant accounting estimates and judgements, please refer to Note "Significant accounting policies and accounting estimates" to the financial statements for details; for the Group's significant changes in accounting policies, please refer to Note "Statement of compliance" to the financial statements for details.

DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER PRC GAAP AND THOSE PREPARED UNDER IFRS

There is no difference in the net profit for the year 2020 or total equity as at 31 December 2020 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

BUSINESS REVIEW

The Group's major business segments are corporate banking, personal banking, treasury business, and others including overseas business and subsidiaries.

The following table sets forth, for the periods indicated the operating income, impairment losses, and profit before tax of each major business segment.

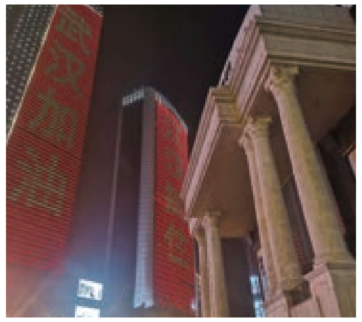
	Operating income		Impairment losses		Profit before tax	
(In millions of RMB)	2020	2019	2020	2019	2020	2019
Corporate banking	284,393	264,307	(146,580)	(123,435)	66,615	72,694
Personal banking	327,136	268,007	(30,887)	(28,135)	206,047	148,642
Treasury business	66,292	109,321	108	(5,583)	55,915	91,693
Others	36,403	36,366	(12,570)	(6,368)	8,039	13,568
Total	714,224	678,001	(189,929)	(163,521)	336,616	326,597

In 2020, operating income of the Group's corporate banking business reached RMB284,393 million, up 7.60%, mainly due to the increase in net interest income driven by the growth of loans; impairment losses reached RMB146,580 million, up 18.75%; profit before tax was RMB66,615 million, down 8.36%, accounting for 19.79% of the Group's profit before tax, down 2.47 percentage points over 2019. Operating income of personal banking business reached RMB327,136 million, up 22.06%, mainly due to significant increase in net interest income; impairment losses were RMB30,887 million, up 9.78%; profit before tax totalled RMB206,047 million, up 38.62%, accounting for 61.21% of the Group's profit before tax, up 15.70 percentage points over 2019. Operating income of treasury business totalled RMB66,292 million, down 39.36%; impairment losses were negative RMB108 million; profit before tax totalled RMB55,915 million, down 39.02%, accounting for 16.61% of the Group's profit before tax, down 11.47 percentage points over 2019. Other operating income totalled RMB36,403 million, up 0.10%, impairment losses increased significantly and profit before tax totalled RMB8,039 million.







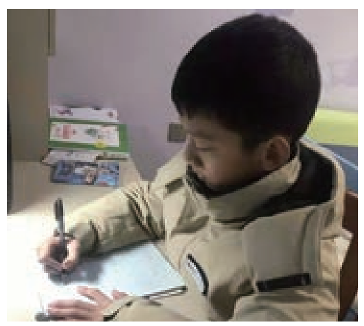
We convey to the society the strength and warmth with close connection and mutual assistance, as well as the faith and determination to win the fight against the pandemic with concerted efforts.

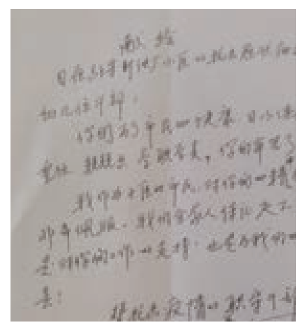
We made targeted efforts to help ensure "stability on six fronts", maintained "security in six areas" and carried out relief policies to serve the real economy's restoration of growth.

We endeavoured to protect the safety of our employees and stood together with our customers through the epidemic, conveying CCB's warmth to society.

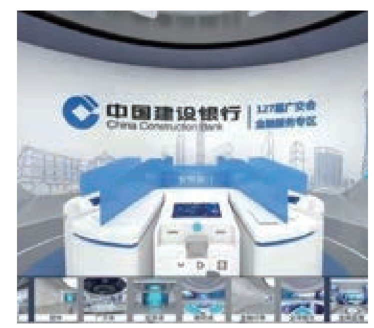
—— Tian Guoli












To Society

We donated money and materials to care for the frontline staff who fight against COVID-19, built an "online and offline" multi-dimensional pandemic prevention and control system, and launched a platform to support the fight against COVID-19 worldwide

RMB317 million
was donated by the Group and its employees to fight against COVID-19 worldwide

Our donations included
11.50 million
pieces of epidemic prevention materials

We provided free insurance for frontline medical workers who fight against COVID-19 and established a fund for the fight against COVID-19 and stable development with a size of
RMB5,000 million

We, in an emergency, developed a medical supplies support and management system where
228 million pieces
of medical supplies were circulated

We supported pandemic prevention and control for
2.46 million
communities and enterprises through digitalised services

To enable the whole-process digital online exhibition operation and cross-border connection, we launched the "CCB Match Plus" platform with a featured section on "Global COVID-19 Prevention Supplies" in 14 languages, witnessing the successful export of
160 million pieces
of medical and protection supplies to 28 countries and regions

To Employees

We provided care and safety protection to our employees through remote working and flexible working arrangements

We issued the Rules for Pandemic Prevention and Employee Care with
20 articles

We introduced **remote office** on an integrated platform for our staff

We expanded the application of **robotic process automation**

We adopted a variety of flexible ways, e.g. **work from home, rotating shifts and staggered shifts**

After the prevention and control of COVID-19 was normalised in China, we conducted
19,000
in-house nucleic acid tests for employees

To Customers

We increased credit supply to support enterprises to support the resumption of work and production. To help enterprises to overcome difficulties, we reduced fees for customers and earned less.

We provided a total of
RMB562,659 million
online supply chain finance loans

We served
65,500
enterprises in industrial chains

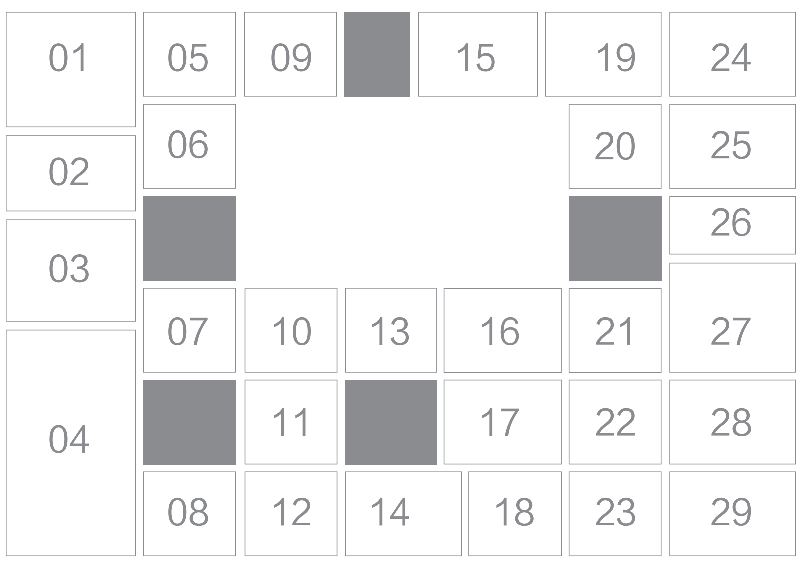
over
90%
of them are small and micro enterprises

A total of **RMB125,680 million**
loans were granted to 12,166 key enterprises engaging in the prevention and control of COVID-19

The Bank granted a total of
RMB70,961 million
loans to medical and healthcare institutions

We co-built "Oxygen Tank for Enterprises" with governments to support enterprises for the resumption of work and production, and more than
20,000

enterprises received credit support in an aggregate amount of nearly
RMB180,000
million



1 On 26 January 2020, the Bank's first anti-pandemic donation of RMB30 million was remitted to Hubei Province in the first instance.

2 On 30 January 2020, the employees of the Bank visited the construction site of Leishenshan Hospital to understand the needs of customers.

3 Overseas entities of the Bank proactively supported the fight against COVID-19 in China.

4 A volunteer of the Bank, who distributed living supplies for community residents, could not see his mother in her last moment because of his participation in the pandemic prevention work. "So, whenever seeing the heartfelt gratitude of the elderly who got help, I feel that it is all worthwhile."

5 The Bank immediately provided free accidental injury insurance and term life insurance protection, as well as hospitalization subsidies for the frontline medical workers participating in the fight against COVID-19 in Hubei Province.

6 Hubei Branch of the Bank was lit up with festive lights that read "Stay Strong, Wuhan!" during the Lantern Festival on 8 February 2020.

7 Volunteers of the Bank transported protective materials in the heavy snow in Wuhan, Hubei Province on 15 February 2020.

8 Staff of village-based working team of the Bank who sent masks for pandemic prevention to targeted poverty-stricken villages.

9 The Bank sent the donated medical supplies to the hospital.

10 "Dear mom and dad, please go to work without any worry!", a thoughtful child of an employee of the Bank loved showing his parents who were on duty his calligraphy practice through video chats during the pandemic.

11 A volunteer of the Bank who was on duty in a tent inside of a community late at night on the first day of the Chinese New Year on 25 January 2020.

12 On 15 February 2020, traffic police officers who were on duty had meals in the "Workers' Harbours" of the Bank's Zhongxiang Sub-branch in Jingmen, Hubei Province to temporarily shelter from the wind and snow.

13 Property owners of the community sent a letter of appreciation to the volunteers of the Bank.

14 Through "CCB Huidongni" APP, mobile banking and other channels, the Bank provided customers affected by the pandemic with the exclusive online service of "Yunyi Loans" with one-touch lending at home, vigorously supporting the resumption of work and production.

15 Hubei medical supplies support and management system in operation.

16 During the pandemic, the Bank launched the "Online Grocery Basket" service to help merchants to resume work and operation.

17 The Bank joined hands with the official account of "WeDoctor", which designated by the National Health Commission of the PRC, to launch the COVID-19 real-time assistance platform to provide the public with free online medical consultation services.

18 Government affairs can now be handled at the outlets of the Bank. A business owner completed a series of procedures in the Bank's outlet within one and a half hours, including obtaining business license, applying for official seal, bank account and tax invoice, and registering social insurance and provident fund, etc.

19 On 1 February 2020, the FinTech team of the Bank developed and built the Hubei medical supplies support and management system for the pandemic prevention and control headquarters in the Hubei Province within 48 hours upon receiving the instruction.

20 During the pandemic, Hubei Branch of the Bank stuck to the practice of completing the review and approval process for small and micro businesses on a daily basis.

21 Hubei Branch of the Bank held online exhibition for the export of agricultural products with local strength in the Hubei Province to facilitate cooperation between domestic and foreign enterprises.

22 The Bank set up the 3D digital banking exhibition halls for the 127th session of Canton Fair, which offered Canton Fair financing connect, Canton Fair settlement connect and other exclusive innovative products customized for foreign trade enterprises, enabling online real-time loan application and independent selection of financing currency.

23 The Bank built the "CCB Match Plus" online platform to facilitate the cross-border matching of anti-pandemic supplies, making every effort to contribute financial strength to stabilizing foreign trade and foreign investment.

24 Farming season waits for no man. Village-based working team of the Bank helped the villagers in the fields immediately after the pandemic situation improved slightly.

25 During the pandemic, an employee of Wuhan Branch of the Bank visited an enterprise to sign the loan contract.

26 Employees of the Bank worked overtime to ensure that the special funds for pandemic prevention were appropriated in time.

27 The Bank launched "Mingonghui", an innovative financial service, to provide the migrant workers in the cities with guaranteed wages, helping them to work hard without worrying about salary. By the end of 2020, the bank provided services to a total of 11,972,100 migrant workers via "Mingonghui".

28 Employees of the Bank carried out live streaming commerce for poverty alleviation.

29 The Bank actively aided overseas countries and regions to fight against the pandemic.

IMPACT OF COVID-19 PANDEMIC AND THE GROUP'S MAIN COUNTERMEASURES

In 2020, the spread of COVID-19 has had a severe impact on global economy. China has achieved significant strategic results through coordinated efforts in the prevention and control of COVID-19 and in economic and social development, and the domestic economy has resumed to normal. However, the international economic and financial environment remained complex and challenging, and there still existed many uncertainties in the developments of COVID-19 facing China and the world, as well as in the external environment. The Group actively shouldered responsibilities as a large bank, fully supported the prevention and control of COVID-19 and the resumption of work and production, vigorously promoted digitalised operations and services, and strove to achieve high-quality development.

Implementing regular COVID-19 prevention and control to ensure the smooth operation of business.

The Group immediately set up a leading team for COVID-19 prevention and control, strengthened its organisational structure, optimised response mechanisms and improved emergency response plans. It enhanced its prediction of risks including credit risk and liquidity risk and strengthened the unified credit risk control at the group level. It also enhanced business continuity management and improved internal control measures such as rules, regulations and IT systems. The Group strengthened the care and safety protection of its associates, and ensured the provision of various prevention supplies. It quickly enabled remote working mode of the uniform staff platform, deployed more robotic process automation (RPA) applications, and took flexible working arrangements such as working from home, rotating shifts and staggered shifts. After the prevention and control of COVID-19 was normalised in China, the Group conducted 19,000 in-house nucleic acid tests for employees in all.

Introducing multiple measures to fully support the prevention and control of COVID-19 and the resumption of work and production.

The Group took coordinated efforts to support the prevention and control of COVID-19 and the economic and social development, successively introduced "10 Measures" of financial services to support the prevention and control of COVID-19, 30 measures to support the prevention and control of COVID-19 and the resumption of work and production, 14 measures to strengthen financial services for the medium, small and micro businesses, 26 special measures to support Hubei region, and 29 measures to stabilise foreign trade and investment. The Group increased credit supply, mainly to address the credit demands of sectors and industries related to the prevention and control of COVID-19 and the resumption of work and production, as well as inclusive finance business, and the manufacturing sector. A total of RMB125,680 million loans were granted to 12,166 key enterprises engaging in the prevention and control of COVID-19. The Group further reduced service fees, provided favourable loan interest rates to key enterprises engaging in the prevention and control of COVID-19, and adopted relief measures such as deferred principal repayment and interest payment, loan extension and renewal to help customers affected by COVID-19. The Group provided fund support to key customers and financial institutions in key regions, and successfully issued special bonds for enterprises engaging in the prevention and control of COVID-19 and special interbank certificates of deposit for the prevention and control of COVID-19. The Group co-built "Oxygen Tank for Enterprises" with governments to support enterprises for the resumption of work and production, signed a total of 31 cooperation agreements with different levels of governments and departments of provinces and cities, and granted nearly RMB180 billion loans for over 20,000 enterprises. By the end of 2020, donations from the Group and its associates had reached RMB317 million, which included 11.50 million pieces of epidemic prevention materials.

Empowering business development with FinTech to improve the digitalised ability of prevention and control of COVID-19.

The Group provided highly efficient and premium online financial services for personal and corporate customers through online channels such as mobile banking and online banking. With "Quick Loans" and other consumer credit products entirely processed online, it provided more convenient consumer financing services for personal customers. To meet the needs for COVID-19 prevention and control in Hubei Province, the Group developed a medical supplies support and management system, which achieved whole-process online management of medical supplies from demand management, multi-channel procurement, centralised distribution to final confirmation of receipt. A total of 228 million items were circulated online. It launched "CCB Smart Community Management Platform" to assist urban and rural communities in building an "online and offline" multi-dimensional COVID-19 prevention and control system. The platform had 2.46 million registered communities and enterprises in China, with a total of more than 51.07 million users. The "Online Grocery Basket" service was launched for the convenience of people's daily life in the wake of COVID-19. The platform had more than 11,000 registered merchants and malls, attracting 1.22 million visitors. The Group leveraged its leading edge in "CCB Match Plus" online platform, and enabled the whole-process digital online exhibition operation and cross-border connection. It assisted in building a nationwide COVID-19 information release network based on its smart government affairs platform, which could not only issue, collect and report information on the prevention and control of COVID-19, but also facilitate medical resource allocation.

Promoting forward-looking active risk mitigation to consolidate asset quality foundation.

Adhering to the principle of prudence, and fully considering the impact of COVID-19 and government relief measures on the macro-economy, the Group increased provisions, and improved the disposal of risk assets based on the actual risk profile of customers, to enhance its risk mitigation capability. The Group carried out forward-looking special stress tests on the impact of COVID-19, continued to improve post-lending monitoring and management, and took measures to mitigate risks in advance to ensure the steady development of businesses. The assumptions underlying the ECL calculation, such as how the maturity profile of probability of defaults and how the collateral values change, were monitored and reviewed on a quarterly basis. There were no significant changes in estimation techniques and such assumptions made during the reporting period. At the end of 2020, the NPL ratio of the Group was 1.56%, and the proportion of special mention loans was 2.95%. The allowances to total loans was 3.33% and allowances to NPLs was 213.59%, maintaining at a high level.

PROMOTION OF THREE MAJOR STRATEGIES

House rental strategy

The Group continued to further promote its house rental strategy. It expanded the application of comprehensive house rental service platform, attracted more active users for the platform, and provided better services for government supervision, public rental house management, and market-oriented property trading. By the end of 2020, the comprehensive house rental service platform had been launched in 326 cities at prefecture-level and above across the country, with over 24 million properties listed online, 200 million visits, and over 28 million registered users on a cumulative basis. The Group gave full play to its FinTech advantages, and actively participated in the pilot programme of policy rental houses to help improve the housing security system. It cooperated with the Ministry of Housing and Urban-Rural Development in pushing forward the building of public rental house information system and promoting the registration of online signing and networking for information sharing continuously, and set up a nationwide real estate market monitoring system based on big data. The Group innovated financial services, supported the large-scale specialised development of house rental enterprises, attracted existing properties into the rental market and increased the supply for rent. It actively carried out the house deposit business, with a total of 1.20 million contracted properties. The Group helped house rental enterprises to get through short-term operating difficulties and maintained the smooth operation of the rental market. It actively participated in the first pilot projects of equity trading service for domestic house rental enterprises, and successfully supported the equity trading of CCB Residence Wuxi Fenghuang City Project, which explored a new mode of equity financing for house rental enterprises.

Feature article Press ahead with house rental strategy to strongly support the development of policy rental houses

The policy rental houses are subsidised houses supported by governmental policies, invested by market entities and subject to market-based operation. Such houses are mainly small-sized apartments with low rents. The policy rental houses are significant components of China's housing security system to solve the housing difficulties faced by new urban residents and newly employed graduates in large and medium-sized cities with net inflow of population. They are also key measures to implement the policy that houses are for living in and not for speculation, as well as to promote the transformation of the housing system encouraging both lease and purchase.

The Group continued to explore the use of financial services as a leverage and connection to participate in the development of housing rental market, helped the nation to improve housing security system, supported the development of policy rental houses, and explored market mechanisms, experience and models which can replicable and scalable. In 2020, the Bank signed strategic cooperation agreements on the development of policy rental houses with 11 cities including Guangzhou, Hangzhou, Shenyang and Nanjing. According to the agreements, the Bank will give full display to its advantages in fund, technologies, channels and the parent-subsidiary interaction, and provide a package of comprehensive services to the pilot cities, including financial product support, apartment sourcing and operation, and IT system support. As per preliminary estimates, the Bank has planned to provide RMB300 billion credit funds within three years to provide 1.2 million policy rental houses to target groups such as new urban residents and newly employed graduates in these 11 pilot cities, and solve the housing problems of around 2 million new urban residents.

Capitalizing on IoT technologies to improve the quality of living, "CCB Home" Beijing Zhenwu Community boosted the application of the "CCB Home" platform and created IoT smart apartments with smart homes, hotel-style services, and shared spaces, satisfying people's yearning for a better living environment.

The "CCB Startup Station" enabled entrepreneurs to find their platforms. The Bank built the first "CCB Startup Station" incubation base in Kexing Science Park, Nanshan District, Shenzhen, mobilising various social resources to create a "Finance + Incubation + Industry + Guidance" online and offline integrated service platform for innovative and entrepreneurial enterprises, thereby providing panoramic, all-dimensional and full-life-cycle financial services.

Inclusive finance strategy

Adhering to the concept of innovation-driven development, platform-based operation and sharing and empowerment, the Group continuously improved the new mechanism of inclusive finance, focused on creating a new ecosystem for inclusive finance, and further improved inclusive finance services for customers. It diversified the digital product system, realised the rapid customisation of new products on demand, and launched a series of products with new pattern, such as "Quick Loan for Small and Micro Businesses", "Yunong Quick Loan", "Quick Loan for Transactions" and "Quick Loan for Personal Business". By the end of 2020, loans granted by the Group had exceeded RMB3.6 trillion, benefiting more than 1.70 million customers. The Group deepened the platform-based operation, established a customer-oriented real-time interactive comprehensive service platform through the "Finance + Scenario" approach, greatly expanded customer coverage, and improved service efficiency and customer experience. It launched the "CCB Startup Station" to create an incubator platform for entrepreneurship and innovation. It continuously improved the risk control ability, and built a "digital, whole-process, standardised" intelligent risk control and management system for inclusive finance to ensure the stable credit asset quality of inclusive finance. At the end of 2020, the Bank's inclusive finance loans increased by RMB489.2 billion from 2019 to RMB1.45 trillion, and the interest rate of inclusive loans granted to small and micro businesses in 2020 was 4.31%, down 0.64 percentage points over 2019. The number of inclusive finance loan borrowers increased by 375,200 from 2019 to 1,700,300. The Bank set up new outlets preferentially in county regions, which had a total of 4,323 outlets at the county level.

The Group actively pressed ahead with the development of financial services for rural revitalisation. The total number of "CCB Yunongtong" inclusive finance service outlets was 540,000, covering 80% of towns, townships and administrative villages across the country. More than 100 million services were provided to tens of millions of farmers through outlets in 2020. The Group focused on creating an online loan products system of "Yunong Quick Loan" for farmers, integrating internal and external data, and profiling accurately farmers to effectively reduce financing costs of agriculture-related loans. At the end of 2020, the balance of agriculture-related loans of the Bank was RMB2.09 trillion, up RMB280,582 million or 15.52% from 2019. Specifically, the balance of agriculture-related corporate loans was RMB1.54 trillion; the balance of agriculture-related personal loans was RMB552,212 million; the balance of agriculture-related inclusive loans was RMB231,237 million. The number of agriculture-related loans borrowers was 2,000,700 with an average interest rate of agriculture-related loans was 4.75%, down 0.17 percentage points over 2019.

The Bank provided "CCB Yunongtong" financial services to Miao village. Villagers in Hangwu Miao Village, Guzhang County, western Hunan enjoyed convenient financial services at their doorsteps without making arduous trips across hills and rivers.

Feature article Launch "CCB Huidongni" to explore new models of inclusive finance

The Bank, adhering to the development concept of "digitalisation, platform, ecology and empowerment", created "CCB Huidongni" as a one-stop financial service platform for inclusive finance customers, such as small and micro businesses, individual businesses, by using internet, big data and biometric technologies. "CCB Huidongni" took credit financing as the core, integrated accurate online estimation of credit limit, account opening service appointment, loan granting, refinancing and deferral of principal, value-added services, smart and supportive functions, and released more than 30 credit products and over 20 exclusive functions and services for inclusive customers, and provided inclusive financial customers with one-stop online services with multi-access and direct communication. By the end of 2020, "CCB Huidongni" had accumulated attracted more than 110 million visits, been downloaded more than 15 million times, through which RMB440 billion loans were granted to borrowers with continuously improved credit support capacity.

"CCB Huidongni" continued to enrich the supply of credit products to meet the diversified financing needs of inclusive customers. It innovated the credit business model, created the "Internet Access + Whole-Process Online Credit Business Process", and supported customers to independently initiate loan application, sign contracts, draw down and repay loans. It fully empowered the production and operation of small and micro businesses, and provided comprehensive services such as "CCB Startup Station", smart government affairs services, and online-class for small and micro businesses. It innovated and launched the "VISTA" ecological connection model and empowered small and micro businesses and external platforms through the output of financial capabilities and data sharing. In the wake of COVID-19, the Group launched quick application and WeChat applet of "CCB Huidongni", which became an important channel for enterprises to raise funds and to serve customers.

Feature article Further roll out the concept of New Finance to promote rural revitalisation

Adhering to the concept of developing New Finance, the Group strove to develop a featured brand of "CCB Yunongtong" with FinTech. It built "CCB Yunongtong" inclusive finance service outlets, provided comprehensive services such as smart village affairs, e-commerce, convenience affairs and financial services for the vast number of residents living in rural areas, and built outlets into offline comprehensive service centres with "warmth". It issued "Rural Revitalisation Yunongtong Card" to provide benefits and discounts to farmers. The Group built the "CCB Yunongtong" comprehensive service platform for rural revitalisation, and enabled farmers, small and micro businesses and agriculture-related market entities to independently access financial and non-financial services online. By the end of 2020, the rural revitalisation comprehensive service platform had deployed 15 functional modules, launched 600 frequent convenience services online, and recorded over 7 million clicks. The Group developed a financial service system for ecosystem scenarios of "CCB Yunongtong" rural industrial chain, and provided comprehensive services for all kinds of operating entities of the industrial chain by focusing on rural industrial clusters and featured agriculture. By the end of 2020, the Group had initiated pilot programmes on the building of financial services for featured agricultural ecological scenarios, such as the revitalisation of Inner Mongolia dairy industry, Pu'er tea industry in Yunnan, vegetable industry in Shouguang, Shandong Province, sugar industry in Guangxi, kiwi fruit industry in Guizhou and navel orange industry in Ganzhou.

FinTech strategy

The Group further pressed ahead with FinTech strategy. The support capacity of AI technology was basically established, with 424 AI scenarios covering areas such as customer service, risk management, centralised operation, and smart government affairs service. The support capacity of application of big data played an important role in the digitalised operation. It further improved the layout of blockchain and expanded the application and innovation of blockchain technology in areas such as cross-border trade, smart government affairs, and supply chain service. It completed the pilot project of Internet of Things (IoT) specific network, and its IoT platform connected to more than 200,000 IoT terminals and empowered 15 IoT applications, including the "Intelligent Security", "5G⁺ Intelligent Banking" and "CCB Yunongtong", featuring a preliminarily established IoT ecology. It formed a flexible, agile and cloud-oriented financial infrastructure supply capacity based on "CCB Cloud", and provided cloud services support for 346 applications in 9 areas including government affairs, housing, financial institutions, and livelihood, outperforming its domestic peers in terms of overall scale and service capacity. It completed the distributed transformation of the core banking system and started the dual-track parallel verification. It was the first to establish the Laboratory of Quantum Application in Finance among its domestic peers to explore the applications of quantum security, quantum communication and quantum computing in financial scenarios. The popularisation of the integrated collaborative development platform between Head Office and branches further boosted the IT service supply of branches. It continuously improved the enterprise-level cybersecurity and information security management system, and further enhanced its security protection capability. The Bank won six major awards of the 2019 Bank Technology Development Award by the PBC, and was the only bank listed in the "Forbes BlockChain 50" in China.

The Bank launched its first "5G⁺ Intelligent Banking" outlet in Guangzhou. With a more digitised, scenario-based and intelligent service model, the outlet was a complex of financial services that served as transaction centre, innovation centre, culture centre, exhibition centre and communication centre. It brought customers new business forms and concepts, created new ecology and experience, and served as new business driver. It was an exploration that shifted away from traditional banking to future banking.

At the end of 2020, the number of FinTech personnel of the Group was 13,104, accounting for 3.51% of its total headcount. In 2020, the Group's FinTech investments were RMB22,109 million, an increase of 25.38% over 2019, accounting for 3.10% of the operating income. The Group had been granted a total of 564 patents, including 368 invention patents, ranking first within the invention patents in the domestic banking industry.

CORPORATE BANKING

Corporate financial service

The Bank strengthened channel capacity and scenario deployment, and enhanced its capability to acquire and reactivate customers with the help of digitalised operation. As a result, the corporate deposits grew steadily. At the end of 2020, domestic corporate deposits of the Bank amounted to RMB9.70 trillion, an increase of RMB757,885 million or 8.48% over the end of 2019. In this amount, demand deposits increased by 5.85%, and time deposits increased by 13.63%.

The Bank continued to optimise its credit structure to fully support the development of the real economy, and maintained a steady growth of corporate loans. At the end of 2020, domestic corporate loans and advances of the Bank amounted to RMB8.36 trillion, an increase of RMB1.40 trillion or 20.12% over the end of 2019. The NPL ratio of corporate loans and advances was 2.56%. The balance of loans to infrastructure sectors reached RMB4.33 trillion, an increase of RMB650,435 million or 17.66% over the end of 2019, accounting for 51.85% of domestic corporate loans and advances, with the NPL ratio of 1.79%. According to the PBC statistical standard, the balance of loans to private enterprises was RMB2.89 trillion, an increase of RMB624,200 million or 27.60% over the end of 2019. The loans to strategic emerging industries were RMB615,520 million, an increase of RMB81,969 million or 15.36% over the end of 2019. The balance of property development loans amounted to RMB472,728 million, an increase of RMB76,425 million over the end of 2019. The loans to overcapacity industries dropped by RMB6,050 million to RMB108,546 million as compared to the end of 2019. The Group had provided 65,500 enterprises in 3,693 industrial chains with a total of RMB562,659 million online supply chain financing support on a cumulative basis. A total of RMB127,459 million special wage loans were provided to 11,972,100 migrant workers via "Mingonghui".

Institutional business

The Bank pressed ahead with the smart government affairs services strategy, thereby realising the full connectivity across the six administrative levels of nation, province, city, county, township and village, and winning approval from governments at all administrative levels and recognition from the public. By the end of 2020, the Bank had established cooperative relationships with 28 provincial governments, and supported 13 provincial and 10 municipal governments to establish "Internet + Smart Government Affairs" and "Internet + Supervision" platforms. The total number of registered users of the online platform exceeded 120 million, the total number of processed government affairs reached nearly 1 billion, and the total number of APP downloads exceeded 100 million. The government affairs services payment system covered 37 tier-1 branches, enabling online payment over 8,000 charging items with total payment exceeding RMB20 billion. 93% of the Bank's outlets enabled the government affairs services functions, which could process, make appointments for and inquire about more than 3,700 government affairs items. The smart government affairs services platform of the Bank won the first prize of 2019 Sci-Tech Development of Banks awarded by the PBC and the Excellent Achievement Award of 2020 Government Informatisation Construction by the China Information Industry Association.

The Bank comprehensively deepened its digitalised and platform-based operation, innovatively built and promoted 13 institutional business social service platforms including "CCB Smart Campus Application", "CCB Smart Healthcare Application" and "CCB Rural Collective Assets Management", and built diversified scenarios to assist in solving issues facing governments, society and people's livelihood. For two consecutive years, the Bank was awarded the double first prize in the comprehensive assessment of two agency services, namely, the national treasury centralised payment business and non-tax revenue collection business of the MOF. For six consecutive years, the Bank was the exclusive sponsor of the "CCB Cup" China International College Students' 'Internet +' Innovation and Entrepreneurship Competition.

International business

The Bank actively helped to build a new development pattern of "dual circulation". It issued an implementation plan on financial support for stabilising foreign trade and investment and proposed 29 measures in seven areas. It continued to increase the supply of foreign trade loans and the supply of trade finance reached RMB1.35 trillion, a year-on-year increase of 44.36%. It took multiple measures to promote the coordinated development of the global industrial chain through "white lists", Credit Insurance Finance for SMEs and "government+bank+credit insurance"mode. It was one of the first entities to establish direct connection with the "China International Trade Single Window" of the General Administration of Customs, and launched over 10 financial service functions. It was the first domestic bank to launch "Cross-border Quick Loan" series of products featuring online, unsecured and pure credit, to serve small and micro foreign trade enterprises. The Bank's "Cross-border e+" comprehensive financial service platform had 180,100 contracted customers, up 15.81% over 2019. It was the first domestic bank to launch the Block Chain Trade finance platform, with the trading volume of over RMB700 billion and attracting 75 domestic peers. "CCB Match Plus" cross-border matchmaking platform launched featured sections such as the Belt and Road, Guangdong-Hong Kong-Macao Greater Bay Area, and the CHINA RAILWAY Express, and set up 3D digital banking exhibition halls for international exhibitions such as the first online China Import and Export Fair and the China International Fair for Trade in Services. It made overall use of products and services such as international syndicate, cross-border merger and acquisition, export credit, project financing, financial leasing, and actively provided all-round financial support and financing facilities for the Belt and Road construction.

The Bank's RMB clearing banks in the UK, Switzerland and Chile operated steadily. CCB London Branch continued to be the largest RMB clearing bank outside Asia, with a cumulative clearing amount of over RMB52 trillion. In 2020, the Bank's cross-border RMB settlement volume reached RMB2.17 trillion, serving nearly 30,000 cross-border RMB settlement customers.

Asset custody services

The Bank strengthened coordination and interaction across the Group, cultivated the brand of "CCB SMART Custody", advanced the digitalised construction of custody services, and enhanced its global service capacity. The Bank won the qualification as a custodian bank for basic pension insurance fund, and was the first to obtain the qualification for offering outsourcing services to wholly foreign-owned mutual funds. The Bank proactively provided custody services for the National Strategic Fund on manufacturing transformation and upgrade and the first batch of Exchange Traded Funds (ETFs) of the Science and Technology Innovation Board 50 Index. It was the first to provide custody services to the first wholly foreign-owned insurance company in China, and ranked first in terms of the number of new custody customers with QFII and RQFII approvals among all custodians in the market. The Bank was awarded the "Custodian Bank of the Year in China" by *THE ASIAN BANKER*. At the end of 2020, assets under the Bank's custody amounted to RMB15.25 trillion, an increase of RMB2.13 trillion or 16.19% over the end of 2019; and fee income from custody service was RMB5,533 million, an increase of RMB841 million or 17.92% over the end of 2019.

Settlement and cash management business

The Bank practiced the concept of "payment for the people" and strived to improve the quality and efficiency of corporate settlement account services. It promoted the scenario-based application of key products, innovated the first "Professional Employment Platform" among domestic peers, strived to build the "Fund Supervision Plus" service ecosystem, upgraded the C-community consumption scenario services of "Huishibao", and comprehensively enhanced its capability to serve the national strategy and the real economy as well as to improve people's livelihood. The Bank actively pressed ahead with pilot projects of integrating RMB and foreign currency account systems, upgraded the global cash management service system and launched SWIFT-AMH (Alliance Message Hub) services for several large and medium-sized multinational enterprise groups, continuously enhancing the integrated operation capacity of domestic and foreign currencies. At the end of 2020, the Bank had 11,461,800 corporate RMB settlement accounts, an increase of 408,400 over the end of 2019, while its active cash management customers increased by 394,100 to 2,843,400 from the end of 2019.

PERSONAL BANKING

Personal financial service

The profit contribution and market competitiveness of retail banking were fully enhanced. The building of platform and capability improvement in investment and wealth management saw favourable progress. In 2020, the wealth health check services on "Long Fortune" platform was used by 39,880,200 customers, an increase of 67.15% over 2019. The sales volume of AI-assisted investment advisory services of "Long Fortune" was RMB10,273 million, an increase of 461.05% over 2019. The Bank achieved inspiring operating results and social reputation through launching "CCB WMPs Season", during which the personal customers of investment and wealth management services increased by 4,460,600. The Bank gradually obtained accurate customer profiling and overall customer insights, innovated ecological and digital connection and comprehensive products supply, and improved network access via multiple channels. It developed driving scenarios for car owners and built an integrated online and offline ecological circle consisting of parking, car washing, refuelling and insurance. The Bank upgraded the ecological integration of consumer scenarios from all aspects, built the "Long Pay" operation system from the perspective of users, and organically embedded digital accounts and "Long Pay" in the platform scenarios to support the customer connection, acquisition and reactivation for C-Community. It continued to consolidate the personal customer base and capital base, realising rapid growth in personal deposits and in financial assets and benefit contribution of personal customers. At the end of 2020, domestic personal deposits of the Bank increased by RMB1.48 trillion or 16.99% over the end of 2019, to RMB10.18 trillion. Financial assets of personal customers exceeded RMB13 trillion. The proportion of profit before tax of personal banking was 61.21%.

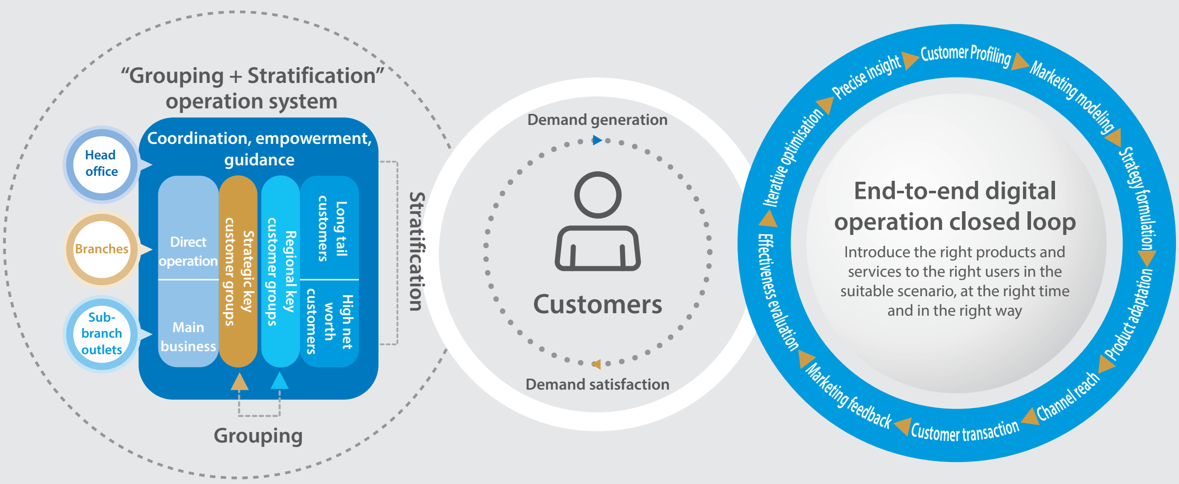
In accordance with the requirements of China's macro-control policies and long-term mechanism for the real estate market, the Bank strictly implemented differentiated credit policies for residential mortgages, supporting the reasonable housing consumption demand of families. The Bank continued to innovate personal consumption loans, to support consumption upgrading. At the end of 2020, domestic personal loans of the Bank increased by 11.68% over the end of 2019, to RMB7.23 trillion. Specifically, the balance of residential mortgages of the Bank increased by 9.91% over the end of 2019, to RMB5.83 trillion. The balance of self-service loans via e-channels, i.e., "CCB Quick Loans", was RMB246,427 million, an increase of RMB73,281 million, or 42.32% over the end of 2019, serving tens of millions of customers.

Feature article: Deepen digital transformation of the retail banking business

In 2020, the Bank actively explored digitalised operation of retail banking business, and focused on enhancing market competitiveness and value contribution.

The Bank closely followed the digitalised operation idea of "building ecologies, setting up scenarios, expanding user base", and built a digital-driven "layered and sub-group" operation system for personal customers. It formed a closed-loop agile iteration mechanism for digitalised operation, covering customer insights, product matching, channel access, evaluation and monitoring, continued to promote user-customer continuous operation, and effectively improved services to cover all personal customers and the efficiency of value conversion. The Bank actively explored the building of ecological scenarios, accelerated the capacity building in the middle platform of business, and implemented enterprise-level user management systems and programmes to systematically and further create ecological value from scenarios and achieve refined user management. The Bank significantly improved the ability to acquire customers via ecological scenarios, successfully created illustrative models such as user accounts, digital payments, and scenario-based marketing. The cumulative number of ecological scenario accounts was 10.29 million, achieving higher quantity and quality. The Bank actively explored vertical ecological business models in key areas, such as senior citizen caring, housing, travel, and community. The Bank improved the interaction with users by focusing on digital content and activity operation to continuously enhance the brand influence. The main hall of the "CCB WMPs Season" attracted 10.37 million visitors and the innovated "CCB Coin" user grow-up right and interest system was launched. The Bank adopted new models of live streaming commerce and fission marketing for "Forbidden City Lucky Animals" series of products, to effectively enhance the ability to create hot products. The Bank launched "Client Manager Cloud Workshop", a digital tool of private traffic management, to attract over 60 million visitors and sell over RMB200 billion investment and WMPs in 2020.

Digitalised Operation Closed Loop of Retail Banking Business



Entrusted housing finance business

The Bank improved financial service support by relying on FinTech to help the country use national housing funds for the prevention and control of COVID-19 and people's livelihood. In line with the reforms to streamline administration, delegate powers, and improve regulation and services, the Bank pressed ahead with data sharing of the national housing and construction system, continuously optimised business processes, and improved customer service capabilities. At the end of 2020, the balance of housing fund deposits was RMB971,879 million, and the balance of personal provident housing fund loans was RMB2.60 trillion. The Bank had cumulatively provided RMB117,116 million personal indemnificatory housing loans to nearly 600,000 low- and middle-income households.

Debit card business

The Bank continuously improved the functions and services of debit card products to promote the activity of debit card transactions, continuously pressed ahead with the PBC's mobile payment demonstration project to provide convenience service, and upgraded the "Long Pay" products and user management. At the end of 2020, the number of debit cards in use was 1,208 million, including 668 million financial IC debit cards. The transaction volume of debit cards in 2020 was RMB23.48 trillion. The cumulative number of users of the "Long Pay" products was 158 million.

Credit card business

The Bank focused on target customers, enhanced the model automation operation capability, strengthened the building of online and offline scenarios, and comprehensively enhanced its digitalised operation capability. The Bank further built the scenario ecology, accelerated the building of three types of business areas, namely airports and high-speed rail stations, urban commercial complexes, and gas stations, by offering favourable interest rates, explored consumption scenarios welcomed by consumers, cooperated with leading companies such as Alipay, Douyin, Baidu, JD and Meituan on joint promotion, card payment and bonus points conversion to help expand domestic demand and promote consumption upgrade. The Bank strived to improve the living standards of the public, increased the support in auto consumption, and provided services to nearly 800,000 car owners in 2020. The Bank launched the "CCB Home Improvement Festival" as a one-stop application platform, and granted loan installment for housing decoration to 420,000 families in 2020. The Bank continued to improve the anti-fraud models and strategies, enhanced merchant risk monitoring and continuously improved its risk control and compliance management capability.

At the end of 2020, the cumulative number of credit cards issued by the Bank and customers reached 144 million and 104 million, respectively. The spending amount via credit cards totalled RMB3.05 trillion. The loan balance was RMB825,710 million with the NPL ratio of 1.40%. The Bank continued to outperform its peers in terms of core indicators such as the number of customers, loan balance and asset quality.

Private banking business

The Bank focused on meeting the needs of high-net-worth customers for their wealth management, assets allocation and quality services by constantly improving professional capabilities, and maintained a good development momentum. Adhering to the perspective of customers and focusing on wealth management, the Bank improved the professional service system of wealth planning, assets allocation, and legal and tax consulting, and innovated and customised family wealth management services such as fully entrusted asset management and family funds, and consolidated its leading position in family trust advisory business among peers, with assets under management reaching RMB41,812 million. The Bank published professional reports on topics such as macro strategy analysis and legal and tax affairs, and held high-level salons such as family wealth forum. The Bank provided customers with customised services, enhanced customer trust, improved the integrated online and offline operation, optimised the layout of the private banking centres, and built a digital application system for private banking, all of which helping to improve customer experience. At the end of 2020, private banking customers' assets under management reached RMB1.78 trillion, up RMB270,063 million or 17.89% over the end of 2019. The number of private banking customers amounted to 160,794, up 18,055 or 12.65% over the end of 2019.

TREASURY BUSINESS

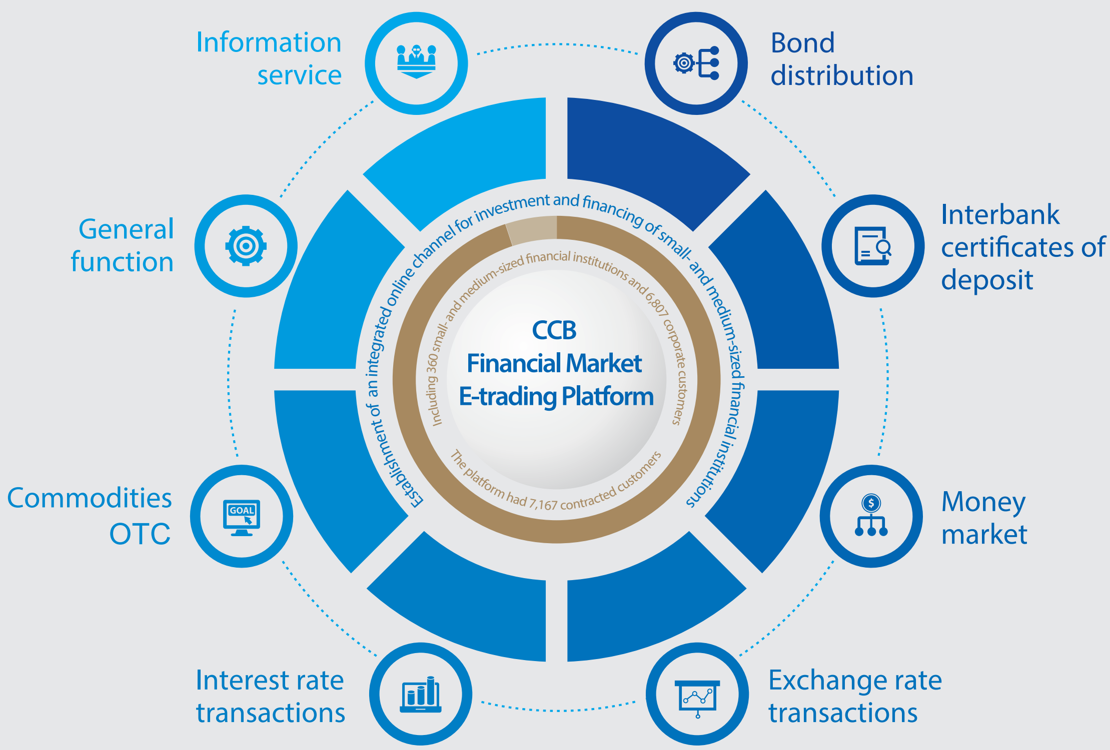
Financial market business

The Bank actively responded to internal and external challenges to its financial market business, continued to make progress in trading platforms, FinTech development, digitalised operation, compliance management and risk control, and continued to maintain a leading position among its peers in terms of key business indicators.

Feature article Build CCB Financial Market E-trading platform to create a financial ecosystem

Adhering to the concept of offering services of "connectivity and integrity", the Bank promoted independent research and development of CCB Financial Market E-trading platform, provided small- and medium-sized financial institution customers and corporate customers with professional, smooth, convenient, comprehensive and intelligent trading and investment services in financial markets. The Bank shared its strengths in trading, research, and FinTech to build a financial ecosystem that kicked start a benign cycle.

The Bank built an integrated online channel for investment and financing of small- and medium-sized financial institutions to meet their demand for bond investments, money market transactions and subscriptions to interbank certificates of deposit issued by the Bank. The Bank relied on its "intelligent investment advisor" and other FinTechs to empower corporate customers, customised exchange rate and interest rate risk management plans, and provided value-added services such as sharing the Bank's latest research reports of the financial markets and market financial information. By the end of 2020, the platform had launched a total of eight modules, namely bond distribution, interbank certificates of deposit, money market, exchange rate transactions, interest rate transactions, commodities OTC, general function and information service, covering all aspects of the financial market business. The platform had 7,167 contracted customers, including 360 small- and medium-sized financial institutions and 6,807 corporate customers. In 2020, the Bank issued 2,856 notices on tender information for bond issuance to small- and medium-sized financial institutions through the platform, completed 1,366 distribution transactions with 315 small- and medium-sized financial institutions, and successfully issued 189 tranches of interbank certificates of deposit of the Bank.



Money market business

The Bank used a combination of money market tools to maintain reasonable RMB and foreign currency positions, and strengthened proactive management to ensure stable liquidity. With regard to RMB money market business segment, the Bank paid close attention to changes in monetary policies with in-depth understanding of market movement patterns to enhance the transaction capacity. Annual transactions in the RMB money market segment hit another record high, up 86% over 2019. With regard to foreign currency money market business segment, the Bank tracked USD market liquidity and changes in polices of US Federal Reserve, established and implemented layered liquidity management strategies to ensure reasonable and adequate foreign currency liquidity. The Bank actively participated in the reform of InterBank Offered Rates (IBOR) and was among the best in the interbank Foreign Currency Lending (FCL) Quoting Banks.

Debt securities business

The Bank adhered to the strategy of value investment and optimised its portfolio structure. The Bank paid close attention to interest rate changes in global market, continued to predict interest rate movements, adjusted its pace of investment when appropriate, and increased band operations in order to raise the overall return on investments. The Bank actively improved efficiency in accordance with fiscal policies by taking a combination of measures to support the need for fighting against COVID-19, and increased investments in high-quality domestic and overseas corporate bonds to support the development of the real economy.

Customer-based trading business

The Bank steadily promoted the high-quality development of its customer-based trading business. It consolidated its customer base, actively expanded its overseas institutional investors base, with a steadily increasing number of customers. The Bank fully seized the development opportunity of RMB interest rate liberalisation, actively pressed ahead with the product innovation of interest rate derivative business in order to meet the diversified needs of customers. The Bank successfully launched the "Blue Core Exchange Rate Portfolio Management Platform", taking the lead among its peers in terms of system autonomy and comprehensive function. In 2020, customer-based trading business amounted to US$456.4 billion, and the volume of foreign exchange market-making transactions reached US$3.95 trillion. The Bank maintained its competitive strength in the comprehensive ranking for interbank foreign exchange market makers.

Precious metals and commodities

The Bank continued to promote the steady development of its precious metals and commodities business. It actively supported the demand of medical and safety supplies manufacturers for hedging the price of raw materials by reducing their hedging costs, and helped enterprises to resume work and production. It strengthened digitalised operation and improved customer experience. It closely followed market changes and strengthened the protection of consumers' rights and interests. In 2020, the total trading volume of precious metals of the Bank reached 118,000 tonnes.

Assets management

The Bank continued to promote the building of a new system for asset management at the group level, strengthened key activities such as assets allocation, channel sales, investment research and investment operation, FinTech, and risk management. It strictly followed regulatory guidance to carry out operation and rectification of existing WMPs in a smooth and orderly manner. It accelerated asset management business model transformation and innovation and strove to build the third pillar of business development. At the end of 2020, the Group's WMPs were RMB2,224,848 million. In this amount, those managed by the Bank were RMB1,527,864 million, and those managed by CCB Wealth Management, its subsidiary, were RMB696,984 million.

In 2020, the Bank independently issued various WMPs totalling RMB7,132,244 million to effectively meet the investment needs of customers. In this amount, 38 net-asset-value type WMPs were launched, with a balance of RMB293,929 million, accounting for 19.24% of the total. The balance of expected-return WMPs was RMB1,233,935 million, accounting for 80.76% of the total. The balance of WMPs to personal customers was RMB1,112,517 million, accounting for 72.82% of the total; and that to corporate customers was RMB415,347 million, accounting for 27.18% of the total. To protect the interests of customers, the Bank carried out product transition to its subsidiary in an orderly manner, with a better improved asset structure and a higher proportion of standardised assets. The standardised assets that can be traded in open market amounted to RMB984,434 million, accounting for 60.13% of the total, up 13.07 percentage points over 2019.

In 2020, CCB Wealth Management issued various WMPs totalling RMB696,984 million. The balance of WMPs to personal customers was RMB590,995 million, accounting for 84.79% of the total; that to corporate customers was RMB105,989 million, accounting for 15.21% of the total. The standardised assets that can be traded in the open market accounted for 63.65% of the total, amounting to RMB494,003 million.

The number and amount of issuance, maturity and opening/closing positions of WMPs of the Bank during the reporting period are as follows.

	As at 31 December 2019		Issuance		Maturity		As at 31 December 2020	
(In millions of RMB, except periods)	Periods	Amount	Periods	Amount	Periods	Amount	Periods	Amount
Principal guaranteed WMPs	179	176,847	99	227,665	277	347,658	1	56,854
Non-principal guaranteed WMPs	4,003	1,885,050	5,734	6,904,579	7,347	7,318,619	2,390	1,471,010
Total	4,182	2,061,897	5,833	7,132,244	7,624	7,666,277	2,391	1,527,864

The balances of the Bank's direct and indirect investments of wealth management business as at the dates indicated are as follows.

	As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Cash, deposits and interbank negotiable certificates of deposit	393,298	24.02	533,876	24.88
Bonds	688,972	42.08	679,460	31.67
Non-standardised debt assets	358,187	21.88	721,420	33.62
Other assets	196,807	12.02	211,001	9.83
Total	1,637,264	100.00	2,145,757	100.00

Investment banking business

The Bank built an online empowering investment banking ecosystem to realise the rapid development of channels, products, customer bases and platforms. The Bank continued to improve the efficiency and effectiveness of portfolio financing in serving the real economy and provided RMB732.2 billion standardised direct financing for non-financial enterprises. Specifically, the Bank underwrote and issued 851 batches of bonds for enterprises of the real economy, raising a total of RMB532.2 billion. Its underwriting volume of asset-backed notes reached RMB57,154 million, ranking first in the market. It completed the issuance of RMB71.4 billion of corporate credit asset-backed securities and the improvement and upgrade of the ecosystem of "FITS® 6+1" smart investment banking. The Bank pressed ahead with inclusive finance by providing free access to intelligent financial advisory service system named "FITS® e Intelligent" for 19,000 small- and micro-sized enterprises. It issued the first RMB50 billion inclusive finance products of online quick loan asset-backed securities in the market, and issued RMB9,342 million asset-backed notes relating to reverse factoring supply chain, thereby collectively providing funds for 5,360 upstream small- and micro-sized customers. The Bank raised a total of RMB24,345 million for the strategic emerging industry fund and issued RMB20 billion innovation and entrepreneurship financial bonds. It participated in the establishment of the National Green Development Fund by investing RMB8 billion, issued RMB6.6 billion green bonds for enterprises, and underwrote RMB4.4 billion green credit asset-backed securities. In 2020, the Bank's income from investment banking reached RMB7,066 million, up RMB1,530 million from 2019 with a significant increase in the market share. The Bank also had 39,748 effective investment banking customers.

Financial Institutional business

Based on the one-stop "interbank cooperation platform", the Bank integrated big data, cloud computing, AI and other technological methods to build diversified application scenarios and share financial service experience. The Bank launched the "Hui" series of products to share risk control capabilities and explored a new model of healthy and sustainable interbank cooperation. The platform cooperated with 2,673 financial institutions. The Bank signed strategic cooperation agreements with multiple key customers, and conducted business cooperation with multiple foreign financial institutions in China in the fields such as deposit, custody, agency services and FinTech. It won several awards from Shanghai Clearing House, China Central Depository & Clearing Co., Ltd. and Shanghai Commercial Paper Exchange Corporation Ltd. At the end of 2020, the amounts due to other domestic financial institutions (including insurance deposits) were RMB1.81 trillion, an increase of RMB280,245 million over the end of 2019. The Bank's assets placed with other domestic financial institutions amounted to RMB724,483 million, an increase of RMB40,474 million over the end of 2019.

OVERSEAS COMMERCIAL BANKING BUSINESS

The Group steadily expanded its overseas business and its network of overseas commercial banking institutions to enhance globalised customer service capability and international competitiveness. In June 2020, CCB Europe Hungary Branch received its banking license and completed the local registration. By the end of 2020, the Group had established overseas commercial banking institutions in 30 countries and regions. The Group had wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand, CCB Brasil and CCB Malaysia, and held 60% of equity in CCB Indonesia. Net profit of overseas commercial banking institutions of the Group in 2020 was RMB5,820 million, a year-on-year decrease of 34.95%.

CCB Asia

China Construction Bank (Asia) Corporation Limited is a licensed bank registered in Hong Kong with an issued and fully paid capital of HK$6,511 million and RMB17,600 million.

CCB Asia holds a banking license to engage in multiple lines of business, with its core base in Hong Kong and a wide reach that spreads to Macau, the mainland of China and Southeast Asia. The targeted customers of its wholesale business include local Blue-Chip and large Red-Chip companies, large Chinese conglomerates and multinational corporations, while it also provides quality financial services to premium local customers. CCB Asia has rich experience and traditional advantages in providing professional financial services such as overseas syndicated loans and structured finance and has achieved rapid growth in corporate financial services in international settlement, trade finance, financial market trading, large structured deposits and financial advisory service. CCB Asia is the Group's service platform for retail and small and medium-sized enterprises in Hong Kong, and has 42 outlets (including branches, wealth management centres and personal loan centres). At the end of 2020, total assets of CCB Asia amounted to RMB389,121 million, and shareholders' equity was RMB65,246 million. Net profit in 2020 was RMB3,320 million.

CCB London

China Construction Bank (London) Limited, a wholly-owned subsidiary of the Bank, was established in the UK in 2009, with a registered capital of US$200 million and RMB1.5 billion.

In order to better respond to changes in the external market environment and the needs of internal operation and management, the Group gradually promoted the business integration of its London institutions, and the existing businesses of CCB London were transferred to London Branch in an orderly manner. At the end of 2020, total assets of CCB London amounted to RMB3.46 billion, and shareholders' equity was RMB3.46 billion. Net profit in 2020 was RMB23 million.

CCB Russia

China Construction Bank (Russia) Limited, established in Russia in 2013, is a wholly-owned subsidiary of the Bank, with a registered capital of RUB4.2 billion. CCB Russia holds a comprehensive banking license, a precious metal business license and a security market participant license issued by the Central Bank of Russia.

CCB Russia is dedicated to serving Chinese enterprises in Russia, large Russian enterprises and multinational enterprises involved in Sino-Russia bilateral trade. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, financial market trading, financial institutional business, clearing, etc. At the end of 2020, total assets of CCB Russia amounted to RMB2,133 million, and shareholders' equity was RMB571 million. Net profit in 2020 was RMB17 million.

CCB Europe

China Construction Bank (Europe) S.A., a wholly-owned subsidiary of the Bank, was established in Luxembourg in 2013, with an initial registered capital of EUR200 million. It completed procedures related to capital injection in July 2020 and therefore the registered capital increased to EUR550 million. Based in Luxembourg, CCB Europe has established branches in Paris, Amsterdam, Barcelona, Milan, Warsaw and Hungary.

CCB Europe mainly provides services to large and medium-sized enterprises in Europe as well as European multinational enterprises in China. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, and cross-border trading. At the end of 2020, total assets of CCB Europe amounted to RMB13,732 million, and shareholders' equity was RMB4,249 million. Net losses in 2020 were RMB35 million.

CCB New Zealand

China Construction Bank (New Zealand) Limited, a wholly-owned subsidiary of the Bank, was established in New Zealand in 2014, with a registered capital of NZD199 million.

CCB New Zealand holds wholesale and retail business license, and offers all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and cross-border trading. At the end of 2020, total assets of CCB New Zealand amounted to RMB8,768 million, and shareholders' equity was RMB1,137 million. Net profit in 2020 was RMB54 million.

CCB Brasil

China Construction Bank (Brasil) Banco Múltiplo S/A is a wholly-owned subsidiary acquired by the Bank in Brasil in 2014. The name of its predecessor, Banco Industrial e Comercial S.A., was changed to the present one in 2015.

CCB Brasil provides banking services, including corporate loans, trading and personal lending, as well as non-banking financial services such as leasing. CCB Brasil has eight domestic branches and sub-branches in Brasil, one Cayman branch, and eight subsidiaries. The subsidiaries provide personal loans, credit cards, leasing, factoring and other services. At the end of 2020, total assets of CCB Brasil amounted to RMB19,618 million, and shareholders' equity was RMB1,409 million. Net losses in 2020 were RMB728 million.

CCB Malaysia

China Construction Bank (Malaysia) Berhad, a wholly-owned subsidiary of the Bank, was established in Malaysia in 2016, with a registered capital of MYR822.6 million.

As a licensed commercial bank, CCB Malaysia provides various financial services, including global credit granting, trade finance, supply chain finance, clearing in multiple currencies, and cross-border fund transactions for key projects under the Belt and Road Initiative, enterprises engaging in Sino-Malaysian bilateral trade, and large local infrastructure projects in Malaysia. At the end of 2020, total assets of CCB Malaysia amounted to RMB8,736 million, and shareholders' equity was RMB1,463 million. Net profit in 2020 was RMB49 million.

CCB Indonesia

PT Bank China Construction Bank Indonesia Tbk is a fully licensed commercial bank listed on the Indonesia Stock Exchange. It completed procedures related to right issue in December 2020. The Bank invested IDR1.92 trillion to subscribe to these shares, and its proportion of ownership remained unchanged at 60%. The registered capital changed to IDR3.79 trillion. CCB Indonesia is headquartered in Jakarta and has 86 branches and sub-branches in Indonesia. The Bank completed the acquisition of 60% equity in PT Bank Windu Kentjana International Tbk in September 2016 and renamed it PT Bank China Construction Bank Indonesia Tbk in February 2017.

CCB Indonesia is committed to promoting the bilateral investment and trade between China and Indonesia, including providing major support to the Belt and Road Initiative, promoting local development and serving Blue-Chip companies in Indonesia, and its business priorities include corporate business, small and medium-sized enterprise business, trade finance and infrastructure finance. At the end of 2020, total assets of CCB Indonesia amounted to RMB11,752 million, and shareholders' equity was RMB2,797 million. Net profit in 2020 was RMB19 million.

INTEGRATED OPERATION SUBSIDIARIES

The Group has multiple domestic and overseas subsidiaries, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, Sino-German Bausparkasse, CCB Futures, CCB Pension, CCB Property & Casualty, CCB Investment, CCB Wealth Management and CCB International. In 2020, the overall development of integrated operation subsidiaries was robust with steady business growth. At the end of 2020, total assets of integrated operation subsidiaries amounted to RMB698,777 million. Net profit reached RMB7,967 million.

CCB Principal Asset Management

CCB Principal Asset Management Co., Ltd. was established in 2005, with a registered capital of RMB200 million, to which the Bank, Principal Financial Services, Inc. and China Huadian Capital Holdings Company Limited contribute 65%, 25% and 10%, respectively. It is engaged in the raising and selling of funds, and asset management.

CCB Principal Asset Management made full efforts to promote the development of various businesses, maintained safe and steady operation, and achieved good business performance. At the end of 2020, total assets managed by CCB Principal Asset Management were RMB1.36 trillion. Specifically, mutual funds were RMB465,529 million; separately managed accounts were RMB446,914 million, and assets managed by its subsidiary CCB Principal Capital Management Co., Ltd. reached RMB451,129 million. At the end of 2020, total assets of CCB Principal Asset Management were RMB7,941 million, and shareholders' equity was RMB6,852 million. Net profit in 2020 was RMB1,119 million.

CCB Financial Leasing

CCB Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2007, and the registered capital changed to RMB11 billion after it completed procedures related to capital injection in July 2020. It is mainly engaged in finance leasing, transfer and purchase of finance lease assets, fixed-income securities investment, etc.

CCB Financial Leasing made full use of its license advantages to support the prevention and control of COVID-19 and the resumption of work and production. It expanded domestic market by focusing on sectors such as "mass transportation", new infrastructure, green energy, advanced manufacturing, and people's livelihood services, promoted digital construction and empowered New Finance initiatives. It took multiple measures to prevent and mitigate existing risks to safeguard the bottom line of wiping out external risks and kept the NPL ratio at a lower level in the industry. At the end of 2020, total assets of CCB Financial Leasing were RMB131,574 million, and shareholders' equity was RMB20,576 million. Net profit in 2020 was RMB1,668 million.

CCB Trust

CCB Trust Co., Ltd. is a trust subsidiary invested and controlled by the Bank in 2009. In September 2020, it completed procedures related to capital injection, and the registered capital changed to RMB10.5 billion. The Bank and Hefei Xingtai Financial Holding (Group) Co., Ltd. hold 67% and 33% of its shares, respectively. It is mainly engaged in trust business, investment banking and proprietary business.

CCB Trust stepped up efforts in improving compliance in its operations, actively engaged in innovation-driven development, and delivered good operating results. At the end of 2020, trust assets under management amounted to RMB1,526,114 million. Total assets of CCB Trust were RMB43,702 million, and shareholders' equity was RMB22,566 million. Net profit in 2020 was RMB2,529 million.

CCB Life

CCB Life Insurance Co., Ltd. was established in 1998. In October 2020, it completed procedures related to capital injection, and the registered capital changed to RMB7.12 billion. The Bank, China Life Insurance Co., Ltd. (Taiwan), the National Council for Social Security Fund, Shanghai Jin Jiang International Investment and Management Company Limited, Shanghai China-Sunlight Investment Co., Ltd., and China Jianyin Investment Limited hold 51%, 19.9%, 16.14%, 4.9%, 4.85% and 3.21% of its shares, respectively. It is mainly engaged in personal insurance such as life, health, accidental injury insurance and reinsurance of the above-mentioned offerings.

CCB Life pressed ahead with its business transformation and its financial results continued to improve. At the end of 2020, total assets of CCB Life were RMB225,070 million, and shareholders' equity was RMB21,778 million. Net profit in 2020 was RMB856 million.

Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. was established in 2004 with a registered capital of RMB2 billion. The Bank and Bausparkasse Schwaebisch Hall AG hold 75.10% and 24.90% of its shares, respectively. As a specialised commercial bank committed to serving the housing finance sector, Sino-German Bausparkasse is engaged in housing savings deposits and loans, residential mortgages, and real estate development loans for indemnificatory housing supported by state policies.

Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products amounted to RMB32,179 million in 2020. At the end of 2020, total assets of Sino-German Bausparkasse were RMB25,060 million, and shareholders' equity was RMB3,010 million. Net profit in 2020 was RMB62 million.

CCB Futures

CCB Futures Co., Ltd. is a futures subsidiary invested and controlled by the Bank in 2014, with a registered capital of RMB561 million. CCB Trust and Shanghai Liangyou (Group) Co., Ltd. hold 80% and 20% of its shares, respectively. It is mainly engaged in commodity futures brokerage, financial futures brokerage, asset management and futures investment advisory business. CCB Trading Company Limited, a wholly-owned subsidiary of CCB Futures, is engaged in pilot risk management operations approved by the CSRC, such as warehouse receipt service and pricing service, and general trade business.

CCB Futures gave full play to its professional strength, strengthened its ability to serve the real economy and maintained steady improvement in all business lines. At the end of 2020, total assets of CCB Futures were RMB14,361 million, and shareholders' equity was RMB1,078 million. Net profit in 2020 was RMB24 million.

CCB Pension

CCB Pension Management Co., Ltd. was established in 2015 with a registered capital of RMB2.3 billion. The Bank and the National Council for Social Security Fund hold 85% and 15% of its shares, respectively. It is mainly engaged in investment and management of national social security funds, businesses related to management of enterprise annuity funds, entrusted management of pension funds, and pension advisory service for the above-mentioned asset management activities.

CCB Pension engaged deeply in pension finance, supported the development of pension business, and steadily promoted the building of pension finance ecosystem. It successfully initiated the move to establish the regional pension industry alliance, actively promoted the implementation of the "house deposit for pension" strategy, and won all the public tenders for occupational annuity plans of centrally managed regions. At the end of 2020, assets under management amounted to RMB510,558 million. Total assets of CCB Pension were RMB3,348 million, and shareholders' equity was RMB2,563 million. Net profit in 2020 was RMB90 million.

CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. was established in 2016 with a registered capital of RMB1 billion. CCB Life, Ningxia Communications Investment Group Co., Ltd. and Yinchuan Tonglian Capital Investment Operation Co., Ltd. hold 90.2%, 4.9% and 4.9% of its shares, respectively. It is mainly engaged in motor vehicle insurance, insurance for business and household property, construction and engineering, liability insurance, hull and cargo insurance, short-term health and accidental injury insurance, and reinsurance of the above-mentioned offerings.

CCB Property & Casualty witnessed a steady business development. At the end of 2020, total assets of CCB Property & Casualty were RMB1,096 million, and shareholders' equity was RMB482 million. Net losses in 2020 were RMB74 million.

CCB Investment

CCB Financial Assets Investment Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2017, with a registered capital of RMB12 billion at the end of December 2020, and the registered capital changed to RMB27 billion in March 2021 after completing procedures related to capital injection. It is mainly engaged in debt-for-equity swaps and relevant supporting businesses.

CCB Investment adopted a market-oriented approach and made active efforts to explore opportunities with business innovations. By the end of 2020, it had realised a total contractual amount of RMB886,403 million in terms of framework agreements, and an actual investment amount of RMB323,349 million, both of which taking the lead in the industry. At the end of 2020, total assets of CCB Investment were RMB121,334 million, and shareholders' equity was RMB13,200 million. Net profit in 2020 was RMB857 million.

CCB Wealth Management

CCB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2019, with a registered capital of RMB15 billion. It is mainly engaged in the offering of WMPs, investment services of entrusted properties, and wealth management advisory and consulting services to the customers.

CCB Wealth Management persisted in serving the real economy, continuously improved its proactive management capability of asset management business, and actively participated in the development of capital market on the basis of sound and compliant operations. At the end of 2020, total assets of CCB Wealth Management were RMB16,100 million, and shareholder's equity was RMB15,395 million. The size of WMPs amounted to RMB696,984 million. Net profit in 2020 was RMB335 million.

CCB International

CCB International (Holdings) Limited, established in 2004 with a registered capital of US$601 million, is one of the Bank's wholly-owned subsidiaries in Hong Kong. It offers through its subsidiaries investment banking related services, including sponsoring and underwriting of public offerings, corporate merger and acquisition and restructuring, direct investment, asset management, securities brokerage and market research.

CCB International maintained stable development in all business lines by continuing to focus on the trend of China concept stocks seeking listings on A-share or H-share market, supporting the development of national strategies and providing innovative services to the real economy. It led the industry in areas of acting as securities sponsor and underwriter as well as M&A financial advisor. At the end of 2020, total assets of CCB International were RMB85,533 million, and shareholders' equity was RMB7,981 million. Net profit in 2020 was RMB453 million.

ANALYSED BY GEOGRAPHICAL SEGMENT

The following table sets forth, for the periods indicated, the distribution of the Group's profit before tax by geographical segment.

	2020		2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	57,613	17.12	52,927	16.20
Pearl River Delta	53,160	15.79	54,439	16.67
Bohai Rim	49,667	14.75	33,564	10.28
Central	41,982	12.47	39,834	12.20
Western	55,709	16.55	34,420	10.54
Northeastern	4,365	1.30	8,505	2.60
Head Office	74,704	22.19	97,271	29.78
Overseas	(584)	(0.17)	5,637	1.73
Profit before tax	336,616	100.00	326,597	100.00

The following table sets forth, as at the dates indicated, the distribution of the Group's assets by geographical segment.

	As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	4,874,094	13.05	4,749,945	13.57
Pearl River Delta	3,942,366	10.55	3,767,856	10.76
Bohai Rim	6,671,861	17.86	5,574,202	15.92
Central	4,423,501	11.84	4,487,688	12.82
Western	3,985,433	10.67	3,670,832	10.49
Northeastern	1,451,185	3.88	1,286,929	3.68
Head Office	10,577,145	28.31	9,745,744	27.84
Overseas	1,434,781	3.84	1,722,884	4.92
Total assets[1]	37,360,366	100.00	35,006,080	100.00

1. Total assets exclude elimination and deferred tax assets.

The following table sets forth, as at the dates indicated, the distribution of the Group's loans and NPLs by geographical segment.

	As at 31 December 2020				As at 31 December 2019			
(In millions of RMB, except percentages)	Gross loans and advances	% of total	NPLs	NPL ratio (%)	Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	3,003,466	17.93	32,932	1.10	2,584,684	17.24	25,796	1.00
Pearl River Delta	2,770,718	16.55	38,323	1.38	2,320,984	15.49	24,914	1.07
Bohai Rim	2,819,557	16.84	43,467	1.54	2,527,254	16.86	43,954	1.74
Central	3,084,244	18.42	65,990	2.14	2,684,077	17.91	46,289	1.72
Western	2,741,336	16.37	39,218	1.43	2,480,840	16.55	40,008	1.61
Northeastern	766,232	4.57	22,581	2.95	738,388	4.93	20,384	2.76
Head Office	830,609	4.96	11,772	1.42	747,741	4.99	8,185	1.09
Overseas	729,606	4.36	6,446	0.88	903,938	6.03	2,943	0.33
Gross loans and advances excluding accrued interest	16,745,768	100.00	260,729	1.56	14,987,906	100.00	212,473	1.42

The following table sets forth, as at the dates indicated, the distribution of the Group's deposits by geographical segment.

	As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	3,648,098	17.70	3,141,230	17.10
Pearl River Delta	3,213,868	15.59	2,830,395	15.41
Bohai Rim	3,875,480	18.80	3,368,554	18.34
Central	4,018,270	19.49	3,624,357	19.73
Western	3,741,594	18.15	3,457,424	18.83
Northeastern	1,389,559	6.74	1,216,744	6.63
Head Office	17,164	0.08	9,175	0.05
Overseas	434,595	2.11	510,907	2.78
Accrued interest	276,348	1.34	207,507	1.13
Total deposits from customers	20,614,976	100.00	18,366,293	100.00

The hearty service brought the warmth of home to workers. In the branch of Zhungeer City, Inner Mongolia Autonomous Region, workers gathered in the "Workers' Harbours" to celebrate the Chinese New Year together with employees of the Bank.

BUILDING OF BRANCH NETWORK AND CHANNELS

The Group provides its customers with convenient and high-quality financial services through branches and sub-branches, self-service facilities, specialised service entities across the world as well as electronic banking service platforms. At the end of 2020, the Bank had a total of 14,741 operating entities, consisting of 14,708 domestic entities including the head office, 37 tier-one branches, 361 tier-two branches, 14,117 sub-branches, 191 outlets, a specialised credit card centre at the head office level, and 33 overseas entities. The Bank had 19 major subsidiaries with a total of 595 entities, including 422 domestic ones and 173 overseas ones.

Physical channels

The Bank continued to optimise its outlets layout and ensure resource investments in channel construction in key strategic regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area. It accelerated the construction of flagship outlets, and promoted the withdrawal, merger or relocation of inefficient and intensive outlets. It created a paradigm-shift in channels in an innovative way and built five more "5G+ Intelligent Banking" outlets, in cities including Guangzhou and Chongqing. In 2020, the Bank set up 63 new outlets, including 31 county-level outlets, and expanded into eight new counties. It continued to optimise the self-service channel network, and had 79,144 ATMs, 25,529 self-service banks, including 11,348 off-premise self-service banks, and 48,733 smart teller machines. By the end of 2020, the Bank had established 252 inclusive finance (small business) service centres and small business centres, and over 1,500 personal loan centres.

It built the intelligent operation system of the Group to improve the quality and efficiency of digitalised operation. It set up a three-tier structure of "access, delivery and control" for intelligent operation, and completed the centralisation of all 203 intensive matters. It promoted the customer journey of services related to overseas study, credit card and corporate customers, and independently researched and developed the Voice of Experience (VOX) employee community, which was visited by more than 27,000 people and identified 421 pain points of experience. It promoted the application of robotic process automation (RPA) and intelligent character recognition (ICR) in various fields, and significantly improved the quality and efficiency of digital workforce matters. It promoted the application of intelligent operation service platform and provided refined operation tracking and control services based on processes and data. It built the enterprise-level operation management cockpit and strengthened data support in the efficiency analysis of multi-dimensional channel operation. It launched innovated convenient service models such as "Smart Handling" and "CCB Doorstep Service", and significantly enhanced the online and offline collaboration capacity, which was manifested by the facts that 28 counter businesses could be completed by retrieving account QR code through mobile banking APP instead of providing physical media, and 75 products were offered through "online order, centralised processing, physical distribution and doorstep service". It leveraged the WeChat official account "CCB Banking Centre" to effectively expand the service radius and efficiency of outlets. The cumulative number of users who followed the account reached 3,224,800, and the number of real-name authentication reached 644,400.

The Bank expanded the scope of financial services and explored a new path of "smart government affairs + Workers' Harbours + comprehensive services for communities". The Bank incorporated government affairs services into the standard service system of outlets. All 37 domestic tier-one branches of the Bank provided smart government affairs services covering 19 areas, such as tax, social security, education and transportation. The Bank continued to roll out the "Workers' Harbours" model, opened 14,200 harbours to the public, served more than 140 million people, had more than 10.40 million online registered users, and cooperated with 780 third parties. It created "centralised and distributed" ecological outlet operation model. It established a community ecosystem with the outlet as its core, focused on serving the surrounding communities of outlets, and synchronously built thematic ecological scenarios, such as Bilibili (a video sharing website) and cars, to collaboratively promote the "Finance + Scenario" business model both online and offline.

E-channels

The Bank gave full play to "Five Advantages" of ubiquitous online services, platform traffic gathering, widely available channel access, data collection and sharing, and extensive customer connection, and strived to cultivate "Six Capabilities", i.e. to drive scenario innovation and building, improve ecological environment of platform, acquire and reactivate customers online, promote product cross-selling, provide data analysis and insights and empower customer services, so as to promote the high-quality development of online financial business.

Mobile finance

The Bank innovatively launched personal mobile banking application version 5.0, which deeply integrated edge computing, automatic speech recognition, biometrics and other advanced technologies, reshaped the five service channels, built an intelligent search system covering all categories, all functions and all products, embedded an innovative feature of intelligent voice interaction, and created a new way of processing businesses requiring voice inputs only. The Bank also enhanced accessible information services to facilitate the use of mobile banking by people with visual disabilities and elderly customers. Corporate mobile banking was equipped with intelligent search, intelligent assistant and intelligent customer service functions, and improved customer experience by providing various functions such as uploading payee information in process onto forms and documents through copying, taking photos and scanning QR codes. It launched personalised menu for WeChat banking based on user portraits to improve the ability of refined customer services. At the end of 2020, the number of personal online banking users rose to 388 million, an increase of 37.18 million or 10.60% over 2019, the monthly average number of active users of personal mobile banking was 128 million and the number of transactions was 47,495 million, amounting to RMB80.65 trillion. Personal online banking of the Bank ranked first among domestic peers in terms of evaluation indicators such as user scale, transaction scale, and number of downloads. The number of corporate mobile banking users reached 2.17 million, an increase of 0.58 million or 36.57% over 2019, and the number of transactions was 13.03 million, amounting to RMB2.04 trillion. The number of users who followed the Bank's WeChat account reached 120 million, an increase of 17.82 million or 17.51% over 2019. The number of users who linked their bank cards with their WeChat accounts reached 94,410,700, an increase of 17,474,500 or 22.71% over 2019, and the number of transactions was 10,143,800, amounting to RMB31,978 million. The number of SMS financial service users reached 494 million, an increase of 30 million or 6.46% over 2019.

Online banking

Personal online banking used new technologies to develop smart online banking, enriched financial services, and maintained the leading position in customer satisfaction among domestic peers. Corporate online banking launched the invoice-based finance business, as well as basic functions such as invoice business contract, invoice examination, comprehensive inquiry, and launched the innovated "Quick Enterprise Information Check" to help customers quickly obtain five types of enterprise information of their counterparties. Based on the international website's edge in gathering traffic, it created a new "Corporate Credit Supermarket" corporate service entrance and launched the "Agency Insurance" channel for corporate customers to enrich the corporate service scenarios of the website. At the end of 2020, the number of personal online banking users rose to 371 million, an increase of 30,444,600 or 8.93% over 2019; the number of active users was 11,110,600; and the number of transactions was 5,391 million, amounting to RMB22.45 trillion. The number of corporate online banking users was 10,288,700, an increase of 1,202,100 or 13.23% over 2019; the number of active users was 4,349,200, an increase of 554,600 or 14.62% over 2019; and the number of transactions was 1,861 million, amounting to RMB243.78 trillion. 30 overseas entities launched corporate online banking applications, of which 22 overseas entities launched corporate online banking services. The average daily page views of the international website reached 112 million, with the highest one-day page views of 239 million. The total number of registered members of the website reached 89,325,100, and the number of average daily unique visitors was 14,488,800.

The Bank innovatively launched personal mobile banking application version 5.0, bringing a brand new tech-powered service experience that was digitised, intelligent, personalised and convenient. Throughout the year of 2020, the monthly average number of active users of the Bank's personal mobile banking reached 128 million.

Online payment

The Bank took actions to ensure the smooth operation of various online payment services, such as aggregated payment, quick payment and non-inductive payment, and focused on serving the fiscal, hospital, public welfare and basic life support merchants, to support the growth in new types of consumption and promote the internal circulation of consumption. At the end of 2020, the amount of transactions that used the Bank's aggregated payment service was RMB1,463,291 million, an increase of 33.87% over 2019. The number of online payment transactions (including refund and cash withdrawal) was 49,174 million, and the amount was RMB32.20 trillion, up 7.51% and 8.63% respectively from over 2019. The Bank outperformed its peers in terms of the proportion of transactions with large payment companies and e-commercial platforms such as Alipay, JD and Meituan.

E.ccb.com

The Bank relied on e.ccb.com to promote the concept of "Poverty alleviation through e-commerce", and played a key role in areas such as joint poverty alleviation and consumption-driven poverty alleviation. It planned and carried out special online marketing activities and offline poverty alleviation exhibits to expand sales channels for poverty-alleviation products of merchants from Ankang, Tibet Autonomous Region, Tibetan areas in Qinghai, Sichuan, Gansu, and Yunnan provinces, Hotan, Aksu, Kashgar, Kizilsu Kirghiz Autonomous Prefecture in southern Xinjiang, the state- and provincial-level poverty-stricken counties, as well as merchants selling products listed in the *National Poverty Alleviation Product Catalogue*. "Shanfutong" cloud-based service platform provides customers with financial services such as order coordination, payment and settlement, based on existing supply chain relationships with corporate customers, and achieved remarkable results in seven key industries, including chain operation, digital communication, tobacco, steel, cement, medicine and logistics. In 2020, the amount of poverty alleviation transactions via e.ccb.com was RMB17,080 million, an increase of 18.48%. The Bank assisted in selling RMB2,518 million agricultural products from poverty-stricken areas, and encouraged employees to buy RMB306 million such products. In 2020, "Shanfutong" platform completed RMB95,140 million transactions and created 1,587 active supply chains.

Remote intelligent banking

The Bank enhanced refined management and accelerated the application of FinTech. It provided convenient and efficient financial services to for both personal and corporate customers as well as its employees through multiple channels and scenarios, and various service functions, giving full play to the value of remote "contactless" channels and windows. In 2020, the total number of customers served across all channels was 1,607 million. 91.95% of manual inquiries were successfully connected to customer service representatives. The Bank also accelerated its application of AI robots in ten fields, such as consulting services, voice navigation, debt collection and marketing. Its WeChat official account "CCB Customer Service" had 9.60 million followers and cumulatively served more than 48 million customers.

PRODUCT INNOVATION

The Bank implemented the innovation-driven development strategy and actively carried out product innovation. In 2020, The Bank implemented 47 strategic product innovation projects of the head office and completed 79 key innovation projects of the head office, 1,664 independent innovation projects of branches and 15 product innovation projects of subsidiaries, improving the quantity and quality of innovation. It pressed ahead with the building of enterprise-level product family management platform, realised the whole-process online product management mechanism involving the product management department, the risk control and compliance department and comprehensive management department for product innovation, and implemented machine controls over the launch of new products. It automatically captured processing data using technologies such as big data cloud and real-time stream computing, and realised real-time sales monitoring of retail credit products for the first time. It strengthened the iteration, optimisation, promotion and application of the system of "Mass Innovation Platform" and launched thematic campaigns such as "Innovation Marathon" and "FinTech Innovation" through the platform. In 2020, the mass innovation platform had more than 98,000 active users, launched 606 campaigns in total, and collected 63,700 ideas, of which over 1,600 had been implemented.

Feature article: Practice the New Finance Concept and stick to digitalised operation

The Group, adhering to the New Finance Concept of inclusiveness, openness and sharing, took the lead in digital transformation, took digitalised operation as the breakthrough point to implement the "Three Major Strategies", and developed a set of effective digital transformation methods with CCB's characteristics according to the basic logic of "building ecologies, setting up scenarios and expanding user base". It comprehensively enhanced awareness of digitalised operation of the entire group. It established a set of working mechanisms, which were coordinated by the Digital Construction Committee and promoted by the front, middle and back offices, the head office and branches, and the parent and subsidiaries. Relying on key customer groups and specific scenarios, the Group set up a cross-service line and cross-department flexible team to explore the Group's integrated operation model to adapt to digitalised operation. It focused on the standardisation and production of sharing and reusing abilities, and actively promoted the building of three major middle platforms of business, data and technology. It continued to enhance underlying supports such as navigating by strategies, channel coordination, risk compliance, financial allocation, integrated customer insights, model application, platform ecology, product rights and interests, organisational collaboration and other dimensions, and explored and innovated the assessment and evaluation system of digitalised operation ability. It constantly improved the ability of big data analysis and modelling and accumulated the experience of characteristic digitalised operation at branches.

The Group will continue to practice the New Finance Concept and unswervingly adhere to digitalised operation. It will focus on key areas, such as house rental, inclusive finance, rural revitalisation, and smart government affairs services, give full play to the data and technology support, scenario- and platform-based operation advantages, and make financial services widely available by forming network, building platforms, scenarios and ecology and focusing on operation. It will enhance the enterprise-level coordination of requirements, optimise the allocation of resources for innovation, and improve systems and mechanisms for innovation. It will extend the tentacles of financial services to be better integrated into various life and social scenarios, such as housing, transportation, education, healthcare, and senior citizen caring, effectively develop a banking service model that is ubiquitous and precisely accessing, and constantly promote the establishment and improvement of the normal operation system of the Group's digitalised operation.

HUMAN RESOURCES

At the end of 2020, the Bank had 349,671 employees, an increase of 0.72% from 2019 (not including 3,556 workers dispatched by labour leasing companies, a decrease of 5.78% from 2019). The number of employees with academic qualifications of bachelor's degree or above was 251,991 or 72.07%. In addition, the Bank assumed the expenses of 86,029 retired employees.

The compositions of the Bank's employees by age, academic qualification and responsibilities are as follows.

Category	Sub-category	Number of employees	% of total
Gender	Male	160,030	45.77
	Female	189,641	54.23
Age	Below 30	73,949	21.15
	31 to 40	100,037	28.61
	41 to 50	105,665	30.22
	51 to 59	69,859	19.98
	Over 60	161	0.04
Academic qualification	Doctor's degree	479	0.14
	Master's degree	32,785	9.38
	Bachelor's degree	218,727	62.55
	Associate degree	79,827	22.83
	Post-secondary	9,102	2.60
	High school and below	8,751	2.50
Responsibilities	Operating outlets and integrated tellers	183,694	52.53
	Corporate banking	34,169	9.77
	Personal banking	40,632	11.62
	Financial market business	666	0.19
	Finance and accounting	6,999	2.00
	Management	11,184	3.20
	Risk management, internal audit, legal and compliance	20,072	5.74
	Information technology development and operation	28,392	8.12
	Others	23,863	6.83
Total		349,671	100.00

The following table sets forth, as at the date indicated, the geographical distribution of the Bank's branches and employees.

	31 December 2020			
	Number of branches	% of total	Number of employees	% of total
Yangtze River Delta	2,314	15.70	52,083	14.90
Pearl River Delta	1,886	12.79	44,833	12.82
Bohai Rim	2,432	16.50	57,346	16.40
Central	3,543	24.04	78,228	22.37
Western	3,009	20.41	67,348	19.26
Northeastern	1,521	10.32	34,650	9.91
Head Office	3	0.02	13,842	3.96
Overseas	33	0.22	1,341	0.38
Total	14,741	100.00	349,671	100.00

Students of the Fintech elite class are studying and discussing on campus. The Bank, together with Xi'an Jiaotong University and South China University of Technology, established the FinTech elite class. The increasing integration of subject education system targeting new financial practices with the general higher education system has brought endless creativity and vitality.

Staff development and training

The Bank relied on CCB University to support the development of its employees and New Finance talents, making positive contributions to the overall building of the new ecology of employee development. CCB University published the first set of core teaching materials, the "Comprehensive Management of Large Commercial Banks (Series)". It optimised the training system by focusing on its employees' entire career path, and launched various thematic training programmes, including "Your Future with CCB" programme for new recruits, "Be Better with You" programme for client managers at CCB outlets, and "Together with the Best" programme for the heads of outlets, covering more than 1.66 million person-time online learning. It held the first professional and technical position qualification examination within the Bank, covering 37 branches, domestic affiliates and audit departments, and organised 15,182 examinations which had been attended by more than 253,000 employees. It initiated the "CCBU Global Webinars" and organised the "First Digital Talents Camp Live" jointly with Harvard Business Publishing Corporate Learning. In 2020, CCB University's regional and specialised campuses hosted 1,066 training programmes (including 537 branch-level training programmes), covering 781,000 participants. It coordinated to develop 39 sets of teaching materials, consisting of 83 books, including 15 sets of teaching materials on position training, a total of 30 books. CCB University upgraded its online learning platform and mobile app. The platform attracted more than 280 million person-time visits, and offered more than 14,000 live lectures, which attracted more than 6 million person-time watching.

Staff remuneration policies

The Bank is committed to maintaining order and harmony in remuneration allocation, and continuously improves the level of performance and remuneration management to serve the development of the whole bank.

Pursuant to relevant government policies regarding remuneration reform of state-owned enterprise leaders, annual remunerations for the Bank's leaders administered by the Central Committee of the Communist Party of China include three parts, namely the basic annual salary, performance-based annual salary and tenure incentive income. If a material error arises during a leader's tenure and causes a significant loss for the Bank, part or the entirety of the paid-out performance-based annual salary and tenure incentive income may be reclaimed. The Bank's major allocation policies and other significant matters relating to remuneration management should be reviewed by the nomination and remuneration committee under the Board. Material proposals relating to remuneration allocation should be voted at and approved by the shareholders' general meeting or be reported to the competent authority of the state for approval and filing.

The Bank makes full use of remuneration allocation to motivate and constrain its employees. The Banks establishes the principle of assessment and assignment that encourages value creation, allocates the salary resources to operation institutions, front office departments, positions that can directly create value, further optimises the incentive and guarantee policies for outlets staff, establishes a special subsidy system for staff in outlets at remote county under tough conditions, to enhance the sense of gain of staff. The Bank strengthens the role of performance assessment as an incentive to improve the cost-efficiency of its human resources and match remuneration to performance. The Bank improves rules and requirements related to deferred payment and clawback of performance-based remuneration for key positions. For employees who face disciplinary sanctions or other penalties due to violation of rules or breach of duties, their remunerations are deducted in accordance with relevant rules and measures.

Staff in subsidiaries

The subsidiaries of the Bank had 24,143 employees (not including 464 workers dispatched by labour leasing companies). In this amount, the domestic and overseas employees numbered 19,199 and 4,944 respectively. In addition, the subsidiaries assumed the expenses of 61 retired employees.

RISK MANAGEMENT

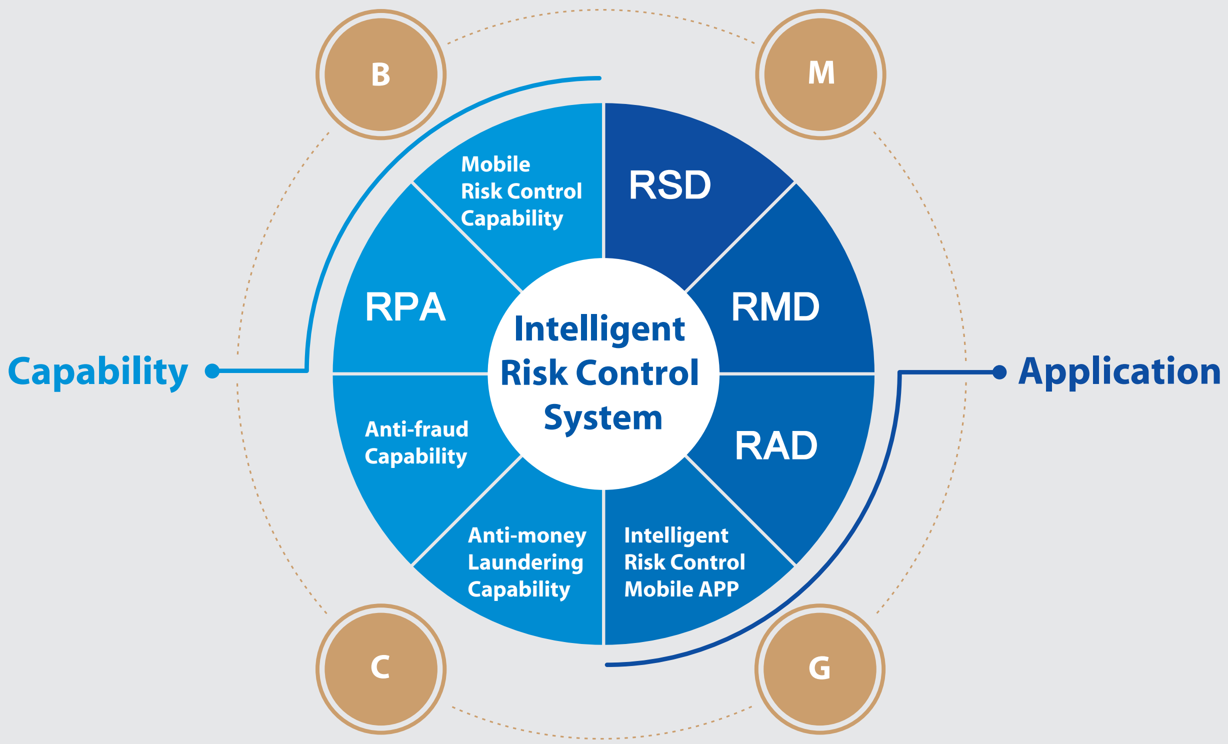
In 2020, the Group actively fulfilled its responsibilities as a large state-owned bank, focused on serving the real economy, strengthened the independent and collaborative risk governance, and fully supported the country in the battle of pandemic prevention and control and the prevention and resolution of major financial risks to hold the bottom line of systemic risks.

The Group adhered to the basic principle that business development should be bounded by its risk prevention and control capabilities, promoted the "steady, prudent, comprehensive and proactive" risk culture, and adopted systematic mindsets and comprehensive, proactive and intelligent ideas to explore and implement new ways of risk management that adapt to the digital economy and New Finance. The Group established the modern risk control system driven by technologies, and improved the mechanism of risk prevention and prediction, monitoring and early warning, control and disposal. The Group's asset quality remained solid and all types of risks were kept stable. The standard of digital, intelligent and intensive risk management was improved constantly. Its ability to prevent and resolve financial risks was further improved, effectively shoring up the steady operation and innovation-driven development of the Group.

Feature article Embrace FinTech to establish an intelligent risk control system for New Finance practice

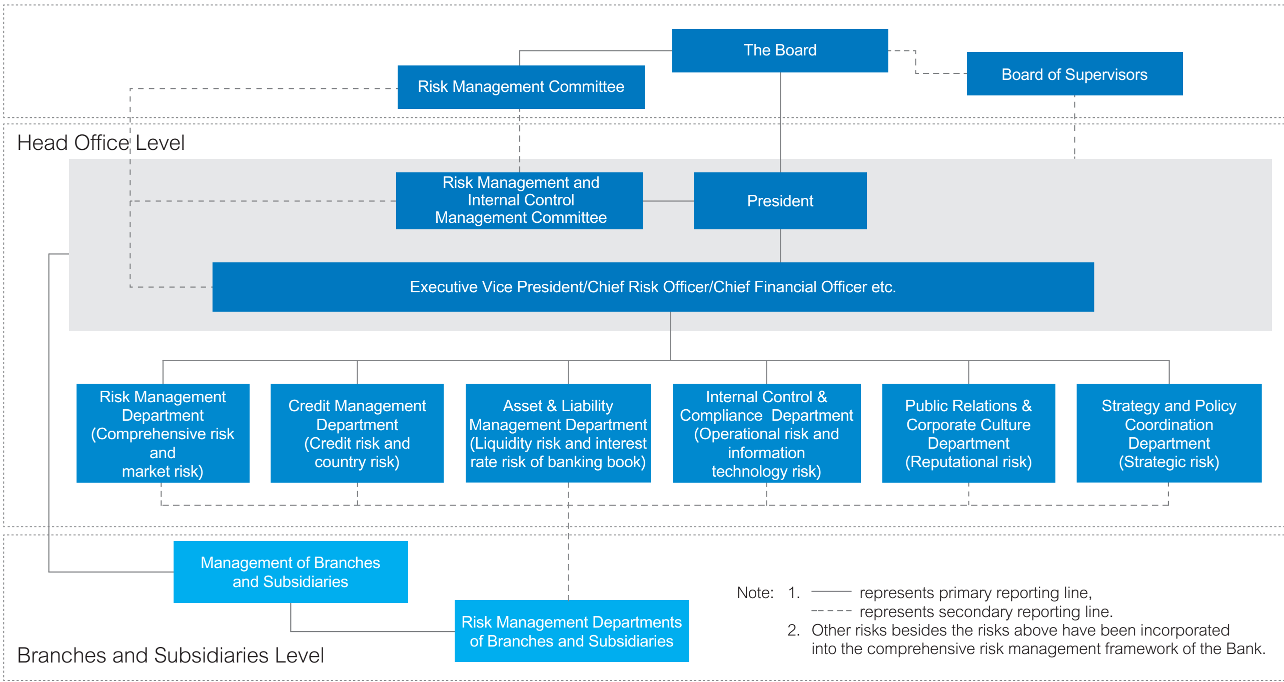
The Group adhered to the New Finance Concept of technology, inclusiveness and sharing, explored the use of AI, big data and other technologies to build a comprehensive, accurate, digital, penetrating, open and forward-looking intelligent risk control system, strengthened the base of risk management, solved pain points in implementing the New Finance practice, and helped develop the Second Curve.

The intelligent risk control system is user-oriented. The system is based on data, driven by technologies and supported by agile organisational structure and innovative mechanism to promote the integration of intelligent risk control into the four communities of Business, Customer, Government and internal Management to build four general capabilities for mobile risk control, robotic process automation (RPA), anti-fraud and anti-money laundering, enabling the extensive risk management for all channels, all institutions, all customers and all employees. The Bank expanded the application of the online business risk scanning and detection system (RSD) to cover business lines of inclusive finance, housing finance, and credit cards, etc. and offered a unified threshold of business access at the Bank level. It promoted the risk management decision-making support system (RMD) to help its grass-roots institutions to independently and flexibly use models and tools to solve difficulties in risk control. The models were used and re-used 63,973 times in 2020, effectively improving the risk monitoring and analysis ability of the Bank's grass-roots institutions. The Bank optimised the comprehensive risk alert and detection system (RAD), "Intelligent Risk Control" mobile application, and "God Pitcher" for negative news monitoring, and enhanced mobile risk control capability for more forward-looking and accurate risk early warning. It built a unified risk view at the group level and supported the real-time summing up and level-by-level drilling of all risk exposures of customers. It developed functions of anti-fraud screening for online business, piloted anti-fraud verification process, and realised real-time single calls and millisecond response and interception. It promoted the "Blue Core" project in an orderly manner, fully completed the independent research, development and replacement of the purchased core management system for financial market businesses, and enhanced the market risk control capability. It used FinTech to improve the quality and efficiency of credit approval, and the average approval period for credit limits fell by 26.8% on a year-on-year basis. It launched online intelligent identification and input functions for enterprise financial statements with 59,000 reports imported in 2020, equivalent to saving 3,700 man-days work, and effectively reduced the burden for the grass-roots employees. It actively explored a new pattern of collaborative risk governance with peers, successfully marketed "Intelligent" series of intelligent risk control products, cooperating with 397 customers and processing 19.43 million queries.



RISK MANAGEMENT STRUCTURE

The risk management organisational structure of the Bank comprises the Board and its special committee, the senior management and its special committees, the risk management departments, etc. The basic structure is as follows.



The Board fulfils the risk management responsibilities pursuant to the Articles of Association of the Bank and related regulatory requirements. The risk management committee under the Board is responsible for developing risk management strategies, supervising the implementation, and assessing the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and transmits risk appetite through relevant policies. The board of supervisors supervises the building of the comprehensive risk management system, as well as the performance of the Board and senior management in delivering their comprehensive risk management responsibilities. Senior management is responsible for implementing the risk strategies developed by the Board and organising the implementation of the comprehensive risk management work across the Group.

Chief Risk Officer of the Bank assists the President with the corresponding risk management work within designated responsibilities. Risk management department is the leading management department responsible for the Group's comprehensive risk management, and its subordinate department, market risk management department, takes the lead in market risk management. Credit management department is the leading management department responsible for the overall credit risk management and country risk management. Asset & liability management department is the leading management department responsible for the management of liquidity risk and interest rate risk of the banking book. Internal control & compliance department is the leading management department responsible for operational risk and information technology risk management. Public relations & corporate culture department is in charge of reputational risk management. Strategy and policy coordination department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for managing other respective risks.

The Bank attaches great importance to the risk management of subsidiaries, implements management requirements of the parent bank through the corporate governance mechanism, continuously improves the quality and efficiency of the performance of the board of directors of the subsidiaries. It supervises and urges the subsidiaries to focus on their main businesses in a steady operation manner, so as to establish and improve their risk control systems. It enhanced the transmission of the Group's risk appetite within the risk management framework at the group level, and implemented refined and differentiated management upon different types of subsidiaries. It strengthened the consolidated credit management at the group level to avoid lending beyond credit limits. It continuously promoted the establishment of risk views of subsidiaries, and effectively improved the digital level of risk early warning and risk monitoring of subsidiaries. It strengthened overall planning and coordination and improved the long-term mechanism for risk management of the asset management business at the subsidiaries.

CREDIT RISK MANAGEMENT

In 2020, in the face of unprecedentedly complex situation, the Group strengthened fundamental management, adjusted credit structure, helped the real economy be bailed out, safeguarded the bottom line of wiping out risks, effectively responded to the challenges of COVID-19, maintained a balance between steady growth and risk prevention, and kept the overall stability of asset quality.

The Group constantly optimised its credit structure. It implemented differentiated credit policies and arrangements, gave full support to the prevention and control of COVID-19 and served the resumption of work and production of enterprises. It increased support in house rental business, ensured the provision of inclusive loans, accelerated the fostering of new advantages in green finance, promoted the high-quality development of manufacturing industry, explored the innovative ability evaluation system for Sci-Tech enterprises, reinforced advantages in infrastructure sectors, deepened structural adjustments of industries with overcapacity, and strengthened the concentration management of real estate loans. It comprehensively adjusted and optimised the approval mechanism and process, improved decision-making quality, strengthened customer selection, and strictly supervised the execution of credit approval strategy.

The Group improved its fundamental management efficiency. It strengthened the use of FinTech in key steps of credit process, improved the overall credit risk monitoring system, enhanced the credit customer selection and the whole-process refined management, fully implemented the mechanism of pre-lending diagnostic meetings, pressed ahead with the smart construction of lending, optimised the post-lending management system and process, and improved the collateral management and the unified collection system for retail customers.

The Group enhanced its risk measurement capabilities. It continued to improve, iterate and update business support models and tools, and improved the intelligent level of risk measurement. It launched the mobile terminal risk rectification process to support off-site risk management. It expanded the scope of application of the RSD system to realise automatic risk detection for online business, improved holographic risk profiling of customers and the "Intelligent Health Check" service for more forward-looking and effective early risk warning. It expanded the application of the RMD system to provide technical and platform support for risk measurement at branches. It reduced specific inefficient economic capital occupation through smart machine controls. It pressed ahead with the development of anti-fraud tools for online business, and achieved real-time single calls and millisecond response and interception. It built the financial irregularity identification model and financial forecast model, and applied the intelligent rating system for corporate customers so as to improve the quality and efficiency of corporate customers risk assessment.

The Group strengthened its special assets operation capabilities. It intensified the disposal of non-performing assets, and improved the "quantity, quality and efficiency" of disposal. It successfully issued the first non-performing assets-backed securities of Quick Loans for Small and Micro Businesses in the market. It made full use of the mechanism of the debt commission committees, restructuring, market-oriented debt-to-equity swaps and other means, to help enterprises be bailed out and resolve regional risks.

Distribution of loans by five-category classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include substandard, doubtful and loss.

	As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Normal	15,990,401	95.49	14,336,247	95.65
Special mention	494,638	2.95	439,186	2.93
Substandard	120,731	0.72	105,633	0.71
Doubtful	106,291	0.64	82,569	0.55
Loss	33,707	0.20	24,271	0.16
Gross loans and advances excluding accrued interest	16,745,768	100.00	14,987,906	100.00
NPLs	260,729		212,473	
NPL ratio		1.56		1.42

In 2020, the Group continued to implement its comprehensive, proactive and intelligent risk management, and strengthened fundamental credit management. It adhered to the judgement of substantive risk, carried out prudent classification, and the asset quality stayed in control. At the end of 2020, the Group's NPLs were RMB260,729 million, an increase of RMB48,256 million over 2019. The NPL ratio stood at 1.56%, an increase of 0.14 percentage points over 2019. The special mention loans accounted for 2.95% of the gross loans and advances to customers excluding accrued interest, an increase of 0.02 percentage points over 2019.

Distribution of loans and NPLs by product type

The following table sets forth the Group's loans and NPLs by product type as at the dates indicated.

	As at 31 December 2020			As at 31 December 2019		
(In millions of RMB, except percentages)	Loans	NPLs	NPL Ratio (%)	Loans	NPLs	NPL Ratio (%)
Corporate loans and advances	8,360,221	213,885	2.56	6,959,844	171,846	2.47
Short-term loans	2,593,677	82,260	3.17	2,205,697	79,342	3.60
Medium to long-term loans	5,766,544	131,625	2.28	4,754,147	92,504	1.95
Personal loans and advances	7,233,869	29,451	0.41	6,477,352	26,736	0.41
Residential mortgages	5,830,859	11,320	0.19	5,305,095	12,484	0.24
Credit card loans	825,710	11,591	1.40	741,197	7,651	1.03
Personal consumer loans	264,581	2,604	0.98	189,588	2,643	1.39
Personal business loans	138,481	1,377	0.99	48,053	1,681	3.50
Other loans	174,238	2,559	1.47	193,419	2,277	1.18
Discounted bills	259,061	–	–	492,693	724	0.15
Overseas operations and subsidiaries	892,617	17,393	1.95	1,058,017	13,167	1.24
Gross loans and advances excluding accrued interest	16,745,768	260,729	1.56	14,987,906	212,473	1.42

Distribution of loans and NPLs by industry

The following table sets forth the Group's loans and NPLs by industry as at the dates indicated.

	As at 31 December 2020				As at 31 December 2019			
(In millions of RMB, except percentages)	Loans	% of total	NPLs	NPL ratio (%)	Loans	% of total	NPLs	NPL ratio (%)
Corporate loans	8,360,221	49.92	213,885	2.56	6,959,844	46.43	171,846	2.47
Transportation, storage and postal services	1,582,628	9.45	31,483	1.99	1,398,515	9.33	23,305	1.67
Manufacturing	1,294,355	7.73	78,059	6.03	1,080,296	7.21	71,289	6.60
Leasing and commercial services	1,399,735	8.36	26,430	1.89	1,058,276	7.06	8,927	0.84
– Commercial services	1,376,621	8.22	25,468	1.85	1,038,417	6.93	8,518	0.82
Production and supply of electric power, heat, gas and water	826,390	4.93	12,511	1.51	794,734	5.30	8,176	1.03
Real estate	687,504	4.11	9,011	1.31	560,580	3.74	5,274	0.94
Wholesale and retail trade	727,948	4.35	20,989	2.88	494,876	3.30	25,954	5.24
Water, environment and public utility management	524,913	3.13	7,052	1.34	423,191	2.82	3,912	0.92
Construction	381,172	2.28	6,732	1.77	310,783	2.07	5,359	1.72
Mining	212,835	1.27	7,132	3.35	205,966	1.38	8,685	4.22
– Exploitation of petroleum and natural gas	2,092	0.01	427	20.41	1,438	0.01	89	6.19
Information transmission, software and information technology services	92,887	0.55	2,181	2.35	72,430	0.48	874	1.21
– Telecommunications, broadcast and television, and satellite transmission services	21,802	0.13	604	2.77	27,716	0.18	34	0.12
Education	70,763	0.42	75	0.11	64,791	0.43	255	0.39
Others	559,091	3.34	12,230	2.19	495,406	3.31	9,836	1.99
Personal Loans	7,233,869	43.20	29,451	0.41	6,477,352	43.22	26,736	0.41
Discounted bills	259,061	1.55	–	–	492,693	3.29	724	0.15
Overseas operations and subsidiaries	892,617	5.33	17,393	1.95	1,058,017	7.06	13,167	1.24
Gross loans and advances excluding accrued interest	16,745,768	100.00	260,729	1.56	14,987,906	100.00	212,473	1.42

In 2020, the Group continued to optimise its credit structure. It provided sound support for the prevention and control of COVID-19, the resumption of work and production of enterprises and the development of the real economy. The NPL ratios of wholesale and retail trade industry and manufacturing industry declined, while the NPL ratio of real estate industry remained relatively stable. The NPL ratio of wholesale and retail trade industry was 2.88%, down 2.36 percentage points from 2019 and that of manufacturing industry was 6.03%, down 0.57 percentage points from 2019.

Rescheduled loans and advances to customers

The following table sets forth the Group's rescheduled loans and advances to customers as at the dates indicated.

	As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances excluding accrued interest	Amount	% of gross loans and advances excluding accrued interest
Rescheduled loans and advances to customers	10,090	0.06	6,030	0.04

At the end of 2020, the rescheduled loans and advances to customers increased by RMB4,060 million to RMB10,090 million over 2019, and their proportion in gross loans and advances excluding accrued interest was 0.06%, up 0.02 percentage points over 2019.

Overdue loans and advances to customers

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

	As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	Amount	% of gross loans and advances excluding accrued interest	Amount	% of gross loans and advances excluding accrued interest
Overdue within three months	54,299	0.32	48,567	0.32
Overdue between three months and six months	24,664	0.15	23,125	0.15
Overdue between six months and one year	35,801	0.21	46,297	0.31
Overdue between one and three years	59,888	0.36	42,843	0.29
Overdue for over three years	7,571	0.05	12,051	0.08
Total overdue loans and advances to customers	182,223	1.09	172,883	1.15

At the end of 2020, overdue loans and advances to customers increased by RMB9,340 million to RMB182,223 million over 2019, and their proportion in gross loans and advances excluding accrued interest dropped by 0.06 percentage points. Loans and advances overdue for more than three months totalled RMB127,924 million, which were mainly concentrated in Central China and the Pearl River Delta.

Migration rate of loans

(%)	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Migration rate of normal loans	2.29	2.52	2.26
Migration rate of special mention loans	20.02	15.97	20.19
Migration rate of substandard loans	62.62	50.11	66.44
Migration rate of doubtful loans	25.06	20.60	16.39

1. The migration rate of loans was calculated according to the relevant regulations of the CBIRC on a consolidated basis.

Large Exposures Management

The Group constantly optimised the comprehensive and proactive monitoring, early warning and limit management system for large exposures, and continuously improved the management system to convert regulatory requirements on large exposures into internal management efficiency.

Concentration of loans

At the end of 2020, the Group's gross loans to the largest single borrower accounted for 3.55% of the total capital after regulatory adjustments, while those to the top ten customers accounted for 11.84% of the total capital after regulatory adjustments.

(%)	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Proportion of loans to the largest single customer	3.55	2.65	2.95
Proportion of loans to top ten customers	11.84	10.82	13.05

The Group's top ten single borrowers as at the date indicated are as follows.

		31 December 2020	
(In millions of RMB, except percentages)	Industry	Amount	% of total loans and advances excluding accrued interest
Customer A	Transportation, storage and postal services	100,597	0.60
Customer B	Leasing and commercial services	38,400	0.23
Customer C	Transportation, storage and postal services	34,487	0.21
Customer D	Transportation, storage and postal services	27,948	0.17
Customer E	Transportation, storage and postal services	27,330	0.16
Customer F	Transportation, storage and postal services	26,313	0.16
Customer G	Production and supply of electric power, heat, gas and water	20,779	0.12
Customer H	Production and supply of electric power, heat, gas and water	20,648	0.12
Customer I	Finance	19,400	0.12
Customer J	Transportation, storage and postal services	19,346	0.11
Total		335,248	2.00

MARKET RISK MANAGEMENT

In 2020, the Group acted proactively in response to the volatility of financial markets, set up an inter-departmental joint emergency response team on major market risks, established a regular emergency meeting system, and formulated a targeted emergency plan for business continuity amid market risks to ensure the smooth operation of investment and trading businesses. It accelerated the building of the intelligent control platform for investment and trading businesses, completed the independent research, development and replacement of the purchased core management systems, and improved the digital level of market risk control. It promoted the rectification of legacy asset management business as scheduled, set up the risk control system of asset management business, and incorporated the interbank business into the new product risk management process of the investment and trading businesses. It continuously implemented see-through management, and strictly carried out risk classification and impairment provision accrual of underlying assets. It incorporated the information of derivative business and customer risk of subsidiaries into a unified risk view and established a whole-process control mechanism of "pre-lending eligibility management, monitoring during lending and post-lending evaluation" to achieve unified risk controls over cooperative institutions at the group level.

Value at Risk analysis

The Bank divides its on-and off-balance sheet assets and liabilities into trading book and banking book. The Bank performs value at risk (VaR) analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaRs of its RMB and foreign currency trading portfolios on a daily basis (at a confidence level of 99% and with a holding period of one trading day).

The VaR analysis on the Bank's trading book as at the balance sheet date and during the respective periods is as follows.

	2020				2019			
(In millions of RMB)	As at 31 December	Average	Maximum	Minimum	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio	141	250	317	137	253	302	341	227
Interest rate risk	87	98	182	46	59	85	117	57
Foreign exchange risk	145	246	298	137	262	298	361	234
Commodity risk	1	9	42	–	4	12	31	–

Interest rate risk management

The Group established interest rate risk management framework and system in light of its own condition, and implemented robust and prudent interest rate risk management strategy and policy. The Group employed a range of methods to measure and analyse the interest rate risk on banking book, including repricing gap analysis, sensitivity analysis of net interest income and economic value, duration analysis, stress testing, and economic capital analysis. The interest rate risk policy is in line with the Group's development strategy, risk appetite and risk management capability, and seeks to achieve a balance between interest rate risk and profitability, minimise the adverse impact from interest rate changes on net interest income and value, and ensure a stable profit growth and capital structure.

In 2020, the Group paid close attention to changes in market rates, and reinforced dynamic risk monitoring and prediction. It continued to optimise the product portfolio and term structure and maintained the solid and coordinated growth of assets and liabilities. It flexibly adjusted internal and external price policies and strengthened its review of interest rate risk associated with innovative products. It continued to improve related rules and policies, as well as the system for interest rate risk measurement. In addition, the Group actively implemented the requirements of the PBC on the reform of interest rate liberalisation, and effectively promoted the conversion of benchmark interest rates for loans. It optimised the structure of assets and liabilities and coordinated the adjustment of maturity strategies for deposit and loan products. During the reporting period, the results of the stress testing indicated that all indicators were kept within the limits, and the interest rate risk on banking book of the Group was under control on the whole.

The Group attached great importance to the conversion of London Interbank Offered Rate (LIBOR), paid close attention to developments of domestic and overseas regulations and markets, and orderly pressed ahead with the research of new benchmark pricing method, system transformation, contract modification, new product research and development, legacy business conversion, and customer communication. The Group's exposure to LIBOR-linked businesses was small, and the approach of benchmarks convert had limited impact on the interest rate risk, therefore there would be little material impact on the operation.

Interest rate sensitivity gap analysis

The analysis of interest rate sensitivity gaps of the Group's assets and liabilities as at the dates indicated by the next expected repricing dates or maturity dates (whichever are earlier) is set out below.

(In millions of RMB)	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Interest rate sensitivity gap as at 31 December 2020	108,331	(2,864,124)	3,641,112	(1,502,646)	3,006,680	2,389,353
Accumulated interest rate sensitivity gap as at 31 December 2020		(2,864,124)	776,988	(725,658)	2,281,022	
Interest rate sensitivity gap as at 31 December 2019	173,493	(1,696,225)	2,285,433	(712,910)	2,185,336	2,235,127
Accumulated interest rate sensitivity gap as at 31 December 2019		(1,696,225)	589,208	(123,702)	2,061,634	

At the end of 2020, the repricing gap of the Group's assets and liabilities with maturities of less than one year was RMB776,988 million, an increase of RMB187,780 million over 2019, mainly because the growth of loans and advances was faster than that of deposits with maturities of less than one year. The positive gap of the assets and liabilities with maturities of more than one year was RMB1.50 trillion, an increase of RMB31,608 million over 2019, mainly because the growth of bonds investment was faster than that of time deposits with maturities of more than one year.

Net interest income sensitivity analysis

The net interest income sensitivity analysis is based on two scenarios. The first assumes that all yield curves rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBC remain the same; the second assumes that the interest rates for deposits at the PBC and the demand deposits remain the same, while all the other yield curves rise or fall by 100 basis points in a parallel way.

The change in net interest income of the Group under different scenarios as at the specified dates is set out below.

	Scenario 1: the interest rates for deposits at the PBC being constant		Scenario 2: the interest rates for deposits at the PBC and the demand deposits being constant	
(In millions of RMB)	Rise by 100 basis points	Fall by 100 basis points	Rise by 100 basis points	Fall by 100 basis points
As at 31 December 2020	(45,546)	45,546	80,344	(80,344)
As at 31 December 2019	(35,183)	35,183	77,716	(77,716)

Exchange rate risk management

The Group is exposed to exchange rate risk primarily because of the currency mismatch of the assets and liabilities it holds in currencies other than RMB and the positions it takes as a market maker in the financial markets. The Group measures and analyses its exchange rate risk by using a combination of methods such as exchange rate risk exposure and stress testing, controls and mitigates its risk by matching its assets and liabilities, setting limits, and hedging.

In 2020, the Group adhered to a prudent and sound exchange rate risk management strategy, continued to improve the rules of exchange rate risk management and paid close attention to the changes in global policy and economic situation in the wake of COVID-19. It strengthened the exchange rate forecast and analysis of major currencies such as USD etc., monitored and analysed in real time their impact on the exchange rate risk exposure of the Group, in order to effectively respond to the risk of increased volatility in the exchange rate. During the reporting period, affected by the redemption of offshore preference shares, the Group's overall exchange rate risk exposure declined significantly, remained at a low level, and continued to satisfy regulatory requirements of the CBIRC. The stress testing results of exchange rate risk showed that the overall risk was under control.

Currency concentrations

The Group's currency concentrations as at the dates indicated are set out below.

	As at 31 December 2020				As at 31 December 2019			
(In millions of RMB)	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	945,417	352,098	376,645	1,674,160	1,177,322	336,136	473,907	1,987,365
Spot liabilities	(1,000,213)	(330,942)	(290,448)	(1,621,603)	(1,280,135)	(388,492)	(324,861)	(1,993,488)
Forward purchases	1,826,299	75,051	137,232	2,038,583	2,126,358	174,874	185,347	2,486,579
Forward sales	(1,758,605)	(60,684)	(203,639)	(2,022,928)	(1,988,021)	(79,784)	(309,671)	(2,377,476)
Net options position	(16,261)	(29)	(4)	(16,294)	(14,714)	–	(10)	(14,724)
Net (short)/long position	(3,362)	35,494	19,787	51,919	20,810	42,734	24,712	88,256

At the end of 2020, the net exposure of the Group's exchange rate risk was RMB51,919 million, down RMB36,337 million from 2019, mainly due to the redemption of USD preference shares and changes in trading exposures.

OPERATIONAL RISK MANAGEMENT

In 2020, the Group constantly optimised the operational risk management system, and improved the business continuity management system. It proactively responded to COVID-19 to ensure continuous business operation.

The Group carried out the operational risk self-assessment in key areas, improved rules, processes and systems, carried out new product operational risk assessment, and strengthened management in advance. It enhanced the statistics, analysis and reporting of non-compliance losses. It formulated challenge policies in business operation, and rechecked the catalogue of important positions and manual on incompatible positions to ensure timely and effective counterbalance of different positions. It formulated work instructions, standardised and guided overseas institutions to respond to COVID-19 to ensure the sustained and steady operation of business. It improved emergency plans, and carried out targeted emergency drills to enhance the ability of emergency response. It further optimised the long-term mechanism of business continuity management, and continuously improved the ability of emergency prevention, response and recovery.

Anti-money Laundering

The Group adheres to the concept of assuming social responsibility, fulfilling legal obligations, conducting active and compliant operation, and preventing financial crime, and is always following the risk-based management principle. It strictly implements AML and counter terrorist financing (CTF) regulatory requirements, continuously identifies money laundering and terrorist financing risk, and performs prudent assessment, effective control and whole-process management, in order to earnestly protect customers' legitimate rights and interests and maintain the order of financial market.

In 2020, the Group paid attention to the improvement of AML ability. It improved AML governance framework, rules and systems, and basic guarantees, effectively performed core obligations, deepened risk assessment and control, refined compliance management of financial sanction, upgraded the overall technology support ability in AML, and significantly improved the compliance and effectiveness of money laundering risk management.

LIQUIDITY RISK MANAGEMENT

The Board assumes the ultimate responsibility for liquidity risk management, and reviews and approves the liquidity risk strategy and risk appetite. The senior management carries out the liquidity risk strategy set by the Board, and organises the implementation of the liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and the senior management in the liquidity risk management. The asset & liability management department leads in the Bank's daily liquidity risk management, and forms an executive system together with the business management departments and branches to perform specific duties in liquidity risk management. The subsidiaries assume the primary responsibility for their own liquidity risk management.

The Group's objective for liquidity risk management is to ensure the security of its payment and settlement, and the overall strategy features prudence, decentralisation, coordination and diversification. Liquidity risk arises from such major factors and events as a significant drop in liquidation of current assets, a massive outflow of wholesale and retail deposits, falling availability of wholesale and retail financing, shorter financing periods, increasing financing costs, significant adverse changes in market liquidity and a sudden breakdown of the Bank's payment and settlement system. In light of the regulatory requirements, external macro environment and the Bank's business development, the head office formulates approaches to liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out intra-day liquidity management, conducts stress testing at the group level regularly, and reviews and assesses contingency plans.

In 2020, the Group adhered to the principle of robustness and prudence to manage liquidity risk, responded to the changes in internal and external funding in a forward-looking way, actively adapted to monetary policy changes, prudently determined the amount and structure of capital sources and utilisation, gave full play to the function of liquidity reserve regulation, and ensured the coordinated development of assets and liabilities business. The Group consolidated the foundation of liquidity risk management with the application of FinTech and big data analysis. It strengthened the coordinated liquidity management at the group level, and fully improved the refined liquidity risk management to ensure the security of the Bank's payment and settlement. It proactively fulfilled its obligations as a large bank to maintain the stable operation of the market.

Stress testing of liquidity risk

The Group conducted quarterly stress testing on its liquidity risk in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It improved its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The results of stress testing showed that under different stress scenarios, the Group's liquidity risk was under control.

Indicators of liquidity risk management

The Group adopted liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

The following table sets forth the liquidity ratios and loan-to-deposit ratio of the Group as at the dates indicated.

(%)		Regulatory standard	As at 31 December 2020	As at 31 December 2019	As at 31 December 2018
Liquidity ratio[1]	RMB	≥25	55.66	51.87	47.69
	Foreign currency	≥25	58.64	68.29	84.88
Loan-to-deposit ratio[2]	RMB		78.49	77.68	73.71

1. Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBIRC.
2. Calculated on the basis of domestic legal person in accordance with the requirements of the CBIRC.

In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, the liquidity coverage ratio equals to high-quality liquid assets divided by net cash outflows in the future 30 days. High-quality liquid assets of the Group mainly include securities guaranteed or issued by sovereign states and central banks with a risk weight of zero or 20%, and central bank reserves that may be used under stress circumstances. The average daily liquidity coverage ratio of the Group in the fourth quarter of 2020 was 158.53%, which met the regulatory requirements. It increased by 11.20 percentage points over the previous quarter, mainly due to a reduction in net cash outflows as a result of an increase in secured lending (including reverse repos and securities borrowing).

The following table sets forth the liquidity coverage ratio of the Group as at the dates indicated.

(In millions of RMB, except percentages)	Fourth quarter 2020	Third quarter 2020	Second quarter 2020	First quarter 2020	Fourth quarter 2019
High-quality liquid assets	4,719,927	4,642,831	4,581,133	4,556,824	4,323,267
Net cash outflows	2,981,377	3,160,703	3,218,186	2,866,173	2,806,467
Liquidity coverage ratio (%)[1]	158.53	147.33	142.66	159.62	154.83

1. Calculated in accordance with the applicable regulatory requirements, definitions and accounting standards for the period. All figures represent simple arithmetic means of the values for every calendar day in the quarter.

Net stable funding ratio (NSFR) is calculated by dividing available stable funding by the required stable funding. It is used to evaluate whether commercial banks have sufficient and stable funding sources to meet the needs of various assets and off-balance sheet risk exposures. According to the applicable regulatory requirements, definitions and accounting standards for the period, as at 31 December 2020, the Group's NSFR was 127.15%, meeting the regulatory requirements. It was 2.34 percentage points lower than that as at 30 September mainly due to the increase in the required stable funding in performing loans and securities. It was 0.75 percentage points higher than that as at 30 June, mainly due to the increase in the available stable funding in retail deposits and deposits from small business customers.

The following table sets forth the NSFR of the Group as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2020	As at 30 September 2020	As at 30 June 2020	As at 31 March 2020	As at 31 December 2019
Available stable funding	19,727,180	19,767,598	19,113,227	18,816,339	17,720,370
Required stable funding	15,515,100	15,266,201	15,121,178	14,923,874	13,723,611
NSFR (%)	127.15	129.49	126.40	126.08	129.12

Please refer to "Unaudited Supplementary Financial Information" for details of liquidity coverage ratio and net stable funding ratio.

The analysis of the Group's assets and liabilities by remaining maturity as at the dates indicated is set out below.

(In millions of RMB)	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Net gaps as at 31 December 2020	2,959,627	(11,562,623)	(491,243)	(131,281)	(362,539)	2,061,094	9,916,318	2,389,353
Net gaps as at 31 December 2019	2,700,022	(10,568,933)	37,627	(483,565)	(183,339)	2,445,984	8,287,331	2,235,127

The Group regularly monitored the maturity gaps between its assets and liabilities for various businesses in order to assess its liquidity risk in different time periods. At 31 December 2020, the cumulative maturity gap of the Group was RMB2.39 trillion, an increase of RMB154,226 million over 2019. The negative gap for repayment on demand was RMB11.56 trillion, an increase of RMB993,690 million over 2019, mainly due to the relatively fast growth of deposits from its expansive customer base. Considering the low turnover rate of the Group's demand deposits and a steady growth of deposits, the Group expects to enjoy a steady source of funding and maintain a sound liquidity position in the future.

REPUTATIONAL RISK MANAGEMENT

In 2020, the Group adhered to comprehensive, proactive and effective reputational risk management and further improved its reputational risk management system and emergency coordination and disposal mechanism. It improved the public opinion emergency plan for COVID-19, and standardised the reporting and handling procedures of branches on public opinion emergencies. It focused on identifying and issuing early warning for potential reputational risk factors, strengthened daily public opinions monitoring and further improved the capability in implementing mitigation measures. It proactively accepted media's supervision, improved its products, processes and services, enhanced internal management and continuously improved its services. During the reporting period, the Group steadily improved its reputational risk management practices and effectively safeguarded its good corporate image and reputation.

COUNTRY RISK MANAGEMENT

In strict compliance with regulatory requirements, the Group incorporates country risk management into the comprehensive risk management system. The Board assumes the ultimate responsibility for monitoring the effectiveness of country risk management. The senior management carries out the country risk management policies approved by the Board.

In 2020, the Group continued to strengthen its country risk management in the face of the continuous spread of COVID-19 overseas and the complex and volatile global political and economic environment. It closely monitored changes in the country risk exposure, rechecked country risk ratings and limits, conducted stress testing, and issued country risk assessment reports. It promoted the upgrading of country risk management system, enhanced the management of identification, measurement, monitoring, control and reporting processes, and reinforced the unified management of the country risk at the group level.

CONSOLIDATED MANAGEMENT

In 2020, the Bank proactively implemented the latest regulatory requirements on consolidated management, improved the Group's consolidated management system, and enhanced the planning and coordination, in order to prevent cross-border and cross-industry business risks for the Group and strengthen its consolidated management.

The Group improved corporate governance and consolidated management system. It continued to streamline the Group's equity hierarchy and pressed ahead with seeing-through management of subsidiaries. It optimised the top-level design of parent-subsidiary coordination, strengthened the strategic management of subsidiaries, and improved the level of comprehensive financial services at the group level. It highlighted the central role of the board of directors of subsidiaries in corporate governance and continuously improved the effectiveness of corporate governance at subsidiaries. The Group deepened the risk appetite coordination, strengthened the risk limit management, and improved the rules and systems for large exposure management. Furthermore, it strengthened the front-office management and control of consolidated credit business at subsidiaries to reinforce the unified credit management within the Group.

It optimised the building of IT systems for consolidated management, built the core fundamental platform and three central system frameworks of consolidated management, promoted the intelligent management of subsidiary information, improved the automation level of consolidated management, and helped to improve the Group's refined management capability.

INTERNAL AUDIT

The Bank's internal audit department insists on the purpose of promoting a sound and effective risk management mechanism, the internal control system and corporate governance procedures. It evaluates the effectiveness of the internal control system and risk management mechanism, the effects of corporate governance procedures, the profitability of business operations, and the economic responsibilities of relevant individuals, and puts forward related suggestions for improvement. The internal audit system of the Bank is vertically managed, and relatively independent. The internal auditors are responsible to and report to the Board and the audit committee, and also report to the board of supervisors and senior management. In addition to the audit department at the head office, the Bank also has 29 audit offices at tier-one branches and an overseas audit centre in Hong Kong.

In 2020, the audit department highlighted risk prevention and control in key areas based on the progress in the prevention and control of COVID-19 and regulatory requirements, performed 22 categories of systematic audit projects on areas such as the credit policy management and execution, agency business, online lending business, AML, related party transactions, etc. It strengthened its efforts in audit follow-ups of key internal control deficiencies and significant risk events, performed in-depth analysis on the underlying causes of identified issues, required relevant departments and branches to improve management mechanisms, business processes and internal management, and promoted the stable and healthy development of the Bank.

The Group adheres to a steady and prudent capital management strategy. It strengthens capital constraint and incentives and promotes intensive capital management to continuously enhance the efficiency of capital use. The Group relies both on internal capital accumulation and external capital replenishment, maintains a capital adequacy level that is constantly above the regulatory requirements, and outperforms its peers.

In 2020, facing the impact of COVID-19, the Group gave full play to the role of capital in counter-cyclical adjustments and increased capital support for the prevention and control of COVID-19 and the recovery and development of the real economy. It continuously optimised the asset structure and encouraged the development of businesses with low capital occupation and high return on capital. It further pressed ahead with intensive capital management, used big data to further save capital, and reduced ineffective and inefficient capital occupation. It used market financing to replenish capital and issued US$2 billion overseas Tier 2 capital bonds and RMB65 billion domestic RMB capital bonds. It finalised the capital plan for 2021-2023 to make reasonable arrangements for medium-term capital sources and utilisation.

CAPITAL ADEQUACY RATIOS

Capital adequacy ratios

In accordance with the regulatory requirements, the scope for calculating capital adequacy ratios of the Group includes both the Bank's domestic and overseas branches and sub-branches, and financial subsidiaries (insurance companies excluded). As at 31 December 2020, given relevant rules during the parallel period, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, which were calculated in accordance with *the Capital Rules for Commercial Banks (Provisional)*, were 17.06%, 14.22% and 13.62% respectively, meeting the regulatory requirements. Total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio decreased by 0.46, 0.46 and 0.26 percentage points respectively compared with those as at 31 December 2019.

Changes in the Group's capital adequacy ratios were mainly affected by the following factors: on the one hand, the rapid growth of risk-weighted assets was driven by a year-on-year increase in loans and bond investments in order to support the stability in employment, financial operations, foreign trade, foreign investment, domestic investment and economic expectations, and the security in employment, people's basic livelihood, market participants, food and energy supply, supply chains and operation of grass-roots governments, and to support the prevention and control of COVID-19 and the recovery of the real economy; while on the other hand, the slower self-driven accumulation of capital and year-on-year slowdown in the growth of net capital was due to the lower profitability in the wake of COVID-19, fully exposed risks as well as accelerated disposal.

The following table sets forth, as at the dates indicated, the information related to the capital adequacy ratios of the Group and the Bank.

	As at 31 December 2020		As at 31 December 2019	
(In millions of RMB, except percentages)	The Group	The Bank	The Group	The Bank
Common Equity Tier 1 capital after regulatory adjustments	2,261,449	2,105,934	2,089,976	1,938,236
Tier 1 capital after regulatory adjustments	2,361,517	2,191,258	2,209,692	2,046,546
Total capital after regulatory adjustments	2,832,681	2,649,639	2,637,588	2,468,041
Common Equity Tier 1 ratio (%)	13.62	13.63	13.88	13.88
Tier 1 ratio (%)	14.22	14.18	14.68	14.65
Total capital ratio (%)	17.06	17.15	17.52	17.67

Please refer to Note "Risk management – Capital management" to the financial statements for details of composition of capital.

Risk-Weighted Assets

Based on the approval for the Group to implement the advanced capital management method in 2014, the CBIRC approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit risk exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit risk exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach. Pursuant to the regulatory requirements, the Group calculates capital adequacy ratios with both the advanced approach and other approaches for capital measurement, and complies with the relevant requirements for capital floors.

The following table sets forth the information related to the risk-weighted assets of the Group.

(In millions of RMB)	As at 31 December 2020	As at 31 December 2019
Credit risk-weighted assets	15,274,351	13,788,746
Covered by the internal ratings-based approach	10,638,946	8,748,138
Uncovered by the internal ratings-based approach	4,635,405	5,040,608
Market risk-weighted assets	120,039	123,700
Covered by the internal models approach	69,610	74,509
Uncovered by the internal models approach	50,429	49,191
Operational risk-weighted assets	1,210,201	1,140,845
Additional risk-weighted assets due to the application of capital floors	–	–
Total risk-weighted assets	16,604,591	15,053,291

For more details about capital composition, capital measurement and management, please refer to *Capital Adequacy Ratio Report 2020* issued by the Bank.

LEVERAGE RATIO

From the first quarter of 2015, the Group measures the leverage ratio in accordance with *the Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*. The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on- and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As at 31 December 2020, the Group's leverage ratio was 7.99%, meeting the regulatory requirements.

The following table sets forth the information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	As at 31 December 2020	As at 30 September 2020	As at 30 June 2020	As at 31 March 2020	As at 31 December 2019
Leverage ratio (%)	7.99	7.78	7.84	8.14	8.28
Tier 1 capital after regulatory adjustments	2,361,517	2,312,381	2,274,724	2,311,145	2,209,692
On and off-balance sheet assets after adjustments	29,548,554	29,722,025	29,023,947	28,404,807	26,694,733

For the details of leverage ratio, please refer to "Unaudited Supplementary Financial statements".

In 2021, the global economy is expected to experience a weak recovery with lower interest rates. Uncertainties will persist in the external environment as COVID-19 continues to spread at home and abroad, and the international economic and financial situation will be challenging. On the basis of major strategic achievements made in coordinating the prevention and control of COVID-19 and the economic and social development, China's economy will continue to recover. Its macroeconomic policies will gradually return to normal, and the steady, long-term and high-quality economic improvement will remain unchanged.

The banking sector in China is still facing a complex operating environment, which presents both challenges and opportunities. On the one hand, the profitability, asset quality and capital adequacy of commercial banks will be under pressure due to the slowdown in macroeconomic growth, intensified turbulence in the international financial market, and rising uncertainties and instabilities in the economic environment. On the other hand, as the first year of the "14th Five-Year Plan", 2021 will see the first step to build the new development pattern. Commercial banks will face strategic opportunities for development as China accelerates the release of economic vitality, builds new development pattern, provides new financial services for the social development and people's livelihood in key areas, coordinates regional development, deepens financial reform, and improves the level of opening-up. FinTech will also increasingly become a core driver for banks to improve services, strengthen risk management and control, and reduce operating costs.

In 2021, the Group will adhere to the overall objective of seeking improvement in stability, start with new stage of development, implement new development concept, support new development pattern and roll out New Finance initiatives. It will continue to improve the "Three Capabilities", further promote the "Three Major Strategies", speed up the building of a mechanism that supports the high-quality development of the real economy, and comprehensively initiate the new path of high-quality development. The Group will focus on the following tasks: Firstly, it will build a comprehensive financing service system at the group level, continuously optimise the credit structure and provide more effective support for the real economy. Secondly, it will consolidate the leading edge in the "Three Major Strategies", make new achievements in the house rental strategy, build itself into a preferred bank for inclusive finance services, and accelerate the implementation of the FinTech strategy. Thirdly, it will achieve high-quality development of the "Three Pillars", take new steps in the corporate banking business, hit new heights in the retail banking business, and achieve new breakthroughs in the asset management business. Fourthly, it will build and open a new ecosystem, promote the quality and upgrade of the digitalised operation, enhance the operation capacity of scenario ecology and platform, and integrate the online and offline development. Fifthly, it will enhance the capacity of modern risk control and compliance governance, improve the comprehensive, proactive, intelligent and modern risk management system and the long-term internal control and compliance mechanism, and attach great importance to the protection of consumers' rights and interests.

Feature article DISCUSSIONS ON KEY TOPICS IN BUSINESS DEVELOPMENT

Reform on Loan Prime Rate (LPR) Mechanism

In 2020, the Group further pressed ahead with the LPR reform, successfully completed the pricing benchmark conversion of outstanding loans, and realised the full application of LPR. It has always been committed to the mission of serving the real economy, actively implemented the PBC's requirements for deepening interest rate liberalisation reform in a highly responsible manner and drove a significant decline in loan interest rates through the reform, application and promotion of LPR. In particular, the comprehensive financing costs of inclusive small and micro businesses decreased dramatically as the Bank surrendered part of its profits to support the real economy. It coordinated, arranged and promoted the pricing benchmark conversion of outstanding loans in accordance with the principles of market-based and rule of law. It overcame disruptions due to COVID-19, adjusted and updated the conversion plan based on the developments of the pandemic, carried out the conversion in a simple and convenient manner, and completed the conversion on schedule. The market acceptance and application scope of the LPR reached a new height, and the LPR has been fully applied in the pricing of new loans. It also actively engaged in popularising and publicising the LPR knowledge among customers, and the benchmarking and public acceptance of the LPR improved significantly.

The Group will continue to improve the mechanism for formation and transmission of interest rate liberalisation, enhance the linkage between internal and external loan pricing and the LPR, and develop systems and mechanisms for the financial industry to effectively support the real economy, so as to better meet the needs for high-quality economic development.

Net Fee and Commission Income

In 2020, the Group was committed to improving financial services to customers and further increasing fee reductions and concessions. It focused on financial needs of customers, seized market opportunities, enhanced capacity development and business innovation and upgrading, and expanded customer base through digitalised operation. Net fee and commission income amounted to RMB114,582 million, an increase of 3.32% over 2019. The Group vigorously promoted the rapid development of upstream and downstream financial services and online payment products related to consumer consumption. It enhanced product screening and marketing capabilities, and promoted the development of wealth management businesses such as agency fund sales based on customers' risk tolerance. It used multiple products related to the capital market, merger, acquisition and restructuring, portfolio financing, provided customers with multi-level in-depth financial services, and pressed ahead with the upgrading and innovation of consulting service and bond underwriting business. It helped to promote the resumption of work and production of enterprises, focused on supporting regional strategies, leveraged opportunities in "new infrastructure and new urbanisation initiatives and major projects", gave full play to advantages in infrastructure sectors, and continued to pressed ahead with the development of all kinds of corporate products.

The Group will continue to follow the overall strategy of serving the country, focus on opportunities in key industries, perform in-depth analysis of customer needs, continuously tap the potential of business development, and optimise the structure of fee income. It will focus on developing a professional and dedicated financial service team, improve the intelligent service ability, investment and trading ability, as well as research and analysis ability, optimise service experience, enhance customer stickiness, consolidate the foundation of financial services, and strive to maintain a steady income growth.

Deposits from Customers

The Group systematically attracted customers and deposits from a network perspective, actively focused on digitalised operation, adhered to its strategy of balanced development in terms of volume and price, continuously optimised structure of deposits, and improved the quality and efficiency of deposits development. At the end of 2020, the Group's deposits from customers increased by RMB2.25 trillion, or 12.24%, over 2019. Specifically, domestic demand deposits of the Bank increased by RMB912,358 million, or 9.10%, over 2019. In terms of average balance, the Group's deposits from customers increased by RMB1.86 trillion, or 10.40%, over 2019. The interest rate of deposits from customers in 2020 was 1.59%, remaining relatively low. From the perspective of composition of customers, the Bank's domestic personal deposits increased by 16.99%, mainly because the Bank actively attracted funding sources such as agency salary disbursement and enhanced the layout of high-traffic scenarios to ensure low scenario-based fund turnover. The Bank's domestic corporate deposits increased by 8.48%, mainly because it focused on improving the ability to undertake key fund chains related to capital-intensive areas such as local special debt disbursement, government appropriation and infrastructure projects.

The Group will focus on "building ecologies, setting up scenarios and expanding user base", fully use digitalised operation tools, understand flow of funds, deepen high-traffic scenarios such as people's livelihood, consumption, community, enhance the ability to undertake key fund chains, give full play to the advantages in integrated financial services and technologies, and promote the high-quality development of deposits business.

Capital Management

In 2020, in the wake of COVID-19, the Group gave full play to the role of capital in counter-cyclical adjustments and increased capital support for the prevention and control of COVID-19 and the recovery and development of the real economy. It further pressed ahead with intensive capital management, used big data to further save capitals, and reduced ineffective and inefficient capital occupation. It used market financing to replenish capital and issued US$2 billion overseas Tier 2 capital bonds and RMB65 billion domestic RMB capital bonds. It finalised the capital plan for 2021-2023 to make reasonable arrangements for medium-term capital sources and utilisation.

The Group will adhere to the concept of capital-intensive development, serving the real economy and supporting the implementation of strategies. It will optimise the asset structure and encourage the development of businesses with low capital occupation and high return on capital, improve the capital transmission mechanism, enhance the planning and assessment mechanism, expand FinTech application, press ahead with the implementation of capital intensive measures, reasonably use external financing to consolidate the capital strength, and strive to maintain the level of capital adequacy in a leading position among peers.

Asset Quality

In 2020, the Group strengthened the active management of credit risk, enabled scientific and accurate risk classification, made adequate provisions and enhanced the disposal of non-performing assets. At the end of 2020, the Group's balance of NPLs amounted to RMB260,729 million, an increase of RMB48,256 million over 2019, mainly due to the increase of domestic corporate NPLs. The Group's NPL ratio was 1.56%, an increase of 0.14 percentage points over 2019. Specifically, the NPL ratios of domestic corporate loans and personal loans were 2.56%, and 0.41% respectively. The NPL ratio of overseas institutions and subsidiaries was 1.95%. In 2020, the Group's provisions for credit impairment losses on loans and advances to customers totalled RMB167,139 million, an increase of RMB18,197 million or 12.22% over 2019. Specifically, provisions for credit impairment losses on domestic corporate loans and discounted bills amounted to RMB131,547 million, an increase of RMB12,630 million or 10.62% over 2019, while provisions for credit impairment losses on domestic personal loans amounted to RMB30,586 million, an increase of RMB2,451 million or 8.71% over 2019.

China has made significant strategic achievements in the prevention and control of COVID-19, and its overall economy remained stable. However, COVID-19 is still spreading around the world, and the global economic situation remains challenging. As a result, the foundation for domestic economic recovery is not yet solid. The Group will continue to improve the comprehensive, proactive and intelligent risk prevention, monitoring and management system, firmly safeguard the bottom line of wiping out risks, enhance value creation, keep the overall quality of credit assets stable, and achieve a virtuous circle that supports the high-quality development of both the real economy and the Group.

CORPORATE SOCIAL RESPONSIBILITIES (ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

Based on the real economy, the Group provides financial solutions by closely following economic and social development and customer demands. At the same time, it actively explores new ideas, new models and new methods for the development of green finance, further promotes the integrated development of inclusive finance and green finance, consolidates the foundation of environmental risk and social risk management. With steady development of each business, it strives to become a bank that serves the public and promotes people's livelihood, low-carbon and environmental protection, and sustainable development.

Please refer to *2020 Corporate Social Responsibility Report* of the Bank for details of performance of corporate social responsibilities and environmental, social and governance (ESG) information disclosure.

GOVERNANCE

Governance structure

The Board is responsible for studying and formulating the Group's ESG strategies, and supervising and evaluating the implementation. The related party transaction, social responsibility and consumer protection committee, under the Board, clarified the strategic responsibility of green finance, received analysis and progress on important issues of ESG management, and further strengthened the planning, supervision and guidance of consumer protection work. The committee held six meetings in 2020, which deliberated core topics and proposals on ESG including supervision and management of related party transactions, protection of consumer rights and interests, inclusive finance, rural revitalisation, house rental, green finance, disclosure of social responsibility report, charitable donations, and donations in support of the fight against the pandemic, and provided supervision and guiding opinions on these important matters. The Bank is fully aware of the importance for China in achieving the goal of carbon neutrality, and the management concept and key requirements of ESG have been integrated into the operation process of the Group. While working on its own ESG management, the Bank guided its customers to strengthen their ESG management. Meanwhile, the Bank closely tracked domestic and international regulatory requirements, incorporated ESG risks, including environmental and climate risks, into the comprehensive risk management framework and enhanced risk management mechanism. The Bank continued to improve management structure of green finance, paying close attention to policies and development trend related to green finance and climate change issues as well as studying and implementing key initiatives. In 2020, the Bank included for the first time the global major public health crisis events into substantial topical analysis, paid close attention to the latest progress made by the Task Force on Climate-related Financial Disclosures (TCFD), thoroughly evaluated the concerns of regulators, investors, and ESG rating agencies on core topics, actively communicated with key stakeholders, and constantly improved transparency of information disclosure.

The performance and due diligence supervision committee under the board of supervisors regularly received and reviewed the progress in the protection of consumer rights and interests, and put forward guidance, opinions and work requirements.

The Bank's management is responsible for formulating and promoting the implementation of ESG work plans and objectives, and reporting progress to the Board and its special committees. Two green finance committee meetings were held in 2020 to study green finance and ESG management, and to deploy initiatives for cultivating new advantages in green finance. The consumer rights and interests protection committee was established to regularly study and make work deployment for the protection of consumer rights and interests and supervise its implementation.

The Bank placed great emphasis on strengthening the ESG awareness of its employees through training. Training on ESG strategy and management and non-financial information disclosure was conducted at the levels of head office departments, tier-one branches and domestic subsidiaries. The Bank also regularly organised and carried out specialised research to promote the integration of ESG in management, business, and information disclosure.

ESG rating

In 2020, MSCI upgraded the Bank's ESG rating from BBB to A.

ENVIRONMENT

Green finance

The Bank continued to improve the long-term mechanism for green finance development, gave full play to the advantage of FinTech and full-coverage financial licenses, and actively explored new products, new services and new initiatives for the development of green finance. With an array of financial instruments such as green loans, green bonds, green leasing and green trusts, the Bank aimed to provide extensive support and foster green industries by increasing the funding to areas such as energy conservation and emission reduction, clean energy, clean transportation, and pollution prevention.

The Bank continued to increase its efforts to provide green credit, launched special innovated products such as "Energy Conservation Loans" and "Environmental Protection Loans". While promoting the development of traditional competitive areas such as green transportation and green energy, the Bank actively expanded to cover emerging green businesses and assisted in controlling greenhouse gas emissions. At the end of 2020, the balance of the Bank's green loans was RMB1.34 trillion, an increase of RMB166,905 million, or 14.20% over 2019.

The Bank vigorously developed green bonds, green leasing, green trusts, etc. In 2020, the Bank issued US$1.2 billion dual-tranche senior green bonds with the theme of tackling global climate change, which won the 2020 Best Offshore Green Bond awarded from *The Asset* – Hong Kong. The Bank underwrote domestic and overseas green bonds worth RMB42.38 billion, including the first panda bond for green construction in the domestic interbank market and the world's first blue bond for commercial institutions. The Bank also issued the first green credit asset-backed securities of RMB4,412 million after the Bond Connect mechanism was introduced. CCB Financial Leasing, a subsidiary of the Bank, led the industry for building a "Green Leasing" brand, and focused on expanding its business presence in areas such as new energy vehicles, urban rail transit, passenger and freight rail transportation, clean energy, water environmental governance, etc. By the end of 2020, it had completed 180 green leases with a total amount of RMB91,395 million. CCB Trust, a subsidiary of the Bank, actively explored the implementation of ESG concepts in the trust industry. Through private equity investment, M&A, restructuring and asset securitisation, it supported green finance projects, guided social capital to support the development of green industries and helped investors share the benefits of sustainable development.

The following table sets forth the environmental performance of the Bank's green loans during respective periods.

	2020	2019	2018
Balance of green loans (In millions of RMB)	1,342,707	1,175,802	1,042,260
Standard coal equivalent emission reduction (10,000 tons)	3,506.48	3,196.96	3,011.71
Carbon dioxide equivalent emission reduction (10,000 tons)	7,388.66	7,233.31	6,926.12
COD emission reduction (10,000 tons)	99.37	33.44	29.63
Ammonia and nitrogen reduction (10,000 tons)	4.80	3.54	3.87
Sulfur dioxide emission reduction (10,000 tons)	87.23	60.09	24.73
Nitric oxides emission reduction (10,000 tons)	90.22	30.65	3.96
Water saving (10,000 tons)	11,333.87	6,629.90	123.06

1. In line with the *Notice on Work Related to Green Financing Statistics Rules* issued by the CBIRC in 2020, the Bank recorded a balance of green loans of RMB1,447,638 million as at the end of 2020.

▲14.19%
Balance of green loans

▲9.68%
Standard coal equivalent emission reduction

▲2.15%
Carbon dioxide equivalent emission reduction

▲197.16%
COD emission reduction

▲35.59%
Ammonia and nitrogen reduction

▲45.17%
Sulfur dioxide emission reduction

▲194.36%
Nitric oxides emission reduction

▲70.95%
Water saving

Responses to climate change

The Bank continued to improve the green finance system to align with the country's target of "hitting peak emissions by 2030 and achieving carbon neutrality by 2060". It included environmental and climate risks into comprehensive risk management framework, strengthened the identification of sensitive areas and industries, and implemented systematic, proactive and intelligent risk management based on the comprehensive risk monitoring and early warning platform. The Bank took environmental and climate performance factors into account when performing customer risk assessment, and strictly exercised the "veto power" over environmental protection issues in the credit approval process. It took the initiative to adjust the credit structure and comprehensively strengthened green transformation from the dimensions of industries, regions, customers, and products.

The Bank launched a study on environmental risk stress testing, clarified the environmental risk transmission path and the stress testing process, and carried out special stress testing for the chemical industry and thermal power industry which have high environmental risk and large business volume. Based on the impact of environmental investment, the scenario designed for the stress testing of the chemical industry was divided into three stress levels of low, medium and high. The Bank calculated the proportion of cost increase caused by higher environmental protection requirements in the future, and performed stress testing on that basis. The test results showed that a small proportion of customers would see their credit ratings being downgraded, but the downgrades were minor. The impact on the credit risk of customers in the chemical industry was on the whole controllable. For the thermal power industry, the stress testing adopted such scenarios as "comprehensive emission reduction", "reaching peak carbon emissions" ahead of schedule and an accelerated transition to "carbon neutrality", and with three stress levels of mild, moderate, and severe. The Bank performed stress testing and analysis of such impact on financial cost, credit rating and risk-weighted assets of thermal power customers. The test results showed that the financial status of customers in the thermal power industry was mostly affected by carbon trading factors. But these risks were controllable overall.

In the next step, the Bank will further improve the stress testing methodology for high carbon emission industries and customers based on previous work, optimise the scenario design, and increase the support for high-quality development. The Bank will control the allocation of credit resources for the thermal power industry, resolutely withdraw from backward thermal power projects with a single unit capacity of less than 300,000 kilowatts and backward production capacity projects that are explicitly eliminated by the state. Financial support for ecological agriculture such as green agriculture and organic farming, green animal husbandry, green fishery, and conservation of animal and plant germplasm resources will be further increased.

Green operations

The Bank attached great importance to green operations and has established a leading group for energy conservation and emission reduction at the head office. It has launched a package of measures such as the green transformation of office facilities, paperless office, precise control of room temperature, water and electricity conservation, and safe disposal of e-waste to effectively reduce business energy consumption. Adhering to the concept of green procurement, the Bank actively implemented a strategy featuring low toxicity, environmental protection, energy saving and emission reduction. The Bank included environmental protection and energy saving indicators when evaluating supplier selection criteria and purchasing related key products. It also advocated paperless green procurement by carrying out the entire process of corporate procurement and e-bidding through the procurement platform. The Bank continued to enhance employees' green operation awareness by carrying out various themed activities, such as "Low-Carbon Publicity Week" and "Clear Your Plate" campaign to practice thrift and reduce waste. During the "13th Five-Year Plan" period, the Bank achieved its targets of energy-saving and consumption reduction plan at the head office. The average annual electricity consumption has fallen by more than 2 million kWh over five consecutive years.

The following table sets forth the environmental performance of the Bank's green operations during respective periods.

	2020	2019	2018
Total greenhouse gas emissions (In tons)	351,076.88	272,029.03	261,547.00
Energy consumption (In megawatt hours)	551,005.25	438,501.83	446,323.04
Water consumption (In tons)	3,581,566.03	2,424,149.36	2,280,545.68
Total paper consumption (In tons)	3,143.61	2,171.35	2,277.20
Proportion of off-counter account transactions (%)	99.51	99.40	99.23
Financial transaction migration rate via electronic channels (%)	96.57	94.77	92.66

1. Please refer to *2020 Corporate Social Responsibility Report* of the Bank for explanations of indicators.

SOCIETY

Targeted poverty alleviation through finance

The Bank closely integrated poverty alleviation with New Finance initiatives and made coordinated efforts in promoting poverty alleviation and the "Three Major Strategies". During this process, the Bank improved the targeted poverty alleviation linkage mechanism between the head office and branches as well as between the parent and subsidiaries, and created a comprehensive poverty alleviation pattern driven by finance that featured e-commerce first, credit innovation, service network extension, and public welfare activities. The Leading Group of China Construction Bank for Poverty Alleviation and the Special Task Force of China Construction Bank for Lifting Ankang Out of Poverty received the accolade of "China's Advanced Group in Eradicating Poverty" at the National Poverty Alleviation Summary and Commendation Conference.

Targeted poverty alleviation plans

Basic principle

The Bank should focus on areas of extreme poverty, impoverished counties and villages under the watch of the State Council, and poverty-stricken areas targeted by the head office and branches; strengthen the drive of innovation and technology empowerment; advance industry-based poverty alleviation; invigorate the inherent impetus of development in impoverished areas; consolidate the results of poverty alleviation; and explore the smooth transition between the battle against poverty and rural revitalisation strategy.

Overall target and major tasks

The Bank should continue to increase credit funding, driving the increase in the number of registered impoverished people and people who have been lifted out of poverty; enrich the financial product and service models for poverty alleviation, and provide greater support to areas of extreme poverty and targeted assistance areas; ensure the full coverage of "CCB Yunongtong" inclusive finance service outlets in poverty-stricken villages targeted by institutions at all levels; ensure that poverty alleviation funds and measures benefit the registered impoverished people and those who are lifted out of poverty; earnestly fulfill the responsibility of providing support to targeted assistance areas; and consolidate the results of poverty alleviation.

Policy safeguard measures

Improving working mechanism. The Bank set up a leading group for poverty alleviation and formed a three-level coordination mechanism between the head office and branches. The Bank selected and sent hard-working and outstanding staff who were familiar with the business in poverty-stricken areas, and implemented the poverty alleviation model by pairing the head office and branches with poverty-stricken areas. It strengthened the assessment and supervision of finance-assisted poverty alleviation and targeted poverty alleviation.

Strengthening policy guidance. The Bank issued special guidelines, assigned and completed the task of poverty alleviation on schedule. It developed targeted poverty alleviation loan plans separately for branches in poverty-stricken areas, such as Tibet Autonomous Region, Tibetan areas in Qinghai, Sichuan, Gansu, and Yunnan provinces, Hotan, Aksu, Kashgar, Kizilsu Kirghiz Autonomous Prefecture in southern Xinjiang Province, Liangshan Prefecture in Sichuan Province, Nujiang Prefecture in Yunnan Province, Linxia Prefecture in Gansu Province and strengthened the assessment and incentives. It evaluated poverty alleviation work to create a good development environment for poverty alleviation.

Increasing resource allocation. The Bank included poverty alleviation loans in strategic fund allocation and increased credit funds. It strictly implemented the country's requirements for the reduction or exemption of financial service fees in impoverished areas. Special funds were arranged for the development of community-level Party organizations in impoverished villages and the training of poverty alleviation officials. The Bank also made available special funds to support e-commerce marketing in poverty-stricken areas.

Summary of annual targeted poverty alleviation

Advancing poverty alleviation in a coordinated way. The Bank formulated a series of documents such as the *Transcend 2020: Action Plan for Finance-assisted Targeted Poverty Alleviation* and increased poverty alleviation loans to areas of extreme poverty for supporting characteristic industries with competitive advantage and infrastructure improvement. The Bank continued to promote industry-based poverty alleviation and built an interest binding mechanism between new agricultural entities and impoverished households. It actively engaged in product and service innovation, and promoted products such as "Mingonghui" and "New Community Factory Loans" to provide financial support to the poor. At the end of 2020, the balance of the Bank's industrial loans for targeted poverty alleviation was RMB123,751 million, an increase of RMB32,245 million from the previous year.

Deepening the integration of FinTech with finance-assisted poverty alleviation. The Bank actively carried out poverty alleviation through e-commerce, organised the "Transcend 2020" marketing activities for poverty alleviation via e.ccb.com. The annual transactions related to poverty alleviation reached RMB17,080 million, and the sales of agricultural products from impoverished areas reached RMB2,518 million. The employee participation rate exceeded 80%. The Bank effectively improved income of poverty-stricken households by establishing outsourcing bases in impoverished areas, setting up cloud-based production sites based on "CCB Yunongtong", and promoting cloud pet platform on mobile devices.

Expanding service channels and networks. The Bank has established 910 service outlets in state-level poverty-stricken counties, provided 6,778 automatic teller machines, 2,211 self-service banks and 4,021 smart teller machines, expanded "CCB Yunongtong" service sites to cover 80% towns and administrative villages, established 244 featured workers' harbours for helping the poor, and built two cloud-based production sites in Ankang, Shaanxi Province, creating jobs for around 350 people.

Constructing poverty alleviation landscape through coordination and interaction. The Bank gave full play to the group-level diversified business advantages and introduced various finance-assisted poverty alleviation approaches. It established the "CCB Joint Charity Trust for Targeted Poverty Alleviation" to provide funds donated by subsidiaries of the Group to poverty alleviation projects. It issued RMB11 billion poverty alleviation WMPs and provided financial leasing services for six hospitals in Ankang. It launched the "Insurance + Futures" project for hog breeding and feeding, and expanded channels of poverty alleviation funds. CCB University held "Financial Literacy Promotion – Poverty Alleviation" training sessions to promote financial knowledge in rural areas.

Subsequent targeted poverty alleviation plan

In 2021, the Bank will continue to optimise the relevant policies, increase innovative application of FinTech, carry out product and service innovation based on local conditions, enhance the stability of poverty alleviation based on the New Finance initiatives, and enable an effective connection of poverty alleviation and rural revitalisation.

Protection of consumer rights and interests

Adhering to the "customer-centric" concept, the Bank fully fulfilled its responsibility of consumer protection, integrated the protection of consumer rights and interests into its business development strategy and corporate culture development, to continuously improve the management system and operation mechanism and promote the well-organised protection of consumer rights and interests.

It continued to promote deep integration of consumer protection and banking business, strengthened control over the whole process, and created a more efficient, convenient and safer financial consumption environment for consumers. Before providing products and services, it reviewed consumer protection in a standardised manner, timely identified and wiped out hidden risks that might harm consumers' legitimate rights and interests. When providing products and services, it strictly regulated all kinds of marketing, promotion and business operation, and actively organised financial knowledge popularisation and internal consumer protection training. The annual participation rate of financial knowledge popularisation and publicity activities in the outlets was 100%, covering nearly 280 million audiences. After providing products and services, it attached great importance to customer problems and complaints management and continued to improve the quality and efficiency of complaint response and handling by expanding acceptance channels, optimising handling process, strengthening statistical analysis, and improving digital management. In 2020, the overall satisfaction of individual customers was 81%.

It took multiple measures to enhance customer information security management. According to the requirements of consumer protection, it continued to develop and update relevant management rules and regulations based on the needs of business development. It applied the principle of "minimum and necessity" in the use of customer information, explored the use of AI, big data and other technologies in customer information risk prevention, and carried out innovation in security certification products. It carried out security inspection of customer information use and standardised customer information protection. It provided special training on "Holding the Bottom Line to Protect Consumer Information Security" to effectively enhance the awareness and ability to protect customer information.

The Bank has been committed to helping farmers get rid of poverty and become better off. The Bank guided the villagers in Huangjiakou Village, Wuyi County to develop characteristic tree planting business coupled with relay cropping and beekeeping based on local conditions, and explored a new path out of poverty toward prosperity.

Achievements in targeted poverty alleviation

Indicators	Amount and description
I. General information	
Fund	At the end of 2020, the balance of the Bank's industry-based targeted poverty alleviation loans was RMB123,751 million, an increase of RMB32,245 million over 2019, and the Bank's poverty alleviation donation in designated area was RMB132 million.
Number of registered impoverished people lifted out of poverty	The Bank granted industry-based targeted poverty alleviation loans to 183,800 people times, and the number of registered impoverished people who were granted loans amounted to 70,300.
II. Investments by items	
1. Poverty alleviation by promoting industry development	
1.1 Poverty alleviation programmes	√ Poverty alleviation by promoting agriculture, forestry, animal husbandry and fishery At the end of 2020, the Bank's poverty alleviation loans to agriculture, forestry, animal husbandry and fishery were RMB4,397 million.
	√ Poverty alleviation through e-commerce At the end of 2020, based on e.ccb.com, the Bank facilitated poverty alleviation transactions for a total of RMB17,080 million, covering 1,013 state- and provincial-level poverty-stricken counties nationwide.
	√ Others The Bank actively supported the development of characteristic industries in poor areas in line with local conditions, such as modern agriculture, ecological planting and breeding, leisure agriculture and rural tourism. It explored a mechanism of linking the finance-assisted development of industries with efforts in lifting poor households out of poverty, and supported the sustainable development of industries in poverty-stricken areas.
1.2 Amount of industry-based investments	At the end of 2020, the Bank issued industry-based poverty alleviation loans of RMB123,751 million.
2. Poverty alleviation through education	
2.1 Student loans and related donations	Since the Bank established the "Building the Future – CCB Funding Programme for the Development of Poverty-stricken High School Students" in 2007, a total of RMB150 million of subsidy has been allocated to the programme; since establishing the "Tibet in Our Hearts – CCB and Jianyin Investment (Bursary)" in 2007, the Bank has granted a total of RMB3.5 million to fund poor middle school and college students in Tibet.
2.2 Number of poverty-stricken students funded	At the end of 2020, the Bank has funded 93,500 impoverished high school students and 880 impoverished students in Tibet.
2.3 Loan amount for improving educational resources	At the end of 2020, the Bank granted RMB1,281 million outstanding education loans to schools in impoverished areas.
3. Poverty alleviation initiatives to promote healthcare	From 2011 to 2020, the Bank made consecutive donations for "Healthy Mother Express" in poverty-stricken villages and counties in 24 provinces and autonomous regions such as Xinjiang, Tibet, Gansu, Qinghai, Shaanxi, Ningxia, Inner Mongolia, Sichuan, Chongqing, Yunnan, Guangxi, Guizhou, Hubei, Hunan, Jiangxi, Anhui, Shandong, Hebei, Liaoning, Jilin, Guangdong, Shanxi, Henan, Heilongjiang, to provide free health check and treatment to women and healthcare services for pregnant and parturient women. The Bank had cumulatively donated RMB62 million for the purchase of 410 "Healthy Mother Express" vehicles.
4. Poverty alleviation initiatives to promote ecological protection	At the end of 2020, the Bank had a balance of RMB1,524 million loans for restoring ecological environment in impoverished areas.
5. Poverty alleviation initiatives to promote social undertakings	In 2020, the Bank sent 21 cadres to Ankang, Shaanxi Province for poverty alleviation. It initiated the "One District and Three Counties" Programme, covering Hanbin District, Hanyin County, Ziyang County and Langao County, directly investing and attracting assistance funds of RMB175 million and RMB21.16 million respectively. It provided training for 48,900 community-level cadres and 67,800 technical personnel and took measures to help poor areas get out of poverty through relocation, education and aspiration support, labour export, industrial development, health care and infrastructure construction.
III. Awards	
National Poverty Alleviation Summary and Commendation Conference	The Leading Group of China Construction Bank for Poverty Alleviation and the Special Task Force of China Construction Bank for Lifting Ankang Out of Poverty received the accolade of "China's Advanced Group in Eradicating Poverty".
Leading Group on Poverty Alleviation and Development of the State Council	The Special Task Force of China Construction Bank for Lifting Ankang Out of Poverty won the "2020 National Poverty Alleviation Award – Organisational Innovation Award".
China Banking Association	The Bank was awarded the "Champion of Targeted Poverty Alleviation with Most Contribution" in the selection of "Top 100 Social Responsible Chinese Banks".

Charity

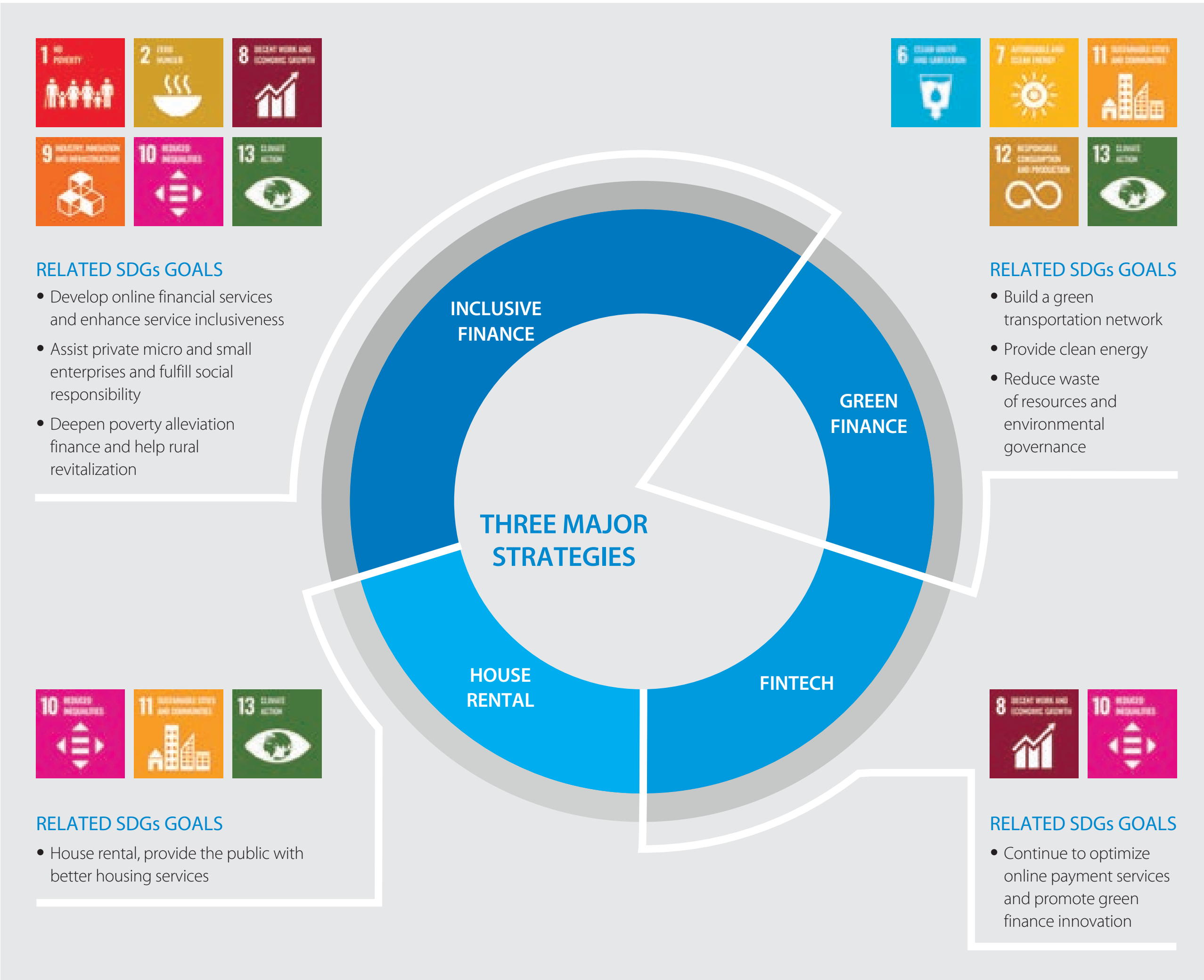
The Bank performed in-depth analysis on and participated in the resolution of social difficulties, and kept a foothold in building a shared public welfare platform, helping more people who need help and injecting new positive energy into society in the spirit of "translating the responsibility of serving the public interests into businesses while calling for involvement of employees, customers and institutions". In 2020, total charitable donations amounted to RMB449 million, of which RMB317 million was donated by the Bank and its employees to fight against COVID-19 worldwide. A total of RMB132 million was donated to targeted poverty alleviation, and more than 740 livelihood poverty alleviation programmes were implemented throughout the year.

Programme	Cooperative institution	Accumulated donation	Duration	At the end of 2020
Building the Future – CCB Sponsorship Programme for the Development of Poverty-stricken High School Students	China Education Development Foundation	RMB150 million	2007 – present	Supported 93,500 high school students with RMB150 million in education loans and scholarships.
CCB Sponsorship Programme of "Healthy Mother Express"	China Women's Development Foundation	RMB62 million	2011 – present	Purchased 410 vehicles under the programme in poor counties and towns in 24 provinces and autonomous regions, including Xinjiang, Tibet, Gansu and Qinghai.
Support CCB Hope Primary Schools	China Youth Development Foundation	RMB13.06 million	1996 – present	Provided support in building 46 Hope Primary Schools with libraries, computer rooms and sports grounds; provided trainings for more than 800 teachers and organised summer camps in Beijing for 250 students and teachers.
Tibet in Our Hearts – CCB and Jianyin Investment Scholarship (Bursary) Foundation	China Foundation for Poverty Alleviation	RMB3.50 million	2007 – present	Accumulatively granted scholarships (bursaries) of RMB2.99 million to 880 students from impoverished families in Tibet.
"Donation of Bonus Points to Make Dream Come True • Micro-Charity"	China Youth Development Foundation, China Literature and Art Foundation, Chinese Young Volunteers Association, Young Volunteers Action Guidance Centre of the Central Committee of the Communist Youth League of China	RMB9.10 million	2012 – present	Helped to build 136 "Happy Music Rooms", trained rural music and art teachers, and built the "Home of Youth" for Chinese Young Volunteers Association and Young Volunteers Action Guidance Centre of the Central Committee of the Communist Youth League of China.
"Do Good, Be Wise" Caring Student Action	CCB Youth Volunteers Association and local committees of Communist Youth League of China of all branches	RMB6 million	2016 – present	Made donations to more than 16,000 teachers and students from poverty-stricken areas and organised more than 150 teachers and students from poverty-stricken areas to participate in summer (winter) camp activities.
"Love in the Harbour" Voluntary Public Welfare Action	CCB Youth Volunteers Association and local committees of Communist Youth League of China of all branches	RMB2.43 million	2019 – present	Provided services and assistance to more than 2.01 million workers.

SUSTAINABLE FINANCE

In 2015, the United Nations Sustainable Development Summit proposed to resolve social, economic and environmental sustainability issues in the world by 2030 and set relevant goals. The Bank is deeply engaged in the "Three Major Strategies" of house rental, inclusive finance and FinTech, strives to solve social pain points through New Finance initiatives, and allocates financial resources to the real economy and social livelihoods where they are most needed, which is highly compatible with the sustainable development goals (SDGs).

Analysis of SDGs



Progress in investment and financing for sustainable development

Level I	Level II	Investment and Financing	Goals
1 Basic Infrastructure	1.1 Affordable, accessible transportation; barrier-free transport facilities	At the end of 2020, the Bank's loan balance in the field of construction and operation of urban and rural public transportation systems was RMB236.52 billion.	SDG 9 and 11
	1.4 Energy	At the end of 2020, the balance of the Bank's loans to support the construction and operation of green energy facilities was RMB212,593 million.	SDG 7, 13 and 14
	1.5 Environment and sanitation	At the end of 2020, the balance of the Bank's loans in the field of environmental sanitation, such as sewage treatment and domestic waste treatment, was RMB68,208 million.	SDG 6, 9, 13, 14 and 15
	1.7 Information and communication technology	At the end of 2020, the balance of the Bank's loans in the ICT industry was RMB260,358 million.	SDG 9 and 11
2 Affordable Housing	2.4 Indemnificatory housing	By the end of 2020, the Bank had provided personal provident housing loans to over 17 million customers, including a total of RMB117,116 million in personal indemnificatory housing loans to nearly 600,000 low- and middle-income households.	SDG 1, 2, 10 and 11
3 Healthcare services	3.1 Medical care and healthcare services	In 2020, the Bank granted RMB70,961 million loans to medical and healthcare institutions to fully support the prevention and control of the COVID-19.	SDG 3 and 10
	3.3 Medical and sanitation manufacturing	At the end of 2020, the Bank had a balance of RMB55,388 million in loans to medical and sanitation manufacturing industries.	SDG 3, 9 and 10
4 Education, Technology, and Culture	4.1 Education	In the past five years, the Bank had granted a total of RMB127,158 million loans in the field of education, maintaining a leading market share in the industry for many years.	SDG 4, 5 and 10
	4.2 Technology	At the end of 2020, the Bank's loan balance in technology-related industries was RMB270,390 million.	SDG 8, 9, 11 and 12
5 Food security	5.1 Agricultural production	At the end of 2020, the balance of the Bank's loans to crop farming was RMB30.8 billion, up RMB7.1 billion from the previous year.	SDG 2
	5.2 Agricultural products and food processing	At the end of 2020, the Bank's loan balance for agricultural machinery and related equipment was RMB5.3 billion, up RMB1.3 billion from the previous year.	SDG 2
6 Financial services	6.1 Savings and current account financial services	At the end of 2020, the Bank's domestic personal deposits were RMB10.18 trillion, up RMB1.48 trillion from the previous year.	SDG 1, 8, 9 and 10
	6.2. Credit financial service	At the end of 2020, the Bank's inclusive finance loans were RMB1.45 trillion, with 1,700.3 thousand loan customers.	SDG 1, 5, 8 and 9

1. This table was prepared by reference to the *2020 Catalogue of Projects Supported by Investment and Financing for Sustainable Development (China)*.

CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

CHANGES IN ORDINARY SHARES

Unit: share

	1 January 2020		Change during the reporting period +/(-)					31 December 2020	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	Others	Sub-total	Numbers of shares	Percentage (%)
I. Shares subject to selling restrictions	–	–	–	–	–	–	-–	–	–
II. Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	–	–	–	–	–	9,593,657,606	3.84
2. Overseas listed foreign investment shares	93,566,862,249	37.42	–	–	–	+1,664,556,250	+1,664,556,250	95,231,418,499	38.09
3. Others[1]	146,850,457,631	58.74	–	–	–	-1,664,556,250	-1,664,556,250	145,185,901,381	58.07
III. Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

1. H-shares of the Bank free from selling restrictions held by the promoters of the Bank, i.e. Huijin, Baowu Steel Group, State Grid and Yangtze Power.

DETAILS OF SECURITIES ISSUANCE AND LISTING

During the reporting period, the Bank did not issue any ordinary shares or convertible bonds. For details of the issuance of preference shares of the Bank, please refer to "Details of Preference Shares".

According to the resolution of the 2018 annual general meeting of the Bank and upon approvals from the CBIRC and PBC, in June 2020, the Bank issued fixed-rate Tier 2 capital bonds of US$2 billion with a term of ten years in the overseas market, and the Bank has a conditional right to redeem the bonds at the end of the fifth year; the bonds have an initial fixed interest rate of 2.45%. All proceeds raised are used to replenish the Bank's Tier 2 capital.

According to the resolution of the 2018 annual general meeting of the Bank and upon approvals from the CBIRC and PBC, in September 2020, the Bank issued fixed-rate Tier 2 capital bonds of RMB65 billion with a term of ten years in the domestic market and the Bank has a conditional right to redeem the bonds at the end of the fifth year and the coupon rate is 4.20%. All proceeds raised are used to replenish the Bank's Tier 2 capital.

For details of the issuance of other debt securities, please refer to Note "Debt securities issued" to the financial statements.

NUMBER OF ORDINARY SHAREHOLDERS AND PARTICULARS OF SHAREHOLDING

At the end of the reporting period, the Bank had a total of 372,500 ordinary shareholders, of whom 41,053 were holders of H-shares and 331,447 were holders of A-shares. As at 28 February 2021, the Bank had 342,092 ordinary shareholders, of whom 40,799 were holders of H-shares and 301,293 were holders of A-shares.

Unit: share

Total number of ordinary shareholders	372,500 (Total number of registered holders of A-shares and H-shares as at 31 December 2020)				
Particulars of shareholding of the top ten ordinary shareholders					
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Changes during the reporting period	Total number of shares held	Number of shares pledged or frozen
Huijin [1]	State	57.03	–	142,590,494,651 (H-shares)	None
		0.08	–	195,941,976 (A-shares)	None
HKSCC Nominees Limited [1, 2]	Foreign legal person	37.54	+1,684,111,127	93,863,184,162 (H-shares)	Unknown
China Securities Finance Corporation Limited	State-owned legal person	0.88	–	2,189,259,768 (A-shares)	None
State Grid [2, 3]	State-owned legal person	0.64	–	1,611,413,730 (H-shares)	None
Reca Investment Limited	Foreign legal person	0.34	–	856,000,000 (H-shares)	None
Yangtze Power [2]	State-owned legal person	0.26	–	648,993,000 (H-shares)	None
Central Huijin Asset Management Ltd.	State-owned legal person	0.20	–	496,639,800 (A-shares)	None
Hong Kong Securities Clearing Company Ltd. [1]	Foreign legal person	0.20	-84,338,674	495,510,761 (A-shares)	None
Baowu Steel Group [2]	State-owned legal person	0.13	-1,664,556,250	335,000,000 (H-shares)	None
Taiping Life Insurance Co., Ltd. – Traditional – Ordinary insurance product – 022L – CT001SH	Others	0.07	+35,464,787	168,783,482 (A-shares)	None

1. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Ltd. Apart from these, the Bank is not aware of any connected relation or concerted action among the aforesaid shareholders.
2. As at 31 December 2020, State Grid, Yangtze Power and Baowu Steel Group held 1,611,413,730 H-shares, 648,993,000 H-shares and 335,000,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited. Save the aforesaid H-shares of the Bank held by State Grid, Yangtze Power and Baowu Steel Group, 93,863,184,162 H-shares of the Bank were held under the name of HKSCC Nominees Limited, which included the H-shares of the Bank held by Temasek Holdings (Private) Limited.
3. As at 31 December 2020, the holding of H-shares of the Bank by State Grid through its subsidiaries was as follows: State Grid International Development Co., Ltd. held 296,131,000 shares, State Grid International Development Limited held 1,315,282,730 shares.
4. None of the shares held by the aforesaid shareholders were subject to selling restrictions.

SUBSTANTIAL SHAREHOLDERS OF THE BANK

Huijin is the controlling shareholder of the Bank, holding 57.11% of the shares of the Bank at the end of the reporting period, and indirectly held 0.20% of the shares of the Bank through its subsidiary, Central Huijin Asset Management Ltd. Huijin is a wholly state-owned company established in accordance with the PRC Company Law on 16 December 2003 with the approval of the State Council. Both its registered capital and paid-in capital is RMB828,209 million. Its legal representative is Mr. Peng Chun. Huijin makes equity investment in key state-owned financial institutions as authorised by the State Council, and exercises the contributor's rights and obligations in key state-owned financial institutions up to its contribution amount on behalf of the State to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial business activities, nor does it interfere with daily operations of the key state-owned financial institutions of which it is the controlling shareholder.

As at 31 December 2020, the information on the enterprises whose shares were directly held by Huijin is as follows.

No.	Name of the Institution	Shareholding of Huijin (%)
1	China Development Bank	34.68
2	ICBC [1, 2]	34.71
3	ABC [1, 2]	40.03
4	BOC [1, 2]	64.02
5	China Construction Bank Corporation [1, 2, 3]	57.11
6	China Everbright Group Ltd.	63.16
7	Hengfeng Bank Co., Limited	53.95
8	China Export & Credit Insurance Corporation	73.63
9	China Reinsurance (Group) Corporation [2]	71.56
10	New China Life Insurance Company Limited [1, 2]	31.34
11	China Jianyin Investment Limited	100.00
12	China Galaxy Financial Holding Co., Ltd.	69.07
13	Shenwan Hongyuan Group Co., Ltd. [1, 2]	20.05
14	China International Capital Corporation Limited [1, 2]	40.11
15	China Securities Co., Ltd. [1, 2]	30.76
16	China Galaxy Asset Management Co., Ltd.	13.30
17	Guotai Junan Investment Management Co., Ltd.	14.54

1. A-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2020.
2. H-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2020.
3. Besides the enterprises above controlled or held by Huijin, Huijin has a wholly-owned subsidiary Central Huijin Asset Management Ltd., established in November 2015 in Beijing with a registered capital of RMB5 billion, which engages in assets management business.

Please refer to the *Announcement on Matters related to the Incorporation of China Investment Corporation* published by the Bank on 9 October 2007 for details of China Investment Corporation.

At the end of the reporting period, there were no other corporate shareholders holding 10% or more of shares of the Bank except for HKSCC Nominees Limited, nor were there any internal employee shares.

DETAILS OF PREFERENCE SHARES

Issuance and Listing of Preference Shares in the Past Three Years

By the end of the reporting period, the Bank had not issued preference shares in the past three years.

Number of Preference Shareholders and Particulars of Shareholding

At the end of reporting period, the Bank had 21 preference shareholders, all of which were domestic preference shareholders. As at 28 February 2021, the Bank had 21 preference shareholders, all of which were domestic preference shareholders.

At the end of 2020, the particulars of shareholding of the top ten (including ties) domestic preference shareholders of the Bank were as follows.

Unit: share

Name of preference shareholder	Nature of shareholder	Shareholding percentage (%)	Change during the reporting period	Total number of shares held	Number of shares pledged or frozen
Bosera Asset Management Co., Limited	Others	21.55	-31,680,000	129,320,000	None
Shanghai Branch of Bank of China Limited	Others	15.00	+41,000,000	90,000,000	None
China International Capital Corporation Limited	Others	8.61	+51,680,000	51,680,000	None
China Life Insurance Company Limited	Others	8.33	–	50,000,000	None
China Mobile Communications Group Co., Ltd.	State-owned legal person	8.33	–	50,000,000	None
Truvalue Asset Management Co., Limited	Others	6.67	–	40,000,000	None
China CITIC Bank Corporation Limited	Others	4.64	-2,150,000	27,850,000	None
GF Securities Asset Management (Guangdong) Co., Ltd.	Others	4.50	–	27,000,000	None
Postal Savings Bank of China Co., Ltd.	Others	4.50	–	27,000,000	None
AXA SPDB Investment Managers Co., Ltd.	Others	3.33	–	20,000,000	None
PICC Asset Management Company Limited	Others	3.33	–	20,000,000	None

1. Particulars of shareholding of the preference shareholders were based on the information in the Bank's register of preference shareholders.
2. The Bank is not aware of any connected relation or concerted action among the aforesaid preference shareholders, or between the aforesaid preference shareholders and the top ten ordinary shareholders.
3. "Shareholding percentage" refers to the percentage of domestic preference shares held by preference shareholders in the total number of domestic preference shares.

Profit Distribution of Preference Shares

According to the resolution and authorisation of the shareholders' general meeting, the meeting of the board of directors held on 28 August 2020 considered and approved the dividend distribution plan of domestic and offshore preference shares of the Bank. Dividends of preference shares would be paid in cash by the Bank to preference shareholders on an annual basis. Dividends not fully distributed to preference shareholders would not be accumulated to next year. Once the preference shareholders have received dividends at the agreed dividend rate, they shall not be entitled to participate in the distribution of any remaining profit with ordinary shareholders.

According to the terms of issuance of offshore preference shares, the Bank distributed dividends of US$142 million (after tax) to the holders of the offshore preference shares. According to relevant laws, when the Bank distributes dividends for offshore preference shares, the income tax shall be withheld by the Bank at a rate of 10%. According to the terms and conditions of the offshore preference shares, the Bank paid such income tax. Such dividends were paid in cash on 16 December 2020.

According to the terms of issuance of domestic preference shares, the Bank distributed dividends of RMB2,850 million (including tax) to the holders of the domestic preference shares. Such dividends were paid in cash on 28 December 2020.

Please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank for information on dividend distribution for preference shares.

Distributions of dividends for preference shares of the Bank in the past three years were as follows.

	2020[1]		2019		2018	
(In millions of RMB, except percentages)	Dividend rate	Dividend distribution (including tax)	Dividend rate	Dividend distribution (including tax)	Dividend rate	Dividend distribution (including tax)
Offshore preference shares	4.65%	1,030	4.65%	1,112	4.65%	1,086
Domestic preference shares	4.75%	2,850	4.75%	2,850	4.75%	2,850

1. The dividends for offshore preference shares distributed in 2020 were translated into RMB at the exchange rate on 16 December 2020.

Redemption or Conversion of Preference Shares

In December 2015, the Bank made a non-public issuance of offshore preference shares of US$3.05 billion which were listed on Hong Kong Stock Exchange. Please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank for the terms and conditions of issuance of offshore preference shares. At the meeting of the board of directors held in August 2020, the board of directors considered and approved the *Proposal to Redeem the Offshore Preference Shares* and approved the redemption of all of the US$3.05 billion offshore preference shares. On 16 October 2020, the Bank received a reply letter from the CBIRC, pursuant to which no objections were raised by the CBIRC to the redemption. Pursuant to the terms and conditions of the offshore preference shares, the Bank redeemed the offshore preference shares in whole on 16 December 2020. The redemption price of each offshore preference share equals to the aggregate of the issue price (an amount equals to the liquidation preference of each offshore preference share) plus any declared but unpaid dividends (the "Dividends") accrued in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the redemption date in respect of each offshore preference share. The aggregate redemption price of the offshore preference shares equals to the sum of US$3.05 billion as the aggregate amount of the liquidation preference of the offshore preference shares and the Dividends to be paid to the holders of the offshore preference shares in an amount of US$141,825,000, a total of US$3,191,825,000. For details, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank.

Apart from the above, there was no conversion of preference shares issued by the Bank during the reporting period.

Restoration of Voting Rights of Preference Shares

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

Accounting Policy Adopted for Preference Shares and Causes Thereof

In accordance with *Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, *Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments* and *Rules on Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatments* promulgated by the MOF of the PRC, as well as *International Financial Reporting Standard No. 9 – Financial Instruments* and *International Accounting Standard No. 32 – Financial Instruments: Presentation* formulated by the International Accounting Standards Board, the existing preference shares issued by the Bank meet the requirements of equity instruments in their terms and conditions, and are treated as equity instruments.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Name	Position	Gender	Age	Term of Office
Tian Guoli	Chairman, executive director	Male	60	October 2017 to 2022 annual general meeting
Wang Jiang	Vice chairman, executive director, president	Male	57	March 2021 to 2022 annual general meeting
Lyu Jiajin	Executive director, executive vice president	Male	52	December 2020 to 2022 annual general meeting
Xu Jiandong	Non-executive director	Male	57	June 2020 to 2022 annual general meeting
Zhang Qi	Non-executive director	Male	48	July 2017 to 2022 annual general meeting
Tian Bo	Non-executive director	Male	49	August 2019 to 2021 annual general meeting
Xia Yang	Non-executive director	Male	52	August 2019 to 2021 annual general meeting
Shao Min	Non-executive director	Female	56	January 2021 to 2022 annual general meeting
Liu Fang	Non-executive director	Female	47	January 2021 to 2022 annual general meeting
Anita Fung Yuen Mei	Independent non-executive director	Female	60	October 2016 to 2020 annual general meeting
Malcolm Christopher McCarthy	Independent non-executive director	Male	77	August 2017 to 2022 annual general meeting
Carl Walter	Independent non-executive director	Male	73	October 2016 to 2020 annual general meeting
Kenneth Patrick Chung	Independent non-executive director	Male	63	November 2018 to 2020 annual general meeting
Graeme Wheeler	Independent non-executive director	Male	69	October 2019 to 2021 annual general meeting
Michel Madelain	Independent non-executive director	Male	65	January 2020 to 2021 annual general meeting
Resigned directors				
Liu Guiping	Vice chairman, executive director, president	Male	54	July 2019 to November 2020
Zhang Gengsheng	Executive director, executive vice president	Male	60	August 2015 to December 2020
Feng Bing	Non-executive director	Female	55	July 2017 to January 2021
Zhu Hailin	Non-executive director	Male	55	July 2017 to June 2020

Supervisors of the Bank

Name	Position	Gender	Age	Term of Office
Wang Yongqing	Chairman of the board of supervisors, shareholder representative supervisor	Male	57	October 2019 to 2021 annual general meeting
Wu Jianhang	Shareholder representative supervisor	Male	59	June 2018 to 2020 annual general meeting
Yang Fenglai	Shareholder representative supervisor	Male	58	June 2020 to 2022 annual general meeting
Lu Kegui	Employee representative supervisor	Male	59	May 2018 to 2020 annual general meeting
Wang Yi	Employee representative supervisor	Male	58	May 2018 to 2020 annual general meeting
Zhao Xijun	External supervisor	Male	57	June 2019 to 2021 annual general meeting
Liu Huan	External supervisor	Male	66	June 2020 to 2022 annual general meeting
Ben Shenglin	External supervisor	Male	55	June 2020 to 2022 annual general meeting
Resigned supervisors				
Fang Qiuyue	Shareholder representative supervisor	Male	61	June 2018 to April 2020
Cheng Yuanguo	Employee representative supervisor	Male	58	May 2018 to March 2021

Senior management of the Bank

Name	Position	Gender	Age	Term of Office
Wang Jiang	President	Male	57	February 2021 to
Lyu Jiajin	Executive vice president	Male	52	July 2020 to
Ji Zhihong	Executive vice president	Male	52	August 2019 to
Wang Hao	Executive vice president	Male	49	October 2020 to
Zhang Min	Executive vice president	Female	50	December 2020 to
Hu Changmiao	Secretary to the Board	Male	57	May 2019 to
Jin Panshi	Chief information officer	Male	56	March 2021 to
Cheng Yuanguo	Chief risk officer	Male	58	April 2021 to
Zhang Yi	Chief financial officer	Male	50	April 2021 to
Resigned senior management				
Liu Guiping	President	Male	54	May 2019 to November 2020
Zhang Gengsheng	Executive vice president	Male	60	April 2013 to December 2020
Huang Yi	Executive vice president	Male	61	April 2014 to April 2020
Xu Yiming	Chief financial officer	Male	61	June 2014 to April 2020
Jin Yanmin	Chief risk officer	Male	59	May 2019 to April 2021

Shareholdings of directors, supervisors and senior management

During the reporting period, there was no change in the shareholdings of directors, supervisors and senior management of the Bank. Some of the Bank's directors, supervisors and senior management indirectly held H-shares of the Bank via employee stock incentive plan of the Bank before they assumed their current positions. Mr. Wu Jianhang held 20,966 H-shares, Mr. Yang Fenglai held 16,789 H-shares, Mr. Lu Kegui held 18,989 H-shares, Mr. Cheng Yuanguo held 15,863 H-shares, Mr. Wang Yi held 13,023 H-shares, Mr. Wang Hao held 12,108 H-shares, Ms. Zhang Min held 9,120 H-shares, Mr. Jin Yanmin held 15,739 H-shares and Mr. Hu Changmiao held 17,709 H-shares. Mr. Zhang Gengsheng, the resigned executive director and executive vice president, held 19,304 H-shares, Mr. Fang Qiuyue, the resigned shareholder representative supervisor, held 21,927 H-shares and Mr. Xu Yiming, the resigned chief financial officer, held 17,925 H-shares. Mr. Wang Jiang held 15,417 H-shares, who commenced his position as president of the Bank from February 2021, and Mr. Zhang Yi held 9,848 H-shares, who commenced his position as chief financial officer of the Bank from April 2021. Apart from the above, all other directors, supervisors and senior management did not hold any shares of the Bank.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Upon election at the 2019 annual general meeting of the Bank, Mr. Tian Guoli continued to serve as chairman and executive director of the Bank from June 2020; Ms. Feng Bing and Mr. Zhang Qi continued to serve as non-executive directors of the Bank from June 2020; Sir Malcolm Christopher McCarthy continued to serve as independent non-executive director of the Bank from June 2020. Upon election at the 2021 first extraordinary general meeting of the Bank, Mr. Wang Jiang commenced his position as executive director of the Bank from March 2021. Upon approval of the Board of the Bank, Mr. Wang Jiang commenced his position as vice chairman of the Bank from March 2021. Upon election at the 2020 first extraordinary general meeting of the Bank and approval of the CBIRC, Mr. Lyu Jiajin commenced his position as executive director of the Bank from December 2020. Upon election at the 2020 first extraordinary general meeting of the Bank and approval of the CBIRC, Ms. Shao Min and Ms. Liu Fang commenced their positions as non-executive directors of the Bank from January 2021. Upon election at the 2019 annual general meeting of the Bank, Mr. Xu Jiandong commenced his position as non-executive director of the Bank from June 2020. Upon election at the 2019 first extraordinary general meeting of the Bank and approval of the CBIRC, Mr. Michel Madelain commenced his position as independent non-executive director of the Bank from January 2020. Upon approval of the Board of the Bank, Mr. William (Bill) Coen was nominated as independent non-executive director of the Bank, and relevant proposal has been considered by the 2020 first extraordinary general meeting of the Bank with his appointment qualification subject to approval of the CBRIC.

By reason of age, Mr. Zhang Gengsheng ceased to serve as executive director of the Bank from December 2020. Due to change of job, Mr. Liu Guiping ceased to serve as vice chairman, and executive director of the Bank from November 2020. Due to change of job, Ms. Feng Bing ceased to serve as non-executive director of the Bank from January 2021. Due to expiration of his term of office, Mr. Zhu Hailin ceased to serve as non-executive director of the Bank from June 2020.

Supervisors of the Bank

Upon election at the 2019 annual general meeting of the Bank, Mr. Yang Fenglai commenced his position as the shareholder representative supervisor of the Bank from June 2020, and Mr. Liu Huan and Mr. Ben Shenglin commenced their positions as external supervisors of the Bank from June 2020.

By reason of age, Mr. Fang Qiuyue ceased to serve as shareholder representative supervisor of the Bank from April 2020. Due to change of job, Mr. Cheng Yuanguo ceased to serve as employee representative supervisor of the Bank from March 2021.

Senior Management of the Bank

Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Cheng Yuanguo commenced his position as chief risk officer of the Bank from April 2021. Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Zhang Yi commenced his position as chief financial officer of the Bank from April 2021. Upon appointment of the Board of the Bank and filing with the CBIRC, Mr. Jin Panshi commenced his position as chief information officer of the Bank from March 2021. Upon appointment of the Board of the Bank and filing with the CBIRC, Mr. Wang Jiang commenced his position as president of the Bank from February 2021. Upon appointment of the Board of the Bank and approval of the CBIRC, Ms. Zhang Min commenced her position as executive vice president of the Bank from December 2020. Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Wang Hao commenced his position as executive vice president of the Bank from October 2020. Upon appointment of the Board of the Bank and filing with the CBIRC, Mr. Lyu Jiajin commenced his position as executive vice president of the Bank from July 2020.

Due to change of job, Mr. Jin Yanmin ceased to serve as chief risk officer of the Bank from April 2021. By reason of age, Mr. Zhang Gengsheng ceased to serve as executive vice president of the Bank from December 2020. Due to change of job, Mr. Liu Guiping ceased to serve as president of the Bank from November 2020. Due to retirement, Mr. Huang Yi ceased to serve as executive vice president of the Bank from April 2020. By reason of age, Mr. Xu Yiming ceased to serve as chief financial officer of the Bank from April 2020.

CHANGES IN PERSONAL INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wang Jiang, vice chairman of the Board, executive director and president of the Bank ceased to serve as the vice chairman of the board of directors, executive director, president of BOC, and the vice chairman of the board of directors, non-executive director of BOC Hong Kong (Holdings) Limited from February 2021.

Mr. Xu Jiandong, non-executive director of the Bank, ceased to serve as non-executive director of ABC from June 2020.

Ms. Shao Min, non-executive director of the Bank, ceased to serve as senior counsel of the Supervision and Evaluation Bureau of Ministry of Finance from February 2021.

Ms. Liu Fang, non-executive director of the Bank, ceased to serve as deputy director-general of the General Affairs Department (Policy and Regulation Department) and counsel of State Administration of Foreign Exchange from February 2021.

Ms. Anita Fung Yuen Mei, independent non-executive director of the Bank, ceased to serve as independent non-executive director of Westpac Banking Corporation from April 2020.

Mr. Kenneth Patrick Chung, independent non-executive director of the Bank, commenced his position as independent non-executive director of Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited from April 2020.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Tian Guoli Chairman, executive director

Mr. Tian has served as chairman and executive director of the Bank since October 2017, concurrently as chairman of Sino-German Bausparkasse since March 2018. Mr. Tian currently also serves as chairman of China Banking Association, a member of the Expert Committee for the 14th Five-Year Plan for Economic and Social Development of China, a member of the PBC's Monetary Policy Committee and a member of International Advisory Panel of Monetary Authority of Singapore. Mr. Tian joined BOC in April 2013, and served as chairman of BOC from May 2013 to August 2017, during which he also served as chairman and non-executive director of BOC Hong Kong (Holdings) Limited. From December 2010 to April 2013, Mr. Tian served as vice chairman and general manager of China CITIC Group Corporation, during which he also served as chairman and non-executive director of China CITIC Bank. From April 1999 to December 2010, Mr. Tian served consecutively as vice president and president of China Cinda Asset Management Company, and chairman of China Cinda Asset Management Co., Ltd. From July 1983 to April 1999, Mr. Tian held various positions in CCB, including sub-branch manager, branch deputy general manager, department general manager of Head Office departments, and assistant president of CCB. Mr. Tian is a senior economist. He received a bachelor's degree in economics from Hubei Institute of Finance and Economics in 1983.

Wang Jiang Vice chairman, executive director, president

Mr. Wang has served as vice chairman and executive director of the Bank since March 2021, concurrently as president of the Bank since February 2021. From January 2020 to February 2021, Mr. Wang served as vice chairman and executive director of BOC. From December 2019 to February 2021, Mr. Wang served as president of BOC. From March 2020 to February 2021, Mr. Wang concurrently served as vice chairman and non-executive director of BOC Hong Kong (Holdings) Limited. From July 2017 to November 2019, Mr. Wang served as vice-governor of Jiangsu Province. From August 2015 to July 2017, Mr. Wang served as executive vice president of Bank of Communications. From October 2002 to March 2015, Mr. Wang successively served as deputy general manager of Shandong Branch of the Bank, general manager of Hubei Branch of the Bank, and general manager of Shanghai Branch of the Bank. Mr. Wang served as general manager of Dezhou Branch in Shandong Province of the Bank from September 2000 to October 2002 and deputy director of Credit Risk Management Division of Shandong Branch of the Bank from June 1999 to September 2000. Mr. Wang received a PhD degree in economics from Xiamen University in 1999.

Lyu Jiajin Executive director, executive vice president

Mr. Lyu has served as executive director of the Bank since December 2020, concurrently as executive vice president of the Bank from July 2020. He served as executive vice president of Bank of Communications from January 2019 to July 2020. From May 2016 to January 2019, Mr. Lyu served as deputy general manager of China Post Group Corporation and executive director and president of Postal Savings Bank. From December 2012 to May 2016, Mr. Lyu served as executive director and president of Postal Savings Bank. From March 2007 to December 2012, Mr. Lyu served as executive director and executive vice president of Postal Savings Bank. From July 2005 to March 2007, Mr. Lyu served as deputy head of China Postal Savings and Remittance Bureau. Mr. Lyu served as deputy head of Post Bureau of Liaoning Province from February 2004 to July 2005, as deputy head of Post Bureau of Henan Province from March 2001 to February 2004, as head of Post Bureau of Xinxiang City in Henan Province from October 1999 to March 2001 and successively served as deputy head and head of Postal Savings and Remittance Bureau of Henan Province from May 1998 to October 1999. Mr. Lyu worked in the Board of Currency of Postal Savings and Remittance Bureau of Henan Province and Administrative Bureau of Post and Telecommunications of Henan Province from July 1988 to May 1998. Mr. Lyn is a senior economist. He obtained a PhD degree in economics from Southwestern University of Finance and Economics in June 2014.

Xu Jiandong Non-executive director

Mr. Xu has served as non-executive director of the Bank since June 2020. Mr. Xu has served as a staff member of Huijin from 2015. Mr. Xu served as non-executive director of ABC from February 2015 to June 2020. Mr. Xu served as deputy counsel of the Management and Inspection Department at the State Administration of Foreign Exchange from June 2012 to April 2015, deputy director of the Financial Affairs Office of Jilin Province from April 2011 to June 2012, deputy counsel of the Balance of Payment Department from March 2004 to April 2011. From September 1994 to March 2004, Mr. Xu worked at the State Administration of Foreign Exchange, during which, he served as deputy division-chief of the Foreign Exchange Market Management Division of the Balance of Payment Department, and division-chief of the Banking Management Division of the Balance of Payment Department. Mr. Xu obtained a bachelor’s degree in finance from Central University of Finance and Economics in 1986.

Zhang Qi Non-executive director

Mr. Zhang has served as director of the Bank since July 2017. Mr.Zhang has served as a staff member of Huijin from 2011. Mr. Zhang served as non-executive director of BOC from July 2011 to June 2017. Mr. Zhang worked in Central Expenditure Division One and Comprehensive Division of the Budget Department, and Ministers' Office under the General Office of Ministry of Finance, as well as in the Office of China Investment Corporation, serving consecutively as deputy division-chief, division-chief and senior manager from 2001 to 2011. Mr. Zhang studied in the Investment Department and Finance Department of Dongbei University of Finance & Economics from 1991 to 2001 and obtained his bachelor's degree, master's degree and PhD degree in economics in 1995, 1998 and 2001 respectively. Mr. Zhang is currently a PhD supervisor at Dongbei University of Finance & Economics.

Tian Bo Non-executive director

Mr. Tian has served as director of the Bank since August 2019. Mr. Tian has served as a staff member of Huijin from 2019. From March 2006 to August 2019, Mr. Tian had served in various positions including division head of Banking Business Department, Division Head and assistant general manager of Corporate Banking Department and deputy general manager of Global Trade Services Department and Global Transaction Banking Department of BOC. Concurrently, Mr. Tian also served as Member of the Standing Committee of the CPC Municipal Party Committee and Vice Mayor of Fangchenggang City of Guangxi Zhuang Autonomous Region from February 2016 to February 2018. From July 1994 to March 2006, Mr. Tian worked at ICBC Beijing Branch and head office of China Minsheng Bank. Mr. Tian graduated from Beijing College of Finance and Trade with a bachelor's degree in finance in 1994 and obtained a master's degree in management from the Capital University of Economics and Business in 2004.

Xia Yang Non-executive director

Mr. Xia has served as director of the Bank since August 2019. Mr. Xia has served as a staff member of Huijin from 2019. From August 1997 to September 2019, Mr. Xia worked in Hua Xia Bank consecutively serving various positions including general manager of asset custody department, general manager of Jinan Branch, general manager of Hefei Branch, chief disciplinary officer and deputy general manager of Hangzhou Branch, and chief disciplinary officer and deputy general manager of Wenzhou Branch. From December 1988 to August 1997, Mr. Xia worked for Zhejiang Branch of ICBC and Hangzhou Branch of China Merchants Bank. Mr. Xia is a senior economist and accountant. Mr. Xia graduated from Nanjing University with a bachelor's degree specialised in human and animal physiology in 1988. He graduated from Nanjing University with a PhD degree in management sciences and engineering in 2018.

Shao Min Non-executive director

Ms. Shao has served as director of the Bank since January 2021. Ms. Shao has served as a staff member of Huijin from 2021. Ms. Shao served as senior counsel of the Supervision and Evaluation Bureau of Ministry of Finance from June 2019 to February 2021. From April 2019 to June 2019, Ms. Shao was counsel of the Supervision and Evaluation Bureau of Ministry of Finance. From September 2015 to April 2019, Ms. Shao was deputy director-general of the Accounting Department of Ministry of Finance. From August 1987 to September 2015, Ms. Shao consecutively served as chief officer and assistant consultant of the Industrial Transportation Finance Department of Ministry of Finance, assistant consultant and deputy director of the Fiscal Supervision Department of Ministry of Finance and deputy director, director and deputy director-general of the Supervision and Inspection Bureau of Ministry of Finance. Ms. Shao graduated from School of Accounting of Dongbei University of Finance & Economics with a bachelor's degree in economics in 1987.

Liu Fang Non-executive director

Ms. Liu has served as director of the Bank since January 2021. Ms. Liu has served as a staff member of Huijin from 2021. Ms. Liu served as deputy director-general of the General Affairs Department (Policy and Regulation Department) and counsel of State Administration of Foreign Exchange from July 2019 to February 2021. From March 2015 to June 2019, Ms. Liu was deputy director-general of the General Affairs Department (Policy and Regulation Department) of State Administration of Foreign Exchange (SAFE). From July 1999 to February 2015, Ms. Liu consecutively served as chief officer and deputy director of the International Balance of Payments Department of SAFE, deputy director and director of the General Affairs Department (Policy and Regulation Department) of SAFE. Ms. Liu obtained a master's degree in world economics of School of International Economics of Renmin University of China in 1999.

Anita Fung Yuen Mei   Independent non-executive director

Ms. Fung has served as director of the Bank since October 2016. Ms. Fung served as group general manager of HSBC Holdings plc from May 2008 to February 2015. Ms. Fung served consecutively as head of Hong Kong currency bond market, head of Asian fixed income trading, head of Asian Pacific trading, treasurer and joint head of global markets for Asia-Pacific, treasurer and head of global markets for Asia-Pacific, head of global banking and capital markets for Asia-Pacific as well as chief executive officer of Hong Kong region of The Hong Kong and Shanghai Banking Corporation Limited from September 1996 to February 2015. Ms. Fung also served as non-executive director of Bank of Communications Co., Ltd. from November 2010 to January 2015. Ms. Fung concurrently served in various positions including chairwoman and director of HSBC Global Asset Management (Hong Kong) Limited, non-executive director of HSBC Bank (China) Company Limited and director of HSBC Markets (Asia) Limited from September 2011 to February 2015. Ms. Fung served as non-executive director of Hang Seng Bank Limited from November 2011 to January 2014. Ms. Fung currently serves as independent non-executive director of Hong Kong Exchanges and Hang Lung Properties Limited, and serves in Court of the Hong Kong University of Science and Technology. Ms. Fung obtained a master's degree in applied finance from Macquarie University of Australia in 1995. Ms. Fung was awarded Bronze Bauhinia Star in 2013, and was appointed as Justice of the Peace in 2015, by the Government of the Hong Kong Special Administrative Region.

Malcolm Christopher McCarthy   Independent non-executive director

Sir McCarthy served as director of the Bank since August 2017. He served as independent non-executive director of ICBC from December 2009 to October 2016. He worked first as an economist for ICI before joining the UK Department of Trade and Industry where he held various posts from economic adviser to undersecretary. He subsequently worked as chief executive officer of Barclays Bank in London, Japan and North America. He served as chairman and chief executive of Office of Gas and Electricity Markets (Ofgem), chairman of the Financial Services Authority (FSA), non-executive director of Her Majesty's Treasury, chairman of the board of directors of J.C. Flowers & Co. UK Ltd, non-executive director of NIBC Holding N.V., NIBC Bank N.V., OneSavings Bank plc, Castle Trust Capital plc and Intercontinental Exchange (ICE), and trustee of the Said Business School of Oxford University. He is an Honorary Fellow of Merton College, an Honorary Doctorate of the University of Stirling and the Cass Business School, and a Freeman of the City of London. He has a MA in history from Merton College of Oxford University, PhD in Economics of Stirling University, and Master from Graduate School of Business of Stanford University.

Carl Walter Independent non-executive director

Mr. Walter has served as director of the Bank since October 2016. Now Mr. Walter is an independent consultant, providing strategic advisory opinions for various countries and financial institutions. He served as managing director and chief operating officer in China of JPMorgan Chase & Co and chief executive officer of JP Morgan Chase Bank (China) Company Limited from September 2001 to April 2011. He was seconded from Morgan Stanley to serve as managing director and chief administrative officer of China International Capital Corporation from January 1999 to July 2001. He served concurrently as vice president and head of Asian Credit Management and Research of Credit Suisse First Boston (Singapore) as well as the director and head of China investment banking in Beijing from September 1990 to December 1998. He served in various positions including vice president and general manager of Taipei Branch of Chemical Bank from January 1981 to August 1990. Mr. Walter was a visiting scholar and an adjunct professor of Freeman Spogli Institute of Stanford University in 2012. He obtained a bachelor's degree in politics and Russian Language from Princeton University in 1970, an Advanced Studies Certificate in Economics from Peking University in 1980, and a PhD degree in politics from Stanford University in 1981.

Kenneth Patrick Chung Independent non-executive director

Mr. Chung has served as director of the Bank since November 2018. Mr. Chung served as independent non-executive director of ICBC from December 2009 to March 2017. He joined Deloitte Haskins and Sells London Office in 1980, became a partner of PricewaterhouseCoopers in 1992, and was a financial service specialist of PricewaterhouseCoopers (Hong Kong and China) since 1996. Previously, he was the human resources partner of PricewaterhouseCoopers (Hong Kong), the responsible partner of the audit department of PricewaterhouseCoopers (Hong Kong and China), the global lead partner of the audit engagement team for BOC, the honorary treasurer of the Community Chest of Hong Kong and was a member of the Ethics Committee, Limitation of Professional Liability Committee, Communications Committee, and the Investigation Panel of the Hong Kong Society of Accountants. He has also served as the audit head for the restructurings and initial public offerings of BOC, Bank of China (Hong Kong) Limited and Bank of Communications, chairman of the audit committee of the Harvest Real Estate Investments (Cayman) Limited and independent non-executive director of Prudential Corporation Asia. Mr. Chung currently serves as independent non-executive director of Sands China Ltd., Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited, and trustee of Fu Tak Iam Foundation Limited. Mr. Chung is a member of the Institute of Chartered Accountants in England and Wales, a member of the Hong Kong Institute of Certified Public Accountants as well as a member of the Macau Society of Certified Practising Accountants, and obtained a bachelor's degree in economics from University of Durham.

Graeme Wheeler Independent non-executive director

Mr. Wheeler has served as director of the Bank since October 2019. Mr. Wheeler has served as non-executive director of Thyssen-Bornemisza Group since 2017. He served as governor of Reserve Bank of New Zealand from 2012 to 2017, non-executive director of Thyssen-Bornemisza Group and cofounder of Privatisation Analysis and Consulting Ltd. from 2010 to 2012, managing director responsible for operations of World Bank from 2006 to 2010, vice president and treasurer of World Bank from 2001 to 2006, director of financial products and services department of World Bank from 1997 to 2001, treasurer of New Zealand Debt Management Office (NZDMO) and deputy secretary to New Zealand Treasury from 1993 to 1997, director of macroeconomic Policy of New Zealand Treasury from 1990 to 1993, economic and financial counsellor of New Zealand Delegation to the OECD, Paris, from 1984 to 1990 and an advisor in the New Zealand Treasury from 1973 to 1984. Mr. Wheeler obtained his master's degree of commerce in economics from University of Auckland in 1972. Mr. Wheeler was awarded Companion of the New Zealand Order of Merit in 2018.

Michel Madelain Independent non-executive director

Mr. Madelain has served as director of the Bank since January 2020. Mr. Madelain has been trustee of the IFRS Foundation since January 2018 and a member of the Supervisory Board of La Banque Postale in France since April 2018. From June 2016 to December 2018, Mr. Madelain was vice chairman of Moody's Investors Service (MIS). Concurrently, he served as chairman of Moody's European Boards and was a member of MIS US Board. From May 2008 to June 2016, he was president and chief operating officer of MIS, having previously assumed a number of positions in Europe and the USA with MIS from 1994 to May 2008. From May 1980 to May 1994, he worked with Ernst & Young in Belgium and France and was promoted to the partnership in 1989. Mr. Madelain is a Qualified Chartered Accountant of France. He obtained a master's degree in management from Kellogg Graduate School of Management of Northwestern University (USA) and a bachelor's degree in business administration from the Ecole Supérieure de Commerce de Rouen, France.

Supervisors of the Bank

Wang Yongqing Chairman of the board of supervisors, shareholder representative supervisor

Mr. Wang has served as chairman of the board of supervisors of the Bank since October 2019. Mr. Wang served as vice chairman of the China Federation of Industry and Commerce from December 2016 to July 2019. He served consecutively as deputy director (director-general level) and director of the fifth bureau, director of the sixth bureau of the United Front Work Department of the CPC Central Committee from December 2003 to November 2016. He served consecutively as deputy director of the general office, assistant general manager and director of the general office, chief accountant of China International Engineering Consulting Corporation from December 1998 to December 2003. He joined China Development Bank in July 1994, and started working in financial department of the Ministry of Railway in July 1985. Mr. Wang is a senior accountant. He graduated from Hubei Institute of Finance and Economics, and obtained a master's degree in economics from Renmin University of China and a PhD degree in economics from Beijing Jiaotong University.

Wu Jianhang Shareholder representative supervisor

Mr. Wu has served as supervisor of the Bank since June 2018. Mr. Wu has commenced his position as director of humanities teaching and research department of CCB University since November 2019, and concurrently served as vice dean of CCB Research Academy from August 2018 to December 2020. Mr. Wu served as dean of training centre for staff's development of CCB University from December 2018 to November 2019, general manager of strategic planning department of the Bank from March 2014 to January 2019, and general manager of research department of the Bank from October 2013 to March 2014. From December 2007 to October 2013, he served as president of CCB Financial Leasing. He served as general manager of Guangdong Branch of the Bank from October 2004 to December 2007, general manager of Shenzhen Branch of the Bank from July 2003 to October 2004, and deputy general manager of Zhejiang Branch of the Bank from May 1997 to July 2003. Mr. Wu is a senior accountant with special grants by the PRC government. He graduated from Nankai University with a master's degree in international finance in 1991 and obtained a PhD degree in technology economics and management from the School of Economics and Management of Tongji University in 2003.

Yang Fenglai Shareholder representative supervisor

Mr. Yang has served as supervisor of the Bank since June 2020. Mr. Yang has commenced his position as general manager of Sichuan Branch of the Bank since June 2014. Mr. Yang served as the person in charge of the operation and management department of the Bank from July 2011 to April 2014, deputy general manager of Sichuan Branch of the Bank from January 2005 to July 2011, assistant general manager (deputy general manager level) of the Sichuan Branch of the Bank from October 2003 to January 2005, full-time credit approver (deputy general manager level) of credit approval department of the Bank from March 2003 to October 2003, and full-time credit approver (deputy general manager level) of the credit approval office of the risk and internal control management committee of the Bank from April 2002 to March 2003. From November 1994 to April 2002, he worked consecutively as the deputy chief of the credit division of Sichuan Branch of the Bank, deputy chief and chief of the credit management department of the head office, chief of credit risk management division, chief of credit operation division, and general manager of the corporate business department of Sichuan Branch of the Bank. Mr. Yang is a senior economist. He graduated from University of Chengdu with a bachelor's degree in enterprise management in 1983 and obtained a master's degree in economics from Southwestern University of Finance and Economics in 2004.

Lu Kegui Employee representative supervisor

Mr. Lu has served as supervisor of the Bank since May 2018. Mr. Lu has served as dean of training centre for asset management and investment banking of CCB University since October 2019. He served as dean of training centre for asset management and wealth management of CCB University from December 2018 to October 2019 (during which he held a concurrent position from December 2018 to April 2019). He served as general manager of special assets resolution centre of the Bank from April 2017 to April 2019, director of the Tianjin audit department of the Bank from September 2013 to April 2017, general manager of Heilongjiang Branch of the Bank from April 2011 to September 2013, and head of Heilongjiang Branch of the Bank from February 2011 to April 2011. He served as general manager of fund settlement department of the Bank from July 2008 to February 2011, general manager of accounting department of the Bank from August 2000 to July 2008, deputy general manager of planning and finance department of the Bank from January 1998 to August 2000, and deputy general manager of the finance and accounting department of the Bank from September 1995 to January 1998. Mr. Lu is a senior accountant with special grants by the PRC government. He graduated from Hubei Institute of Finance and Economics with a bachelor's degree in infrastructure finance and credit in 1982.

Wang Yi Employee representative supervisor

Mr. Wang has served as supervisor of the Bank since May 2018. Mr. Wang has served as general manager of housing finance and personal lending department of the Bank since November 2013. He served as chairman of CCB Housing from December 2018 to November 2019. He served as deputy general manager of personal savings and investment department of the Bank (general manager level) from November 2009 to November 2013, deputy general manager of personal savings and investment department of the Bank from December 2008 to November 2009, deputy general manager of personal finance department of the Bank from June 2005 to December 2008, and assistant general manager of personal banking department of the Bank from July 2001 to June 2005. Mr. Wang is a senior engineer. He graduated from Shandong University with a bachelor's degree in computational mathematics in 1984 and obtained an EMBA degree from Peking University in 2010.

Zhao Xijun External supervisor

Mr. Zhao has served as supervisor of the Bank since June 2019. Mr. Zhao has served as joint dean of the China Capital Market Research Institute, Renmin University of China since 2020. He served as deputy dean of the School of Finance of Renmin University of China from 2005 to 2019, director of international office of Renmin University of China from 2001 to 2005, head of finance department of the School of Finance of Renmin University of China from 1995 to 2001 and a research fellow of the international department of the CSRC from 1994 to 1995. Mr. Zhao is independent non-executive director of China National Foreign Trade Financial & Leasing Co., Ltd. and FAW Capital Holdings Co., Ltd. Mr. Zhao served as independent non-executive director of the Bank from August 2010 to March 2014. Mr. Zhao was a visiting scholar in University of Sherbrooke and McGill University, Canada from 1989 to 1990 and Nijenrode University, Netherlands from 1995 to 1996. Mr. Zhao graduated from Wuhan University with a bachelor's degree in Scientific French in 1985, received a master's degree in finance from the finance department of Renmin University of China in 1987 and a PhD degree in finance from the School of Finance of Renmin University of China in 1999.

Liu Huan External supervisor

Mr. Liu has served as supervisor of the Bank since June 2020. Mr. Liu is a counselor of the State Council and a professor of the School of Finance and Taxation of the Central University of Finance and Economics. He served as vice dean of the School of Taxation, Central University of Finance and Economics from 2006 to 2016, vice dean of the Department of Taxation, and vice dean of the School of Finance and Public Administration from 1997 to 2006. From 2004 to 2005, he held a temporary post and held successive posts as deputy director of the Local Taxation Bureau of Beijing Xicheng District and director assistant of the Local Taxation Bureau of Beijing. He worked in Central Institute of Fiscal and Finance (now Central University of Finance and Economics) from 1982, and served as deputy director of the Department of Finance from 1992 to 1997. Mr. Liu is a member of the Standing Committee of Beijing Municipal Committee of the Chinese People's Political Consultative Conference and deputy director of the Economic Committee of Beijing Municipal Committee of the Chinese People's Political Consultative Conference. He is a visiting professor of School of Economics and Management of Tsinghua University, a visiting professor of the School of Overseas Education of Shanghai Jiaotong University and a supervisor of master's degree in taxation from the University of Chinese Academy of Social Sciences. He serves as independent non-executive director of Liaoning Hefeng Livestock Husbandry Group Company. Mr. Liu is a certified public accountant and graduated from the Central Institute for Fiscal and Finance with a bachelor's degree in economics in 1982.

Ben Shenglin External supervisor

Mr. Ben has served as supervisor of the Bank since June 2020. Mr. Ben has served as a professor and doctoral advisor of Zhejiang University since May 2014, executive director of the Institute of International Money, Renmin University of China since January 2014 and co-director since July 2018, dean of Academy of Internet Finance of Zhejiang University since April 2015 and dean of the International Business School of Zhejiang University since October 2018. Mr. Ben has extensive experience in the international financial industry and has served as senior management in several well-known international financial institutions such as JPMorgan Chase Bank (China), HSBC and Dutch Bank. He served as independent non-executive director of China International Capital Corporation since May 2015, independent non-executive director of Wuchan Zhongda Group Co., Ltd. since February 2016 and external supervisor of Industrial Bank Co., Ltd. since December 2016. Mr. Ben is a standing member of Zhejiang Provincial Committee of the Chinese People's Political and Consultative Conference and has served as co-chairman of the Zhejiang Internet Finance Association and other social positions. Mr. Ben graduated with a bachelor's degree in engineering from Tsinghua University in 1987, a master's degree in enterprise management from Renmin University of China in 1990, and a PhD degree in economics from Purdue University in 1994.

Senior Management of the Bank

Wang Jiang President

See "Directors of the Bank".

Lyu Jiajin Executive vice president

See "Directors of the Bank".

Ji Zhihong Executive vice president

Mr. Ji has served as executive vice president of the Bank since August 2019. Mr. Ji served as director-general of the Financial Market Department of the PBC from August 2013 to May 2019, during which he was concurrently director of the Financial Market Management Department of the PBC Shanghai Head Office from August 2013 to May 2016. From September 2012 to August 2013, he was director-general of the Research Bureau of the PBC. From April 2010 to September 2012, he was deputy director-general of the Monetary Policy Department of the PBC. From February 2008 to April 2010, he was deputy director (deputy director-general level) of the Open Market Operations Department of the PBC Shanghai Head Office. Mr. Ji Zhihong is a research fellow. He received a master's degree in international finance from PBC School of Finance, Tsinghua University (formerly known as the Graduate School of the People's Bank of China) in 1995 and a PhD degree in economics of national economics of Chinese Academy of Social Sciences in 2005.

Wang Hao Executive vice president

Mr. Wang has served as executive vice president of the Bank since October 2020. Mr. Wang served as general manager of Hubei Branch of the Bank and dean of Central China Campus of CCB University from December 2018 to July 2020, general manager of Hubei Branch of the Bank from June to December 2018, general manager of Guizhou Branch of the Bank from August 2016 to June 2018, deputy general manager of Qinghai Branch of the Bank from August 2014 to June 2016, deputy general manager of Sichuan Branch of the Bank from October 2008 to August 2014, assistant general manager of Sichuan Branch of the Bank from October 2005 to October 2008, general manager of Mianyang Branch in Sichuan Province of the Bank from July 2004 to October 2005, general manager of Personal Banking Department and Credit Card Centre of Sichuan Branch of the Bank from April 2004 to July 2004, general manager of Personal Banking Department of Sichuan Branch of the Bank from December 2001 to April 2004, deputy division-chief in charge of work of Personal Banking Department of Sichuan Branch of the Bank from November 2000 to December 2001 and successively served as assistant general manager and deputy general manager of the Sub-branch under direct administration of Sichuan Branch of the Bank from December 1996 to November 2000. He started working in the Sub-branch under direct administration of Sichuan Branch of the Bank in July 1993. Mr. Wang is an economist and received a bachelor's degree in marketing from Southwestern University of Finance and Economics in July 1993.

Zhang Min Executive vice president

Ms. Zhang has served as executive vice president of the Bank since December 2020. Ms. Zhang served as general manager of Tianjin Branch of the Bank and dean of North China Campus of CCB University from December 2018 to November 2020. She was general manager of Tianjin Branch of the Bank from July to December 2018, general manager of Ningxia Branch of the Bank from March 2017 to July 2018, deputy general manager of Hubei Branch of the Bank from November 2015 to December 2016, deputy general manager of Shanxi Branch of the Bank from July 2013 to November 2015 and was assistant general manager of Shaanxi Branch of the Bank, general manager of Accounting and Settlement Department, general manager of Accounting Department, director of the Treasury Management Centre, and general manager of Xi'an Xingqinglu Sub-branch, etc. Ms. Zhang is a senior accountant. From September 1988 to July 1992, she studied accounting at East China Institute of Engineering, graduated from Shaanxi Institute of Finance and Economics with a master's degree in economics in July 1996 and received a PhD degree in economics from Xi'an Jiaotong University in July 2013, majoring in applied economics.

Hu Changmiao Secretary to the Board

Mr. Hu has served as secretary to the Board of the Bank since May 2019. Mr. Hu served as general manager of board of directors office of the Bank since December 2018. Mr. Hu served as the chairman of CCB Financial Leasing from August 2016 to December 2018, general manager of Guangxi Branch of the Bank from February 2012 to August 2016, general manager of public relations & corporate culture department of the Bank from March 2006 to February 2012, and deputy general manager in charge of the overall management of the board of director office of the Bank from June 2005 to March 2006. He served as deputy general manager of the executive office of the Bank from December 2004 to June 2005, deputy general manager of credit card centre of the Bank from March 2003 to December 2004, and deputy general manager of personal banking department of the Bank from July 2001 to March 2003. Mr. Hu is a senior economist. He graduated from Peking University with a master of science degree in economic geography in 1986.

Jin Panshi Chief information officer

Mr. Jin has served as chief information officer of the Bank since March 2021. Mr. Jin served as information controller of the Bank from February 2018 to March 2021. He served as general manager of the information technology management department of the Bank from January 2010 to February 2018, general manager of the audit department of the Bank from December 2007 to January 2010, deputy director of the board of supervisors office from November 2004 to December 2007, supervisor of the Bank from October 2004 to November 2016, and deputy general manager of the audit department of the Bank from June 2001 to October 2004. Mr. Jin is a senior engineer and a Certified Information Systems Auditor. He graduated from Jilin University of Technology with a bachelor's degree and a master's degree in computer application in 1986 and 1989 respectively, and obtained an EMBA degree from Tsinghua University in 2010.

Cheng Yuanguo Chief risk officer

Mr. Cheng has served as chief risk officer of the Bank since April 2021. Mr. Cheng has served as general manager of the corporate business department of the Bank since February 2017. He served as employee representative supervisor of the Bank from May 2018 to March 2021. He concurrently served as chairman of CCB Trust from August 2017 to July 2018. He served as general manager of Hebei Branch of the Bank from August 2014 to February 2017, general manager of the group clients department (the banking business department) of the Bank from March 2011 to July 2014. He concurrently served as director of CCB International from September 2010 to October 2015. He served as deputy general manager of the group clients department (the banking business department) of the Bank from May 2005 to March 2011 and deputy general manager of the banking business department of the Bank from September 2001 to May 2005. Mr. Cheng is a senior accountant with special grants by the PRC government. Mr. Cheng graduated from Dongbei University of Finance and Economics with a bachelor's degree in infrastructure finance and credit in 1986.

Zhang Yi Chief financial officer

Mr. Zhang has served as chief financial officer of the Bank since April 2021. Mr. Zhang has served as general manager of the finance and accounting department of the Bank since November 2019. Mr. Zhang served as head and general manager of Jiangsu Branch of the Bank from March 2016 to November 2019, deputy general manager of Jiangsu Branch of the Bank from November 2013 to March 2016 and deputy general manager of the asset and liability management department of the Bank from December 2009 to November 2013. Mr. Zhang is a senior accountant. Mr. Zhang graduated from Southwestern University of Finance and Economics with a bachelor's degree in accounting in 1993, and obtained an MBA degree from Renmin University of China in 2002.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(In thousands of RMB)

Name	Allowance	Remuneration paid	Contribution by the employer to social insurance, housing fund, etc.	Total (before tax)[1]	Whether obtaining remuneration from related parties of the Bank
Tian Guoli	–	619.3	164.0	783.3	No
Wang Jiang	–	–	–	–	No
Lyu Jiajin	–	278.7	91.3	370.0	No
Xu Jiandong[2]	–	–	–	–	Yes
Zhang Qi[2]	–	–	–	–	Yes
Tian Bo[2]	–	–	–	–	Yes
Xia Yang[2]	–	–	–	–	Yes
Shao Min[2]	–	–	–	–	Yes
Liu Fang[2]	–	–	–	–	Yes
Anita Fung Yuen Mei	390.0	–	–	390.0	No
Malcolm Christopher McCarthy	410.0	–	–	410.0	No
Carl Walter	440.0	–	–	440.0	No
Kenneth Patrick Chung	440.0	–	–	440.0	No
Graeme Wheeler	440.0	–	–	440.0	No
Michel Madelain	390.0	–	–	390.0	No
Wang Yongqing	–	619.3	164.0	783.3	No
Wu Jianhang	–	660.0	235.0	895.0	No
Yang Fenglai	–	330.0	119.3	449.3	No
Lu Kegui[3]	50.0	–	–	50.0	No
Wang Yi[3]	50.0	–	–	50.0	No
Zhao Xijun	290.0	–	–	290.0	No
Liu Huan	125.0	–	–	125.0	No
Ben Shenglin	125.0	–	–	125.0	No
Ji Zhihong	–	557.4	159.1	716.5	No
Wang Hao	–	185.8	60.9	246.7	No
Zhang Min	–	46.5	15.2	61.7	No
Hu Changmiao	–	1,058.5	239.3	1,297.8	No
Jin Panshi	–	–	–	–	No
Cheng Yuanguo[7]	50.0	–	–	50.0	No
Zhang Yi	–	–	–	–	No
Resigned directors, supervisors and senior management					
Liu Guiping	–	567.7	148.4	716.1	No
Zhang Gengsheng	–	325.2	83.0	408.2	No
Feng Bing[2]	–	–	–	–	Yes
Zhu Hailin[2]	–	–	–	–	Yes
Fang Qiuyue	–	220.0	57.9	277.9	No
Huang Yi	–	185.8	46.4	232.2	No
Xu Yiming	–	262.8	59.5	322.3	No
Jin Yanmin	–	1,058.5	242.8	1,301.3	No

1. From 2015 onwards, remunerations of the Bank's leaders administered by central authorities have been paid in accordance with relevant policies of the States relating to the remuneration reform for central enterprises.
2. Non-executive directors of the Bank receive their remuneration from Huijin, the shareholder of the Bank.
3. Remuneration before tax paid for acting as employee representative supervisor of the Bank.
4. As some of the Bank's non-executive directors and external supervisors hold positions of directors or senior executives in other legal persons or organisations, such legal persons or organisations thus become related parties of the Bank. Apart from this, none of the Bank's directors, supervisors or senior executives obtained remuneration from the related parties of the Bank.
5. The total compensation package for some directors, supervisors and senior executives for the year ended 31 December 2020 has not yet been finalised in accordance with regulations of the PRC authorities. The total final compensation will be disclosed by the Bank in a separate announcement when it is determined.
6. In accordance with the *Administrative Measures on Annuities of State-owned Financial Enterprises* and the *China Construction Bank Corporation Annuity Plan*, in 2020, the Bank topped up the difference resulting from adjustments to annuity contribution percentages between February 2018 and December 2019. The above disclosure of benefits data includes the difference of the corresponding annuity payment for the year 2020.
7. Mr. Cheng Yuanguo commenced his position as chief risk officer of the Bank from April 2021, and ceased to serve as employee representative supervisor of the Bank from March 2021. The remuneration before tax was paid for his acting as employee representative supervisor of the Bank in 2020.

CORPORATE GOVERNANCE REPORT

The Bank is committed to maintaining a high standard of corporate governance. In strict compliance with the PRC Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the listing venues, the Bank optimised its corporate governance structure and system based on its corporate governance practices.

The Bank has complied with the code provisions of the *Corporate Governance Code* and *Corporate Governance Report* as set out in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange. The Bank has also substantially adopted the recommended best practices therein.

SHAREHOLDERS' GENERAL MEETING

Powers of shareholders' general meeting

The shareholders' general meeting is the authoritative body of the Bank and mainly exercises the following functions and powers:

- deciding on the business strategies and investment plans of the Bank;
- electing and changing directors and supervisors (except for employee representative supervisors), and determining the remuneration of relevant directors and supervisors;
- considering and approving the Bank's annual financial budgets, final accounts, profit distribution plans and loss recovery plans;
- adopting resolutions related to matters including the increase or reduction of registered capital, and merger, split, dissolution and liquidation of the Bank;
- adopting resolutions related to the issuance and listing of corporate bonds or other marketable securities;
- adopting resolutions related to material acquisitions and repurchase of the Bank's shares;
- adopting resolutions to engage, dismiss or cease to retain certified public accountants;
- deciding the issuance of preference shares; deciding or authorising the Board to decide the matters relating to the issued preference shares by the Bank, including but without limitation to repurchase, conversion and dividend distribution, etc.;
- amending the Articles of Association and other basic corporate governance documents of the Bank.

Details of shareholders' general meeting convened

On 19 June 2020, the Bank held the 2019 annual general meeting, which reviewed and approved the 2019 report of the board of directors, report of the board of supervisors, final financial accounts, profit distribution plan, and 2020 fixed assets investment budget, election of executive directors, non-executive directors, independent non-executive directors, shareholder representative supervisor and external supervisors, appointment of external auditors for 2020, the authorisation for temporary limit on charitable donations for 2020 and the capital plan for 2021 to 2023, etc. The executive directors, namely Mr. Tian Guoli, Mr. Liu Guiping and Mr. Zhang Gengsheng, the non-executive directors, namely Ms. Feng Bing, Mr. Zhu Hailin, Mr. Zhang Qi, Mr. Tian Bo and Mr. Xia Yang, and the independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain attended the meeting. The directors' attendance rate was 100%. The domestic and international auditors of the Bank attended the meeting. The shareholders' general meeting was held in compliance with relevant legal procedures. The announcement on resolutions of the meeting was published on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 19 June 2020, and on the designated newspapers on 20 June 2020 for information disclosure.

On 12 November 2020, the Bank held the 2020 first extraordinary general meeting, which reviewed and approved the election of executive director, non-executive directors, independent non-executive directors, remuneration distribution and settlement plan for directors and supervisors for the year 2019 and the issuance of qualified write-down tier 2 capital instruments, etc. The executive directors, namely Mr. Tian Guoli and Mr. Zhang Gengsheng, the non-executive directors, namely Mr. Xu Jiandong, Ms. Feng Bing, Mr. Zhang Qi, Mr. Tian Bo and Mr. Xia Yang, and independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain attended the meeting. The directors' attendance rate was 93%. The shareholders' general meeting was held in compliance with relevant legal procedures. The announcement on resolutions of the meeting was published on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 12 November 2020, and on the designated newspapers on 13 November 2020 for information disclosure.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is the executive body of the shareholders' general meeting, which is responsible to the general meeting of shareholders, and performs the following functions and duties in accordance with relevant laws:

- convening the general meeting of shareholders and reporting to the general meeting of shareholders;
- implementing the resolutions of the general meeting of shareholders;
- determining the Bank's development strategy, and supervising the implementation of the development strategy;
- deciding on business plans, investment plans and risk capital allocation plans of the Bank;
- preparing annual financial budget plans, final accounting plans, profit distribution plans and loss recovery plans;
- preparing plans related to the increase or reduction of registered capital, the issuance and listing of convertible bonds, subordinated bonds, corporate bonds or other marketable securities; and plans related to merger, split, dissolution and liquidation of the Bank;
- preparing plans related to material acquisitions and repurchase of the Bank's shares;
- exercising other powers under the Articles of Association of the Bank and as authorised by the general meeting of shareholders.

The Board's implementation of resolutions of the general meetings of shareholders

In 2020, the Board earnestly implemented the proposals and resolutions passed by the shareholders' general meeting in accordance with the authorization of the shareholders' meetings, including the profit distribution plan for 2019, fixed assets investment budget for 2020, the authorization for temporary limit on charitable donations for 2020, the capital plan for 2021 to 2023, appointment of external auditors for 2020, and election of directors and supervisors.

Composition of the Board

At the end of 2020, the Board consisted of 13 directors, including two executive directors, namely Mr. Tian Guoli and Mr. Lyu Jiajin; five non-executive directors, namely Mr. Xu Jiandong, Ms. Feng Bing, Mr. Zhang Qi, Mr. Tian Bo and Mr. Xia Yang; and six independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain.

Upon election at the 2020 first extraordinary general meeting of the Bank and upon approval of the CBIRC, Ms. Shao Min and Ms. Liu Fang commenced their positions as non-executive directors of the Bank from January 2021. Upon election at the 2021 first extraordinary general meeting, Mr. Wang Jiang commenced his position as executive director of the Bank from March 2021.

Due to change of job, Ms. Feng Bing ceased to serve as non-executive director of the Bank from January 2021.

The term of office of directors of the Bank is three years, and directors may be re-elected upon expiration of their terms of office.

In order to diversify the composition of the Board, the Bank formulated the *Diversity Policy for the Board of Directors* in August 2013. For nomination of directors, the Board should consider both professional capabilities and ethics of the candidates, and at the same time, take into account the requirements on board diversity. The candidates should be selected as complementary to one another, with diversified backgrounds in terms of gender, age, cultural and educational background, professional experience, skills, knowledge and term of service. The final decision should be based on the candidates' overall competence and possible contributions to the Board. The nomination and remuneration committee is responsible for supervising the implementation of the *Diversity Policy for the Board of Directors*.

The Bank attaches great importance to continuous improvement of professionalism and structural rationality of the Board, forms the best combination of Board members matching the development strategy of the Bank, and lays the foundation for the efficient operation and scientific decision-making of the Board. Currently, the Board has 15 directors, including three executive directors, six non-executive directors, and six independent non-executive directors. Among which, the executive directors of the Bank have profound professional experience in financial management for a long time and a macro vision; the non-executive directors of the Bank have profound experience in holding important positions in major state-owned enterprises, core financial regulatory institutions or government departments, and have profound experience in enterprise management, finance, accounting and other professional fields; the independent non-executive directors of the Bank come from various major economic regions of the world, such as America, Europe, Australia and Hong Kong. They have a deep understanding of international political economy and financial industry development trends, and are familiar with international accounting standards and capital market rules in Hong Kong. The chairmen of the audit committee, risk management committee, nomination and remuneration committee and related party transaction, social responsibility and consumer protection committee of the Board of the Bank are all independent non-executive directors. The diversified board structure of the Bank has brought broad vision and high-level professional experience to the Board, and maintained the due independent elements within the Board, so as to ensure the Board of the Bank to make scientific decisions.

Chairman and president

Mr. Tian Guoli is the chairman of the Board and the legal representative of the Bank, and is responsible for the business strategy and overall development of the Bank.

Mr. Wang Jiang is the president of the Bank, and is responsible for the daily management of the business operations. The president is appointed by and accountable to the Board, and performs his duties in accordance with provisions of the Articles of Association and authorisation of the Board.

The roles of chairman of the Board and president are separate, each with clearly defined duties.

Operation of the Board

The Board convenes regular meetings, generally no fewer than six times a year; extraordinary meetings are convened if and when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for regular board meetings is scheduled upon consultation with each director. Board meeting papers and relevant materials are usually circulated to all directors and supervisors 14 days in advance of board meetings.

According to the Articles of Association, the Board decides the risk management policies and internal control policies of the Bank, formulates related systems of risk management and internal control of the Bank, and supervises the implementation of such systems. The Board reviews the overall risk management report of the Group semi-annually, and reviews the report of internal control evaluation and the statements of risk appetite of the Group annually, to evaluate the overall risk profile and the effectiveness of internal control system. After the evaluation, the Board held the opinion that the overall risk of the Group remained steady, the management and control of the asset quality was in line with expectations and core risk indicators remained stable. The Board also believed that the Bank had maintained effective internal control over financial reporting covering all the major aspects, in compliance with the requirements of rules for enterprise internal control and other relevant regulations.

All directors keep contact with the secretary to the Board and the company secretary, to ensure compliance with board procedures and all applicable rules and regulations. Detailed minutes of board meetings are kept by the secretary to the Board, and are available for review by directors at any time.

Communication and reporting mechanism has been established between the Board, directors and senior management. The president reports his work to the Board on a regular basis, and is supervised by the Board. Relevant senior management are invited to attend board meetings from time to time to provide explanations or reply to enquiries.

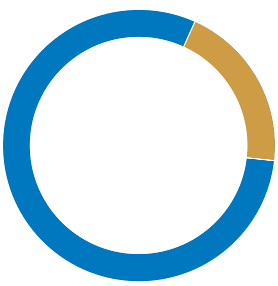
At board meetings, directors can express their opinions freely, and major decisions shall only be made after thorough discussion. Directors may also follow certain procedures to engage independent professional institutions at the Bank's expense, for provision of independent professional advices, if necessary. If any director has material interest in a proposal to be considered by the Board, he or she should abstain from discussion and voting on the relevant proposal, and will not be counted in the quorum of the relevant proposal.

The Bank effected directors' liability insurance policy for all directors in 2020.

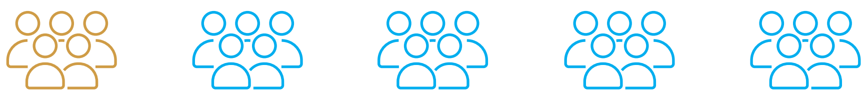
Board meetings

In 2020, the Board of the Bank held eleven meetings on 17 January, 26 January, 27 March, 28 April, 18 June, 21 July, 28 August, 22 September, 29 October, 2 December and 22 December respectively. At these meetings, the Board reviewed and approved proposals regarding the election of directors, the appointment of senior management, the review of periodic reports, profit distribution, the issuance of capital replenishment tools, annual business plan, budget for fixed assets investment, additional limit on poverty alleviation donations, capital injection in the subsidiaries and adjustment to its head office institutions, etc. The board members' individual attendance records of board meetings in 2020 are set out as follows.

Board members	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Executive directors		
Mr. Tian Guoli	11/11	0/11
Mr. Lyu Jiajin	1/1	0/1
Non-executive directors		
Mr. Xu Jiandong	6/6	0/6
Ms. Feng Bing	10/11	1/11
Mr. Zhang Qi	11/11	0/11
Mr. Tian Bo	11/11	0/11
Mr. Xia Yang	11/11	0/11
Independent non-executive directors		
Ms. Anita Fung Yuen Mei	11/11	0/11
Sir Malcolm Christopher McCarthy	11/11	0/11
Mr. Carl Walter	11/11	0/11
Mr. Kenneth Patrick Chung	11/11	0/11
Mr. Graeme Wheeler	11/11	0/11
Mr. Michel Madelain	11/11	0/11
Resigned directors		
Mr. Liu Guiping	9/9	0/9
Mr. Zhang Gengsheng	8/10	2/10
Mr. Zhu Hailin	5/5	0/5



Female director
Male director



Strategy Development Committee
Audit Committee
Risk Management Committee
Nomination and Remuneration Committee
Related Party Transaction, Social Responsibility and Consumer Protection Committee

Executive director serving as Chairman of special committee
Independent non-executive director serving as Chairman of special committee

Duty performance of independent non-executive directors

At the end of 2020, the Bank had six independent non-executive directors, representing 46% of the total number of directors of the Bank, which complied with the requirements of relevant laws, regulations and Articles of Association of the Bank. The audit committee, risk management committee, nomination and remuneration committee, and related party transaction, social responsibility and consumer protection committee under the Board were all chaired by independent non-executive directors.

The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, neither do they assume any management positions in the Bank. The independence of the independent non-executive directors of the Bank is in compliance with the relevant regulatory requirements.

In 2020, the independent non-executive directors of the Bank were loyal and diligent, dedicated to their duties, overcame the impact of factors such as COVID-19 pandemic and jet lag, earnestly attended meetings of the Board and special committees through telephone, video and other methods, actively performed their duties, made independent decisions, expressed objective and fair opinions on matters deliberated by the Board, and effectively safeguarded the legitimate rights and interests of the Bank, and of all shareholders and stakeholders. In the meantime, the independent non-executive directors, from an international perspective, gave full play to the advantages of their professional backgrounds and rich working experience, conducted in-depth analysis of the impact of many uncertain factors such as the COVID-19 pandemic on the Bank, and put forward targeted opinions and suggestions based on the actual situation, to effectively support the Bank in dealing with difficulties and challenges.

Please refer to the *Work Report of Independent Directors for the Year of 2020* for details of duty performance of independent non-executive directors during the reporting period, which would be disclosed by the Bank on the same day of this annual report.

Special statement and independent opinion given by independent non-executive directors regarding the external guarantees provided by the Bank

Pursuant to the relevant provisions and requirements of the circular ZhengJianFa [2003] No. 56 issued by the CSRC and based on the principles of fairness, justice, and objectiveness, the independent non-executive directors of the Bank, including Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain made the following statements on external guarantees provided by the Bank:

The external guarantee business provided by the Bank has been approved by the regulators, and is part of the ordinary business of the Bank. With respect to the risks arising from external guarantee business, the Bank formulated specific management measures, operation processes and approval procedures, and carried out the business accordingly. The external guarantee business of the Bank is mainly in the form of letter of guarantees. As at 31 December 2020, the balance under the letter of guarantees issued by the Group was RMB1,283,024 million.

Accountability of directors in relation to financial statements

The directors are responsible for overseeing the preparation of financial statements for each accounting period to give a true and fair view of the Group's financial position, operating results and cash flows.

During the reporting period, the Bank published the 2019 annual report, the report for the first quarter of 2020, the 2020 half-year report, and the report for the third quarter of 2020 within the prescribed time set out in the provisions of relevant laws, regulations and listing rules of the listing venues.

Training of directors

In 2020, all directors of the Bank took part in directors' compliance training on the US Bank Secrecy Act and AML laws, domestic and overseas anti-corruption laws and regulations; all non-executive directors took part in the special training organised by the Listed Companies Association of Beijing on the analysis, research and judgement of macro situations, the key points of the new Securities Law and regulatory focuses; Ms. Anita Fung Yuen Mei participated in the directors' trainings held by Hong Kong Exchanges and Clearing Limited. Mr. Kenneth Patrick Chung participated in the trainings regarding financial standards, AML and information disclosure organised by the Hong Kong Institute of Certified Public Accountants; Mr. Graeme Wheeler and Mr. Michel Madelain completed the Shanghai Stock Exchange Independent Director Qualification training; and Mr. Michel Madelain participated in the trainings relating to bank resolution and recovery.

Training of company secretary

In 2020, Mr. Ma Chan Chi, company secretary of the Bank, participated in several web-based specialized training courses, which included ESG reporting, listed company information disclosure regulatory policies, rules on banking business, integrated risk management and AML refresher courses for a total of over 15 hours and was in compliance with the requirements of the Listing Rules of Hong Kong Stock Exchange.

Compliance with Model Code for Securities Transactions by Directors

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the Appendix 10 *Model Code for Securities Transactions by Directors of Listed Issuers*, to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code in the year ended 31 December 2020.

Independent operating capability

The Bank is independent from Huijin, its controlling shareholder, with respect to business, personnel, assets, institutional and financial matters. The Bank has independent and integral operating assets and independent operating capability, and is able to survive in the market on its own.

COMMITTEES UNDER THE BOARD

There are five committees under the Board: strategy development committee, audit committee, risk management committee, nomination and remuneration committee, and related party transaction, social responsibility and consumer protection committee. More than half of the members of the audit committee, risk management committee, nomination and remuneration committee, and related party transaction, social responsibility and consumer protection committee are independent non-executive directors.

According to the regulatory requirements, upon deliberation consideration and approval by the Board meeting held on 17 January 2020, the former social responsibilities and related party transactions committee of the Board was renamed as the related party transaction, social responsibility and consumer protection committee of the Board and the relevant duties of the committee were adjusted and optimised accordingly.

As of the disclosure date, the details of the positions of the Bank's directors in committees under the Board are as follows.

Committees under Board of Directors	Strategy Development Committee	Audit Committee	Risk Management Committee	Nomination and Remuneration Committee	Related Party Transaction, Social Responsibility and Consumer Protection Committee
Executive directors					
Mr. Tian Guoli	Chairman				
Mr. Wang Jiang	Member		Member		
Mr. Lyu Jiajin	Member				Member
Non-executive directors					
Mr. Xu Jiandong	Member		Member		
Mr. Zhang Qi	Member			Member	
Mr. Tian Bo	Member	Member			
Mr. Xia Yang	Member		Member		
Mr. Shao Min	Member			Member	
Mr. Liu Fang	Member	Member			
Independent non-executive directors					
Ms. Anita Fung Yuen Mei	Member		Member	Member	
Sir Malcolm Christopher McCarthy	Member		Member	Chairman	
Mr. Carl Walter	Member	Member	Chairman		Member
Mr. Kenneth Patrick Chung	Member	Chairman	Member		Member
Mr. Graeme Wheeler		Member	Member	Member	Chairman
Mr. Michel Madelain		Member	Member	Member	

1. From March 2021, Mr. Wang Jiang commenced his position as vice chairman of the Board, executive director, member of the strategy development committee and the risk management committee of the Board.
2. From December 2020, Mr. Lyu Jiajin commenced his position as executive director, member of each of the strategy development committee and the related party transaction, social responsibility and consumer protection committee of the Board.
3. From January 2021, Ms. Shao Min commenced her position as non-executive director, member of each of the strategy development committee and the nomination and remuneration committee of the Board.
4. From January 2021, Ms. Liu Fang commenced her position as non-executive director, member of each of the strategy development committee and the audit committee of the Board.
5. From June 2020, Mr. Xu Jiandong commenced his position as non-executive director, member of each of the strategy development committee, the audit committee and the risk management committee of the Board; from January 2021, Mr. Xu Jiandong ceased to serve as member of the audit committee of the Board.
6. From January 2020, Mr. Michel Madelain commenced his position as non-executive director, member of each of the audit committee, the risk management committee and the nomination and remuneration committee of the Board.
7. From December 2020, Mr. Zhang Gengsheng ceased to serve as executive director of the Bank, member of each of the strategy development committee and the related party transaction, social responsibility and consumer protection committee of the Board.
8. From November 2020, Mr. Liu Guiping ceased to serve as vice chairman of the Board, executive director, member of each of the strategy development committee and the risk management committee of the Board.
9. From January 2021, Ms. Feng Bing ceased to serve as non-executive director, member of each of the strategy development committee and the nomination and remuneration committee of the Board.
10. From June 2020, Mr. Zhu Hailin ceased to serve as non-executive director, member of each of the strategy development committee and the audit committee of the Board.

Strategy development committee

At the end of 2020, the strategy development committee consisted of 11 directors. Mr. Tian Guoli, chairman of the Board, currently serves as chairman of the strategy development committee. Members include Mr. Lyu Jiajin, Mr. Xu Jiandong, Ms. Feng Bing, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter and Mr. Kenneth Patrick Chung. Two of these members are executive directors, five are non-executive directors, and four are independent non-executive directors.

From March 2021, Mr. Wang Jiang commenced his position as member of the strategy development committee. From January 2021, Ms. Shao Min and Ms. Liu Fang commenced their position as member of the strategy development committee. Ms. Feng Bing ceased to serve as member of the strategy development committee.

The primary responsibilities of the strategy development committee include:

- drafting strategic development plans, supervising and assessing implementation thereof;
- reviewing annual operational plans and fixed assets investment budgets;
- reviewing the implementation of annual operational plans and fixed assets investment budgets;
- evaluating the coordinated development of various businesses;
- reviewing material restructuring and re-organisation plans;
- reviewing significant investment and financing projects of the Bank;
- exercising the power over equity investment, IT planning, capital adequacy ratio management and other matters within the scope of the Board's authorisation; and
- other duties and powers authorised by the Board.

In 2020, the strategy development committee held eight meetings in total. The committee enhanced analysis, research and judgement of the macroeconomic and financial situations, strengthened research on major strategic issues and supervision of the implementation of the strategies to actively respond to the difficulties and challenges brought by uncertain factors and to provide solid support for the decision-making of the Board. The committee also fully played its leadership role where it carefully strategised, implemented, and promoted active execution of the New Finance initiatives. It continuously enhanced and optimised "Three Capabilities" and the capital structure, implemented "Three Major Strategies" in-depth, repeatedly reinforced risk resistance ability, and maintained steady development of various businesses.

Members of strategy development committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Tian Guoli	8/8	0/8
Mr. Lyu Jiajin	1/1	0/1
Ms. Feng Bing	8/8	0/8
Mr. Xu Jiandong	5/5	0/5
Mr. Zhang Qi	8/8	0/8
Mr. Tian Bo	8/8	0/8
Mr. Xia Yang	8/8	0/8
Ms. Anita Fung Yuen Mei	8/8	0/8
Sir Malcolm Christopher McCarthy	8/8	0/8
Mr. Carl Walter	8/8	0/8
Mr. Kenneth Patrick Chung	8/8	0/8
Resigned members		
Mr. Liu Guiping	6/6	0/6
Mr. Zhang Gengsheng	7/8	1/8
Mr. Zhu Hailin	3/3	0/3

In 2021, the strategy development committee will continue to be strategically decisive and proactive, strengthen the awareness of opportunities and risks, and actively and effectively respond to the challenges brought by various uncertain external factors. The Bank will assume the responsibilities as a major state-owned bank and help consolidate and widen the results of pandemic control and prevention and poverty alleviation. The committee will research and formulate the development plan of the Bank for the next five years, closely follow the main goals of the "14th Five-Year Plan" and the key tasks proposed by the Central Economic Work Conference, promote "Three Capabilities" at a high level through New Finance initiatives, deepen the implementation of "Three Major Strategies", and strive to achieve a high-quality development.

Audit committee

At the end of 2020, the audit committee of the Bank consisted of six directors. Mr. Kenneth Patrick Chung, independent non-executive director of the Bank, currently serves as chairman of the audit committee. Members include Mr. Xu Jiandong, Mr. Tian Bo, Mr. Carl Walter, Mr. Graeme Wheeler and Mr. Michel Madelain. Two of these members are non-executive directors and four are independent non-executive directors. The composition of the audit committee meets the requirements of corporate governance and the domestic and overseas regulations.

From January 2021, Ms. Liu Fang commenced her position as member of the audit committee. Mr. Xu Jiandong ceased to serve as member of the audit committee.

The primary responsibilities and authorities of the audit committee include:

- monitoring the financial reports, reviewing the disclosure of accounting information and significant events of the Bank;
- monitoring and assessing the internal controls of the Bank;
- monitoring and assessing the internal auditing work of the Bank;
- monitoring and assessing the external auditing work;
- paying attention to potential misconducts and ensuring appropriate arrangements;
- reporting work to the Board; and
- other duties and powers authorised by the Board.

In 2020, the audit committee convened seven meetings, and held two separate meetings with external auditors. The audit committee supported the decision-making process of the Board and put forward important opinions and suggestions on aspects including supervising and reviewing the 2019 annual report, 2020 half-year report and results announcements, and the financial reports for the first and third quarters of 2020; supervising and evaluating the external audit work; supervising and guiding the internal audit, monitoring the rectification of problems identified in the internal and external audits; and strengthening of the supervision and assessment of internal control.

Pursuant to requirements of the CSRC and the annual report working instructions of the audit committee of the Board of the Bank, the audit committee reviewed the annual financial report of the Bank, and communicated sufficiently with the management and formed written opinions before the commencement of onsite work of external auditors. Based on the initial audit opinions given by the external auditors, the audit committee improved communication with external auditors and reviewed the annual financial report of the Bank again. After the completion of the audit on annual financial report, the audit committee reviewed and voted on the annual financial report, and submitted it to the Board for deliberation.

Members of audit committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Kenneth Patrick Chung	7/7	0/7
Mr. Xu Jiandong	3/3	0/3
Mr. Tian Bo	7/7	0/7
Mr. Carl Walter	7/7	0/7
Mr. Graeme Wheeler	7/7	0/7
Mr. Michel Madelain	7/7	0/7
Resigned members		
Mr. Zhu Hailin	4/4	0/4

In 2021, the audit committee will continue to strengthen the supervision of the periodic reports, provide professional advice to the Board, monitor and evaluate the external audits, and promote the improvement of the service quality of external auditors. It will monitor and guide the internal audits, press for the rectification of internal and external audit findings. It will enhance the monitoring and evaluation of internal control, urge the continuous perfection of the robustness and effectiveness of the internal control system. The audit committee will also assist the Board in relevant work under the authorisation of the Board.

Risk management committee

At the end of 2020, the risk management committee consisted of eight directors. Mr. Carl Walter, independent non-executive director of the Bank, currently serves as chairman of the risk management committee. Members include Mr. Xu Jiandong, Mr. Xia Yang, Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain. Two of these members are non-executive director, and six are independent non-executive directors.

From March 2021, Mr. Wang Jiang commenced his position as member of the risk management committee.

The primary responsibilities of the risk management committee include:

- reviewing the risk management policies in accordance with the overall strategy of the Bank, monitoring and assessing their implementation and effectiveness;
- supervising and examining continuously the effectiveness of risk management system of the Bank;
- providing guidance on the building of risk management system of the Bank;
- monitoring and assessing the establishment, organisational structure, working procedures and effectiveness of risk management departments, and proposing suggestions for improvement;
- reviewing the risk report, conducting periodic assessment of risk profile, and providing suggestions in relation to improvements on the risk management of the Bank;
- evaluating the performance of the Bank's senior management responsible for risk management;
- supervising the compliance of core businesses, management systems and major operation activities of the Bank;
- taking the responsibilities of the US risk management committee as well; and
- other duties and powers authorised by the Board.

Members of risk management committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Carl Walter	7/7	0/7
Mr. Xu Jiandong	2/2	0/2
Mr. Xia Yang	7/7	0/7
Ms. Anita Fung Yuen Mei	7/7	0/7
Sir Malcolm Christopher McCarthy	6/7	1/7
Mr. Kenneth Patrick Chung	6/7	1/7
Mr. Graeme Wheeler	7/7	0/7
Mr. Michel Madelain	7/7	0/7
Resigned members		
Mr. Liu Guiping	6/6	0/6

In 2020, the risk management committee convened seven meetings. The risk management committee paid close attention to the COVID-19 pandemic and the impact of international and domestic economic and financial situations on the Bank, strengthened the Group's overall risk management and enhanced risk management and control capabilities. It guided the revision of basic risk management policies, actively promoted the reassessment of risk appetites; guided the rectification of problems identified in regulatory examinations and continued to advance global AML capability assessment and rectification; promoted and improved effective risk data aggregation and risk report self-assessment, comprehensively implemented regulatory requirements on global systematically important banks; conducted thematic studies on cybersecurity, employee behaviour risks, online business risks and data risks, organised hotspot issue research on market risk, risk of market-oriented debt-to-equity swaps and digital securities as and when appropriate; assessed the comprehensive risk profile of the Group regularly, vigorously enhanced the consolidated management, continuously strengthened the management of internal transaction risk, country risk and IT risk, etc.; repeatedly strengthened fraud case prevention, and continuously enhanced the compliance risk management of the Group, especially for the overseas institutions. The committee also took the responsibilities of the US risk management committee, and held two special meetings on U. S. risk.

Under the framework of overall risk management system, the risk management committee continued to supervise and review the effectiveness of the risk management system of the Bank. The Board and the risk management committee of the Bank heard special reports on the overall risk management of the Group on a semi-annual basis. Please refer to "Management Discussion and Analysis – Risk Management" for details of risk management.

In 2021, the risk management committee will continue to conscientiously perform its duties, improve the establishment of comprehensive and proactive intelligent risk management and control system and policy system. It will also promote the implementation of various regulatory requirements, and guided the rectification of problems identified in regulatory examinations. It will supervise and improve effective risk data aggregation and risk reports self-assessment, improve the operability of the recovery and disposal plans, and implement the regulatory requirements on global systemically important banks. It will deeply carry out thematic studies on risks in key areas, continuously improve the proactive, scientific and prospective risk management. It will enhance compliance risk management of the Group, especially the overseas institutions, to further improve the capability of comprehensive risk management.

Nomination and remuneration committee

At the end of 2020, the nomination and remuneration committee consisted of six directors. Sir Malcolm Christopher McCarthy, independent non-executive director of the Bank, currently serves as chairman of the nomination and remuneration committee. Members include Ms. Feng Bing, Mr. Zhang Qi, Ms. Anita Fung Yuen Mei, Mr. Graeme Wheeler and Mr. Michel Madelain. Two of these members are non-executive directors, and four are independent non-executive directors.

From January 2021, Ms. Shao Min commenced her position as member of the nomination and remuneration committee of the Bank. Ms. Feng Bing ceased to serve as member of the nomination and remuneration committee of the Bank.

The primary responsibilities of the nomination and remuneration committee include:

- formulating criteria and procedures for the selection and appointment of directors and senior management;
- proposing candidates for directors, president, chief audit officer, secretary to the Board and members of special committees under the Board to the Board;
- reviewing the structure, number of members and composition of the Board (including aspects on expertise, knowledge and experience) and proposing suggestions on the adjustment of the Board to implement the corporate strategies of the Bank;
- assessing the performance of members of the Board;
- reviewing candidates for senior management nominated by the president;
- formulating development plans for senior management and back-up personnel for key positions;
- reviewing the remuneration management system submitted by the president;
- formulating performance evaluation measures for directors and senior management and submitting the measures to the Board for deliberation;
- organising performance assessment for directors and senior management; and proposing advice on the remuneration distribution plan for directors and senior management in accordance with the performance assessment results and the board of supervisors' performance evaluations, and submitting the plan to the Board for deliberation;
- proposing advice on the remuneration distribution plan for supervisors in accordance with the performance assessment of the supervisors by the board of supervisors and submitting the plan to the Board for deliberation;
- monitoring the implementation of the Bank's performance assessment and remuneration systems; and
- other duties and powers authorised by the Board.

In 2020, the nomination and remuneration committee convened nine meetings in total. Regarding nomination, the committee proposed to the Board on the re-election of and candidates for executive directors, non-executive directors and independent non-executive directors, members of special committees under the Board and senior management to ensure the candidates nominated are eligible for these positions, observe laws, administrative regulations, rules and the Articles of Association of the Bank and perform their duties in a diligent manner in the Bank. The nomination and remuneration committee held that during the reporting period, the composition of the Board of the Bank was in conformity with the requirements of the *Diversity Policy for the Board of Directors*. Regarding remuneration and performance assessment, the nomination and remuneration committee studied domestic regulatory policies on remuneration, organised and formulated the proposal of the settlement of the remuneration for directors, supervisors and senior management of the Bank for 2019, optimised and improved the performance assessment plans for executive directors and senior management for 2020. The committee continued to promote the evaluation of the operational efficiency of the Board. The nomination and remuneration committee attached great importance to the development and training for key talents for back-up and the promotion of CCB University, and paid attention to matters such as employee remuneration. It also put forward opinions and suggestions on continuously improving the quality and efficiency of operations of the Board, pushing forward the diversity of the members of the Board, improving the performance assessment plans for the executive directors and senior management, improving the remuneration incentive system and enhancing talent development and training.

Members of nomination and remuneration committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Sir Malcolm Christopher McCarthy	9/9	0/9
Ms. Feng Bing	8/9	1/9
Mr. Zhang Qi	9/9	0/9
Ms. Anita Fung Yuen Mei	9/9	0/9
Mr. Graeme Wheeler	9/9	0/9
Mr. Michel Madelain	9/9	0/9

In 2021, the nomination and remuneration committee will strengthen self-improvement efforts, continue to accomplish the work in connection with nomination, review the structure, number of members and composition of the Board, supervise the performance of the Board members and will further refine the remuneration and performance assessment measures for the directors and senior management in accordance with China's remuneration policies. It will put forward the proposal of the remuneration settlement for directors, supervisors and senior management in 2020 and pay attention to the remuneration system and the personnel training of the Bank.

Related party transaction, social responsibility and consumer protection committee

As at the end of 2020, the related party transaction, social responsibility and consumer protection committee consisted of four directors. Mr. Graeme Wheeler, independent non-executive director of the Bank, currently serves as chairman of the related party transaction, social responsibility and consumer protection committee. Members include Mr. Lyu Jiajin, Mr. Carl Walter and Mr. Kenneth Patrick Chung. One of the members is an executive director, and the other three are independent non-executive directors.

The primary responsibilities of the related party transaction, social responsibility and consumer protection committee include:

- designing and proposing measurement standards for material related party transactions and the policies for related party transaction management and policies for internal approval and filing of the Bank according to the requirements of rules, regulations and the Articles of Association of the Bank, and submitting the same to the Board for approval;
- identifying the related parties of the Bank, reporting them to the Board and the board of supervisors, and making them public towards relevant personnel of the Bank;
- accepting the filing for general related party transactions, or approving general related party transactions when necessary;
- reviewing material related party transactions, submitting them to the Board for approval, and reporting them to the board of supervisors;
- studying and formulating the social responsibility strategy and policy of the Bank;
- monitoring, inspecting and assessing the Bank's fulfillment of social responsibilities;
- studying and formulating the Bank's green credit strategy, and supervising and evaluating the implementation of the strategy;
- supervising and instructing senior management to promote inclusive finance related work;
- guiding and supervising the establishment and improvement of the work management system for consumer protection, supervising the implementation of the relevant works of senior management, and guiding the major information disclosure in respect of the consumer protection works; and
- other duties and powers authorised by the Board.

In 2020, the related party transaction, social responsibility and consumer protection committee convened six meetings in total. The committee conducted considerable and effective works on aspects including improving the supervision and management of related party transactions, promoting the protection of consumer rights and interests, actively fulfilling social responsibilities, supervising and guiding the inclusive finance, finance for rural revitalisation, house rental and the green finance, supervising and reviewing the social responsibility report, and supervising the implementation of charitable donations, etc.

Members of related party transaction, social responsibility and consumer protection committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Graeme Wheeler	6/6	0/6
Mr. Lyu Jiajin	1/1	0/1
Mr. Carl Walter	6/6	0/6
Mr. Kenneth Patrick Chung	6/6	0/6
Resigned members		
Mr. Zhang Gengsheng	3/5	2/5

In 2021, the related party transaction, social responsibility and consumer protection committee will continue to strengthen the supervision and management of the related party transactions. It will improve the protection of consumer rights and interests, monitor and promote the implementation of the strategies of inclusive finance and house rental. It will monitor and guide the green finance and finance for rural revitalisation. It will monitor the implementation of charitable donations and review the social responsibility report. It will also assist the Board in relevant work under the authorisation of the Board.

BOARD OF SUPERVISORS

Responsibilities of the board of supervisors

The board of supervisors, being the supervisory body of the Bank, is accountable to the shareholders' general meeting and performs the following functions and duties in accordance with relevant laws:

- supervising the performance of the Board, senior management and their members;
- requiring the directors and senior management to correct their acts when their acts infringe the interests of the Bank;
- inspecting and supervising the financial activities of the Bank;
- verifying the financial information, including financial reports, reports on operating results and profit distribution proposal that are proposed to be submitted to the shareholders' general meeting by the Board;
- supervising business decisions, risk management, internal control, etc. of the Bank, and providing guidance on the internal audit work of the Bank; and
- exercising other powers authorised by the shareholders' general meeting and the Articles of Association of the Bank.

Composition of the board of supervisors

At the end of 2020, the board of supervisors of the Bank consisted of nine supervisors, including three shareholder representative supervisors, namely Mr. Wang Yongqing, Mr. Wu Jianhang and Mr. Yang Fenglai, three employee representative supervisors, namely Mr. Lu Kegui, Mr. Cheng Yuanguo and Mr. Wang Yi, and three external supervisors, namely Mr. Zhao Xijun, Mr. Liu Huan and Mr. Ben Shenglin.

Due to change of job, Mr. Cheng Yuanguo ceased to serve as employee representative supervisor of the Bank from March 2021.

The term of office of the supervisors is three years, and they may be re-elected upon expiration of their term of office. The shareholder representative supervisors and the external supervisors of the Bank are elected by the shareholders' general meeting, and the employee representative supervisors are elected by the employee representative organisation.

Chairman of the board of supervisors

Mr. Wang Yongqing is the chairman of the board of supervisors of the Bank, and is responsible for the organisation of the performance of the duties of the board of supervisors.

Operation of the board of supervisors

The board of supervisors convenes regular meetings no fewer than four times a year, and extraordinary meetings are convened, if and when required. Meetings of the board of supervisors may be convened by on-site conference or written resolutions. Supervisors are generally notified in writing ten days prior to the board of supervisors' meeting. Matters concerning such meeting are specified in the written notice. During the meeting, the supervisors are free to express their opinions, and decisions on important matters are only made after detailed discussions.

Detailed minutes are prepared for the meetings of the board of supervisors and will be provided to all participating supervisors. The board of supervisors may engage external legal advisors or certified public accountants when necessary to discharge its duties, and the Bank will bear all related expenses. The Bank takes necessary measures and methods to ensure supervisors' right to information, and provides relevant information and materials to them in accordance with related regulations.

Members of the board of supervisors may attend board meetings as non-voting attendees, and the board of supervisors may, if and when the board of supervisors deems appropriate, assign supervisors to attend as non-voting attendees such meetings of the Bank as meetings of board committees, annual work conference, analytic meetings on business operation, and president executive meetings. The board of supervisors of the Bank conducts supervisory work through measures such as inspection and review of information, off-site monitoring and analysis and on-site specific inspection, visits and symposia, and performance and due diligence evaluation.

The Bank effected supervisors' liability insurance policy for all the supervisors in 2020.

Meetings of the board of supervisors

In 2020, the board of supervisors convened six meetings in total on 27 March, 28 April, 23 June, 28 August, 29 October and 24 December respectively, all of which were held on-site. Major resolutions reviewed and approved included the reports of the board of supervisors, supervisory working plan, periodic reports of the Bank, profit distribution plan, the nominations of shareholder representative supervisors and external supervisors, and the assessment report on internal control for the year 2019, etc. Relevant information was disclosed pursuant to the provisions in relevant laws, regulations and listing rules of the listing venues.

The following table sets forth the attendance records of each supervisor in the meetings of the board of supervisors in 2020:

Members of the board of supervisors	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Shareholder representative supervisors		
Mr. Wang Yongqing	6/6	0/6
Mr. Wu Jianhang	6/6	0/6
Mr. Yang Fenglai	4/4	0/4
Employee representative supervisors		
Mr. Lu Kegui	6/6	0/6
Mr. Cheng Yuanguo	6/6	0/6
Mr. Wang Yi	6/6	0/6
External supervisor		
Mr. Zhao Xijun	6/6	0/6
Mr. Liu Huan	3/4	1/4
Mr. Ben Shenglin	3/4	1/4
Resigned supervisors		
Mr. Fang Qiuyue	1/1	0/1

Duty performance of external supervisors

In 2020, Mr. Zhao Xijun, Mr. Liu Huan, Mr. Ben Shenglin, the external supervisors of the Bank, actively attended the meetings of the board of supervisors and special committees thereof, and were involved in the study and decision-making of major issues of the board of supervisors. They proactively attended major meetings of the Board, the special committees under the Board and management as non-voting delegates, and participated in the specific research organised by the board of supervisors, and provided suggestions and opinions based on their experience and expertise. The external supervisors duly performed their duties and contributed to the effectiveness of supervisory role played by the board of supervisors.

COMMITTEES UNDER THE BOARD OF SUPERVISORS

The performance and due diligence supervision committee and the finance and internal control supervision committee are established under the board of supervisors.

Performance and due diligence supervision committee

At the end of 2020, the performance and due diligence supervision committee consisted of six supervisors. Mr. Wang Yongqing, chairman of the board of supervisors, currently serves as chairman of the performance and due diligence supervision committee. Members include Mr. Wu Jianhang, Mr. Yang Fenglai, Mr. Cheng Yuanguo, Mr. Zhao Xijun and Mr. Liu Huan.

The primary responsibilities of the performance and due diligence supervision committee:

- formulating the rules, work plans and proposals and implementation plans for supervision and examination in connection with the performance and degree of diligence of the Board, senior management and their members; and implementing and organising the implementation of such rules, plans and proposals after the board of supervisors' approval;
- issuing evaluation report on the performance of duties by the Board and senior management as well as their members; and
- formulating performance evaluation measures for the supervisors and organising the implementation of such measures.

In 2020, the performance and due diligence supervision committee convened four on-site meetings in total. The performance and due diligence supervision committee reviewed reports on evaluation of the performance of the Board, senior management and their members by the board of supervisors, and self-evaluation reports on the performance of the board of supervisors and supervisors; studied and formulated the work plan for performance supervision and evaluation for the year of 2020; reviewed the proposals regarding the nomination of shareholder representative supervisors and external supervisors; reviewed the proposals regarding the performance assessment plan for shareholder representative supervisors of the Bank, listened to the report and implemented the arrangement to ensure stability in employment, financial operations, foreign trade, foreign investment, domestic investment and economic expectations, as well as security in job, basic living needs, operations of market participants, food and energy supply, stable industrial and supply chains, and the normal functioning of primary-level governments by the central government, and the execution of the operation plan for first half year, the progress of the work on protection of consumer rights and interests, etc. The performance and due diligence supervision committee organised the implementation of annual supervisory work, assisted the board of supervisors in the supervision and evaluation of the Board, senior management and their members and the self-evaluation of the board of supervisors.

Members of the performance and due diligence supervision committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Wang Yongqing	4/4	0/4
Mr. Wu Jianhang	4/4	0/4
Mr. Yang Fenglai	2/2	0/2
Mr. Cheng Yuanguo	4/4	0/4
Mr. Zhao Xijun	4/4	0/4
Mr. Liu Huan	2/2	0/2
Resigned supervisor		
Mr. Fang Qiuyue	1/1	0/1

In 2021, the performance and due diligence supervision committee will carry out solid work in supervision of performance of duties and responsibilities. The performance and due diligence supervision committee will explore and improve the ways of work, promote and improve the duty performance supervision mechanisms, and assist the board of supervisors in performance supervision and evaluation of the Board, senior management and their members.

Finance and internal control supervision committee

At the end of 2020, the finance and internal control supervision committee consisted of six supervisors. Mr. Zhao Xijun, external supervisor, currently serves as chairman of the finance and internal control supervision committee. Members include Mr. Wu Jianhang, Mr. Yang Fenglai, Mr. Lu Kegui, Mr. Wang Yi and Mr. Ben Shenglin.

The primary functions and responsibilities of the finance and internal control supervision committee:

- formulating the rules, work plans and proposals in connection with the finance and internal control; and implementing or organising the implementation of such rules, plans, and proposals upon the approval of the board of supervisors;
- examining the annual financial reports and the profit distribution proposals prepared by the Board, and providing suggestions on such reports to the board of supervisors; and
- assisting the board of supervisors in organising the implementation of supervision and inspections on the finance and internal control of the Bank, as required by circumstances.

In 2020, the finance and internal control supervision committee convened five on-site meetings in total, reviewed proposals including the periodic reports, profit distribution plans and internal control evaluation report; heard work reports on financial report auditing, internal control and compliance work, internal audit findings and rectifications, credit asset quality, comprehensive risk management, fraud case prevention, and liquidity risk management on a regular basis; orderly organised and provided suggestions on the supervision of internal control, acquisition and disposal of major assets, related party transactions and use of proceeds, etc in accordance with supervisory regulations; listened to special reports on management of capital and advanced method of capital measurement, risk control of crude oil business account, non-standard wealth management control, the impact of COVID-19 pandemic on the operation and management of overseas institutions, pricing management etc., put forward professional suggestions, and helped the board of supervisors perform the supervision of finance, risk and internal control.

Members of the finance and internal control supervision committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Zhao Xijun	5/5	0/5
Mr. Wu Jianhang	5/5	0/5
Mr. Yang Fenglai	3/3	0/3
Mr. Lu Kegui	4/5	1/5
Mr. Wang Yi	5/5	0/5
Mr. Ben Shenglin	3/3	0/3
Resigned supervisors		
Mr. Fang Qiuyue	1/1	0/1

In 2021, the finance and internal control supervision committee will continuously perform its duties earnestly, strengthen investigation and research, increase supervision, continue to supervise the Bank's finance work, risk management and internal control.

SENIOR MANAGEMENT

Responsibilities of senior management

The senior management, being the executive body of the Bank, is accountable to the Board, and is supervised by the board of supervisors. Authorisation to the senior management by the Board strictly complies with corporate governance documents such as the Articles of Association of the Bank. Pursuant to the Articles of Association of the Bank, president of the Bank exercises the following functions and powers:

- presiding over the operation and management of the Bank, and organising and implementing resolutions of the Board;
- submitting operation and investment plans of the Bank to the Board, and organising and implementing the plans upon approval of the Board;
- drafting basic management systems of the Bank;
- authorising persons in charge of internal functional departments and branches to conduct operation activities;
- establishing president accountability system, and evaluating business performance of managers of business departments, managers of functional departments and general managers of branches of the Bank;
- proposing the convening of interim Board meetings; and
- exercising other functions and powers that should be exercised by president according to laws, regulations, rules, the Articles of Association of the Bank, and decisions of the shareholders' general meeting and the Board.
- executive vice presidents and other senior management members of the Bank shall assist president with his/her work.

Operation of senior management

Based on the authorisation in corporate governance documents, such as the Articles of Association of the Bank and the Board, the senior management orderly organises operation and management activities of the Bank. According to the strategic directions and targets determined by the Board, it makes comprehensive operation plans and periodically reports to the Board on implementation of strategies and plans. The senior management analyses, researches and assesses internal and external environment, works out operation strategies and management measures and makes timely adjustments in line with market changes. The senior management invites directors and supervisors to participate in important meetings and major events, takes advice and suggestions, and keeps close communication with the Board and the board of supervisors, so as to enhance the operation and management capabilities and operational efficiency of the Bank.

INTERNAL CONTROL

The objectives of the internal control of the Bank are to reasonably ensure its operation and management in compliance with laws and regulations, as well as assets safety, the accuracy and integrity of financial reports and relevant information, to improve operational efficiency and effects, and to facilitate the Bank to achieve its development strategies. According to the requirements regarding the standardised system of enterprise internal control, the Board establishes sound and effective internal control, evaluates its effectiveness and supervises the effectiveness of internal control system. The board of supervisors supervises the establishment and implementation of internal control of the Board. The senior management is responsible for organising and leading the daily operation of internal control.

In 2020, the Bank continued to increase the comprehensiveness and effectiveness of the internal control evaluation and improve support of internal control evaluation tools. Firstly, the Bank relied on the internal control evaluation system to fully realise online process of internal control evaluation. Based on the Bank's internal control evaluation work practice, the Bank's internal control evaluation system was successfully developed and comprehensively promoted and launched at institutions at all levels. Secondly, by improving the indicators, the Bank improved the comprehensiveness and effectiveness of the internal control evaluation. In accordance with the latest rules and regulations of the industry, the Bank adhered to the problem-oriented approach and conducted targeted revision of the evaluation indicators to continuously improve the comprehensiveness and effectiveness of the internal control evaluation. Thirdly, by the Bank integrated a normalised internal control evaluation mechanism into business process to timely identify and improve internal control deficiencies, and give full play to the role of evaluation.

The Board and the audit committee assess the effectiveness of the internal control and examine the report of internal control annually. At the end of 2020, there was no material deficiency in the internal control over financial reporting of the Bank, and no material deficiency was detected in the internal control over non-financial reporting as well. The Board believed that the Bank conducted effective internal control over financial reporting covering all the major aspects, in compliance with the requirements regarding the standard system of enterprise internal control and other relevant regulations.

The Bank employed Ernst & Young Hua Ming LLP for the audit of internal control. The audit opinion on internal control was in line with the Bank's assessment conclusion on the effectiveness of internal control over financial reporting. The disclosure of material deficiencies of internal control over non-financial reporting in the audit report of internal control was in line with the disclosure of the assessment report of internal control of the Bank.

For detailed information of internal control, please refer to the assessment report and audit report of internal control of the Bank on the websites of the Shanghai Stock Exchange, the "HKEXnews" of Hong Kong Exchanges and Clearing Limited, and the Bank.

AUDITORS' REMUNERATION

Ernst & Young Hua Ming LLP was appointed as the domestic auditor of the Bank and its domestic subsidiaries for the year of 2020 and Ernst & Young was appointed as the international auditor of the Bank and its overseas subsidiaries for the year of 2020. Ernst & Young Hua Ming LLP was appointed as the auditor for the audit of the internal control of the Bank for the year of 2020. This is the second year for Ernst & Young Hua Ming LLP and Ernst & Young to provide audit service to the Bank.

Auditors' fees for the audit of financial statements (including the audit of internal control) of the Group and other services paid to Ernst & Young Hua Ming LLP, Ernst & Young and other member firms by the Group for the year ended 31 December 2020 are set out as follows.

(In millions of RMB)	2020	2019	2018[1]
Fees for the audit of financial statements	140.96	140.96	148.00
Other service fees	10.90	5.63	13.14

1. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers provided audit services to the Bank in 2018.

SHAREHOLDERS' RIGHTS

Right to convene an extraordinary shareholders' general meeting

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, has the right to request the Board in writing to convene an extraordinary general meeting.

The Board shall reply in writing within ten days after receiving the request. In case the Board approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after the resolution is made. In case the Board refuses to hold the meeting or has no reply, the proposing shareholder may propose to the board of supervisors in writing. In case the board of supervisors approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after receiving the proposal. In case the board of supervisors fails to issue the meeting notice, the shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank for more than 90 consecutive days, may convene and preside over an extraordinary general meeting on his or her own.

Right to raise proposals to the shareholders' general meeting

Any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to raise proposals to the shareholders' general meeting. Any shareholder, individually or jointly holding more than 1% of the total issued voting shares of the Bank, has the right to raise proposals regarding the nomination of the candidates for independent non-executive directors and external supervisors.

Proposals to the shareholders' general meetings shall be submitted to the convenor of such meeting prior to the issuance of the notice of such meeting; after the issuance of the notice, any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to bring up extraordinary proposals. Extraordinary proposals on the nomination shall be submitted to the convenor of the meeting 35 days prior to the meeting and extraordinary proposals on other issues shall be submitted to the convenor of the meeting in writing 20 days prior to the meeting.

Right to raise proposals to the Board

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, may raise proposals to the Board.

Right to raise enquiries to the Bank

In accordance with the provisions of the Articles of Association of the Bank, the shareholders have the right to obtain relevant information, including the Articles of Association, status of the share capital, financial report, report of the board of directors and report of the board of supervisors.

INVESTOR RELATIONS

Review of the effective communication with shareholders and work on investor relations

In 2020, the COVID-19 pandemic has brought a significant disruption on the global economic and social development, and the fluctuations in the capital market has increased. As a result, the market had an increasing interest in the operation and development of the banking industry. The Bank strived to overcome the impact of the pandemic, actively created innovative ways of work, and proactively strengthened its effective communication with the market. The Bank held online conferences for the annual and interim results for the first time. Through a combination of methods of "going global" and "bringing in" via a variety of online and onsite measures and by organising roadshows for results announcement, participating in investor forums, actively visiting investors, responding to investors' research and investigation, replying to hotline enquiries and emails from investors, etc., the Bank listened to the voice of the market earnestly and reacted to the concerns of the market timely. The Bank conveyed to the market a series of measures in supporting the pandemic prevention and control and the economic and social development, the result of the implementation of "Three Major Strategies", the stable and balanced operating results, the efforts and results of the Bank in ESG, as well as the Bank's long-term development and competitive advantages. The Bank has cumulatively communicated with over 2,000 domestic and foreign investors and analysts. The Bank achieved sound results in an active investor relationship management and satisfactory stock price and market value.

Shareholder enquiries

Any enquiries from shareholders related to shareholding, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following addresses:

A-share:

China Securities Depository and Clearing Corporation Limited
No. 188 Yanggaonan Road, Pudong New District, Shanghai
Telephone: (86) 4008-058-058

H-share:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862-8555
Facsimile: (852) 2865-0990

Investor enquiries

Enquiries from investors to the Board may be directed to:
Board of Directors Office
China Construction Bank Corporation
No. 25, Financial Street, Xicheng District, Beijing, China
Telephone: (8610) 6621-5533
Facsimile: (8610) 6621-8888
Email: ir@ccb.com

Board of Directors Office – Hong Kong Office
China Construction Bank Corporation
29/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Telephone: (852) 3918-6212

This annual report is available on the website of the Bank (www.ccb.com), the website of the Shanghai Stock Exchange (www.sse.com.cn) and the "HKEXnews" website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). If you have any queries on this annual report, please call our hotline at (8610) 6621-5533 or (852) 3918-6212. If you have any comment or advice on the annual report, please send email to ir@ccb.com.

REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present its report together with the financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group is engaged in a range of banking services and related financial services.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 is set out in the "Management Discussion and Analysis" of this annual report. For the discussion on the Bank's environmental policies and performance and relations with its employees, please refer to the Corporate Social Responsibility Report 2020 of the Bank.

PROFIT AND DIVIDENDS

The profit of the Group for the year ended 31 December 2020 and the Group's financial position as at that date are set out in the "Financial Statements" of this annual report. The analysis on operating results, financial position as well as related changes during the reporting period are set out in the "Management Discussion and Analysis" of this annual report.

In accordance with the resolutions passed at the 2019 annual general meeting, the Bank paid an annual cash dividend for 2019 of RMB0.320 per share (including tax), totalling RMB80,004 million, to all of its shareholders whose names appeared on the register of members after the closing of the stock market on 9 July 2020.

The board of directors propose a cash dividend for 2020 of RMB0.326 per share (including tax), totalling RMB81,504 million, subject to deliberation and approval of the 2020 annual general meeting. Subject to approval of the annual general meeting, the dividend will be distributed to the shareholders whose names appeared on the register of members of the Bank after the closing of the stock market on 14 July 2021. The expected payment date of A-share annual cash dividend for 2020 is on 15 July 2021, and the expected payment date of H-share annual cash dividend is on 5 August 2021.

FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY

The Bank may distribute dividends in the form of cash, shares and a combination of cash and shares; unless under special circumstances, the Bank shall distribute dividends in cash if it gains profit and has positive accumulative undistributed profits in the year. The cash dividends distributed by the Bank in a year shall be no less than 10% of the net profit attributable to equity shareholders of the Bank on a consolidated basis in the same year. When adjusting the profit distribution policy, the Board shall conduct a specific discussion to elaborate on and verify the reasons to make the adjustments and prepare a written report. Independent non-executive directors shall express their views, and the matter shall be approved in the form of special resolution by the shareholders' general meeting. The Bank shall provide the shareholders with online voting channels when discussing and approving the adjustments to the profit distribution policy.

The Bank's formulation and implementation of profit distribution policies conform to the provisions in the Articles of Association and the requirements of the resolutions of the general meeting of shareholders. The Bank has sound policies decision-making procedures and mechanisms as well as clear and definite standard and ratio of dividends. The independent non-executive directors conducted due diligence and played their roles diligently in the decision-making process of the profit distribution plan. Minority shareholders may fully express their opinions and appeals and their legitimate rights and interests are fully protected.

The amounts of cash dividends and ratios of cash dividends to net profit of the Bank for the years from 2018 to 2020 are as follows.

(In millions of RMB, except percentages)	2020	2019	2018
Cash dividends	81,504	80,004	76,503
Ratio of cash dividends to net profit[1]	30.0%	30.0%	30.0%

1. Net profit refers to the net profit attributable to equity shareholders of the Bank on a consolidated basis. Please refer to Note "Profit Distributions" to the financial statements of annual reports of the related years for details of cash dividends.

Please refer to "Details of Preference Shares" of this annual report for details of the profit distribution of preference shares.

TAXATION AND TAX REDUCTION AND EXEMPTION

Shareholders of the Bank paid relevant taxes according to the following rules and tax laws and regulations as updated from time to time and enjoyed potential tax reduction and exemption in light of actual situations and should seek advice from their tax professionals and legal consultants for specific payment matters. The following referred tax laws and regulations are published as at the date of 31 December 2020.

Holders of A-share

According to *Notice of Issues Concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies* (CaiShui [2012] No.85) and *Notice of Issues Concerning the Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies* (CaiShui [2015] No.101) issued by the MOF, the State Administration of Taxation and the CSRC, for the stocks held for more than one year, the income from dividends and bonuses shall be temporarily exempted from individual income tax; for the stocks held for more than one month but not more than one year (inclusive), the income from dividends and bonuses shall be temporarily included in the taxable income at the reduced rate of 50%; for stocks held for not more than one month (inclusive), the income from dividends and bonuses shall be included in the taxable income in full amount. Individual income taxes on the aforesaid incomes shall be collected at a consistent rate of 20%. Individual income taxes on dividends and bonuses from listed companies made by securities investment funds shall be collected according to the rules aforesaid as well.

According to article 26(2) of the *Law on Enterprise Income Tax*, dividends, bonuses and other equity investment proceeds between qualified resident enterprises are tax-free incomes.

According to article 83 of the *Implementation Regulations of the Law on Enterprise Income Tax*, the "dividends, bonuses and other equity investment proceeds between qualified resident enterprises" as prescribed in article 26(2) of the *Law on Enterprise Income Tax* refer to investment income obtained by a resident enterprise from the direct investment in other resident enterprises. The "stock equities, bonuses and other equity investment proceeds" as prescribed in article 26(2) of the *Law on Enterprise Income Tax* exclude investment income from outstanding stocks issued publicly by a resident enterprise and traded on stock exchanges that the holding period is less than 12 months.

According to the *Law on Enterprise Income Tax* and the *Implementation Regulation of the Law on Enterprise Income Tax*, the enterprise income tax shall be levied at the reduced rate of 10% for the dividend incomes obtained by a non-resident enterprise shareholder.

Holders of H-share

According to PRC tax laws and regulations, withholding agents shall withhold and pay individual income tax on income of dividends and bonuses for Hong Kong-listed shares of domestic non- foreign-invested enterprises obtained by a non-resident individual. However, an offshore resident individual shareholder holding Hong Kong-listed shares of domestic non-foreign-invested enterprises may enjoy relevant tax preferences under the tax treaties between China and the state where such shareholder possesses resident status, or the indirect tax arrangements between the mainland of China and Hong Kong or Macau. Generally, as for individual holders of H-shares, individual income tax shall be withheld and paid at the rate of 10%, unless it is otherwise provided by tax laws and regulations and relevant tax treaties.

According to *Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Holders of H-shares Which Are Overseas Non- resident Enterprises* (Guo Shui [2008] No.897) published by the State Administration of Taxation, where a Chinese resident enterprise pays dividends for the year of 2008 or any year thereafter to its holders of H-shares which are overseas non-resident enterprises, it shall withhold the enterprise income tax thereon at a consistent rate of 10%.

According to current practice of the Inland Revenue Department, the Bank bears no tax for distribution of H-share dividends.

Issues about taxation of Shanghai-Hong Kong Stock Connect shall follow the *Notice on Taxation Policies Concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets* (Cai Shui [2014] No.81) issued by the MOF, the State Administration of Taxation and the CSRC.

Issues about taxation of Shenzhen-Hong Kong Stock Connect shall follow the *Notice on Taxation Policies Concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets* (Cai Shui [2016] No.127) issued by the MOF, the State Administration of Taxation and the CSRC.

Domestic preference shareholders

Issues about payment of individual income tax relating to dividends of non-public domestic preference shares obtained by individuals shall follow the relevant PRC tax laws and regulations.

According to the *Law on Enterprise Income Tax* and the *Implementation Regulation of the Law on Enterprise Income Tax*, dividends of domestic preference shares between qualified resident enterprises are tax exemption incomes. Enterprise income tax on dividends of domestic preference shares obtained by a non-resident enterprise, in general, shall be collected at the preferential rate of 10%.

Offshore preference shareholders

According to PRC tax laws and regulations, when the Bank pays dividends of offshore preference shares to its shareholders which are offshore non-resident enterprises, in general, it shall withhold and pay the enterprise income tax thereon at a consistent rate of 10%.

According to current practice of the Inland Revenue Department, the Bank bears no tax for distribution of dividends of offshore preference shares.

SUMMARY OF FINANCIAL INFORMATION

Please refer to "Financial Highlights" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2020.

RESERVES

Please refer to "Consolidated Statement of Changes in Equity" of this annual report for details of the movements in the reserves of the Group for the year ended 31 December 2020.

DONATIONS

Charitable donations made by the Group for the year ended 31 December 2020 were RMB322 million, an increase of RMB188 million.

FIXED ASSETS

Please refer to Note "Fixed Assets" in the "Financial Statements" of this annual report for details of movements in fixed assets of the Group for the year ended 31 December 2020.

RETIREMENT BENEFITS

Please refer to Note "Accrued Staff Costs" in the "Financial Statements" of this annual report for details of the retirement benefits provided to employees of the Group.

MAJOR CUSTOMERS

For the year ended 31 December 2020, the aggregate amount of interest income and other business income generated from the five largest customers of the Group accounted for less than 30% of the total interest income and other business income of the Group.

ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES

Please refer to "Changes in Share Capital and Particulars of Shareholders – Substantial Shareholders of the Bank" of this annual report and Note "Long-term Equity Investments" in the "Financial Statements" for details of the Bank's ultimate parent company and its subsidiaries respectively as at 31 December 2020.

ISSUANCE OF SHARES

During the reporting period, the Bank had not issued any ordinary shares, convertible bonds or preference shares.

ISSUANCE OF DEBTS SECURITIES

Please refer to "Changes in Share Capital and Particulars of Shareholders – Details of Securities Issuance and Listing" of this annual report for details of the issuance of Tier 2 capital bonds of the Bank.

EQUITY-LINKED AGREEMENTS

The Bank made a non-public issuance of domestic preference shares of RMB60 billion in total in the domestic market on 21 December 2017. During the reporting period, other than above preference shares, the Bank had not entered into or maintained any other equity-linked agreement.

Pursuant to regulations including the *Capital Rules for Commercial Banks (Provisional)* and the *Administrative Measures for the Pilot Programme for Preference Shares*, a commercial bank shall set up the provisions of coercive conversion of preference shares into ordinary shares, under which the commercial bank shall convert the preference shares into ordinary shares as contractually agreed in case of a trigger event. Such a trigger event would happen when the common equity Tier 1 ratio decreases to 5.125% (or below) and when the CBIRC determines that the Bank will not be able to operate if shares of the Bank are not transferred or written down, or when relevant regulators determine that the Bank will not be able to operate if there is no capital injection from public sectors or equivalent supports. The Bank, according to relevant regulations, has formulated provisions of trigger events under which preference shares shall be coercively converted into ordinary shares. If such trigger events happen to the Bank and all preference shares need to be coercively converted into ordinary shares at their initial conversion price, the total amount of the domestic preference shares which are converted into ordinary A-shares will not exceed 11,538,461,538 shares. During the reporting period, the Bank did not experience any trigger event in which the preference shares need to be coercively converted into ordinary shares.

SHARE CAPITAL AND PUBLIC FLOAT

At the end of reporting period, the Bank issued 250,010,977,486 ordinary shares in total (including 240,417,319,880 H-shares and 9,593,657,606 A-shares) and had 372,500 registered ordinary shareholders, which complied with the relevant requirements regarding public float under relevant laws and regulations as well as the listing rules of its listing venues.

PURCHASE, SALE AND REDEMPTION OF SHARES

For details of the Bank's redemption of US overseas preference shares, please refer to "Change in Share Capital and Particulars of Shareholders – Details of Preference Shares". Besides, during the reporting period, there was no purchase, sale or redemption by the Bank or any of its subsidiaries of the shares of the Bank.

PRE-EMPTIVE RIGHTS

During the reporting period, the Articles of Association of the Bank does not contain such provisions under which the Bank's shareholders have pre-emptive rights. The Articles of Association provides that if the Bank wishes to increase its capital, it may issue new shares to investors, may issue new shares to or by way of distribution to existing shareholders, may transfer its capital reserve to share capital, or by other means permitted by laws and regulations.

TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

Please refer to "Changes in Share Capital and Particulars of Shareholders" of this annual report for details of the top ten shareholders of the Bank and their shareholdings as at 31 December 2020.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to "Profiles of Directors, Supervisors and Senior Management" of this annual report.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received the annual confirmation on independence from each independent non-executive director in compliance with the Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange. The Bank considered that all the independent non-executive directors of the Bank were independent, and their independence was in compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2020, the interests and short positions of substantial shareholders and other persons in the shares of the Bank as recorded in the register required to be kept under section 336 of the *Securities and Futures Ordinance (SFO)* of Hong Kong were as follows.

Name	Type of shares	Number of shares	Nature of rights and interests	% of issued A-share	% of issued H-share	% of total ordinary shares issued
Huijin[1]	A-share	692,581,776	Long position	7.22	–	0.28
Huijin[2]	H-share	133,262,144,534	Long position	–	59.31	57.03

1. On 29 December 2015, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 692,581,776 A-shares of the Bank, accounting for 7.22% and 0.28% of the A-shares issued (9,593,657,606 shares) and the ordinary shares issued (250,010,977,486 shares) respectively. In which, 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by Central Huijin Asset Management Ltd., a wholly-owned subsidiary of Huijin. As at 31 December 2020, according to the A-share register of shareholders of the Bank, Huijin directly held 195,941,976 A-shares of the Bank, Central Huijin Asset Management Ltd., a wholly-owned subsidiary of Huijin, directly held 496,639,800 A-shares of the Bank.
2. On 26 May 2009, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (224,689,084,000 shares) and the ordinary shares issued (233,689,084,000 shares) at that time respectively. As at 31 December 2020, according to the H-share register of shareholders of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (240,417,319,880 shares) and the ordinary shares issued (250,010,977,486 shares) respectively.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, some of the Bank's supervisors indirectly held H-shares of the Bank by participating in the employee stock incentive plan of the Bank before they assumed current positions. Mr. Wu Jianhang held 20,966 H-shares, Mr. Yang Fenglai held 16,789 H-shares, Mr. Lu Kegui held 18,989 H-shares, Mr. Cheng Yuanguo held 15,863 H-shares, Mr. Wang Yi held 13,023 H-shares of the Bank respectively. Mr. Zhang Gengsheng, the resigned executive director and executive vice president, held 19,304 H-shares. Save as disclosed above, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Bank and Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to Appendix 10 *Model Code for Securities Transactions by Directors of Listed Issuers*, to the Listing Rules of Hong Kong Stock Exchange.

As of 31 December 2020, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children under the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

DIRECTORS' FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

There are no relationships among the directors of the Bank, including financial, business, family or other material relationships.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS, SERVICE CONTRACTS AND DIRECTORS' LIABILITY INSURANCE

For the year 2020, no director or supervisor of the Bank or entities connected with the directors or supervisors had any interest, whether directly or indirectly, in any transaction, arrangement or contract of significance in relation to the Group's business with the Bank or any of its holding companies or subsidiaries or subsidiaries of the Bank's holding companies, apart from their respective service contracts.

None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of remuneration (other than statutory remuneration).

The Bank effected the directors' liability insurance for all directors in 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed in the biographical details of the directors of the Bank, none of the directors of the Bank directly or indirectly has any interest that constitutes or may constitute a competing business of the Bank.

CORPORATE GOVERNANCE

The Bank promoted the modernisation of the governance system and governance capabilities of state-owned commercial banks, and the further improvement of corporate governance systems and mechanisms. Please refer to the "Corporate Governance Report" of this annual report for details of corporate governance practice adopted by the Bank and its compliance with the *Corporate Governance Code and Corporate Governance Report*.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In 2020, the Bank did not revise the Articles of Association.

CONNECTED TRANSACTIONS

In 2020, the Bank engaged in a series of connected transactions with the connected persons of the Bank as defined by the Listing Rules of Hong Kong Stock Exchange in its ordinary course of business. Such transactions complied with the criteria for exemption under Rule 14A.73 of the Listing Rules of Hong Kong Stock Exchange, and they were fully exempted from the shareholders' approval, annual review and all the disclosure requirements.

Please refer to Note "Related Party Relationships and Transactions" to the financial statements of this annual report for details of the related party transactions as defined by domestic laws and regulations and accounting standards.

SIGNIFICANT INVESTMENTS

As of 31 December 2020, the Group did not have any significant investment as required to be disclosed in accordance with Rule 32(4A) under the Appendix 16 to the Listing Rules of Hong Kong Stock Exchange.

REMUNERATION POLICY FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank has established clear standards in relation to the remuneration policy for directors, supervisors and senior management. For enterprise leaders administered by central authorities, the remuneration policy complies with the relevant measures on remuneration of central financial enterprise leaders. The Bank's remuneration policy for other directors, supervisors and senior management is based on the principle of combining incentives and disciplines, short-term incentives and long-term incentives, and governmental regulations and market adjustment, and has defined a structured remuneration system compromising basic annual salary, performance-based annual salary and welfare income. The Bank participates in the relevant PRC mandatory retirement schemes for its directors, supervisors, senior management and other employees. Other than reviewing and settling the tenure incentive remuneration to enterprise leaders administered by central authorities in accordance with national regulations, the Bank does not implement mid-term and long-term incentive plan for other directors, supervisors and senior management.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Bank will incorporate the principle of building a "low-carbon and environment-friendly bank" into its corporate social responsibility strategy and include "Green Banking" as a goal in its medium- and long-term business plan. The Bank will actively fulfill its environmental responsibilities, promote China's high-quality economic and social development, strive to achieve the target of "reaching carbon peak by 2030 and carbon neutrality by 2060", vigorously support low-carbon economy and environmental protection industries, enhance energy conservation and emission reduction, actively promote online financial services, advocate low-carbon operations, and reduce energy consumption.

For discussions on the Bank's environmental policies and performance, please refer to the Bank's *Corporate Social Responsibility Report 2020*.

RELATIONSHIPS WITH EMPLOYEES AND CUSTOMERS

Employees are the valuable assets to the Bank. The Bank ensures the rights of employees according to laws and regulations and is committed to build a broad development platform for its employees. Furthermore, the Bank constantly provides safeguard measures for the career development of employees in terms of their remunerations, benefits, trainings, and promotions. Adhering to the "customer-centric" concept, the Bank practises New Finance initiatives and vigorously promotes service function innovation, allowing customers to obtain services anytime and anywhere. The Bank is trying to create smart, convenient and excellent customer service experience, and meets the financial service demands of its customers.

For relationships with employees and customers, please refer to the Bank's *Corporate Social Responsibility Report 2020*.

INFORMATION DISCLOSURE

In 2020, the Bank strictly abided by relevant laws, regulations and regulatory requirements for information disclosure, timely followed up the changes to the regulatory requirements, improved the working mechanism, continued to conduct the information disclosure trainings, actively fulfilled its information disclosure obligations, ensured the truthfulness, accuracy, completeness and timeliness of the information disclosure, and continuously improved its information disclosure level.

REGISTRATION AND MANAGEMENT OF INSIDERS

The Bank formulated the *Management Measures on Insider of Inside Information*. Pursuant to the above measures, relevant laws and regulations, and other requirements of relevant regulations of the Bank, the Bank strictly implemented the confidentiality requirements regarding inside information, standardised the information transmission process, and controlled the scope of insiders of inside information. The Bank was not aware of any insider trading of the shares of the Bank by taking the advantage of inside information during the reporting period.

EVENTS AFTER THE REPORTING PERIOD

On 26 January 2021, the Group issued in the domestic market 3-year special financial bonds for small and micro business loans with a fixed interest rate of 3.30% and a total face value of RMB20.00 billion. The funds raised were specifically used to grant small and micro business loans.

On 28 January 2021, the Group issued in the domestic market RMB6.00 billion subordinated bonds maturing in 2031. These bonds are 10-year bonds with fixed interest rate. The Group has an option to redeem these bonds at the end of the fifth year upon meeting certain conditions.

By order of the board of directors

Tian Guoli

Chairman

26 March 2021

REPORT OF THE BOARD OF SUPERVISORS

In 2020, pursuant to the provisions of laws, regulations, regulatory requirements and the Articles of Association of the Bank, the board of supervisors earnestly performed its supervision duties, adhered to the issue-oriented supervision, constantly refined its methods of work, focused on improving the effectiveness of supervision, promoted the improvement of corporate governance and the sound development of the Bank, and played an effective role in terms of its duties and functions.

PARTICULARS OF MAJOR WORK

Convening meetings of the board of supervisors pursuant to laws and regulations. During the year, six meetings of the board of supervisors were convened, in which 19 resolutions were reviewed and deliberated, including periodic reports of the Bank, reports on performance assessment, work summary of the board of supervisors and nomination of supervisors. The performance and due diligence supervision committee held four meetings. The finance and internal control supervision committee held five meetings and two special meetings. 32 special reports were debriefed, including but not limited to the implementation of the central government's decisions to ensure stability in employment, financial operations, foreign trade, foreign investment, domestic investment and economic expectations, as well as security in job, basic living needs, operations of market participants, food and energy supply, stable industrial and supply chains, and the normal functioning of primary-level governments, and the implementation of the business plan in the first half of the year, the effectiveness of the application of FinTech and information technology risk management and control. The board of supervisors reviewed 23 written reports, such as comprehensive risk management and the development of medium-sized customers, focusing on the implementation of major national decisions and deployments, supporting for pandemic prevention and control and economic and social development, and conducted in-depth studies and discussions, and made supervisory comments and suggestions on strategy implementation, business development, risk management and internal control.

Carefully carrying out performance and due diligence supervision. Members of the board of supervisors attended important meetings such as meetings of the Board and the special committees under the Board, the Group's work conferences, meetings on operation analysis, and the presidents' executive meetings as non-voting attendees. The board of supervisors continuously strengthened the supervision of the performance of the Board and senior management and its members through methods such as seminars, interviews, review of information and special studies, etc. The board of supervisors reviewed the materials and agenda arrangements of the shareholders' general meetings and the Board's meetings, supervised the compliance with laws and regulations regarding the proceedings of meetings, decision-making procedures and results, and information disclosure, etc. The board of supervisors learned about the operation and management situation, as well as supervised the implementation of resolutions of the shareholders' general meeting and the Board. Based on the comprehensive annual supervision, the assessment opinion of the annual performance of the Board of Directors and its members, senior management and its members was formed and reported to the shareholders' general meeting and regulators pursuant to relevant provisions.

Earnestly conducting financial supervision. The board of supervisors strengthened the supervision over periodic reports, paid attention to the implementation of alternative audit procedures by external auditors and credit sampling in the wake of the pandemic, and put forward suggestions on assisting with the establishment of the Group's consistent standards and procedures for the recognition of assets undertaken of wealth management business. The board of supervisors continued to strengthen the supervision over important financial decisions, held special meetings to hear the reports about the implementation of equity investment and business plans, put forward the requirements on the return on strategic and operational investment of differentiated arrangements, continuously optimised supervision opinions about the structure of businesses. The board of supervisors focused on the prevention and control of the pandemic as well as economic and social development, pay attention to the pressure and challenges faced in operation and management, held special meetings to hear the reports on pricing of the Bank. By listening to reports and carrying out intensive special investigations and researches, the board of supervisors learned fully the performance of duties by the Board and the senior management in capital management and consolidated management, and on the basis of confirming the work in refined management of capital, consolidated management and other aspects, put forward suggestions including planning capital management with systematic and forward-looking mindset so as to promote the subsidiaries to better play their strategic synergies.

Continuously deepening risk management supervision. The board of supervisors performed in-depth analysis of the major impact of the pandemic on operation and management, focused on key businesses and areas, and kept the bottom line against systematic risks throughout the whole process of supervision. The board of supervisors conscientiously fulfilled the supervision responsibilities such as stress testing and liquidity risk management, listened to the special reports on major stress testing projects and the impact of pandemic on overseas businesses, and put forward the supervision opinions on the compliance and risk management and control of overseas institutions and the supervision opinions and suggestions on liquidity risk and business continuity management. The stress testing of Bank was more targeted, and the Bank strictly implemented regulatory requirements on the main indicators of liquidity risk. The board of supervisors continued to pay attention to the changes in asset quality, strengthened the supervision over the branches with great pressure on asset quality management and control, focused on the resolution of existing risks and prevention of new risks, and promoted the optimisation of credit structure. Also, the board of supervisors listened to special reports on the development of the intelligent risk control system of the Bank as a whole, focused on the development of systems and mechanisms, and put forward suggestions on further promoting the organic integration of intelligent risk control and business processes. the board of supervisors paid attention to the collaborative management and control of risks of the Group and, from the perspective of the Group, put forward supervision opinions on strengthening the management and control of credit approval to common customers of the Group in the aspects of risk appetite, credit approval management and risk see-through management. The board of supervisors properly conducted normal monitoring of the implementation of standards by strengthening the supervision over large banks.

Continuously strengthening the internal control and compliance supervision. The board of supervisors focused on strengthen the supervision over the key areas and weak links of internal control and compliance, such as AML, related party transactions, case prevention and control and employee behaviour governance, timely monitored the work progress, understood existing difficulties and problems, listened to special reports on case prevention and control, put forward targeted suggestions, and promoted the improvement of relevant work. The board of supervisors continuously paid attention to the internal control and compliance management of overseas institutions and subsidiaries, and promoted the improvement of the long-term management mechanism. The board of supervisors listened to special reports on the rectification of existing wealth management business, and put forward supervisory opinions on the overall planning and construction of a sustainable asset management model from the perspective of the Group. With the promotion of fundamental and systematic rectification as the goal, the board of supervisors regularly listened to the progress in the rectification of internal audit findings and issues pointed out by regulatory authorities, urged the effective rectification of key issues, and promoted the Group's compliance management.

Constantly improving the quality and efficiency of supervision. The board of supervisors attached great importance to the development of the "Three Capabilities", promoted the "Three Major Strategies" and New Finance practices, the prevention and resolution of financial risks, and strengthened process supervision. It improved the governance efficiency of the Bank from the perspective of systems and mechanisms, and promoted the modernisation of the governance system and governance capacity of the Bank, giving full play to the role of supervision in promoting development. The board of supervisors effectively performed the duty of strategic supervision and carried out special assessment of inclusive finance strategic planning. It also focused on major issues in the operation and development of the Bank, carried out investigation and research, completed special research on data governance and subsidiary management mechanisms, and put forward targeted supervision opinions on further consolidating data bases and strengthening the collaboration and risk management and control at the group level. The board of supervisors reasonably arranged the discussion agenda, deepened the research and discussion of topics, and effectively improved the discussion quality and efficiency of the board of supervisors and special committees. The board of supervisors paid attention to strengthening the communication with the Board and senior management, exchanged ideas thoroughly in relation to important supervisory issues, learned fully about actual situations, and provided reasonable opinions and suggestions. The board of supervisors also further improved the supervisory opinion transmission and implementation mechanism, conducted problem-oriented, goal-oriented and results-oriented supervision, and constantly enhanced the effectiveness of supervision. It strengthened the self-development, completed selection and appointment of shareholder representative supervisors and additional external supervisors, improved the diversified composition of the board of supervisors, and further enhanced the overall capacity to perform duties. All supervisors earnestly participated in the work of the board of supervisors and duly performed their supervisory duties.

INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK

Operations in compliance with laws and regulations

During the reporting period, the Bank carried out its operation pursuant to laws and regulations, and the decision-making procedure was in compliance with the provisions of laws and regulations as well as the Articles of Association of the Bank. The directors and senior management fulfilled their duties in a diligent manner. The board of supervisors was not aware of any of their acts in performance of their duties that were in breach of applicable laws, regulations or the Articles of Association of the Bank, or were detrimental to the Bank's interest.

Financial reporting

The 2020 financial statements of the Bank truly and fairly reflected the financial position and operating results of the Bank.

Use of proceeds

During the reporting period, the Bank issued US$2 billion overseas Tier 2 capital bonds and RMB65 billion domestic Tier 2 capital bonds. The proceeds, after deduction of issuance expenses, were all used to replenish the Bank's Tier 2 capital in accordance with applicable laws and the approval of competent authorities. The use of proceeds was consistent with the Bank's commitments.

Acquisition and sale of assets

During the reporting period, the board of supervisors was not aware of any insider trading or any acts detrimental to the interests of shareholders or leading to a drain on the Bank's assets in acquisition or sale of assets.

Related party transactions

During the reporting period, the board of supervisors was not aware of any related party transactions that were detrimental to the interests of the Bank.

Internal control

During the reporting period, the Bank continuously strengthened and refined its internal control. The board of supervisors had no objection to the *2020 Internal Control Assessment Report*.

Performance of social responsibilities

During the reporting period, the Bank performed its social responsibilities in an earnest manner. The board of supervisors had no objection to the *2020 Social Responsibility Report*.

Implementation of information disclosure management system

During the reporting period, the Bank earnestly implemented the information disclosure management system, fulfilled its information disclosure obligations, and the board of supervisors was not aware of any violations of laws or regulations in information disclosure.

Assessment of the performance of directors, supervisors and senior management

All directors, supervisors and senior management participated in the 2020 performance assessment were evaluated as qualified.

By order of the board of Supervisors

Wang Yongqing

Chairman of the board of supervisors

26 March 2021

MATERIAL LITIGATIONS AND ARBITRATIONS

During the reporting period, the Bank was not subject to any material litigation or arbitration.

EMBEZZLEMENT BY THE CONTROLLING SHAREHOLDER OR OTHER RELATED PARTIES

During the reporting period, there was no non-operational fund embezzled by the controlling shareholder or other related parties of the Bank.

PROGRESS IN IMPLEMENTATION OF EMPLOYEE STOCK INCENTIVE PLAN

After the implementation of the first employee stock incentive plan of the Bank in July 2007, the Bank did not implement any new round of stock incentive plan in the reporting period.

MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, there was no material related party transaction of the Bank. All related party transactions of the Bank were conducted on the basis of commercial principles in an arm's length, fair and open manner and at prices no more favourable than those offered to independent third parties in similar transactions.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

On 24 May 2019, the PBC and the CBIRC jointly announced that Baoshang Bank Co., Ltd ("Baoshang Bank") was taken over. The takeover team entrusted the Bank to take the business of Baoshang Bank into custody and the takeover would last for one year. The Bank carried out the work in accordance with the custody agreement under the guidance of the takeover team. In late May 2020, the Bank had successfully completed various takeover tasks and ended its takeover of Baoshang Bank. This matter had no material influence on the Bank's operational management and profitability. Apart from this, during the reporting period, the Bank did not enter into any material arrangement for custody, contracting or leasing of other companies' assets, or allow its assets to be subject to such arrangements by other companies.

The guarantee business is a service in the ordinary course of the Bank's business, and the Bank did not have any material guarantee that should be disclosed except for the financial guarantee services within its business scope as approved by the regulators. During the reporting period, the Bank did not enter into any other material contract that needs to be disclosed.

PERFORMANCE OF UNDERTAKINGS

In September 2004, Huijin made a commitment of "non-competition within the industry", i.e., as long as Huijin continues to hold any shares of the Bank, or is deemed as a controlling shareholder or a related party of a controlling shareholder of the Bank in accordance with related laws of the People's Republic of China or listing rules of the Bank's listing venues, Huijin would not engage in or participate in any competing commercial banking businesses, including but not limited to granting loans, taking deposits, providing settlement, fund custody, bank card and currency exchange services. However, Huijin may still engage in or participate in competing businesses through investing in other commercial banks. Accordingly, Huijin committed that it would: (1) fairly treat its investments in commercial banks, and would not abuse its shareholder position in the Bank or the information it obtained through its shareholder position in the Bank to make decisions detrimental to the Bank but beneficial to other commercial banks; and (2) exercise its shareholder's rights for the best interests of the Bank.

On 6 April 2016, in accordance with relevant rules of the CSRC, in order to ensure the effective fulfilment of the measures to make up for the immediate return diluted by the issuance of preference shares of the Bank, Huijin undertook not to intervene with the operation and management of the Bank and not to misappropriate the interests of the Bank.

As at 31 December 2020, Huijin had not breached any of the above undertakings.

PENALTIES

During the reporting period, neither the Bank, the directors, the supervisors, senior management nor the actual controller was subject to investigations by relevant authorities, coercive measures by judicial or disciplinary inspection departments, transfer to judicial authorities or prosecution for criminal liabilities, investigation or administrative penalty, restricted access to market, and identification as unqualified by the CSRC, material administrative punishments by environmental, safety supervision, tax or other administrative authorities, or public reprimand by the stock exchanges.

INTEGRITY

During the reporting period, there was no unperformed judgement of the courts, or significant outstanding debt at maturity of the Bank and its controlling shareholder.

MAJOR EVENTS

Upon deliberation and approval by the Board of the Bank in December 2020, the capital injection to CCB Investment by the Bank intended to be no more than RMB30 billion, and the capital injection will be carried out in stages, with the first capital injection of RMB15 billion. In March 2021, CCB Investment completed the procedures related to capital injection, and the registered capital increased from RMB12 billion to RMB27 billion. Please refer to the announcement published by the Bank on 2 December 2020 for details.

In October 2020, CCB Life completed the procedures related to capital injection, and the registered capital increased from RMB4,496 million to RMB7.12 billion. The proportion of the Bank's capital contribution to CCB Life remains unchanged. Please refer to the announcement published by the Bank on 29 April 2019 for details.

In September 2020, CCB Trust completed the procedures related to capital injection, and the registered capital increased from RMB2,467 million to RMB10.5 billion. The proportion of the Bank's capital contribution to CCB Trust remains unchanged. Please refer to the announcement published by the Bank on 17 July 2020 for details.

In July 2020, the Bank signed the Sponsorship Agreement, intending to contribute RMB8 billion to the National Green Development Fund Co., Ltd, and the total capital contribution will be made in annual installment for five years. Please refer to the announcement published by the Bank on 16 July 2020.

In July 2020, CCB Financial Leasing completed the procedures related to capital injection, and the registered capital increased from RMB8 billion to RMB11 billion. Please refer to the announcement published by the Bank on 22 April 2020 for details.

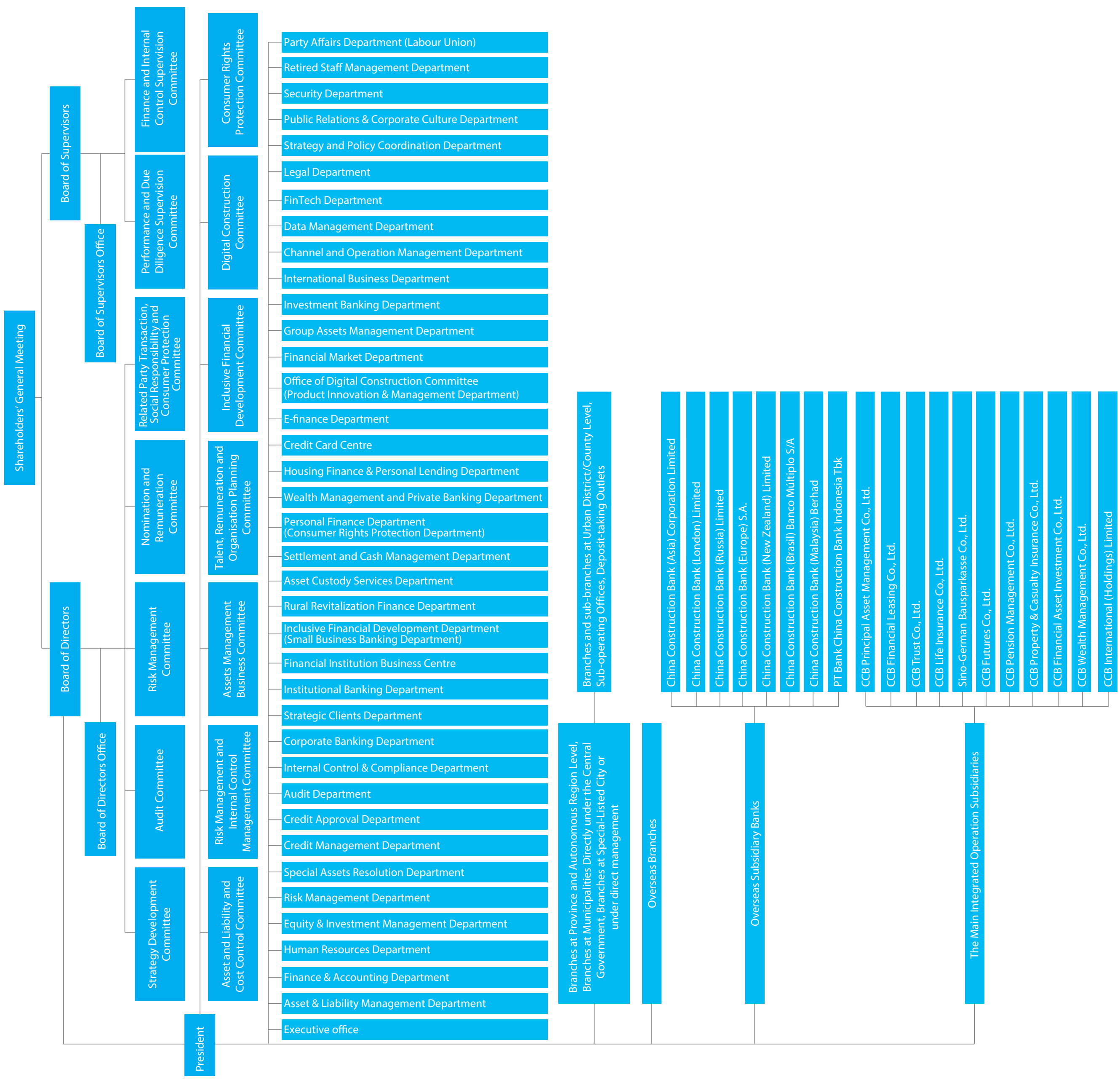
In July 2020, CCB Europe completed the procedures related to capital injection, and the registered capital increased from EUR200 million to EUR550 million. Please refer to the announcement published by the Bank on 30 October 2019 for details.

In April 2020, the Bank completed the third capital contribution of RMB750 million to the National Financing Guarantee Fund Co., Ltd. A total capital contribution of RMB3 billion will be made in annual installment for four years. Please refer to the announcement of the Bank published on 31 July 2018 for details.

PERFORMANCE OF SOCIAL RESPONSIBILITIES

Please refer to "Corporate Social Responsibilities (Environmental, Social and Governance)" of this annual report for details of the performance of social responsibilities.

ORGANISATIONAL STRUCTURE



BRANCHES AND SUBSIDIARIES

TIER-ONE BRANCHES IN THE MAINLAND OF CHINA

Branches	Address	Telephone	Facsimile
Anhui Branch	No. 2358, Yungu Road, Hefei Postcode: 230001	(0551) 62874100	(0551) 62872014
Beijing Branch	Entry.4, Building 28, Xuanwumen West Street, Beijing Postcode: 100053	(010) 63603682	(010) 63603656
Chongqing Branch	No. 123, Minzu Road, Yuzhong District, Chongqing Postcode: 400010	(023) 63771855	(023) 63771835
Dalian Branch	No. 1, Jiefang Street, Zhongshan District, Dalian Postcode: 116001	(0411) 88066666	(0411) 82804560
Fujian Branch	No.298, Jiangbin middle Avenue, Taijiang District, Fuzhou Postcode: 350009	(0591) 87838467	(0591) 87856865
Gansu Branch	No. 77, Qin'an Road, Lanzhou Postcode: 730030	(0931) 4891555	(0931) 4891862
Guangdong Branch	No. 509, Dongfengzhong Road, Guangzhou Postcode: 510045	(020) 83018888	(020) 83013950
Guangxi Branch	No. 90, Minzu Avenue, Nanning Postcode: 530022	(0771) 5513110	(0771) 5513012
Guizhou Branch	No. 148, North Zhonghua Road, Guiyang Postcode: 550001	(0851) 86696000	(0851) 86696371
Hainan Branch	CCB Plaza, No. 8, Guomao Road, Haikou Postcode: 570125	(0898) 68587268	(0898) 68587569
Hebei Branch	No. 40, Ziqiang Road, Shijiazhuang Postcode: 050000	(0311) 88601010	(0311) 88601001
Henan Branch	No. 80, Huayuan Road, Zhengzhou Postcode: 450003	(0371) 65556677	(0371) 65556688
Heilongjiang Branch	No. 67, Hongjun Street, Nan'gang District, Harbin Postcode: 150001	(0451) 58683565	(0451) 53625552
Hubei Branch	No. 709, Jianshe Street, Wuhan Postcode: 430015	(027) 65775888	(027) 65775881
Hunan Branch	No. 2, Baisha Road, Changsha Postcode: 410005	(0731) 84419910	(0731)84419141
Jilin Branch	No. 810, Xi'an Road, Changchun Postcode: 130061	(0431) 80835310	(0431) 88988748
Jiangsu Branch	No. 188, Hongwu Road, Nanjing Postcode: 210002	(025) 84200545	(025) 84209316
Jiangxi Branch	No. 366, Bayi Street, Nanchang Postcode: 330006	(0791) 86848200	(0791) 86848318
Liaoning Branch	No. 176, Zhongshan Road, Heping District, Shenyang Postcode: 110002	(024) 22787600	(024) 22857427
Inner Mongolia Branch	No. 6, Daxue East Street, Saihan District, Huhhot Postcode: 010010	(0471) 4593751	(0471) 4593890

Branches	Address	Telephone	Facsimile
Ningbo Branch	No. 255, Baohua Street, Ningbo Postcode: 315040	(0574) 87328212	(0574) 87325019
Ningxia Branch	No. 98, Nanxun West Street, Xingqing District, Yinchuan Postcode: 750001	(0951) 4126266	(0951) 4106165
Qingdao Branch	No. 222, Shenzhen Road, Laoshan District, Qingdao Postcode: 266061	(0532) 68670056	(0532) 82670157
Qinghai Branch	No. 59, West Street, Xining Postcode: 810000	(0971) 8261743	(0971) 8261287
Shandong Branch	No. 168, North Long'ao Road, Jinan Postcode: 250099	(0531) 82088007	(0531) 86169108
Shaanxi Branch	No. 38, South Guangji Street, Xi'an Postcode: 710002	(029) 87617515	(029) 87606014
Shanxi Branch	No. 126, Yingze Street, Taiyuan Postcode: 030001	(0351) 4957800	(0351) 4957871
Shanghai Branch	No. 900, Lujiazui Ring Road, Shanghai Postcode: 200120	(021) 58880000	(021) 58781818
Shenzhen Branch	Shenzhen CCB Building, No.8 Pengcheng 1st Road, Futian Central District, Shenzhen Postcode: 518038	(0755) 81686666	(0755) 81683333
Sichuan Branch	Sichuan CCB Building, No. 86, Tidu Street, Chengdu Postcode: 610016	(028) 86767161	(028) 86767187
Suzhou Branch	No. 18, Suzhou Avenue West, Suzhou Industrial Park, Suzhou Postcode: 215021	(0512) 62788786	(0512) 62788783
Tianjin Branch	Plus 1 No.19, Nanjing Road, Hexi District, Tianjin Postcode: 300203	(022) 58751166	(022) 58751811
Tibet Branch	No. 21, Beijing West Road, Lhasa Postcode: 850008	(0891) 6838792	(0891) 6836818
Xiamen Branch	No. 98, Lujiang Road, Xiamen Postcode: 361001	(0592) 2158668	(0592) 2158862
Xinjiang Branch	No. 99, Minzhu Road, Urumqi Postcode: 830002	(0991) 2848666	(0991) 2819160
Yunnan Branch	CCB Plaza, Jinbi Road, Kunming Postcode: 650021	(0871) 63060858	(0871) 63060333
Zhejiang Branch	No. 33, Jiefang East Road, Hangzhou Postcode: 310016	(0571) 85313263	(0571) 85313001

BRANCHES OUTSIDE THE MAINLAND OF CHINA

Astana Branch	26th Floor, Talan Towers, 16 Dostyk street, Esil district, Nur-Sultan City, The Republic of Kazakhstan Telephone: 007-7172738888 Facsimile: 007-7172736666
Macau Branch	5th Floor, Circle Square, 61 Avenida de Almeida Ribeiro, Macau Telephone: 00853-82911880 Facsimile: 00853-82911804
DIFC Branch	31th Floor, Tower 2, Al Fattan Currency House, DIFC, P.O.Box: 128220, Dubai, UAE Telephone: 00971-4-5674888 Facsimile: 00971-4-5674777
Tokyo Branch	13F/1F, West Tower, Otemachi First Square, 5-1, Otemachi 1-chome Chiyoda-ku, Tokyo 100-0004, Japan Telephone: 0081-3-52935218 Facsimile: 0081-3-32145157
Osaka Branch	*1/F, Itoh Building, 3-6-14 Minamihonmachi, Chuo-ku, Osaka-shi, Osaka, 541-0054, Japan* *Telephone: 0081-6-61209080* *Facsimile: 0081-6-62439080*
Toronto Branch	181 Bay Street, Suite 3650, Toronto ON, Canada, M5J 2T3 Telephone: 001-647-7777700 Facsimile: 001-647-7777739
Frankfurt Branch	Bockenheimer Landstrasse 75,60325 Frankfurt am Main, Germany Telephone: 0049-69-9714950 Facsimile: 0049-69-97149588, 97149577
Ho Chi Minh City Branch	11th Floor Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, Vietnam Telephone: 0084-28-38295533 Facsimile: 0084-28-38275533
Luxembourg Branch	1 Boulevard Royal, L-2449 Luxembourg, Luxembourg Telephone: 00352-28668800 Facsimile: 00352-28668801
London Branch	111 Old Broad Street, London, EC2N 1AP, U.K. Telephone: 0044-20-70386000 Facsimile: 0044-20-70386001
Labuan Branch	Level 13(E), Main Office Tower, Financial Park, Jalan Merdeka Labuan, Malaysia Telephone: 006087-582018 Facsimile: 006087-451188
New York Branch	33rd Floor, 1095 Avenue of the Americas, New York, USA NY 10036 Telephone: 001-646-7812400 Facsimile: 001-212-2078288
Seoul Branch	China Construction Bank Tower, 24 Myeongdong 11-gil, Jung-gu, Seoul 04538, Korea Telephone: 0082-2-67303600 Facsimile: 0082-2-67303601
Zurich Branch	Beethovenstrasse 33, 8002 Zurich, Switzerland Telephone: 0041-43-5558800 Facsimile: 0041-43-5558898

Taipei Branch	1/F, No.108, Sec.5, Xinyi Road, Xinyi Dist., Taipei 11047, Taiwan Telephone: 00886-2-87298088 Facsimile: 00886-2-27236633
Sydney Branch	Level 31, 88 Phillip Street, Sydney, NSW 2000, Australia Telephone: 0061-2-80316100 Facsimile: 0061-2-92522779
Brisbane Branch	*340 Queen Street, Brisbane, QLD 4000, Australia* *Telephone: 0061-7-30691900* *Facsimile: 0061-2-92522779*
Melbourne Branch	*Level 40, 525 Collins Street, Melbourne VIC 3000, Australia* *Telephone: 0061-3-94528500* *Facsimile: 0061-2-92522779*
Perth Branch	*Level 9, 32 St Georges Terrace, Perth, WA 6000, Australia* *Telephone：0061-8-62463300* *Facsimile：0061-2-92522779*
Hong Kong Branch	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: 00852-39186939 Facsimile: 00852-39186001
Singapore Branch	9 Raffles Place, #33-01/02, Republic Plaza, Singapore 048619 Telephone: 0065-65358133 Facsimile: 0065-65356533
New Zealand Branch	Level 29, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand Telephone: 0064-9-3388200 Facsimile: 0064-9-3744275
Johannesburg Branch	95 Grayston Drive, Morningside, Sandton, South Africa 2196 Telephone: 0027-11-5209400 Facsimile: 0027-11-5209411
Cape Town Branch	*15th Floor, Portside Building, 4 Bree Street, Cape Town, South Africa* *Telephone: 0027-21- 4197300* *Facsimile: 0027-21-4433671*
Chile Branch	Isidora Goyenechea 2800, 30th Floor, Santiago, Chile Postcode: 7550000 Telephone: 0056-2-27289100

SUBSIDIARIES

CCB Property & Casualty Insurance Co., Ltd.	20/F, Borui Building, Jia 26, Dongsanhuanbei Road, Chaoyang District, Beijing Postcode: 100026 Telephone: 010-85098000 Facsimile: 010-85098007 Website: www.ccbpi.com.cn
CCB Principal Asset Management Co., Ltd.	16/F, Winland International Finance Centre, No. 7, Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: 010-66228888 Facsimile: 010-66228889 Website: www.ccbfund.cn
CCB Financial Asset Investment Co., Ltd.	Unit 1601-01, 16/F, No.9A, Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: 010-67590600 Facsimile: 010-67590601
CCB Financial Leasing Co., Ltd.	6/F, Building 4, ChangAnXingRong Centre, No. 1, Naoshikou Street, Xicheng District, Beijing Postcode: 100031 Telephone: 010-67594013 Facsimile: 010-66275808 Website: www.ccbleasing.com
CCB Wealth Management Co., Ltd.	89-92/F, North Tower, Shenzhen Ping An Financial Centre, No.5033, Yitian Road, Futian District, Shenzhen Postcode: 518000 Telephone：0755-88338101 Facsimile：0755-88338085
CCB Futures Co., Ltd.	5/F, No. 99 (CCB Shanghai Tower), Yincheng Road, Pudong New District, Shanghai Postcode: 200120 Telephone: 021-60635551 Facsimile: 021-60635520 Website:www.ccbfutures.com
CCB Life Insurance Co., Ltd.	29/F-33F, CCB Tower, No. 99, Yincheng Road, Pudong New District, Shanghai Postcode: 200120 Telephone: 021-60638288 Facsimile: 021-60638204 Website: www.ccb-life.com.cn
CCB Trust Co., Ltd.	10/F, Chang'an Xingrong Centre, Block 4, No. 1, Naoshikou Street, Xicheng District, Beijing Postcode: 100031 Telephone: 010-67596584 Facsimile: 010-67596590 Website: www.ccbtrust.com.cn
CCB Pension Management Co., Ltd.	11/F, A Section, Zhizhen Building, 7 Zhichun Road, Haidian District, Beijing Postcode: 100191 Telephone: 010-56731294 Facsimile: 010-56731203 Website: www.ccbpension.com
CCB International (Holdings) Limited	12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: 00852-39118000 Facsimile: 00852-25301496 Website: www.ccbintl.com.hk
Sino-German Bausparkasse Co., Ltd.	No.19, Guizhou Road, Heping District, Tianjin Postcode: 300051 Telephone: 022-58086699 Facsimile: 022-58086808 Website: www.sgb.cn

China Construction Bank (Brazil) Limited	Avenida Brigadeiro Faria Lima, 4440, 2 and 5F, Itaim Bibi – São Paulo – SP – 04538 – 132 Telephone: 0055-11-21739000 Facsimile: 0055-11-21739101
China Construction Bank (Russia) Limited	Lubyanskiy proezd, 11/1, building 1, 101000 Moscow, Russia Telephone: 007-495-6759800-140 Facsimile: 007-495-6759810
China Construction Bank (London) Limited	111 Old Broad Street, London, EC2N 1AP, U.K. Telephone: 0044-20-70386000 Facsimile: 0044-20-70386001
China Construction Bank (Malaysia) Berhad	Ground Floor, South Block, Wisma Golden Eagle Realty, 142A Jalan Ampang, Kuala Lumpur, Malaysia Postcode: 50450 Telephone: 00603-21601888 Facsimile: 00603-27121819
China Construction Bank (Europe) S.A.	1 Boulevard Royal, L-2449 Luxembourg, Luxembourg Telephone: 00352-28668800 Facsimile: 00352-28668801
Amsterdam Branch	*Claude Debussylaan 32, 1082MD Amsterdam, the Netherlands* *Telephone: 0031-0-205047899* *Facsimile: 0031-0-205047898*
Paris Branch	*86-88 bd Haussmann 75008 Paris, France* *Telephone: 0033-155309999* *Facsimile: 0033-155309998*
Barcelona Branch	*Avenida Diagonal, 640 5a planta D, 08017, Barcelona, Spain* *Telephone: 0034-935225000* *Facsimile: 0034-935225078*
Warsaw Branch	*Warsaw Financial Centre, ul. Emilii Plater 53, 00-113 Warsaw, Poland* *Telephone: 0048-22-1666666* *Facsimile: 0048-22-1666600*
Milan Branch	*Via Mike Bongiorno 13, 20124 Milan, Italy* *Telephone: 0039-02-32163000* *Facsimile: 0039-02-32163092*
China Construction Bank (New Zealand) Limited	Level 29, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand Telephone: 0064-9-3388200 Facsimile: 0064-9-3744275
China Construction Bank (Asia) Corporation Limited	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: 00852-39186939 Facsimile: 00852-39186001
PT Bank China Construction Bank Indonesia Tbk	Sahid Sudirman Centre 15th Floor, Jl. Jend. Sudirman Kav. 86, Jakarta Postcode: 10220 Telephone: 0062-2150821000 Facsmile: 0062-2150821010 Website: www.idn.ccb.com

APPENDIX I: INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

CONTENTS

EY安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Shareholders of China Construction Bank Corporation

(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") set out on pages 172 to 302, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and relevant notes to the consolidated financial statements, including a summary of significant accounting policies.

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") issued by the International Accounting Standards Board ("IASB") 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 Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Expected credit losses for loans and advances to customers measured at amortised cost

The Group determines and measures expected credit losses for loans and advances to customers measured at amortised cost, in accordance with IFRS 9 "Financial Instruments". Significant judgements and assumptions are involved in the measurement of expected credit losses, for example:

• Significant increase in credit risk – Criteria for determining whether significant increase in credit risk has occurred are highly judgemental, and may have a significant impact on expected credit losses for loans and advances to customers measured at amortised cost with longer outstanding maturities;

• Models and parameters – Complex models, numerous inputs and parameters are used to measure expected credit losses, involving plenty of management judgements and assumptions;

• Forward-looking information – Macroeconomic forecasts are developed, and impacts on expected credit losses are considered for probability weighted multiple economic scenarios;

• Whether financial assets are credit-impaired – The determination of credit impairment requires consideration of multiple factors, and measurement of expected credit losses depends on estimates of future cash flows.

As at 31 December 2020, loans and advances to customers measured at amortised cost amounted to RMB16,476,817 million, accounting for 58.57% of total assets. Allowances for impairment losses of such loans and advances totalled RMB556,063 million. As expected credit losses measurement involves many significant judgements and assumptions, we consider expected credit losses for loans and advances to customers measured at amortised cost a key audit matter.

Relevant disclosures are included in Note 4(3), Note 4(26)b, Note 25 and Note 61(1) to the financial statements.</td><td>We evaluated and tested the design and operating effectiveness of key controls over credit granting, post approval credit management, loan credit rating system, collateral management, loan principal repayment and interest payment deferrals and loan impairment assessment, including relevant data quality and information systems.

We adopted a risk-based sampling approach in our loan review procedures. We assessed the debtors' repayment capacity and evaluated the Group's loan grading, taking into consideration post-lending inspection reports, debtors' financial information, collateral valuation reports and other available information.

With the support of our modelling specialists, we evaluated and tested the expected credit loss model, key parameters, and management's significant judgements and assumptions, mainly focusing on the following aspects:

(1) Expected credit loss model:

• Taking into account macroeconomic changes, impact of COVID-19 outbreak and government support measures, we assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, and whether there was a significant increase in credit risk;

• We assessed the forward-looking information used by management to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and weightings of multiple macroeconomic scenarios;

• We assessed the reasonableness of management's determination of credit impairment. For credit-impaired loans and advances, we analysed the amount, timing and probability of management's estimated future cash flows, especially the recoverable cash flows from collateral.

(2) Design and operating effectiveness of key controls:

• With the support of our IT audit specialists, we evaluated and tested the data and processes used to determine expected credit loss, including loan business data, internal credit rating data, macroeconomic data, as well as the computational logic, inputs and system interfaces of the impairment assessment system;

• We evaluated and tested key controls over the expected credit loss model, including approval of model changes, ongoing monitoring of model performance, model validation and parameter calibration.

We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk exposures and expected credit losses.</td></tr>
</table>

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Consolidation assessment and disclosures of structured entities	
The Group holds interests in many different structured entities as a result of its business activities in financial investment, asset management and credit asset transfer. Such interests in structured entities include wealth management products ("WMPs"), funds, asset management plans, trust plans, and asset-backed securities. As at 31 December 2020, within unconsolidated structured entities, the balance of non-principal guaranteed WMPs issued by the Group totalled RMB2,167,886 million, and the balance of trust plans, funds and asset management plans established by the Group totalled RMB3,068,334 million. The Group needs to comprehensively consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation. The assessment of the Group's control over structured entities involves significant judgements on factors such as the purpose and design of structured entities, the Group's ability to direct relevant activities, direct and indirect beneficial interests and returns, performance fees, and benefits received or losses incurred from providing credit enhancement or liquidity support. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates. In view of the materiality and the complexity of management judgements, we consider consolidation assessment and disclosures of structured entities a key audit matter. *Relevant disclosures are included in Note 4(1), Note 4(26)f, Note 26(1)a and Note 28 to the financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over the Group's assessment of whether it controls a structured entity. We assessed the Group's analysis and conclusions on whether it controls structured entities based on the Group's analysis on its power over these structured entities, and the magnitude and variability of the variable returns from its involvement with structured entities. We assessed whether the Group has legal or constructive obligations to ultimately absorb losses from structured entities through review of contracts, which included examining, on a sampling basis, whether the Group has provided liquidity support or credit enhancement to structured entities. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of unconsolidated structured entities.
Valuation of financial instruments	
The fair values of the Group's financial instruments measured at fair value are determined either by active market quotes or valuation techniques. Valuation techniques are used to determine the fair value of financial instruments that do not have quoted prices in active markets, such as investments in unlisted equity, private fund investments and certain debt investments. These techniques may involve the use of significant unobservable inputs requiring assumptions and estimates based on management's subjective judgements. Valuation results can vary significantly under different valuation techniques or assumptions. As at 31 December 2020, the carrying amount of the Group's financial assets measured at fair value totalled RMB2,783,390 million, accounting for 9.89% of total assets. Given the higher uncertainty in valuation results, financial instruments whose fair value measurement involves significant unobservable inputs are categorised as level 3 within the fair value hierarchy. As at 31 December 2020, RMB173,484 million or 6.23% of financial assets measured at fair value were categorised as Level 3. Given the materiality of the balance and the significant judgements involved in fair value measurement of Level 3 financial instruments, we consider valuation of financial instruments a key audit matter. *Relevant disclosures are included in Note 4(3), Note 4(26)c, Note 23, Note 25, Note 26 and Note 61(5) to the consolidated financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over the valuation of financial instruments. We selected samples and evaluated the valuation techniques, inputs and assumptions applied by the Group, including comparison with valuation techniques commonly used in the market and industry peers, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources. For financial instruments whose valuations were calculated using significant unobservable inputs, as in the case of investments in unlisted equity, private fund investments and certain debt investments, we involved our valuation specialists to assess the valuation model for such financial instruments, performed independent valuations on selected samples and compared the valuation results with those of the Group. We evaluated and tested the design and operating effectiveness of internal controls related to disclosures of fair value.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Bank are responsible for the other information. The other information comprises 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 THE DIRECTORS 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 of the Bank 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 of the Bank either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made 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 HKSAs 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 HKSAs, we exercise professional judgement and maintain professional scepticism 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 the Audit Committee 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide the Audit Committee 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 the Audit Committee, 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 Choi Kam Cheong, Geoffrey.

Ernst & Young

Certified Public Accountants

Hong Kong

26 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2020	2019
Interest income		989,509	909,885
Interest expense		(413,600)	(372,819)
Net interest income	6	575,909	537,066
Fee and commission income		131,512	126,667
Fee and commission expense		(16,930)	(15,769)
Net fee and commission income	7	114,582	110,898
Net trading gain	8	4,313	9,120
Dividend income	9	3,182	1,184
Net gain arising from investment securities	10	5,765	9,093
Net gain on derecognition of financial assets measured at amortised cost	11	4,649	3,359
Other operating income, net:			
– Other operating income		47,874	36,127
– Other operating expense		(42,050)	(28,846)
Other operating income, net	12	5,824	7,281
Operating income		714,224	678,001
Operating expenses	13	(188,574)	(188,132)
		525,650	489,869
Credit impairment losses	14	(193,491)	(163,000)
Other impairment losses	15	3,562	(521)
Share of profits of associates and joint ventures		895	249
Profit before tax		336,616	326,597
Income tax expense	18	(63,037)	(57,375)
Net profit		273,579	269,222

The notes on pages 179 to 302 form part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2020 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2020	2019
Other comprehensive income:			
(1) Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**479**	199
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income		**(279)**	444
Others		**24**	59
Subtotal		**224**	702
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income		**(9,108)**	9,005
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income		**(762)**	1,624
Reclassification adjustments included in profit or loss due to disposals		**(491)**	(175)
Net loss on cash flow hedges		**(61)**	(292)
Exchange difference on translating foreign operations		**(6,720)**	2,682
Subtotal		**(17,142)**	12,844
Other comprehensive income for the year, net of tax		**(16,918)**	13,546
Total comprehensive income for the year		**256,661**	282,768
Net profit attributable to:			
Equity shareholders of the Bank		**271,050**	266,733
Non-controlling interests		**2,529**	2,489
		273,579	269,222
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**254,112**	280,268
Non-controlling interests		**2,549**	2,500
		256,661	282,768
Basic and diluted earnings per share (in RMB Yuan)	19	**1.06**	1.05

The notes on pages 179 to 302 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	31 December 2020	31 December 2019
Assets:			
Cash and deposits with central banks	20	2,816,164	2,621,010
Deposits with banks and non-bank financial institutions	21	453,233	419,661
Precious metals		101,671	46,169
Placements with banks and non-bank financial institutions	22	368,404	531,146
Positive fair value of derivatives	23	69,029	34,641
Financial assets held under resale agreements	24	602,239	557,809
Loans and advances to customers	25	16,231,369	14,542,001
Financial investments	26		
Financial assets measured at fair value through profit or loss		577,952	675,361
Financial assets measured at amortised cost		4,505,243	3,740,296
Financial assets measured at fair value through other comprehensive income		1,867,458	1,797,584
Long-term equity investments	27	13,702	11,353
Fixed assets	29	172,505	170,740
Land use rights	30	14,118	14,738
Intangible assets	31	5,279	4,502
Goodwill	32	2,210	2,809
Deferred tax assets	33	92,950	72,314
Other assets	34	238,728	194,127
Total assets		28,132,254	25,436,261
Liabilities:			
Borrowings from central banks	36	781,170	549,433
Deposits from banks and non-bank financial institutions	37	1,943,634	1,672,698
Placements from banks and non-bank financial institutions	38	349,638	521,553
Financial liabilities measured at fair value through profit or loss	39	254,079	281,597
Negative fair value of derivatives	23	81,956	33,782
Financial assets sold under repurchase agreements	40	56,725	114,658
Deposits from customers	41	20,614,976	18,366,293
Accrued staff costs	42	35,460	39,075
Taxes payable	43	84,161	86,635
Provisions	44	54,114	42,943
Debt securities issued	45	940,197	1,076,575
Deferred tax liabilities	33	1,551	457
Other liabilities	46	545,240	415,435
Total liabilities		25,742,901	23,201,134

The notes on pages 179 to 302 form part of these financial statements.

AS AT 31 DECEMBER 2020 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	31 December 2020	31 December 2019
Equity:			
Share capital	47	**250,011**	250,011
Other equity instruments	48		
Preference shares		**59,977**	79,636
Perpetual bonds		**39,991**	39,991
Capital reserve	49	**134,263**	134,537
Other comprehensive income	50	**15,048**	31,986
Surplus reserve	51	**275,995**	249,178
General reserve	52	**350,228**	314,389
Retained earnings	53	**1,239,295**	1,116,529
Total equity attributable to equity shareholders of the Bank		**2,364,808**	2,216,257
Non-controlling interests		**24,545**	18,870
Total equity		**2,389,353**	2,235,127
Total liabilities and equity		**28,132,254**	25,436,261

Approved and authorised for issue by the Board of Directors on 26 March 2021.

Wang Jiang
Vice Chairman,
executive director and president

Kenneth Patrick Chung
Independent non-executive director

Graeme Wheeler
Independent non-executive director

The notes on pages 179 to 302 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2020	250,011	79,636	39,991	134,537	31,986	249,178	314,389	1,116,529	18,870	2,235,127
Movements during the year	–	(19,659)	–	(274)	(16,938)	26,817	35,839	122,766	5,675	154,226
(1) Total comprehensive income for the year	–	–	–	–	(16,938)	–	–	271,050	2,549	256,661
(2) Changes in share capital										
i Capital injection by other shareholders	–	–	–	–	–	–	–	–	3,607	3,607
ii Capital deduction by other equity instruments holders	–	(19,659)	–	(274)	–	–	–	–	–	(19,933)
iii Disposal of subsidiaries	–	–	–	–	–	–	–	–	(15)	(15)
iv Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	–	46	46
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	26,817	–	(26,817)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	35,839	(35,839)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(80,004)	–	(80,004)
iv Dividends to other equity instruments holders	–	–	–	–	–	–	–	(5,624)	–	(5,624)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(512)	(512)
As at 31 December 2020	250,011	59,977	39,991	134,263	15,048	275,995	350,228	1,239,295	24,545	2,389,353

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2019	250,011	79,636	–	134,537	18,451	223,231	279,725	990,872	15,131	1,991,594
Movements during the year	–	–	39,991	–	13,535	25,947	34,664	125,657	3,739	243,533
(1) Total comprehensive income for the year	–	–	–	–	13,535	–	–	266,733	2,500	282,768
(2) Changes in share capital										
i Capital injection by other shareholders	–	–	–	–	–	–	–	–	1,980	1,980
ii Capital injection by other equity instruments holders	–	–	39,991	–	–	–	–	–	–	39,991
iii Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	–	(196)	(196)
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	25,947	–	(25,947)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	34,664	(34,664)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(76,503)	–	(76,503)
iv Dividends to other equity instruments holders	–	–	–	–	–	–	–	(3,962)	–	(3,962)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(545)	(545)
As at 31 December 2019	250,011	79,636	39,991	134,537	31,986	249,178	314,389	1,116,529	18,870	2,235,127

The notes on pages 179 to 302 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2020	2019
Cash flows from operating activities			
Profit before tax		**336,616**	326,597
Adjustments for:			
– Credit impairment losses	14	**193,491**	163,000
– Other impairment losses	15	**(3,562)**	521
– Depreciation and amortisation	13	**26,182**	23,927
– Interest income from impaired financial assets		**(3,924)**	(3,092)
– Revaluation loss/(gain) on financial instruments at fair value through profit or loss		**640**	(2,456)
– Share of profits of associates and joint ventures		**(895)**	(249)
– Dividend income	9	**(3,182)**	(1,184)
– Unrealised foreign exchange loss		**14,133**	2,548
– Interest expense on bonds issued		**16,669**	16,418
– Interest income from investment securities and net income from disposal		**(215,482)**	(198,282)
– Net loss/(gain) on disposal of fixed assets and other long-term assets		**319**	(42)
		361,005	327,706
Changes in operating assets:			
Net (increase)/decrease in deposits with central banks and with banks and non-bank financial institutions		**(392,876)**	183,478
Net decrease/(increase) in placements with banks and non-bank financial institutions		**144,967**	(94,096)
Net increase in loans and advances to customers		**(1,917,020)**	(1,297,965)
Net increase in financial assets held under resale agreements		**(45,096)**	(355,758)
Net decrease/(increase) in financial assets held for trading purposes		**58,482**	(10,791)
Net increase in other operating assets		**(77,590)**	(75,045)
		(2,229,133)	(1,650,177)
Changes in operating liabilities:			
Net increase/(decrease) in borrowings from central banks		**230,568**	(2,132)
Net (decrease)/increase in placements from banks and non-bank financial institutions		**(152,997)**	96,186
Net increase in deposits from customers and from banks and non-bank financial institutions		**2,519,121**	1,461,277
Net (decrease)/increase in financial assets sold under repurchase agreements		**(56,949)**	83,663
Net (decrease)/increase in certificates of deposit issued		**(156,782)**	338,170
Income tax paid		**(82,457)**	(65,793)
Net decrease in financial liabilities measured at fair value through profit or loss		**(26,382)**	(149,986)
Net increase in other operating liabilities		**174,691**	142,373
		2,448,813	1,903,758
Net cash from operating activities		**580,685**	581,287

The notes on pages 179 to 302 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2020	2019
Cash flows from investing activities			
Proceeds from sales and redemption of financial investments		2,160,828	1,504,300
Interest and dividends received		208,372	192,870
Proceeds from disposal of fixed assets and other long-term assets		1,630	2,366
Purchase of investment securities		(2,982,229)	(1,963,872)
Purchase of fixed assets and other long-term assets		(25,743)	(23,234)
Acquisition of subsidiaries, associates and joint ventures		(4,995)	(4,978)
Cash payment for other investing activities		(21)	–
Net cash used in investing activities		(642,158)	(292,548)
Cash flows from financing activities			
Issue of bonds		118,103	42,106
Cash received from issuance of other equity instruments		–	39,991
Cash received from subsidiaries' capital injection by non-controlling interests holders		676	1,980
Dividends paid		(86,140)	(81,010)
Repayment of borrowings		(79,240)	(79,052)
Interest paid on bonds issued		(15,888)	(18,051)
Cash payment for redemption of other equity instruments		(19,933)	–
Cash paid by subsidiaries for purchase of non-controlling interests holders' equity		(44)	(196)
Cash payment for other financing activities		(7,494)	(7,609)
Net cash used in financing activities		(89,960)	(101,841)
Effect of exchange rate changes on cash and cash equivalents		(21,976)	4,740
Net (decrease)/increase in cash and cash equivalents		(173,409)	191,638
Cash and cash equivalents as at 1 January	54	1,052,340	860,702
Cash and cash equivalents as at 31 December	54	878,931	1,052,340
Cash flows from operating activities include:			
Interest received, excluding interest income from investment securities		770,747	720,099
Interest paid, excluding interest expense on bonds issued		(325,900)	(337,478)

The notes on pages 179 to 302 form part of these financial statements.

1 COMPANY INFORMATION

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It was responsible for the management and distribution of government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually evolved into a comprehensive commercial bank following the takeover of the function of granting policy loans by China Development Bank in 1994. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was established in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H shares and A shares were listed on the Hong Kong Stock Exchange (Stock Code: 939) and the Shanghai Stock Exchange (Stock Code: 601939), successively. As at 31 December 2020, the Bank issued the total ordinary share capital of RMB250,011 million, with a par value of RMB1.00 per share.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission ("CBRC") (In 2018, it was renamed as China Banking and Insurance Regulatory Commission, hereinafter referred to as the "CBIRC") of the PRC. The Bank obtained its unified social credit code No.911100001000044477 from the Beijing Administration for Industry and Commerce. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group mainly operates in Mainland China and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council"). The overseas financial institutions of the Bank are required to comply with the regulatory requirements of their respective local jurisdictions. Central Huijin Investment Ltd. ("Huijin"), a wholly-owned subsidiary of China Investment Corporation ("CIC"), exercises its rights and obligations as an investor in accordance with laws on behalf of the PRC government.

These financial statements were authorised for issue by the board of directors of the Bank on 26 March 2021.

2 BASIS OF PREPARATION

The Group uses the calendar year as the accounting year, which is from 1 January to 31 December.

These financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

(1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss are measured at fair value; (ii) derivative financial instruments are measured at fair value; (iii) financial assets measured at fair value through other comprehensive income are measured at fair value; and (iv) certain non-financial assets are measured at revalued amount. The measurement basis of major assets and liabilities are further explained in Note 4.

(2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

(3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4(26).

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has adopted the following amendments for the first time for the current year.

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendment to IFRS 16	COVID-19-Related Rent Concessions (early adopted)

The adoption of the above amendments does not have a significant impact on the Group's consolidated financial statements.

Except for those described above, the significant accounting policies adopted by the Group for the annual financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Consolidated financial statements

(a) Business combinations

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill in accordance with the accounting policies set out in Note 4(10). If this is less than the fair value of the identifiable net assets of the acquiree in the case of a bargain purchase, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date that the Group effectively obtains control of the acquiree.

(b) Subsidiaries and non-controlling interests

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank has the power over the entity, and is exposed to, or has the rights to the variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or the capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(12).

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit and other comprehensive income.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(1) Consolidated financial statements (continued)

(c) *Associates and joint arrangements*

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

Joint arrangement is an arrangement of which two or more parties have joint control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in associates or joint ventures are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates or joint ventures. The Group's share of the post-acquisition, post-tax results of the associates or joint ventures for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associates or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

The Group discontinues recognising its share of net losses of the associates or joint ventures after the carrying amount of investments in associates and joint ventures together with any long-term interests that in substance form part of the Group's net investment in the associates or joint ventures are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associates or joint ventures make net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(2) Translation of foreign currencies

(a) *Translation of foreign currency transactions*

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of equity instruments designated at fair value through other comprehensive income, which are recognised in other comprehensive income.

(b) *Translation of financial statements denominated in foreign currencies*

Foreign currency financial statements of overseas branches and subsidiaries are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. All items within equity except for retained earnings are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of comprehensive income are translated at the weighted average exchange rates for the year. Foreign exchange differences arising from foreign operations are recognised in "other comprehensive income" in the shareholders' equity in the statement of financial position. The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments

(a) Classification

The Group classifies financial instruments into different categories based on the business model used to manage financial assets and contractual cash flow characteristics or the purposes for which the liabilities were incurred. The categories are: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income ("FVOCI"), financial assets and liabilities measured at fair value through profit or loss ("FVPL"), and other financial liabilities.

The business model of the Group's management of financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Group is derived from contractual cash flows, sales of financial assets or both. Factors considered by the Group in determining the business model for a group of financial 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.

The characteristics of the contractual cash flow of financial assets refer to the cash flow attributes agreed in the contract of financial instruments that reflect the economic characteristics of the relevant financial assets, that is, the contractual cash flows generated by the relevant financial assets on a specific date are only for payment of the principal and the interest based on the amount of principal outstanding. Of which, principal refers to the fair value of financial assets at initial recognition. The payment of the underlying interest, where the principal is the fair value of the financial asset at the time of initial recognition, and its amount may change during the lifetime of the financial asset due to prepayment and other reasons; interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits.

Financial assets measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met: (i) the assets are managed within a business model whose objective is to hold assets in order to collect contractual cash flows; (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets measured at FVOCI include debt instruments measured at FVOCI and equity instrument designated as measured at FVOCI.

Financial assets are classified as financial assets measured at FVOCI if both of the following conditions are met: (i) the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At inception, the Group may designate non-trading equity instruments as financial assets measured at FVOCI, and recognise dividend income in accordance with the relevant policies specified in Note 4(20)(c). Once the designation is made, it cannot be revoked.

Financial assets and liabilities measured at fair value through profit or loss (FVPL)

The Group classifies the financial assets other than financial assets measured at amortised cost and FVOCI as financial assets measured at FVPL.

Financial assets measured at FVPL include those held for trading purposes, those designated as measured at FVPL, those could not pass the solely payment of principal and interests ("SPPI") testing and the remaining equity investments which are not designated as measured at FVOCI.

Financial liabilities measured at FVPL include negative fair value of derivatives, and those designated as measured at FVPL.

Financial assets or financial liabilities are classified as held for trading if they are: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instruments or a financial guarantee contract).

At initial inception, the Group may designate financial assets as financial assets measured at FVPL if the designation can eliminate or significantly reduce accounting mismatch. Once the designation is made, it cannot be revoked.

Financial liabilities are designated as measured at FVPL upon initial recognition when: (i) the designation can eliminate or significantly reduce accounting mismatch; or (ii) the formal written file of the Group's risk management or investment strategy have clearly stated that the financial liability portfolio, or the portfolio of financial assets and financial liabilities, are managed, evaluated and reported to key management personnel on the basis of fair value. Once the designation is made, it cannot be revoked.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(a) Classification (continued)

Other financial liabilities

Other financial liabilities are financial liabilities other than those measured at FVPL and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

(b) Derivatives and hedge accounting

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value at the trade date upon initial recognition, and subsequently measured at fair value. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those that are intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but not qualified for hedge accounting, changes in the fair value of these derivatives are recognised in the consolidated statement of comprehensive income.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment 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. The Group assess the hedge effectiveness both at hedge inception and on an ongoing basis.

(i) 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.

(ii) 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.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in other comprehensive income at that time remains in other comprehensive income and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in other comprehensive income is immediately transferred to the profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(c) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. If a hybrid contract contains a host that is an financial asset, the embedded derivative shall not be separated from the host and shall be classified and measured as a whole.

If a hybrid contract contains a host that is not an financial asset, an embedded derivative shall be separated from the host and accounted for as a derivative if, and only if: (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss. The Group could choose to measure the separated derivative at FVPL, or designate the entire hybrid contract as at FVPL.

(d) Recognition and derecognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred credit asset, but has given up control of the credit asset;or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred credit assets, but has given up control of the credit asset.

When a financial asset is derecognised, the difference between the carrying amount of the financial asset derecognised and the consideration received, as well as the cumulative changes in fair value previously recognised in equity, is recognised in other comprehensive income.

When a financial asset is transferred, and if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(e) Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments measured at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, the Group measures different categories of financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss respectively. Financial liabilities other than those measured at fair value through profit or loss are measured at amortised cost using the effective interest method.

Financial assets measured at fair value through profit or loss

Gains and losses from changes in the fair value of financial assets measured at fair value through profit or loss are recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(e) Measurement (continued)

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at FVPL are measured at fair value, where the gain or loss arose are recognised in profit or loss. For the financial liabilities designated as measured at FVPL, they are accounted for in accordance with the following requirements: (i) the amount of changes in the fair value of the financial liability arising from changes in the Group's own credit risk should be included in other comprehensive income; (ii) other changes in fair value of the financial liabilities are recognised in current profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss in accordance with (i), the Group shall recognise the entire gain or loss of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit or loss. When the financial liabilities designated as at fair value through profit or loss is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from other comprehensive income to retained earnings.

Financial assets measured at FVOCI

The impairment losses, foreign exchange gains and losses and interest income calculated using effective interest method of financial assets measured at FVOCI are recognised in profit or loss. Besides, other changes of carrying amount are recognised in other comprehensive income.

When the debt instruments measured at FVOCI are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income being transferred to the profit or loss. For equity instrument investments designated as measured at FVOCI, once the designation is made, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss (the changes in fair value are recognised in retained earnings on disposal). Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Financial assets measured at amortised cost

The amortised cost of a financial asset should be measured with the initial recognition after the following adjustments: (i) deducting the repaid principal; (ii) adding or subtracting the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; (iii) the loss provision for the accumulated accrual.

For financial assets measured at amortised cost, a gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired, and through the amortisation process.

Effective interest rate

The effective interest rate is the rate that exactly discount estimated future cash payments or receipts through the expected lifetime of the financial asset to the carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

The Group determines interest income based on the gross carrying amount of financial assets multiplied by the effective interest rate, except (i) for purchased or sourced financial assets that have suffered credit impairment, from the initial recognition, interest income is calculated using the financial assets' amortised cost and credit-adjusted effective interest rate; (ii) for a purchased or sourced financial asset that has not suffered credit impairment but has become credit impaired in subsequent periods, interest income is determined using the financial asset's amortised cost and the effective interest rate. If the financial instrument no longer has credit impairment due to the improvement of its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the above provisions, interest income should be recalculated using the effective interest rate multiplied by the gross carrying amount of the financial assets.

Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, an entity shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and initial expected credit losses.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Impairment

At the end of the reporting period, the Group performs impairment assessment and recognised loss provisions based on expected credit loss on financial assets measured at amortised cost and FVOCI, as well as loan commitments and financial guarantee contracts.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received discounted at the original real interest rate by the Group, that is, the present value of all cash shortages. Among them, financial assets that have been purchased or sourced by the Group and have suffered credit impairment shall be discounted according to the effective interest rate of the financial assets after credit adjustments.

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

At the end of each reporting period, the Group measures the expected credit losses ("ECL") of financial instruments at different stages and recognises its loss provision and its changes in the following cases: the financial instrument is in Stage 1 if the credit risk of the financial instrument has not increased significantly since the initial recognition, and the Group measures its loss provision based on the amount of expected credit loss of the financial instrument in the next 12 months; the financial instrument is in Stage 2 if the credit risk of the financial instrument has increased significantly since the initial recognition but are not yet credit-impaired is considered to be credit-impaired and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument; the financial instrument is in Stage 3 if the financial instrument has credit impaired, and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument. Regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom should be included in the current profit or loss as an impairment loss or gain.

For debt instruments measured at FVOCI, the Group recognises the allowance of impairment in other comprehensive income and impairment losses or gains in profit and loss, which should not change the book value of the financial assets set out in the statement of financial position.

For loss provision measured at the amount equivalent to the lifetime expected credit loss of the financial instrument previously, if, at the end of the current reporting period, the financial instrument is no longer having significant increase in credit risk since the initial recognition, the Group measures its loss provision based on the amount of its expected credit losses for the next 12 months, and the reversal of the loss provision arising from it is recognised as an impairment gain in profit or loss for the current reporting period.

For financial assets that have been purchased or sourced for credit impairment, the Group only recognises cumulative changes in lifetime expected credit losses after initial recognition at the end of the reporting period as loss provision. At the end of each reporting period, the Group recognises the amount of the change in lifetime expected credit losses as an impairment loss or gain in current profit or loss.

(g) Write off

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

(h) Modification of contracts

If the renegotiation or modification of a contract between the Group and a counterparty does not result in derecognition of the financial assets, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, based on comparing the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognised in profit and loss. The recalculated 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.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(i) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on the prices within the bid-ask spread that is most representative of fair value in the circumstances, and without any deduction for transaction costs that may occur on sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include the price used by market participants in an orderly transaction, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(j) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the 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 company or the counterparty.

(k) Securitisations

The Group securitises certain loans, which generally involves the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Gains or losses on securitisation are the difference between the carrying amount of the transferred financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

(l) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are acquired by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value less cost to sell. The changes in fair value less cost to sell are recognised in profit or loss. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(5) Fixed assets

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from CCB by the Bank which were recognised at the revalued amount as cost on the date of restructuring. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Where the individual components of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as separate fixed assets.

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss.

(b) Depreciation and impairment

Depreciation is calculated to write off to the profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual value rates and annual depreciation rates of respective fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated net residual value rates	Annual depreciation rates
Bank premises	30-35 years	3%	2.8%-3.2%
Equipment	3-8 years	3%	12.1%-32.3%
Others	4-11 years	3%	8.8%-24.3%

Aircraft and vessels are used for the Group's operating lease business, depreciated using straight-line method over the expected useful life of 20 to 30 years (less the years in service at the time of purchase) with the estimated residual value rate varying from 2.9% to 4.8%.

The Group reviews the estimated useful life and estimated residual value rates of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(12).

(c) Disposal

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the fixed asset and are recognised in profit or loss on the date of retirement or disposal.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Lease

Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

As lessee

For the accounting treatment of the Group as a lessee, see Note 4(7) and(14).

Lease modifications

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

(a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope or term of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or

(b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

Short-term leases and leases of low-value assets

If the Group subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date. The Group, as an intermediate lessor, classifies the sublease by reference to the right-of-use asset arising from the head lease.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Lease (continued)

As lessor of a finance lease

At the commencement date of the lease, the Group recognises finance lease receivable and derecognises finance lease assets. The Group presents lease receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the sum of any unguaranteed residual value accruing to the lessor and at the commencement date of the lease the lease payments receivable by a lessor under a finance lease discounted at the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the its net investment in the lease. Variable lease payments received by the Group that are not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred.

The Group accounts for a modification to a finance lease as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, the Group accounts for the modification as follows:

(a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification, and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification; or

(b) if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Group accounts for the lease modification in accordance with the requirements in Note 4(3) on the contract modifications or re-negotiation.

As lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

The Group applies the requirements in Note 4(20) to assess and determine whether the transfer of an asset is accounted for as a sale of that asset.

As lessor

If the transfer of an asset satisfies the requirements to be accounted for as a sale of the asset, the Group, as a lessor, accounts for the purchase of the asset and for the lease applying the accounting requirements set forth; and if the transfer of an asset does not satisfy the requirements to be accounted for as a sale of the asset, the Group, as a lessor, does not recognise the transferred asset and recognises a financial asset equal to the transfer proceeds. The Group accounts for the financial asset applying Note 4(3).

(7) Right-of-use assets

The right-of-use assets of the Group mainly include right to use buildings and other equipment.

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(8) Land use rights

Land use rights are initially recognised at cost. The land use rights obtained from CCB by the Bank on the date of restructuring were recorded at the revalued amount. The cost of the land use rights is amortised on a straight-line basis over their authorised useful lives, and charged to the profit or loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(12).

(9) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(12).

(10) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill semi-annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(12).

(11) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets in the form of financial assets are recognised and presented as the appropriate class of financial assets based on the business models and contractual cash flow characteristics, and repossessed assets that are not financial assets are recognised and reported in "other assets" in the balance sheet when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When using repossessed assets as compensation for losses on loans and advances to customers and interest receivable, the Group recognizes repossessed assets in the form of financial assets at fair value, and records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain repossessed assets in profit or loss or into the initial book value, respectively, depending on the type of financial assets. Repossessed assets that are not financial assets are initially recognized at the fair value of the rights given up by creditors, and the Group records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain the repossessed assets into the book value of repossessed assets.

Repossessed assets that are not financial assets are recognized at book value less allowances for impairment losses measured in accordance with the accounting policies as set out in Note 4(12).

(12) Allowances for impairment losses on assets

The Group determines the impairment of assets, other than the impairment of deferred tax assets and financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(12) Allowances for impairment losses on assets (continued)

(a) Testing CGU with goodwill for impairment

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group semi-annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the entity tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(13) Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

(a) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, employees in Mainland China have joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organizations. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity contributions

In addition to the statutory provision contributions, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(13) Employee benefits (continued)

(a) Post-employment benefits (continued)

Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in Mainland China who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplementary retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

(b) Termination benefits

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, with a corresponding charge to the profit or loss for the current period. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

(c) Early retirement expenses

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

(d) Staff incentive plan

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

(14) Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the in-substance fixed lease payments; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; (iv) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(15) Insurance contracts

Insurance contracts classification

Under the contract the insurer signed with the policyholder, the insurer may undertake insurance risk or other risks, or both insurance risk and other risks.

Where the Group undertakes both the insurance risk and other risks, and the insurance risk and other risks can be distinguished and separately measured, the insurance risk shall be separately accounted for as insurance contracts while the other risks shall be accounted for as either investment contracts or service contracts. Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, significant insurance risk test shall be performed at the contract's initial recognition date. If the insurance risk is significant, the contract is classified as an insurance contract; otherwise, it is classified as an investment contract or service contract.

Insurance income recognition

Insurance premium income is recognised when all of the following criteria are met:

(a) The insurance contract is issued, and related insurance risk is undertaken by the Group;

(b) The related economic benefits are likely to flow to the Group; and

(c) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group identifies insurance contracts where insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payments that the Group is obliged to pay in order to fulfil relevant obligations under the insurance contract. Structured product that cannot be sold separately is classified as one measurement unit.

The Group performs liability adequacy test at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on the date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the differences. Otherwise, no adjustment is made to the respective insurance contract liabilities.

(16) Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

(17) 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 issued 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.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(18) Financial guarantees 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 recognised 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 amortisation of guarantee fees, and the best estimate of the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit and loss.

The impairment allowance of loan commitments provided by the Group is measured by ECL. 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 recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group can not separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

(19) Fiduciary activities

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(20) Income recognition

Provided the control of goods or services have been transferred to customers in an amount reflects the consideration to which the Group expects to be entitled, revenue is recognised in the income statement as follows:

(a) Interest income

Interest income for interest bearing debt instruments measured at amortized cost and fair value through other comprehensive income is recognised in profit or loss based on effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis. The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period.

(b) Fee and commission income

Fee and commission income is recognised when the performance obligation is satisfied. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

(c) Dividend income

Dividend income from equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(21) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

(22) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(23) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

(24) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a joint venture entity of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals;

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group; and

(m) joint ventures and their subsidiaries, or associates and their subsidiaries, of other member units (including parent companies and subsidiaries) of the Bank's corporate group, joint ventures and their subsidiaries, or associates and their subsidiaries, of companies that exercise joint control of the Bank, joint ventures and their subsidiaries of the companies that have a significant influence on the Bank, subsidiaries of joint ventures, and subsidiaries of associates.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(25) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

(26) Significant accounting estimates and judgements

(a) Classification of financial assets

The Group's significant judgments in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

The Group determines the business model for the management of financial assets at the level of portfolios and considers the factors such as how the asset's performance is evaluated and reported to key management personnel, the risks affecting the performance of financial assets and the way in which financial assets are managed, and how managers are compensated.

In assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group uses the following key judgments: whether the principals may change because of the changes of time distribution or amount during the life period due to the reasons such as prepayment; whether the interests includes only the time value of money, credit risk, other basic borrowing risks and the consideration of costs and profits. For example, whether the amount prepaid reflects only the principal that has not yet been paid and the interest based on the outstanding principal, as well as reasonable compensation paid for the early termination of the contract.

(b) Expected credit losses

The measurement of the expected credit loss allowance for the investment in financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note 61(1).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

– Determining criteria for significant increase in credit risk;

– Choosing appropriate models and assumptions for the measurement of expected credit losses;

– Determining the forward-looking information and weightings for different types of products/markets when measuring expected credit losses; and

– Establishing groups of financial instruments with similar risk characteristics for the purpose of measuring expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 61(1) credit risk.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(26) Significant accounting estimates and judgements (continued)

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates, credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transaction.

(d) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(e) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits paid to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's other comprehensive income and liability related to its employee retirement benefit obligations.

(f) Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

Value added tax ("VAT")

Pursuant to the 'Circular on the Comprehensive Plan for Levying VAT in place of Business Tax' (Cai Shui [2016] No.36) jointly issued by the Ministry of Finance ("MOF") and the State Administration of Taxation, business tax that used to be levied on taxable income of the Bank and its subsidiaries in Mainland China was replaced by VAT from 1 May 2016, and the main VAT taxation rate is 6%.

City construction tax

City construction tax is calculated as 1% to 7% of VAT.

Education surcharge

Education surcharge is calculated as 3% of VAT.

Local education surcharge

Local education surcharge is calculated as 2% of VAT.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates. Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC.

6 NET INTEREST INCOME

	2020	2019
Interest income arising from:		
Deposits with central banks	**35,537**	34,769
Deposits with banks and non-bank financial institutions	**12,306**	9,027
Placements with banks and non-bank financial institutions	**9,366**	11,052
Financial assets held under resale agreements	**11,966**	8,657
Investment securities	**209,803**	189,465
Loans and advances to customers		
– Corporate loans and advances	**361,371**	341,616
– Personal loans and advances	**339,230**	301,351
– Discounted bills	**9,930**	13,948
Total	**989,509**	909,885
Interest expense arising from:		
Borrowings from central banks	**(19,406)**	(14,326)
Deposits from banks and non-bank financial institutions	**(40,026)**	(32,248)
Placements from banks and non-bank financial institutions	**(8,551)**	(14,344)
Financial assets sold under repurchase agreements	**(938)**	(1,296)
Debt securities issued	**(30,827)**	(29,671)
Deposits from customers		
– Corporate deposits	**(143,287)**	(130,879)
– Personal deposits	**(170,565)**	(150,055)
Total	**(413,600)**	(372,819)
Net interest income	**575,909**	537,066

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

6 NET INTEREST INCOME (CONTINUED)

(1) Interest income from impaired financial assets is listed as follows:

	2020	2019
Impaired loans and advances	3,838	2,816
Other impaired financial assets	86	276
Total	3,924	3,092

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

7 NET FEE AND COMMISSION INCOME

	2020	2019
Fee and commission income		
Electronic banking service fees	29,007	25,666
Bank card fees	21,374	24,025
Agency service fees	17,366	16,894
Commission on trust and fiduciary activities	15,593	14,194
Wealth management service fees	13,398	12,899
Settlement and clearing fees	12,542	12,267
Consultancy and advisory fees	11,577	10,331
Guarantee fees	3,917	3,633
Credit commitment fees	1,309	1,449
Others	5,429	5,309
Total	131,512	126,667
Fee and commission expense		
Bank card transaction fees	(6,037)	(6,650)
Inter-bank transaction fees	(1,148)	(1,277)
Others	(9,745)	(7,842)
Total	(16,930)	(15,769)
Net fee and commission income	114,582	110,898

8 NET TRADING GAIN

	2020	2019
Debt securities	4,255	8,384
Derivatives	(345)	250
Equity investments	12	5
Others	391	481
Total	4,313	9,120

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

9 DIVIDEND INCOME

	2020	2019
Dividend income from equity investments measured at fair value through profit or loss	3,165	1,148
Dividend income from equity investments measured at fair value through other comprehensive income	17	36
Total	3,182	1,184

10 NET GAIN ARISING FROM INVESTMENT SECURITIES

	2020	2019
Net gain related to financial assets designated as measured at fair value through profit or loss	5,121	8,699
Net loss related to financial liabilities designated as measured at fair value through profit or loss	(10,300)	(9,399)
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	9,825	8,687
Net gain related to financial assets measured at fair value through other comprehensive income	168	711
Net revaluation gain reclassified from other comprehensive income on disposal	655	234
Others	296	161
Total	5,765	9,093

11 NET GAIN ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

For the year ended 31 December 2020, a net gain on derecognition of financial assets measured at amortised cost mainly attributes to the Group's issuance of asset-backed securities, which led to RMB4,338 million net gains arising from derecognition of loans and advances to customers (for the year ended 31 December 2019: net gains RMB2,820 million).

12 OTHER OPERATING INCOME, NET

Other operating income

	2020	2019
Insurance related income	31,406	22,914
Foreign exchange gains	5,262	4,617
Rental income	3,488	2,981
Others	7,718	5,615
Total	47,874	36,127

Foreign exchange gains or losses includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge positions in foreign currency assets).

Other operating expense

	2020	2019
Insurance related costs	32,766	22,354
Others	9,284	6,492
Total	42,050	28,846

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

13 OPERATING EXPENSES

	2020	2019
Staff costs		
– Salaries, bonuses, allowances and subsidies	71,356	69,862
– Defined contribution plans	12,261	14,275
– Housing funds	6,809	6,521
– Union running costs and employee education costs	2,624	2,948
– Early retirement expenses	17	19
– Compensation to employees for termination of employment relationship	5	6
– Others	11,281	12,153
	104,353	105,784
Premises and equipment expenses		
– Depreciation charges	23,381	21,304
– Rent and property management expenses	4,299	4,952
– Maintenance	3,424	3,394
– Utilities	1,657	1,851
– Others	2,168	2,174
	34,929	33,675
Taxes and surcharges	7,325	6,777
Amortisation expenses	2,801	2,623
Other general and administrative expenses	39,166	39,273
Total	188,574	188,132

14 CREDIT IMPAIRMENT LOSSES

	2020	2019
Loans and advances to customers	167,139	148,942
Financial investments		
– Financial assets measured at amortised cost	7,919	5,789
– Financial assets measured at fair value through other comprehensive income	(244)	1,497
Off-balance sheet credit business	(3,601)	4,343
Others	22,278	2,429
Total	193,491	163,000

15 OTHER IMPAIRMENT LOSSES

	2020	2019
Other impairment losses	(3,562)	521

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax of directors and supervisors who held office during the year is as follows:

	2020				
	Fees RMB' 000	Remuneration paid RMB' 000	Contributions to defined contribution retirement schemes RMB' 000	Other benefits in kind (Note (v)) RMB' 000	Total (Note (i)) RMB' 000
Executive directors					
Tian Guoli (Note (vi))	–	619	39	125	783
Wang Jiang (Notes (ii) & (vi))	–	–	–	–	–
Lyu Jiajin (Notes (ii) & (vi))	–	279	25	66	370
Non-executive directors					
Xu Jiandong (Notes (ii) & (iii))	–	–	–	–	–
Zhang Qi (Note (iii))	–	–	–	–	–
Tian Bo (Note (iii))	–	–	–	–	–
Xia Yang (Note (iii))	–	–	–	–	–
Shao Min (Notes (ii) & (iii))	–	–	–	–	–
Liu Fang (Notes (ii) & (iii))	–	–	–	–	–
Independent non-executive directors					
Anita Fung Yuen Mei	390	–	–	–	390
Malcolm Christopher McCarthy	410	–	–	–	410
Carl Walter	440	–	–	–	440
Kenneth Patrick Chung	440	–	–	–	440
Graeme Wheeler	440	–	–	–	440
Michel Madelain (Note (ii))	390	–	–	–	390
Supervisors					
Wang Yongqing (Note (vi))	–	619	39	125	783
Wu Jianhang (Note (vi))	–	660	39	196	895
Yang Fenglai (Notes (ii) & (vi))	–	329	17	103	449
Lu Kegui (Note (iv))	50	–	–	–	50
Wang Yi (Note (iv))	50	–	–	–	50
Zhao Xijun	290	–	–	–	290
Liu Huan (Note (ii))	125	–	–	–	125
Ben Shenglin (Note (ii))	125	–	–	–	125
Former executive directors					
Liu Guiping (Notes (ii) & (vi))	–	568	34	114	716
Zhang Gengsheng (Notes (ii) & (vi))	–	325	17	66	408
Former non-executive directors					
Feng Bing (Notes (ii) & (iii))	–	–	–	–	–
Zhu Hailin (Notes (ii) & (iii))	–	–	–	–	–
Former supervisors					
Fang Qiuyue (Notes (ii) & (vi))	–	220	–	58	278
Cheng Yuanguo (Notes (ii) & (iv))	50	–	–	–	50
	3,200	3,619	210	853	7,882

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

The aggregate of the emoluments before individual income tax of directors and supervisors who held office during the year is as follows: (continued)

	2019			
	Accrued cost (Allowances) RMB'000	Social insurance, corporate annuity, supplementary medical insurance and housing fund paid by the Bank RMB'000	Other monetary income RMB'000	Total RMB'000
Executive directors				
Tian Guoli (Note (vi))	857	169	–	1,026
Liu Guiping (Notes (ii) & (vi))	571	108	–	679
Zhang Gengsheng (Notes (ii) & (vi))	771	165	–	936
Non-executive directors				
Feng Bing (Notes (ii) & (iii))	–	–	–	–
Zhu Hailin (Notes (ii) & (iii))	–	–	–	–
Zhang Qi (Note (iii))	–	–	–	–
Tian Bo (Note (iii))	–	–	–	–
Xia Yang (Note (iii))	–	–	–	–
Independent non-executive directors				
Anita Fung Yuen Mei	415	–	–	415
Malcolm Christopher McCarthy	410	–	–	410
Carl Walter	442	–	–	442
Kenneth Patrick Chung	430	–	–	430
Graeme Wheeler	110	–	–	110
Supervisors				
Wang Yongqing (Note (vi))	357	66	–	423
Wu Jianhang (Note (vi))	1,976	196	–	2,172
Fang Qiuyue (Notes (ii) & (vi))	1,976	200	–	2,176
Lu Kegui (Note (iv))	50	–	–	50
Cheng Yuanguo (Notes (ii) & (iv))	50	–	–	50
Wang Yi (Note (iv))	50	–	–	50
Zhao Xijun	138	–	–	138
Former executive director				
Wang Zuji	214	46	–	260
Former non-executive directors				
Li Jun	–	–	–	–
Wu Min	–	–	–	–
Former independent non-executive directors				
Chung Shui Ming Timpson	220	–	–	220
Murray Horn	353	–	–	353
Former supervisor				
Bai Jianjun	125	–	–	125
	9,515	950	–	10,465

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

(i) The amounts of emoluments for the year ended 31 December 2020 in respect of the services rendered by the directors and supervisors are subject to the approval of the Annual General Meeting.

(ii) Upon election at the 2021 first extraordinary general meeting of the Bank, Mr. Wang Jiang commenced his position as executive director of the Bank from March 2021. Upon approval of the Board of the Bank, Mr. Wang Jiang commenced his position as vice chairman of the Bank from March 2021. Upon appointment of the Board of the Bank and filing with the CBIRC, Mr. Wang Jiang commenced his position as president of the Bank from February 2021. Upon election at the 2020 first extraordinary general meeting of the Bank and approval of the CBIRC, Mr. Lyu Jiajin commenced his position as executive director of the Bank from December 2020. Upon election at the 2020 first extraordinary general meeting of the Bank and approval of the CBIRC, Ms. Shao Min and Ms. Liu Fang commenced their positions as non-executive directors of the Bank from January 2021. Upon election at the 2019 annual general meeting of the Bank, Mr. Xu Jiandong commenced his position as non-executive director of the Bank from June 2020. Upon election at the 2019 first extraordinary general meeting of the Bank and approval of the CBIRC, Mr. Michel Madelain commenced his position as independent non-executive director of the Bank from January 2020.

By reason of age, Mr. Zhang Gengsheng ceased to serve as executive director and executive vice president of the Bank from December 2020. Due to change of job, Mr. Liu Guiping ceased to serve as vice chairman, executive director and president of the Bank from November 2020. Due to change of job, Ms. Feng Bing ceased to serve as non-executive director of the Bank from January 2021. Due to the expiration of his term of office, Mr. Zhu Hailin ceased to serve as non-executive director of the Bank from June 2020.

Upon election at the 2019 annual general meeting of the Bank, Mr. Yang Fenglai commenced his position as the shareholder representative supervisor of the Bank from June 2020, Mr. Liu Huan and Mr. Ben Shenglin commenced their positions as external supervisors of the Bank from June 2020.

By reason of age, Mr. Fang Qiuyue ceased to serve as shareholder representative supervisor of the Bank from April 2020. Due to change of job, Mr. Cheng Yuanguo ceased to serve as employee representative supervisor of the Bank from March 2021. Upon appointment of the Board of the Bank and filing with the CBIRC, Mr. Cheng Yuanguo commenced his position as chief risk officer of the Bank from April 2021.

(iii) The Bank did not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2020 and 2019.

(iv) The amounts only included fees for their services as supervisors.

(v) Other benefits in kind included 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. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance. In accordance with the *Administrative Measures on Annuities of State-owned Financial Enterprises* and the *China Construction Bank Corporation Annuity Plan*, in 2020, the Bank topped up the difference resulting from adjustments to annuity contribution percentages between February 2018 and December 2019. The above disclosure of benefits data includes the top-up made by the Bank of the difference in annuity contributions for 2020.

(vi) The total compensation package for these directors and supervisors for the year ended 31 December 2020 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's financial statements for the year ended 31 December 2020. The final compensation will be disclosed in a separate announcement when determined.

(vii) The total compensation package for certain directors and supervisors for the year ended 31 December 2019 had not been finalised in accordance with regulations of the PRC relevant authorities as at the date that the 2019 financial statements were announced. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2019 was the final amount.

(viii) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2020 and 2019.

17 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments before individual income tax of the five highest paid individuals during the year is as follows:

	2020 RMB' 000	2019 RMB' 000
Salaries and allowance	12,514	15,644
Variable compensation	29,881	32,370
Contributions to defined contribution retirement schemes	628	792
Other benefit in kind	581	706
	43,604	49,512

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

17 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The numbers of these individuals whose emoluments before individual income tax are within the following bands is set out below.

	2020	2019
RMB8,000,001 – RMB8,500,000	1	–
RMB8,500,001 – RMB9,000,000	3	1
RMB9,000,001 – RMB9,500,000	–	1
RMB9,500,001 – RMB10,000,000	1	–
RMB10,000,001 – RMB10,500,000	–	2
RMB10,500,001 – RMB11,000,000	–	–
RMB11,000,001 – RMB11,500,000	–	1
RMB11,500,001 – RMB12,000,000	–	–

None of these individuals received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2020 and 2019.

18 INCOME TAX EXPENSE

(1) Income tax expense

	2020	2019
Current tax	78,345	74,013
– Mainland China	75,721	71,045
– Hong Kong	1,252	1,340
– Other countries and regions	1,372	1,628
Adjustments for prior years	906	498
Deferred tax	(16,214)	(17,136)
Total	63,037	57,375

The provisions for income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the reporting period, respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

	Note	2020	2019
Profit before tax		336,616	326,597
Income tax calculated at the 25% statutory tax rate		84,154	81,649
Effects of different applicable rates of tax prevailing in other countries/regions		(116)	(234)
Non-deductible expenses	(i)	21,454	11,891
Non-taxable income	(ii)	(43,361)	(36,429)
Adjustments on income tax for prior years which affect profit or loss		906	498
Income tax expense		63,037	57,375

(i) Non-deductible expenses primarily include non-deductible losses resulting from write-off of loans, and items that are in excess of deductible amount under the relevant PRC tax regulations such as staff costs and entertainment expenses.

(ii) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

19 EARNINGS PER SHARE

Basic earnings per share for the years ended 31 December 2020 and 2019 have been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years.

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period and the perpetual bond interest paid in the period should be deducted from the amount attributable to equity shareholders of the Bank.

The conversion feature of preference shares are considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2020 and 2019, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculations.

	2020	2019
Net profit attributable to equity shareholders of the Bank	271,050	266,733
Less: Profit for the year attributable to other equity instruments holders of the Bank	(5,624)	(3,962)
Net profit attributable to ordinary shareholders of the Bank	265,426	262,771
Weighted average number of ordinary shares (in millions of shares)	250,011	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	1.06	1.05
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	1.06	1.05

20 CASH AND DEPOSITS WITH CENTRAL BANKS

	Note	31 December 2020	31 December 2019
Cash		49,068	60,791
Deposits with central banks			
– Statutory deposit reserves	(1)	2,285,486	2,094,800
– Surplus deposit reserves	(2)	434,199	398,676
– Fiscal deposits and others		46,323	65,825
Accrued interest		1,088	918
Total		2,816,164	2,621,010

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the Bank's statutory deposit reserve rates in Mainland China were as follows:

	31 December 2020	31 December 2019
Reserve rate for RMB deposits	11.00%	11.50%
Reserve rate for foreign currency deposits	5.00%	5.00%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

21 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2020	31 December 2019
Banks	440,339	406,202
Non-bank financial institutions	11,602	12,605
Accrued interest	1,590	1,072
Gross balances	453,531	419,879
Allowances for impairment losses (Note 35)	(298)	(218)
Net balances	453,233	419,661

(2) Analysed by geographical sectors

	31 December 2020	31 December 2019
Mainland China	405,588	371,963
Overseas	46,353	46,844
Accrued interest	1,590	1,072
Gross balances	453,531	419,879
Allowances for impairment losses (Note 35)	(298)	(218)
Net balances	453,233	419,661

For the years ended 31 December 2020 and 2019, the book value of deposits with banks and non-bank financial institutions was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

22 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2020	31 December 2019
Banks	258,711	387,211
Non-bank financial institutions	108,478	141,822
Accrued interest	1,525	2,338
Gross balances	368,714	531,371
Allowances for impairment losses (Note 35)	(310)	(225)
Net balances	368,404	531,146

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

22 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS (CONTINUED)

(2) Analysed by geographical sectors

	31 December 2020	31 December 2019
Mainland China	**291,791**	339,185
Overseas	**75,398**	189,848
Accrued interest	**1,525**	2,338
Gross balances	**368,714**	531,371
Allowances for impairment losses (Note 35)	**(310)**	(225)
Net balances	**368,404**	531,146

For the years ended 31 December 2020 and 2019, the book value of placements with banks and non-bank financial institutions was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

23 DERIVATIVES AND HEDGE ACCOUNTING

(1) Analysed by type of contract

		31 December 2020			31 December 2019		
	Note	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts		**650,225**	**1,802**	**4,168**	535,745	1,187	2,088
Exchange rate contracts		**3,461,021**	**63,881**	**73,376**	3,727,006	31,681	29,726
Other contracts	(a)	**126,071**	**3,346**	**4,412**	85,784	1,773	1,968
Total		**4,237,317**	**69,029**	**81,956**	4,348,535	34,641	33,782

(2) Analysed by counterparty credit risk-weighted assets

	Note	31 December 2020	31 December 2019
Counterparty credit default risk-weighted assets			
– Interest rate contracts		**4,073**	2,670
– Exchange rate contracts		**38,946**	37,124
– Other contracts	(a)	**10,015**	1,500
Subtotal		**53,034**	41,294
Risk-weighted assets for credit valuation adjustment		**14,739**	14,194
Total		**67,773**	55,488

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period, instead of the amount of risk assets. Since 1 January 2013, the Group has adopted Capital Rules for Commercial Banks (Provisional) and other related policies. According to the rules set out by the CBIRC, the counterparty credit risk-weighted assets included risk-weighted assets for credit valuation adjustments with the considerations of counterparty status and maturity characteristic, and included back-to-back client-driven transactions. The risk-weighted assets for counterparty credit risk of derivatives of the Group were calculated in accordance with the Rules on Measuring Derivative Counterparty Default Risk Assets since 1 January 2019.

(a) Other contracts mainly consist of precious metals and commodity contracts.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

23 DERIVATIVES AND HEDGE ACCOUNTING (CONTINUED)

(3) Hedge accounting

The following designated hedging instruments are included in the derivative financial instruments disclosed above.

	31 December 2020			31 December 2019		
	Notional amounts	**Assets**	**Liabilities**	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	**29,692**	**62**	**(1,131)**	39,801	83	(344)
Cross currency swaps	**30**	**–**	**(3)**	35	–	–
Cash flow hedges						
Foreign exchange swaps	**7,082**	**273**	**(82)**	39,146	640	(193)
Cross currency swaps	**654**	**–**	**(95)**	–	–	–
Interest rate swaps	**8,028**	**–**	**(160)**	13,608	25	(78)
Total	**45,486**	**335**	**(1,471)**	92,590	748	(615)

(a) *Fair value hedges*

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of financial assets measured at fair value through other comprehensive income, debt securities issued, and loans and advances to customers arising from changes in interest rates and exchange rates.

Net (losses)/gains on fair value hedges are as follows:

	2020	2019
Net (losses)/gains on		
– hedging instruments	**(837)**	(664)
– hedged items	**824**	661

The gain and loss arising from the ineffective portion of fair value hedges was immaterial for the year ended 31 December 2020 and 2019.

(b) *Cash flow hedges*

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from foreign exchange and interest rate risks of deposits from customers, loans and advances to customers, debt securities issued, placements from banks and non-bank financial institutions, and placements with banks and non-bank financial institutions. The maturities of hedging instruments and hedged items are both within five years.

For the year ended 31 December 2020, the Group's net loss from the cash flow hedges of RMB61 million was recognised in other comprehensive income (for the year ended 31 December 2019: net loss from cash flow hedges of RMB292 million), and the gain and loss arising from the ineffective portion of cash flow hedges was immaterial.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

24 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Financial assets held under resale agreements analysed by underlying assets are shown as follows:

	31 December 2020	31 December 2019
Debt securities		
– Government bonds	200,006	189,501
– Debt securities issued by policy banks, banks and non-bank financial institutions	289,459	299,738
– Corporate bonds	133	25
Subtotal	489,598	489,264
Discounted bills	112,458	68,345
Accrued interest	350	263
Total	602,406	557,872
Allowances for impairment losses (Note 35)	(167)	(63)
Net balances	602,239	557,809

For the year ended 31 December 2020 and 2019, the book value of financial assets held under resale agreements was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

25 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by measurement

	Note	31 December 2020	31 December 2019
Loans and advances to customers measured at amortised cost		16,476,817	14,479,931
Less: allowances for impairment losses		(556,063)	(482,158)
The carrying amount of loans and advances to customers measured at amortised cost	(a)	15,920,754	13,997,773
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	(b)	259,061	492,693
The carrying amount of loans and advances to customers measured at fair value through profit or loss	(c)	9,890	15,282
Accrued interest		41,664	36,253
The carrying amount of loans and advances to customers		16,231,369	14,542,001

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(1) Analysed by measurement (continued)

(a) Loans and advances to customers measured at amortised cost

	31 December 2020	31 December 2019
Corporate loans and advances		
– Loans	9,028,785	7,789,682
– Finance leases	136,849	137,769
	9,165,634	7,927,451
Personal loans and advances		
– Residential mortgages	5,885,022	5,355,724
– Personal consumer loans	274,635	199,007
– Personal business loans	138,481	44,918
– Credit cards	828,943	745,137
– Others	184,102	207,694
	7,311,183	6,552,480
Gross loans and advances to customers measured at amortised cost	16,476,817	14,479,931
Stage 1	(275,428)	(240,027)
Stage 2	(108,099)	(92,880)
Stage 3	(172,536)	(149,251)
Allowances for impairment losses (Note 35)	(556,063)	(482,158)
Net loans and advances to customers measured at amortised cost	15,920,754	13,997,773

(b) Loans and advances to customers measured at fair value through other comprehensive income

	31 December 2020	31 December 2019
Discounted bills	259,061	492,693

(c) Loans and advances to customers measured at fair value through profit or loss

	31 December 2020	31 December 2019
Corporate loans and advances	9,890	15,282

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) Analysed by assessment method of expected credit losses

	31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances to customers measured at amortised cost	**15,682,498**	**533,590**	**260,729**	**16,476,817**
Less: allowances for impairment losses	**(275,428)**	**(108,099)**	**(172,536)**	**(556,063)**
The carrying amount of loans and advances to customers measured at amortised cost	**15,407,070**	**425,491**	**88,193**	**15,920,754**
The provision percentage for loans and advances to customers measured at amortised cost	**1.76%**	**20.26%**	**66.17%**	**3.37%**
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	**255,470**	**3,591**	**–**	**259,061**
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(603)**	**(237)**	**–**	**(840)**

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers measured at amortised cost	13,804,206	463,976	211,749	14,479,931
Less: allowances for impairment losses	(240,027)	(92,880)	(149,251)	(482,158)
The carrying amount of loans and advances to customers measured at amortised cost	13,564,179	371,096	62,498	13,997,773
The provision percentage for loans and advances to customers measured at amortised cost	1.74%	20.02%	70.48%	3.33%
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	490,545	1,424	724	492,693
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(958)	(94)	(570)	(1,622)

For loans and advances to customers at Stages 1 and 2 and personal loans and advances at Stage 3, the expected credit loss ("ECL") model is used to calculate the ECL amount, while for corporate loans and advances and discounted bills at Stage 3, the discounted cash flow model is used.

The segmentation of the loans mentioned above is defined in Note 61(1).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses

	Note	2020			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2020		**240,027**	**92,880**	**149,251**	**482,158**
Transfers:					
Transfers in/(out) to Stage 1		**4,187**	**(3,944)**	**(243)**	**–**
Transfers in/(out) to Stage 2		**(10,992)**	**11,901**	**(909)**	**–**
Transfers in/(out) to Stage 3		**(3,804)**	**(27,823)**	**31,627**	**–**
Newly originated or purchased financial assets		**141,273**	**–**	**–**	**141,273**
Transfer out/repayment	(i)	**(94,802)**	**(15,131)**	**(45,863)**	**(155,796)**
Remeasurements	(ii)	**(461)**	**50,216**	**85,229**	**134,984**
Write-off		**–**	**–**	**(57,383)**	**(57,383)**
Recoveries of loans and advances written off		**–**	**–**	**10,827**	**10,827**
As at 31 December 2020		**275,428**	**108,099**	**172,536**	**556,063**

	Note	2019			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019		183,615	93,624	140,384	417,623
Transfers:					
Transfers in/(out) to Stage 1		6,416	(6,061)	(355)	–
Transfers in/(out) to Stage 2		(7,197)	8,537	(1,340)	–
Transfers in/(out) to Stage 3		(2,163)	(18,815)	20,978	–
Newly originated or purchased financial assets		116,460	–	–	116,460
Transfer out/repayment	(i)	(76,030)	(12,040)	(50,416)	(138,486)
Remeasurements	(ii)	18,926	27,635	81,082	127,643
Write-off		–	–	(49,078)	(49,078)
Recoveries of loans and advances written off		–	–	7,996	7,996
As at 31 December 2019		240,027	92,880	149,251	482,158

(i) Transfer out/repayment refers to transfer of creditor's rights, securitisation of assets, debt-to-equity swaps and reversal of loss provision due to repayment of debt in the form of other assets, as well as repayment of the loans.

(ii) Remeasurements comprise the impact of changes in Probability of Default (PD), Loss Given Default (LGD) or Exposure at Default (EAD); changes in model assumptions and methodologies; credit loss changes due to stage-transfer; unwinding of discount; and the impact of exchange rate changes, etc.

The allowances for impairment losses disclosed above are for loans and advances to customers measured at amortised cost.

For the year ended 31 December 2020, the changes of gross carrying amounts of loans and advances to customers with a significant impact on the Group's impairment allowance mainly resulted from credit business in Mainland China, including:

For the year ended 31 December 2020, the gross carrying amount of domestic branches corporate loans and advances to customers transferred from Stage 1 to Stage 2 were RMB145,679 million (for the year ended 31 December 2019: RMB162,163 million). The gross carrying amount of loans transferred from Stage 2 to Stage 3 were RMB84,321 million (for the year ended 31 December 2019: RMB53,519 million). The gross carrying amount of loans transferred from Stage 2 to Stage 1 were RMB16,182 million (for the year ended 31 December 2019: RMB27,999 million). The changes of impairment allowances resulting from loans transferred from Stage 1 to Stage 3, and Stage 3 to Stage 1 and Stage 2 were not significant (for the year ended 31 December 2019: not significant). For the year ended 31 December 2020, the changes of impairment allowances resulting from stage-transfer of domestic branches personal loans and advances to customers were not significant (for the year ended 31 December 2019: not significant).

For the year ended 31 December 2020, the gross carrying amount of the loans of which impairment allowances were transferred from Stage 3 to Stage 2, and from Stage 3 or Stage 2 to Stage 1, due to the modification of contractual cash flows of domestic branches which did not result in derecognition were not significant (for the year ended 31 December 2019: not significant).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period

	31 December 2020				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	15,572	20,264	6,769	684	43,289
Guaranteed loans	12,862	18,439	29,069	2,300	62,670
Loans secured by property and other immovable assets	25,531	20,083	19,350	4,400	69,364
Other pledged loans	334	1,679	4,700	187	6,900
Total	54,299	60,465	59,888	7,571	182,223
As a percentage of gross loans and advances to customers	0.32%	0.36%	0.36%	0.05%	1.09%

	31 December 2019				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	17,134	14,363	4,829	757	37,083
Guaranteed loans	8,490	24,773	17,813	5,593	56,669
Loans secured by property and other immovable assets	20,387	25,982	17,080	5,507	68,956
Other pledged loans	2,556	4,304	3,121	194	10,175
Total	48,567	69,422	42,843	12,051	172,883
As a percentage of gross loans and advances to customers	0.32%	0.46%	0.29%	0.08%	1.15%

Overdue loans represent loans of which the whole or part of the principal or interest is overdue for 1 day or more.

(5) Packaged disposal of non-performing loans

For the year ended 31 December 2020, the total amount of non-performing loans sold through packaged disposal to external asset management companies was RMB24,830 million (for the year ended 31 December 2019: RMB28,902 million) of the Group.

(6) Write-off

According to the Group's write-off policy, it is required to continue to recover the bad debts that are written off. For the year ended 31 December 2020, the amount of loans and advances to customers that the Group has written off under litigation-related condition but still under enforcement was RMB28,575 million (for the year ended 31 December 2019: RMB29,128 million).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS

(1) Analysed by measurement

	Note	31 December 2020	31 December 2019
Financial assets measured at fair value through profit or loss	(a)	**577,952**	675,361
Financial assets measured at amortised cost	(b)	**4,505,243**	3,740,296
Financial assets measured at fair value through other comprehensive income	(c)	**1,867,458**	1,797,584
Total		**6,950,653**	6,213,241

(a) Financial assets measured at fair value through profit or loss

Analysed by nature

	Note	31 December 2020	31 December 2019
Held-for-trading purposes			
– Debt securities	(i)	**170,365**	229,946
– Equity instruments and funds	(ii)	**1,415**	940
		171,780	230,886
Financial assets designated as measured at fair value through profit or loss			
– Debt securities	(iii)	**–**	9,256
– Other debt instruments	(iv)	**61,180**	182,369
		61,180	191,625
Others			
– Credit investments	(v)	**14,202**	6,161
– Debt securities	(vi)	**115,571**	68,921
– Funds and others	(vii)	**215,219**	177,768
		344,992	252,850
Total		**577,952**	675,361

Analysed by type of issuers

Held-for-trading purposes

(i) Debt securities

	31 December 2020	31 December 2019
Government	**20,173**	8,392
Central banks	**–**	443
Policy banks	**51,723**	44,466
Banks and non-bank financial institutions	**33,769**	59,224
Enterprises	**64,700**	117,421
Total	**170,365**	229,946
Listed (Note)	**170,365**	229,503
– of which in Hong Kong	**712**	953
Unlisted	**–**	443
Total	**170,365**	229,946

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(a) Financial assets measured at fair value through profit or loss (continued)

Analysed by type of issuers (continued)

(ii) Equity instruments and funds

	31 December 2020	31 December 2019
Banks and non-bank financial institutions	**681**	61
Enterprises	**734**	879
Total	**1,415**	940
Listed	**1,385**	940
– of which in Hong Kong	**629**	772
Unlisted	**30**	–
Total	**1,415**	940

Financial assets designated as measured at fair value through profit or loss

(iii) Debt securities

	31 December 2020	31 December 2019
Government	**–**	470
Enterprises	**–**	8,786
Total	**–**	9,256
Listed	**–**	1,111
– of which in Hong Kong	**–**	355
Unlisted	**–**	8,145
Total	**–**	9,256

(iv) Other debt instruments

	31 December 2020	31 December 2019
Banks and non-bank financial institutions	**32,150**	122,285
Enterprises	**29,030**	60,084
Total	**61,180**	182,369

Other debt instruments were mainly the deposits with banks and non-bank financial institutions, debt securities and credit assets invested by principal guaranteed wealth management products (Note 28(2)).

The amounts of changes in the fair value of these financial assets that were attributable to changes in credit risk were considered not significant during the year presented and cumulatively as at 31 December 2020 and 2019.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(a) *Financial assets measured at fair value through profit or loss (continued)*

Analysed by type of issuers (continued)

Others

(v) Credit investments

	31 December 2020	31 December 2019
Banks and non-bank financial institutions	**663**	1,706
Enterprises	**13,539**	4,455
Total	**14,202**	6,161
Listed	**643**	–
– of which in Hong Kong	**198**	–
Unlisted	**13,559**	6,161
Total	**14,202**	6,161

(vi) Debt securities

	31 December 2020	31 December 2019
Policy banks	**7,361**	4,381
Banks and non-bank financial institutions	**108,185**	64,538
Enterprises	**25**	2
Total	**115,571**	68,921
L Listed (Note)	**115,325**	68,801
Unlisted	**246**	120
Total	**115,571**	68,921

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(vii) Funds and others

	31 December 2020	31 December 2019
Banks and non-bank financial institutions	**86,628**	83,946
Enterprises	**128,591**	93,822
Total	**215,219**	177,768
Listed	**74,164**	67,357
– of which in Hong Kong	**1,086**	1,957
Unlisted	**141,055**	110,411
Total	**215,219**	177,768

There was no significant limitation on the ability of the Group to dispose of financial assets measured at FVPL.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(b) Financial assets measured at amortised cost

Analysed by type of issuers

	31 December 2020	31 December 2019
Government	3,799,421	3,024,534
Central banks	5,231	463
Policy banks	300,679	361,084
Banks and non-bank financial institutions	130,946	107,407
Enterprises	177,534	157,683
Special government bond	49,200	49,200
Subtotal	4,463,011	3,700,371
Accrued interest	62,470	52,627
Gross balances	4,525,481	3,752,998
Allowances for impairment losses		
–Stage 1	(13,211)	(8,932)
–Stage 2	(282)	(134)
–Stage 3	(6,745)	(3,636)
Subtotal	(20,238)	(12,702)
Net balances	4,505,243	3,740,296
Listed (Note)	4,341,559	3,553,837
– of which in Hong Kong	7,747	7,836
Unlisted	163,684	186,459
Total	4,505,243	3,740,296
Market value of listed bonds	4,371,059	3,629,398

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(c) Financial assets measured at fair value through other comprehensive income

Analysed by nature

	Note	31 December 2020	31 December 2019
Debt securities	(i)	**1,860,503**	1,791,553
Equity instruments	(ii)	**6,955**	6,031
Total		**1,867,458**	1,797,584

Analysed by type of issuers

(i) Debt securities

	31 December 2020	31 December 2019
Government	**1,159,963**	1,103,764
Central banks	**34,295**	39,844
Policy banks	**400,032**	346,478
Banks and non-bank financial institutions	**88,887**	107,524
Enterprises	**130,324**	135,769
Accumulated change of fair value charged in other comprehensive income	**21,231**	33,000
Subtotal	**1,834,732**	1,766,379
Accrued interest	**25,771**	25,174
Total	**1,860,503**	1,791,553
Listed (Note)	**1,785,650**	1,741,972
– of which in Hong Kong	**57,198**	56,100
Unlisted	**74,853**	49,581
Total	**1,860,503**	1,791,553

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(ii) Equity instruments

	31 December 2020		31 December 2019	
	Fair value	Dividend income during the year	Fair value	Dividend income during the year
Equity instruments	**6,955**	**16**	6,031	36

For the year ended 31 December 2020 and 2019, the Group neither sold any of the investments above nor transferred any cumulative profit or loss in the equity.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(2) Movements of allowances for impairment losses

(a) *Financial assets measured at amortised cost*

	Note	2020			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2020		**8,932**	**134**	**3,636**	**12,702**
Transfers:					
Transfers in/(out) to Stage 1		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 2		**(3)**	**3**	**–**	**–**
Transfers in/(out) to Stage 3		**(38)**	**(14)**	**52**	**–**
Newly originated or purchased financial assets		**4,703**	**–**	**–**	**4,703**
Financial assets derecognised during the year		**(1,493)**	**(48)**	**(33)**	**(1,574)**
Remeasurements	(i)	**1,182**	**219**	**3,389**	**4,790**
Foreign exchange and other movements		**(72)**	**(12)**	**(299)**	**(383)**
As at 31 December 2020		**13,211**	**282**	**6,745**	**20,238**

	Note	2019			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019		5,171	509	1,155	6,835
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		(15)	15	–	–
Transfers in/(out) to Stage 3		(7)	(407)	414	–
Newly originated or purchased financial assets		5,299	3	–	5,302
Financial assets derecognised during the year		(1,440)	(20)	–	(1,460)
Remeasurements	(i)	(125)	20	2,052	1,947
Foreign exchange and other movements		49	14	15	78
As at 31 December 2019		8,932	134	3,636	12,702

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(2) Movements of allowances for impairment losses (continued)

(b) Financial assets measured at fair value through other comprehensive income

	Note	2020			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2020		**3,580**	**–**	**–**	**3,580**
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		(6)	6	–	–
Transfers in/(out) to Stage 3		–	–	–	–
Newly originated or purchased financial assets		1,490	–	–	1,490
Financial assets derecognised during the year		(1,896)	–	–	(1,896)
Remeasurements	(i)	157	5	–	162
Foreign exchange and other movements		9	–	–	9
As at 31 December 2020		**3,334**	**11**	**–**	**3,345**

	Note	2019			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019		2,090	–	–	2,090
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		–	–	–	–
Transfers in/(out) to Stage 3		–	–	–	–
Newly originated or purchased financial assets		2,117	–	–	2,117
Financial assets derecognised during the year		(562)	–	–	(562)
Remeasurements	(i)	(58)	–	–	(58)
Foreign exchange and other movements		(7)	–	–	(7)
As at 31 December 2019		3,580	–	–	3,580

(i) Remeasurements mainly comprise the impact of changes in PD, LGD, EAD, and credit loss changes due to stage-transfer.

As at 31 December 2020, the Group's financial assets measured at amortised cost with carrying amount of RMB10,420 million (as at 31 December 2019: RMB7,774 million) were impaired and classified as Stage 3, financial assets measured at amortised cost with carrying amount of RMB2,047 million (as at 31 December 2019: RMB1,271 million) and financial assets measured at fair value through other comprehensive income with carrying amount of RMB1,528 million (as at 31 December 2019: Nil) were classified as Stage 2, and the remaining financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income were classified as Stage 1.

For the year ended 31 December 2020, the increase in the Group's Stage 1 financial assets due to newly originated or purchased financial assets amounted to RMB1,786,779 million (for the year ended 31 December 2019: RMB1,402,711 million), the decrease in Stage 1 financial assets due to derecognition amounted to RMB925,069 million (for the year ended 31 December 2019: RMB860,406 million), and there were no significant changes in the balances of financial assets classified as Stage 2 and 3. Both the amounts of financial assets transferred between stages and the amounts of financial assets with modifications of contractual cash flows that did not result in a derecognition were not significant.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS

(1) Investments in subsidiaries

(a) *Investment balance*

	Note	31 December 2020	31 December 2019
CCB Wealth Management Co., Ltd. ("CCB Wealth Management")		**15,000**	15,000
CCB Financial Asset Investment Co., Ltd. ("CCB Investment")		**12,000**	12,000
CCB Financial Leasing Co., Ltd. ("CCB Financial Leasing")	(i)	**11,163**	8,163
CCB Brazil Financial Holding – Investimentos e Participações Ltda.		**9,542**	9,542
CCB Trust Co., Ltd. ("CCB Trust")		**7,429**	7,429
CCB Life Insurance Co., Ltd. ("CCB Life")	(ii)	**6,962**	3,902
China Construction Bank (Europe) S.A. ("CCB Europe")	(iii)	**4,406**	1,629
China Construction Bank (London) Limited ("CCB London")		**2,861**	2,861
PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")	(iv)	**2,215**	1,340
CCB Pension Management Co., Ltd. ("CCB Pension")		**1,955**	1,955
Sino-German Bausparkasse Co., Ltd. ("Sino-German Bausparkasse")		**1,502**	1,502
China Construction Bank (Malaysia) Berhad ("CCB Malaysia")		**1,334**	1,334
China Construction Bank (New Zealand) Limited ("CCB New Zealand")		**976**	976
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")		**851**	851
Golden Fountain Finance Limited ("Golden Fountain")		**676**	676
CCB Principal Asset Management Co., Ltd. ("CCB Principal Asset Management")		**130**	130
CCB International Group Holdings Limited ("CCBIG")		**–**	–
Subtotal		**79,002**	69,290
Less: Allowance for impairment losses	(v)	**(8,110)**	–
Total		**70,892**	69,290

(i) In April 2020, the Bank increased capital of CCB Financial Leasing by RMB3,000 million with its own funds. CCB Financial Leasing has remained a wholly-owned subsidiary of the Bank.

(ii) The Bank injected RMB3,060 million capital into CCB Life using its own funds in March 2019 and completed the procedures for changing the registered capital of CCB Life in October 2020. The proportion of the Bank's shareholding in CCB Life remained unchanged.

(iii) In July 2020, the Bank injected EUR350 million capital into CCB Europe using its own funds. CCB Europe remained a wholly-owned subsidiary of the Bank after capital injection.

(iv) In December 2020, CCB Indonesia completed the public rights offering procedures. The Bank participated in this public rights offering to subscribe to additional shares using USD134 million of its own funds. The proportion of the Bank's shareholding in CCB Indonesia remained unchanged after the capital increase.

(v) The Group identified any indicators of impairment in long-term equity investments and assessed the recoverable amounts of investments showing impairment indicators. Specifically, the Bank's long-term equity investment in CCB Brazil Financial Holding – Investimentos e Participações Ltda. showed indicators of impairment. The Group estimated its recoverable amount based on the net amount of fair value less costs of disposal, and assessed the fair value using the net asset method.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(1) Investments in subsidiaries (continued)

(b) Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:

Name of company	Principal place of business	Particulars of issued and paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCB Wealth Management	Shenzhen, the PRC	RMB15,000 million	Company with Limited Liability	Wealth Management	100%	–	100%	Establishment
CCB Investment	Beijing, the PRC	RMB12,000 million	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB Financial Leasing	Beijing, the PRC	RMB11,000 million	Company with Limited Liability	Financial Leasing	100%	–	100%	Establishment
CCB Brazil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo, Brasil	R$4,281 million	Company with Limited Liability	Investment	99.99%	0.01%	100%	Acquisition
CCB Trust	Anhui, the PRC	RMB10,500 million	Company with Limited Liability	Trust business	67%	–	67%	Acquisition
CCB Life	Shanghai, the PRC	RMB7,120 million	Company Limited by Shares	Insurance	51%	–	51%	Acquisition
CCB Europe	Luxembourg	EUR550 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB London	London, United Kingdom	US$200 million RMB1,500 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Indonesia	Jakarta, Indonesia	IDR3,791,973 million	Company Limited by Shares	Commercial Banking	60%	–	60%	Acquisition
CCB Pension	Beijing, the PRC	RMB2,300 million	Company with Limited Liability	Pension Management	85%	–	85%	Establishment
Sino-German Bausparkasse	Tianjin, the PRC	RMB2,000 million	Company with Limited Liability	House savings	75.10%	–	75.10%	Establishment
CCB Malaysia	Kuala Lumpur, Malaysia	MYR823 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB New Zealand	Auckland, New Zealand	NZD199 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
Golden Fountain	British Virgin Islands	US$50,000	Company with Limited Liability	Investment	100%	–	100%	Acquisition
CCB Principal Asset Management	Beijing, the PRC	RMB200 million	Company with Limited Liability	Fund management services	65%	–	65%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB International (Holdings) Limited ("CCB International")	Hong Kong, the PRC	US$601 million	Company with Limited Liability	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition
China Construction Bank (Brasil) Banco Múltiplo S/A. ("CCB Brasil")	Sao Paulo, Brasil	R$2,957 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition

(c) As at 31 December 2020, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Interests in associates and joint ventures

(a) The movements of the Group's interests in associates and joint ventures are as follows:

	2020	2019
As at 1 January	11,353	8,002
Increase in capital during the year	4,995	4,978
Decrease in capital during the year	(3,214)	(1,812)
Share of profits	895	249
Cash dividend receivable	(162)	(149)
Effect of exchange difference and others	(165)	85
As at 31 December	13,702	11,353

(b) Details of the interests in major associates and joint ventures are as follows:

Name of Company	Principal place of business	Particulars of issued and paid-up capital	Principal activities	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
Guoxin Jianxin Equity Investment Fund (Chengdu) Partnership (Limited Partnership)	Chengdu, the PRC	RMB5,776 million	Equity investment	50.00%	50.00%	6,098	1	415	337
CCB Gold Investment Infrastructure Equity Investment Fund (Tianjin) Partnership (Limited Partnership)	Tianjin, the PRC	RMB3,500 million	Equity investment	48.57%	40.00%	3,719	–	156	156
Diamond String Limited	Hong Kong, the PRC	HK $10,000	Property investment	50.00%	50.00%	1,622	1,526	242	102
Maotai CCBT Private Equity Fund (Limited Partnership)	Guiyang, the PRC	RMB900 million	Investment management and consultancy	38.11%	40.00%	1,058	–	15	2
Shaanxi Yanchang Petroleum Finance Limited	Xi 'an, the PRC	RMB3,500 million	Settlement, loans and financial leasing	8.00%	20.00%	22,042	16,927	785	564

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

28 STRUCTURED ENTITIES

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust plans, asset management plans, funds, asset-backed securities and wealth management products held for investment purposes, and non-principal guaranteed wealth management products, trust plans and funds, etc., which are issued or established by the Group for providing wealth management services to customers and earning management fees, commission and custodian fees in return.

As at 31 December 2020 and 2019, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. The related carrying amount presented in the line items in the consolidated statement of financial position and the maximum exposure were as follows:

	31 December 2020	31 December 2019
Financial investments		
Financial assets measured at fair value through profit or loss	**93,206**	85,564
Financial assets measured at amortised cost	**41,407**	65,178
Financial assets measured at fair value through other comprehensive income	**703**	729
Long-term equity investments	**9,028**	6,906
Other assets	**2,840**	3,185
Total	**147,184**	161,562

For the years ended 31 December 2020 and 2019, the income from these unconsolidated structured entities held by the Group presented in the line items in the consolidated statement of comprehensive income was as follows:

	2020	2019
Interest income	**2,032**	3,735
Fee and commission income	**14,722**	14,871
Net trading (loss)/gain	**(126)**	138
Dividend income	**1,050**	669
Net gain arising from investment securities	**2,955**	2,773
Share of profits of associates and joint ventures	**660**	163
Total	**21,293**	22,349

As at 31 December 2020, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB2,167,886 million (as at 31 December 2019: RMB1,968,483 million), and the balance of trust plans, funds and asset management plans issued or established by the Group amounted to RMB3,068,334 million (as at 31 December 2019: RMB2,989,536 million). For the year ended 31 December 2020, the Group also entered into a small number of resale agreements with the above-mentioned non-principal guaranteed wealth management products. These resale agreements transactions were conducted in accordance with market price or general commercial terms and conditions, and the gains or losses from such transactions had no significant impact on the Group.

(2) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products (Note 26(1)(a)(iv)) and certain asset management plans and trust plans.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

29 FIXED ASSETS

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2020	137,641	16,726	57,893	30,810	48,141	291,211
Additions	2,299	5,993	5,636	5,604	3,425	22,957
Transfer in/(out)	2,749	(5,281)	48	–	2,484	–
Other movements	(1,455)	(196)	(10,827)	(1,716)	(7,216)	(21,410)
As at 31 December 2020	141,234	17,242	52,750	34,698	46,834	292,758
Accumulated depreciation						
As at 1 January 2020	(43,405)	–	(40,035)	(4,525)	(32,085)	(120,050)
Charge for the year	(4,676)	–	(6,444)	(1,654)	(4,578)	(17,352)
Other movements	326	–	10,552	307	6,456	17,641
As at 31 December 2020	(47,755)	–	(35,927)	(5,872)	(30,207)	(119,761)
Allowances for impairment losses (Note 35)						
As at 1 January 2020	(393)	(1)	–	(24)	(3)	(421)
Charge for the year	–	–	–	(79)	–	(79)
Other movements	1	–	–	7	–	8
As at 31 December 2020	(392)	(1)	–	(96)	(3)	(492)
Net carrying value						
As at 1 January 2020	93,843	16,725	17,858	26,261	16,053	170,740
As at 31 December 2020	93,087	17,241	16,823	28,730	16,624	172,505

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2019	133,478	19,714	55,118	25,561	45,851	279,722
Additions	1,850	7,425	5,882	914	3,262	19,333
Transfer in/(out)	2,599	(8,938)	42	4,617	1,680	–
Other movements	(286)	(1,475)	(3,149)	(282)	(2,652)	(7,844)
As at 31 December 2019	137,641	16,726	57,893	30,810	48,141	291,211
Accumulated depreciation						
As at 1 January 2019	(38,948)	–	(37,362)	(3,408)	(30,006)	(109,724)
Charge for the year	(4,563)	–	(5,670)	(1,337)	(4,454)	(16,024)
Other movements	106	–	2,997	220	2,375	5,698
As at 31 December 2019	(43,405)	–	(40,035)	(4,525)	(32,085)	(120,050)
Allowances for impairment losses (Note 35)						
As at 1 January 2019	(406)	(1)	–	(14)	(3)	(424)
Charge for the year	–	–	–	(24)	(1)	(25)
Other movements	13	–	–	14	1	28
As at 31 December 2019	(393)	(1)	–	(24)	(3)	(421)
Net carrying value						
As at 1 January 2019	94,124	19,713	17,756	22,139	15,842	169,574
As at 31 December 2019	93,843	16,725	17,858	26,261	16,053	170,740

Notes:

(1) Other movements include disposals, retirements and exchange differences of fixed assets.

(2) As at 31 December 2020, the ownership documentation for the Group's bank premises with a net carrying value of RMB12,002 million (as at 31 December 2019: RMB15,688 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

30 LAND USE RIGHTS

	2020	2019
Cost/Deemed cost		
As at 1 January	22,793	21,860
Additions	2	989
Disposals	(143)	(56)
As at 31 December	22,652	22,793
Amortisation		
As at 1 January	(7,919)	(7,349)
Charge for the year	(524)	(594)
Disposals	44	24
As at 31 December	(8,399)	(7,919)
Allowances for impairment losses (Note 35)		
As at 1 January	(136)	(138)
Disposals	1	2
As at 31 December	(135)	(136)
Net carrying value		
As at 1 January	14,738	14,373
As at 31 December	14,118	14,738

The Group's right-of-use assets include the above fully prepaid land use rights and other right-of-use assets disclosed in note 34(2).

31 INTANGIBLE ASSETS

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2020	11,698	1,423	13,121
Additions	2,075	131	2,206
Disposals	(279)	(79)	(358)
As at 31 December 2020	13,494	1,475	14,969
Amortisation			
As at 1 January 2020	(8,071)	(541)	(8,612)
Charge for the year	(1,277)	(77)	(1,354)
Disposals	248	37	285
As at 31 December 2020	(9,100)	(581)	(9,681)
Allowances for impairment losses (Note 35)			
As at 1 January 2020	–	(7)	(7)
Additions	–	(2)	(2)
Disposals	–	–	–
As at 31 December 2020	–	(9)	(9)
Net carrying value			
As at 1 January 2020	3,627	875	4,502
As at 31 December 2020	4,394	885	5,279

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

31 INTANGIBLE ASSETS (CONTINUED)

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2019	9,914	1,272	11,186
Additions	1,829	317	2,146
Disposals	(45)	(166)	(211)
As at 31 December 2019	11,698	1,423	13,121
Amortisation			
As at 1 January 2019	(7,154)	(402)	(7,556)
Charge for the year	(943)	(146)	(1,089)
Disposals	26	7	33
As at 31 December 2019	(8,071)	(541)	(8,612)
Allowances for impairment losses (Note 35)			
As at 1 January 2019	–	(8)	(8)
Additions	–	(1)	(1)
Disposals	–	2	2
As at 31 December 2019	–	(7)	(7)
Net carrying value			
As at 1 January 2019	2,760	862	3,622
As at 31 December 2019	3,627	875	4,502

32 GOODWILL

(1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia, CCB Brasil and CCB Indonesia. The movements of the goodwill are as follows:

	2020	2019
As at 1 January	**2,809**	2,766
Effect of exchange difference	**(222)**	43
Allowances for impairment losses (Note 35)	**(377)**	–
As at 31 December	**2,210**	2,809

(2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amounts of CGUs (including goodwill) in accordance with accounting policies. The Group estimated present values of future cash flows of CGUs using expected future cash flow projections based on financial forecasts approved by management. The average growth rates used by the Group were consistent with the forecasts in industry reports, while the discount rates reflected specific risks relating to relevant segments. The Group estimated net amounts of fair value less costs of disposal based on net assets within the CGUs.

As at 31 December 2020, the Group's goodwill impairment provision amounted to RMB377 million (as at 31 December 2019: Nil), mainly due to goodwill impairment of CCB Brasil CGU.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

33 DEFERRED TAX

	31 December 2020	31 December 2019
Deferred tax assets	92,950	72,314
Deferred tax liabilities	(1,551)	(457)
Total	91,399	71,857

(1) Analysed by nature

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	(19,059)	(4,700)	(35,948)	(9,167)
– Allowances for impairment losses	406,810	101,782	331,279	82,330
– Employee benefits	15,331	3,801	17,513	4,348
– Others	(32,582)	(7,933)	(21,871)	(5,197)
Total	370,500	92,950	290,973	72,314
Deferred tax liabilities				
– Fair value adjustments	(5,910)	(1,283)	(1,717)	(336)
– Others	(1,469)	(268)	(885)	(121)
Total	(7,379)	(1,551)	(2,602)	(457)

(2) Movements of deferred tax

	Fair value adjustments	Allowances for impairment losses	Employee benefits	Others	Total
As at 1 January 2020	(9,503)	82,330	4,348	(5,318)	71,857
Recognised in profit or loss	192	19,452	(547)	(2,883)	16,214
Recognised in other comprehensive income	3,328	–	–	–	3,328
As at 31 December 2020	(5,983)	101,782	3,801	(8,201)	91,399
As at 1 January 2019	(6,657)	64,823	5,276	(5,197)	58,245
Recognised in profit or loss	678	17,507	(928)	(121)	17,136
Recognised in other comprehensive income	(3,524)	–	–	–	(3,524)
As at 31 December 2019	(9,503)	82,330	4,348	(5,318)	71,857

The Group did not have significant unrecognised deferred tax as at the end of the reporting period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

34 OTHER ASSETS

	Note	31 December 2020	31 December 2019
Repossessed assets	(1)		
– Buildings		1,458	1,705
– Land use rights		115	156
– Others		421	719
		1,994	2,580
Clearing and settlement accounts		23,004	26,889
Right-of-use assets	(2)	25,982	24,460
Fee and commission receivables		22,405	18,629
Policyholder account assets and accounts receivable of insurance business		10,435	7,581
Leasehold improvements		2,632	2,992
Deferred expenses		1,299	1,336
Others		156,412	114,453
Gross balance		244,163	198,920
Allowances for impairment losses (Note 35)			
– Repossessed assets		(1,197)	(1,353)
– Others		(4,238)	(3,440)
Net balance		238,728	194,127

(1) For the year ended 31 December 2020, the original cost of repossessed assets disposed of by the Group amounted to RMB652 million (for the year ended 31 December 2019: RMB649 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and transfer.

(2) Right-of-use assets

	Bank premises	Others	Total
Cost			
As at 1 January 2020	30,610	104	30,714
Additions	10,617	14	10,631
Other movements	(2,542)	(38)	(2,580)
As at 31 December 2020	38,685	80	38,765
Accumulated depreciation			
As at 1 January 2020	(6,221)	(33)	(6,254)
Charge for the year	(7,669)	(26)	(7,695)
Other movements	1,145	21	1,166
As at 31 December 2020	(12,745)	(38)	(12,783)
Net carrying value			
As at 1 January 2020	24,389	71	24,460
As at 31 December 2020	25,940	42	25,982

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

34 OTHER ASSETS (CONTINUED)

(2) Right-of-use assets (continued)

	Bank premises	Others	Total
Cost			
As at 1 January 2019	21,686	66	21,752
Additions	10,598	44	10,642
Other movements	(1,674)	(6)	(1,680)
As at 31 December 2019	30,610	104	30,714
Accumulated depreciation			
As at 1 January 2019	–	–	–
Charge for the year	(6,584)	(33)	(6,617)
Other movements	363	–	363
As at 31 December 2019	(6,221)	(33)	(6,254)
Net carrying value			
As at 1 January 2019	21,686	66	21,752
As at 31 December 2019	24,389	71	24,460

The Group's right-of-use assets include the above assets and land use rights disclosed in note 30.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

35 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

		2020				
	Note	As at 1 January	Charge/ (reversal) for the year	Transfer out	Write-off and others	As at 31 December
Deposits with banks and non-bank financial institutions	21	218	80	–	–	298
Precious metals		38	(29)	–	–	9
Placements with banks and non-bank financial institutions	22	225	86	(1)	–	310
Financial assets held under resale agreements	24	63	104	–	–	167
Loans and advances to customers	25	482,158	167,448	(36,160)	(57,383)	556,063
Financial assets measured at amortised cost	26(2)(a)	12,702	7,919	(383)	–	20,238
Fixed assets	29	421	79	–	(8)	492
Land use rights	30	136	–	–	(1)	135
Intangible assets	31	7	2	–	–	9
Goodwill	32	–	377	–	–	377
Other assets	34	4,793	3,016	–	(2,374)	5,435
Total		500,761	179,082	(36,544)	(59,766)	583,533

		2019				
	Note	As at 1 January	(Reversal)/ charge for the year	Transfer (out)/in	Write-off and others	As at 31 December
Deposits with banks and non-bank financial institutions	21	230	(12)	–	–	218
Precious metals		72	(34)	–	–	38
Placements with banks and non-bank financial institutions	22	114	114	(3)	–	225
Financial assets held under resale agreements	24	44	19	–	–	63
Loans and advances to customers	25	417,623	148,266	(34,653)	(49,078)	482,158
Financial assets measured at amortised cost	26(2)(a)	6,835	5,789	78	–	12,702
Long-term equity investments	27	41	–	(41)	–	–
Fixed assets	29	424	25	–	(28)	421
Land use rights	30	138	–	–	(2)	136
Intangible assets	31	8	1	–	(2)	7
Other assets	34	3,937	2,588	–	(1,732)	4,793
Total		429,466	156,756	(34,619)	(50,842)	500,761

Transfer (out)/in includes exchange differences.

36 BORROWINGS FROM CENTRAL BANKS

	31 December 2020	31 December 2019
Mainland China	740,904	487,204
Overseas	31,815	56,447
Accrued interest	8,451	5,782
Total	781,170	549,433

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

37 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2020	31 December 2019
Banks	248,404	167,383
Non-bank financial institutions	1,689,533	1,498,901
Accrued interest	5,697	6,414
Total	1,943,634	1,672,698

(2) Analysed by geographical sectors

	31 December 2020	31 December 2019
Mainland China	1,797,413	1,508,483
Overseas	140,524	157,801
Accrued interest	5,697	6,414
Total	1,943,634	1,672,698

38 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2020	31 December 2019
Banks	331,259	476,574
Non-bank financial institutions	17,103	42,576
Accrued interest	1,276	2,403
Total	349,638	521,553

(2) Analysed by geographical sectors

	31 December 2020	31 December 2019
Mainland China	171,124	261,632
Overseas	177,238	257,518
Accrued interest	1,276	2,403
Total	349,638	521,553

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

39 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020	31 December 2019
Principal guaranteed wealth management products	56,961	178,770
Financial liabilities related to precious metals	31,453	31,065
Structured financial instruments	165,665	71,762
Total	254,079	281,597

The Group's financial liabilities measured at fair value through profit or loss are those designated as measured at fair value through profit or loss. As at the end of the reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity was not material. The amounts of changes in the fair value of these financial liabilities that were attributable to changes in credit risk were considered not significant during the year presented and cumulatively as at 31 December 2020 and 2019.

40 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	31 December 2020	31 December 2019
Debt securities		
– Government bonds	42,111	103,380
– Debt securities issued by policy banks, banks and non-bank financial institutions	10,488	7,754
– Corporate bonds	1,478	40
Subtotal	54,077	111,174
Discounted bills	1,408	418
Others	1,198	2,920
Accrued interest	42	146
Total	56,725	114,658

41 DEPOSITS FROM CUSTOMERS

	31 December 2020	31 December 2019
Demand deposits		
– Corporate customers	6,354,893	6,001,053
– Personal customers	4,716,452	4,136,591
Subtotal	11,071,345	10,137,644
Time deposits (including call deposits)		
– Corporate customers	3,596,898	3,239,657
– Personal customers	5,670,385	4,781,485
Subtotal	9,267,283	8,021,142
Accrued interest	276,348	207,507
Total	20,614,976	18,366,293

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

41 DEPOSITS FROM CUSTOMERS (CONTINUED)

Deposits from customers include:

		31 December 2020	31 December 2019
(1)	Pledged deposits		
	– Deposits for acceptance	**63,427**	57,367
	– Deposits for guarantee	**42,540**	52,351
	– Deposits for letter of credit	**17,760**	11,593
	– Others	**190,387**	180,387
	Total	**314,114**	301,698
(2)	Outward remittance and remittance payables	**17,542**	19,805

42 ACCRUED STAFF COSTS

	Note	**2020**			
		As at 1 January	**Increased**	**Decreased**	**As at 31 December**
Salaries, bonuses, allowances and subsidies		**24,025**	**71,356**	**(72,151)**	**23,230**
Housing funds		**355**	**6,809**	**(6,913)**	**251**
Union running costs and employee education costs		**4,983**	**2,624**	**(1,843)**	**5,764**
Post-employment benefits	(1)	**3,970**	**12,261**	**(15,635)**	**596**
Early retirement benefits		**1,396**	**32**	**(423)**	**1,005**
Compensation to employees for termination of employment relationship		**2**	**5**	**(7)**	**–**
Others	(2)	**4,344**	**11,281**	**(11,011)**	**4,614**
Total		**39,075**	**104,368**	**(107,983)**	**35,460**

	Note	2019			
		As at 1 January	Increased	Decreased	As at 31 December
Salaries, bonuses, allowances and subsidies		23,673	69,862	(69,510)	24,025
Housing funds		182	6,524	(6,351)	355
Union running costs and employee education costs		3,531	2,948	(1,496)	4,983
Post-employment benefits	(1)	2,523	14,308	(12,861)	3,970
Early retirement benefits		1,520	40	(164)	1,396
Compensation to employees for termination of employment relationship		2	6	(6)	2
Others	(2)	4,782	12,154	(12,592)	4,344
Total		36,213	105,842	(102,980)	39,075

The Group had no overdue balance of accrued staff costs as at the end of the reporting period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

42 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits

(a) *Defined contribution plans*

	2020			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	**608**	**6,551**	**(6,630)**	**529**
Unemployment insurance	**42**	**225**	**(218)**	**49**
Annuity contribution	**3,683**	**5,485**	**(8,294)**	**874**
Total	**4,333**	**12,261**	**(15,142)**	**1,452**

	2019			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	761	8,994	(9,147)	608
Unemployment insurance	39	299	(296)	42
Annuity contribution	1,881	4,987	(3,185)	3,683
Total	2,681	14,280	(12,628)	4,333

(b) *Defined benefit plans – Supplementary retirement benefits*

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit method and reviewed by an external independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd.

	Present value of defined benefit plan obligations		Fair value of plan assets		Net liabilities/(assets) of defined benefit plans	
	2020	2019	**2020**	2019	**2020**	2019
As at 1 January	**5,776**	6,139	**6,139**	6,297	**(363)**	(158)
Cost of the net defined benefit liability in profit or loss						
– Interest costs	**169**	188	**183**	194	**(14)**	(6)
Remeasurements of the defined benefit liability in other comprehensive income						
– Actuarial (gains)/ losses	**(105)**	28	**–**	–	**(105)**	28
– Returns on plan assets	**–**	–	**374**	227	**(374)**	(227)
Other changes						
– Benefits paid	**(574)**	(579)	**(574)**	(579)	**–**	–
As at 31 December	**5,266**	5,776	**6,122**	6,139	**(856)**	(363)

Interest cost was recognised in operating expenses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

42 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits (continued)

(i) Principal actuarial assumptions of the Group as at the end of the reporting period were as follows:

	31 December 2020	31 December 2019
Discount rate	3.25%	3.25%
Health care cost increase rate	7.00%	7.00%
Average expected future lifetime of eligible employees	11.4 years	11.0 years

Mortality assumptions are based on China Life Insurance Mortality Table (2010-2013). The Table published historical statistics in China.

(ii) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	Decrease in assumption by 0.25%
Discount rate	(102)	106
Health care cost increase rate	41	(39)

(iii) As at 31 December 2020, the weighted average duration of supplementary retirement benefit obligations of the Group was 7.9 years (as at 31 December 2019: 8.0 years).

(iv) Plan assets of the Group are as follows:

	31 December 2020	31 December 2019
Cash and cash equivalents	315	198
Equity instruments	1,007	595
Debt instruments	4,726	5,239
Others	74	107
Total	6,122	6,139

(2) Accrued staff costs – others mainly include employee welfare, medical insurance, maternity insurance and employment injury insurance.

43 TAXES PAYABLE

	31 December 2020	31 December 2019
Income tax	72,174	75,388
Value added tax	9,701	8,783
Others	2,286	2,464
Total	84,161	86,635

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

44 PROVISIONS

	Note	31 December 2020	31 December 2019
Expected credit losses from off-balance sheet credit business	(1)	**31,833**	35,479
Expected losses from other businesses	(2)	**22,281**	7,464
Total		**54,114**	42,943

(1) Movements of the provision – expected credit losses on off-balance sheet credit business:

	Note	**2020**			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2020		**24,773**	**4,401**	**6,305**	**35,479**
Transfers:					
Transfers in/(out) to Stage 1		**13**	**(13)**	**–**	**–**
Transfers in/(out) to Stage 2		**(236)**	**248**	**(12)**	**–**
Transfers in/(out) to Stage 3		**(10)**	**(46)**	**56**	**–**
Newly originated		**20,706**	**–**	**–**	**20,706**
Matured		**(15,227)**	**(3,586)**	**(5,865)**	**(24,678)**
Remeasurements	(a)	**(3,539)**	**3,005**	**860**	**326**
As at 31 December 2020		**26,480**	**4,009**	**1,344**	**31,833**

	Note	2019			
		Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019		22,344	5,971	2,909	31,224
Transfers:					
Transfers in/(out) to Stage 1		675	(675)	–	–
Transfers in/(out) to Stage 2		(199)	206	(7)	–
Transfers in/(out) to Stage 3		(172)	(21)	193	–
Newly originated		18,072	–	–	18,072
Matured		(14,106)	(3,373)	(1,891)	(19,370)
Remeasurements	(a)	(1,841)	2,293	5,101	5,553
As at 31 December 2019		24,773	4,401	6,305	35,479

(a) Remeasurements comprise the impact of changes in PD, LGD or EAD; changes in model assumptions and methodology; credit loss changes due to stage-transfer; and the impact of exchange rate changes.

(2) Other businesses include off-balance sheet businesses other than off-balance sheet credit business, outstanding litigations and precious metals leasing business.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 DEBT SECURITIES ISSUED

	Note	31 December 2020	31 December 2019
Certificates of deposit issued	(1)	537,050	709,383
Bonds issued	(2)	125,871	127,863
Subordinated bonds issued	(3)	79,986	81,694
Eligible Tier 2 capital bonds issued	(4)	193,049	153,703
Accrued interest		4,241	3,932
Total		940,197	1,076,575

(1) Certificates of deposit issued were mainly issued by the head office, overseas branches, CCB Europe and CCB New Zealand.

(2) Bonds issued

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	31 December 2020	31 December 2019
05/09/2014	05/09/2021	4.00%	Taiwan	RMB	600	600
18/11/2014	18/11/2021	3.95%	Taiwan	RMB	1,000	1,000
18/11/2014	18/11/2024	4.08%	Taiwan	RMB	600	600
20/01/2015	20/01/2020	3.125%	Hong Kong	USD	–	4,873
11/02/2015	11/02/2020	1.50%	Luxembourg	EUR	–	3,901
18/06/2015	18/06/2020	3-month New Zealand benchmark interest rate +1.2%	Auckland	NZD	–	117
28/07/2015	28/07/2020	3.25%	Hong Kong	USD	–	3,481
29/12/2015	27/01/2020	3.80%	Auckland	NZD	–	94
30/03/2016	30/03/2026	4.08%	Mainland China	RMB	3,500	3,500
31/05/2016	31/05/2021	2.75%	Hong Kong	USD	1,951	2,088
18/08/2016	18/09/2020	2.95%	Auckland	NZD	–	482
18/10/2016	18/10/2020	3.05%	Auckland	NZD	–	7
21/10/2016	21/10/2021	2.25%	Hong Kong	USD	4,579	4,331
09/11/2016	09/11/2021	3.05%	Mainland China	RMB	800	800
17/02/2017	17/02/2020	0.63%	Luxembourg	EUR	–	3,903
31/05/2017	29/05/2020	3M LIBOR+0.77%	Hong Kong	USD	–	8,353
13/06/2017	13/06/2022	2.75%	Hong Kong	USD	3,925	4,177
25/10/2017	25/10/2022	3.15%	Hong Kong	USD	654	696
25/10/2017	27/10/2020	2.20%	Hong Kong	USD	–	84
26/10/2017	26/10/2020	2.08%	Singapore	SGD	–	2,586
09/11/2017	09/11/2022	3.93%	Auckland	NZD	708	702
04/12/2017	04/12/2020	2.29%	Hong Kong	USD	–	5,569
04/12/2017	04/12/2020	2.75%	Hong Kong	USD	–	3,481
04/12/2017	04/12/2022	3.00%	Hong Kong	USD	2,616	2,784
13/03/2018	13/03/2021	3.20%	Auckland	NZD	47	47
17/04/2018	26/03/2021	3M LIBOR +0.75%	Hong Kong	USD	523	557
18/04/2018	18/04/2021	4.88%	Mainland China	RMB	6,000	6,000
30/04/2018	30/04/2021	3M LIBOR +0.75%	Hong Kong	USD	131	139
04/05/2018	04/05/2021	3M LIBOR +0.80%	Hong Kong	USD	164	174
08/06/2018	08/06/2021	3M LIBOR +0.73%	Hong Kong	USD	5,887	6,265
08/06/2018	08/06/2023	3M LIBOR +0.83%	Hong Kong	USD	3,925	4,177
19/06/2018	19/06/2023	4.01%	Auckland	NZD	472	468
12/07/2018	12/07/2023	3M LIBOR +1.25%	Hong Kong	USD	2,616	2,785
20/07/2018	20/07/2021	4.48%	Mainland China	RMB	3,000	3,000
21/08/2018	19/06/2023	4.005%	Auckland	NZD	165	164
23/08/2018	23/08/2021	4.25%	Mainland China	RMB	2,500	2,500
21/09/2018	21/09/2020	2.643%	Singapore	SGD	–	1,552
24/09/2018	24/09/2021	3M LIBOR +0.75%	Hong Kong	USD	6,541	6,961
24/09/2018	24/09/2021	3M EURIBOR +0.60%	Luxembourg	EUR	4,022	3,903
20/12/2018	20/12/2021	3M LIBOR +0.75%	Auckland	USD	654	696

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 DEBT SECURITIES ISSUED (CONTINUED)

(2) Bonds issued (continued)

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	31 December 2020	31 December 2019
24/12/2018	24/12/2020	3M LIBOR +0.70%	Hong Kong	USD	–	1,114
16/05/2019	16/05/2024	3.50%	Hong Kong	USD	2,603	2,788
16/05/2019	16/05/2029	3.88%	Hong Kong	USD	1,308	1,392
26/06/2019	24/06/2022	0.21%	Japan	JPY	1,268	1,281
26/08/2019	26/08/2022	3.30%	Mainland China	RMB	6,300	6,300
26/08/2019	26/08/2024	3.40%	Mainland China	RMB	3,000	3,000
11/09/2019	16/05/2024	3.50%	Hong Kong	USD	1,962	2,088
12/09/2019	12/08/2022	3M LIBOR +0.68%	Auckland	USD	654	696
22/10/2019	22/10/2022	0.05%	Luxembourg	EUR	4,022	3,903
24/10/2019	24/10/2024	3M LIBOR +0.77%	Hong Kong	USD	4,383	4,873
22/11/2019	22/11/2024	2.393%	Auckland	NZD	401	398
10/12/2019	10/11/2022	3-month New Zealand benchmark interest rate +0.88%	Auckland	NZD	425	421
20/12/2019	20/06/2022	3M LIBOR +0.63%	Luxembourg	USD	1,967	2,087
16/03/2020	15/03/2023	2.68%	Mainland China	RMB	6,000	–
16/03/2020	15/03/2025	2.75%	Mainland China	RMB	5,000	–
19/03/2020	19/03/2022	2.95%	Hong Kong	RMB	802	–
21/07/2020	21/07/2025	1.99%	Hong Kong	USD	2,950	–
25/09/2020	25/09/2023	0.954%	Auckland	NZD	708	–
28/09/2020	28/09/2025	1.78%	Hong Kong	USD	1,308	–
28/09/2020	28/09/2030	2.55%	Hong Kong	USD	654	–
27/10/2020	29/10/2023	3.50%	Mainland China	RMB	20,000	–
03/11/2020	05/11/2023	3.70%	Mainland China	RMB	2,600	–
Total nominal value					125,895	127,938
Less: Unamortised issuance costs					(24)	(75)
Carrying value as at year end					125,871	127,863

(3) Subordinated bonds issued

The carrying value of the Group's subordinated bonds issued upon the approval of the PBOC, the CBIRC and Central Bank of Brazil is as follows:

Issue date	Maturity date	Interest rate per annum	Currency	Note	31 December 2020	31 December 2019
27/04/2010	27/04/2020	8.50%	USD	(a)	–	1,720
03/11/2011	07/11/2026	5.70%	RMB	(b)	40,000	40,000
20/11/2012	22/11/2027	4.99%	RMB	(c)	40,000	40,000
Total nominal value					80,000	81,720
Less: Unamortised issuance cost					(14)	(26)
Carrying value					79,986	81,694

(a) The subordinated bonds were issued by CCB Brasil, and expired on 27 April 2020.

(b) The Group has an option to redeem the bonds on 7 November 2021, subject to an approval from relevant authority.

(c) The Group has an option to redeem the bonds on 22 November 2022, subject to an approval from relevant authority.

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45 DEBT SECURITIES ISSUED (CONTINUED)

(4) Eligible Tier 2 capital bonds issued

Issue date	Maturity date	Interest rate per annum	Currency	Note	31 December 2020	31 December 2019
18/08/2014	18/08/2029	5.98%	RMB	(a)	**20,000**	20,000
13/05/2015	13/05/2025	3.88%	USD	(b)	**–**	13,923
21/12/2015	21/12/2025	4.00%	RMB	(c)	**–**	24,000
25/09/2018	25/09/2028	4.86%	RMB	(d)	**43,000**	43,000
29/10/2018	29/10/2028	4.70%	RMB	(e)	**40,000**	40,000
27/02/2019	27/02/2029	4.25%	USD	(f)	**12,100**	12,879
24/06/2020	24/06/2030	2.45%	USD	(g)	**13,081**	–
10/09/2020	14/09/2030	4.20%	RMB	(h)	**65,000**	–
Total nominal value					**193,181**	153,802
Less: Unamortised issuance cost					**(132)**	(99)
Carrying value as at year end					**193,049**	153,703

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(b) The Group has chosen to exercise the option to redeem all the bonds on 13 May 2020.

(c) The Group has chosen to exercise the option to redeem all the bonds on 21 December 2020.

(d) The Group has an option to redeem the bonds on 25 September 2023, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(e) The Group has an option to redeem the bonds on 29 October 2023, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(f) The Group has an option to redeem the bonds on 27 February 2024, subject to an approval from relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 27 February 2024 and increase by 1.88% on the basis of five-year USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(g) The Group has an option to redeem the bonds on 24 June 2025, subject to an approval from relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 24 June 2025 and increase by 2.15% on the basis of five-year USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(h) The Group has an option to redeem the bonds on 14 September 2025, subject to an approval from relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

46 OTHER LIABILITIES

	Note	31 December 2020	31 December 2019
Insurance related liabilities		**172,327**	147,121
Clearing and settlement accounts		**93,031**	34,275
Payment and collection clearance accounts		**47,169**	41,265
Lease liabilities	(1)	**23,591**	22,123
Deferred income		**17,894**	20,408
Capital expenditure payable		**9,673**	9,717
Cash pledged and rental income received in advance		**8,850**	9,007
Dormant accounts		**7,195**	6,871
Accrued expenses		**5,225**	4,921
Others		**160,285**	119,727
Total		**545,240**	415,435

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

46 OTHER LIABILITIES (CONTINUED)

(1) Lease liabilities

Maturity analysis – undiscounted analysis

	31 December 2020	31 December 2019
Within one year	7,037	6,559
Between one year and five years	13,975	15,339
More than five years	7,031	3,722
Total undiscounted lease liabilities	28,043	25,620
Lease liabilities	23,591	22,123

47 SHARE CAPITAL

	31 December 2020	31 December 2019
Listed in Hong Kong (H shares)	240,417	240,417
Listed in Mainland China (A shares)	9,594	9,594
Total	250,011	250,011

All H and A shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

48 OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) Preference shares outstanding as at the end of the reporting period

Financial instrument outstanding	Issuance date	Classification	Initial interest rate	Issuance price	Quantity (million shares)	Total amount Currency	Original currency	(RMB)	Maturity date	Redemption/ conversion conditions
2017 Domestic Preference Shares	21 December 2017	Equity instruments	4.75%	RMB100 per share	600	RMB	60,000	60,000	No maturity date	None
Less: Issuance fee								(23)		
Carrying amount								59,977		

(b) The key terms

Dividend

The nominal dividend rate of the Domestic Preference Shares is adjusted on a phase-by-phase basis. It is the sum of the benchmark rate plus the fixed interest spread, and is adjusted every five years. The fixed interest spread is determined as the nominal dividend rate set for issuance less the benchmark rate at the time of issuance, and will not be subject to future adjustments. The dividends for domestic preference shares are non-cumulative. The Bank has the right to cancel dividend distribution on Domestic Preference Shares, and the cancellation does not constitute a default event. The Bank may, at its discretion, use the cancelled dividends to repay other indebtedness due and payable. If the Bank cancels all or part of the dividends on the Domestic Preference Shares, the Bank shall make no profit distribution to shareholders holding ordinary shares from the day after the cancellation proposal is adopted by the General Shareholders' Meeting to the day when full distribution of dividends is resumed. The cancellation of dividends on Domestic Preference Shares will not constitute other restrictions to the Bank except for the distribution of dividends to ordinary shareholders.

The dividends on the Domestic Preference Shares are distributed annually.

Redemption

The Bank may, subject to CBIRC approval and compliance with the redemption preconditions, redeem in whole or in part of the Domestic Preference Shares after at least five years from the completion date of the issuance (i.e., 27 December 2017). The redemption period begins from the first day of the redemption and ends on the day when all Domestic Preference Shares are redeemed or converted. The redemption price of the Domestic Preference Shares shall be their issue price plus any dividends accrued but unpaid in the current period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

48 OTHER EQUITY INSTRUMENTS (CONTINUED)

(1) Preference shares (continued)

(b) *The key terms (continued)*

Compulsory conversion of preference shares

If an Additional Tier 1 Capital Instrument Trigger Event occurs, i.e., the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below, the Bank has the right to, without prior consent from the shareholders of the Domestic Preference Shares and as agreed, convert all or part of the Domestic Preference Shares issued and outstanding to ordinary A shares, to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above the trigger point (i.e., 5.125%). In the case of partial conversion, the Domestic Preference Shares shall be subject to the same proportion and conditions of conversion. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances.

When a Tier 2 Capital Instrument Trigger Event occurs, the Bank has the right to, without prior consent of the shareholders of the Domestic Preference Shares and as agreed, convert all the Domestic Preference Shares issued and outstanding to ordinary A shares. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances. A Tier 2 Capital Instrument Trigger Event is the earlier of the following two scenarios: (i) the CBIRC having decided that without a conversion or write-off of the Bank's capital, the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. When the compulsory conversion of preference shares occurs, the Bank shall report to the CBIRC for approval and decision, and perform the announcement obligation according to the regulations of the Securities Law and China Securities Regulatory Commission ("CSRC").

The Bank classifies preference shares issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the above preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(c) *Changes in preference shares outstanding*

Financial instrument outstanding	1 January 2020		Increase/(Decrease)		31 December 2020	
	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value	Amount (million shares)	Carrying value
2015 Offshore Preference Shares	152.5	19,659	(152.5)	(19,659)	–	–
2017 Domestic Preference Shares	600	59,977	–	–	600	59,977
Total	752.5	79,636	(152.5)	(19,659)	600	59,977

Note: Offshore preference shares have been redeemed on 16 December 2020.

(2) Perpetual bonds

(a) *Perpetual bonds outstanding at the end of the year*

Financial instrument outstanding	Issuance date	Classification	Initial interest rate	Issuance price	Quantity (million pieces)	Currency	Total Amount	Maturity date	Redemption/ write-down conditions
Undated Additional Tier 1 Capital Bonds	13 November 2019	Equity instruments	4.22%	100 per unit	400	RMB	40,000	No maturity date	None
Less: Issuance fee							(9)		
Carrying amount							39,991		

(b) *The key terms*

Distribution rate and distribution payment

The distribution rate of the Undated Additional Tier 1 Capital Bonds (or "the Bonds") will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the distribution payments on the Bonds will be made at a prescribed fixed distribution rate. The distribution rate is determined by a benchmark rate plus a fixed spread.

48 OTHER EQUITY INSTRUMENTS (CONTINUED)

(2) Perpetual bonds (continued)

(b) The key terms (continued)

Distribution rate and distribution payment (continued)

The Bank shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. In the case of cancelling any distributions on the Bonds, no matter in whole or in part, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the distribution payments in whole to the holders of the Bonds. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter.

The distributions of the Bonds will be payable annually.

Conditional redemption rights of the Bank

From the fifth anniversary since the issuance of the Bonds, the Bank may redeem whole or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). If, after the issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the CBIRC and the satisfaction of the following preconditions: (i)the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (ii)or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements stipulated by the CBIRC.

Write-down/write-off clauses

Upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Bank's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the CBIRC but without the need for the consent of the holders of the Bonds, to write down whole or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a pro rata basis, according to the outstanding amount, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Bank.

Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank has the right to write off in whole, without the need for the consent of the holders of the Bonds, the aggregate amount of the Bonds then issued and outstanding. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (i)the CBIRC having decided that the Bank would become non-viable without a write-off; (ii)any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Upon write-off of the bonds, such bonds are to be permanently cancelled and will not be restored under any circumstances.

Subordination

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; will rank in priority to all classes of shares held by the Bank's shareholders and 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 Bank classifies the Bonds issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the Bonds, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

48 OTHER EQUITY INSTRUMENTS (CONTINUED)

(2) Perpetual bonds (continued)

(c) Changes in perpetual bonds outstanding

	1 January 2020		Increase/(Decrease)		31 December 2020	
Financial instrument outstanding	**Amount (million pieces)**	**Carrying value**	**Amount (million pieces)**	**Carrying value**	**Amount (million pieces)**	**Carrying value**
Undated Additional Tier 1 Capital Bonds	400	39,991	–	–	400	39,991
Total	400	39,991	–	–	400	39,991

(3) Interests attributable to the holders of equity instruments

Items	31 December 2020	31 December 2019
1. Total equity attributable to equity holders of the Bank	2,364,808	2,216,257
(1) Equity attributable to ordinary equity holders of the Bank	2,264,840	2,096,630
(2) Equity attributable to other equity holders of the Bank	99,968	119,627
Of which: net profit	5,624	3,962
dividends received	5,624	3,962
2. Total equity attributable to non-controlling interests	24,545	18,870
(1) Equity attributable to non-controlling interests of ordinary shares	21,092	15,417
(2) Equity attributable to non-controlling interests of other equity instruments	3,453	3,453

49 CAPITAL RESERVE

	31 December 2020	31 December 2019
Share premium	134,263	134,537

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50 OTHER COMPREHENSIVE INCOME

	Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
				2020				
	1 January 2020	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2020	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss								
Remeasurements of post-employment benefit obligations	(207)	479	272	479	–	–	479	–
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	1,043	(279)	764	(372)	–	93	(279)	–
Others	580	24	604	24	–	–	24	–
(2) Other comprehensive income that may be reclassified subsequently to profit or loss								
Fair value changes of debt instruments measured at fair value through other comprehensive income	25,974	(9,602)	16,372	(11,924)	(655)	2,980	(9,602)	3
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	3,901	(762)	3,139	(1,017)	–	255	(762)	–
Net loss on cash flow hedges	(239)	(61)	(300)	(61)	–	–	(61)	–
Exchange difference on translating foreign operations	934	(6,737)	(5,803)	(6,720)	–	–	(6,737)	17
Total	31,986	(16,938)	15,048	(19,591)	(655)	3,328	(16,938)	20

	Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
				2019				
	1 January 2019	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2019	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss								
Remeasurements of post-employment benefit obligations	(406)	199	(207)	199	–	–	199	–
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	599	444	1,043	592	–	(148)	444	–
Others	521	59	580	59	–	–	59	–
(2) Other comprehensive income that may be reclassified subsequently to profit or loss								
Fair value changes of debt instruments measured at fair value through other comprehensive income	17,165	8,809	25,974	11,893	(234)	(2,829)	8,809	21
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	2,277	1,624	3,901	2,171	–	(547)	1,624	–
Net gain/(loss) on cash flow hedges	53	(292)	(239)	(292)	–	–	(292)	–
Exchange difference on translating foreign operations	(1,758)	2,692	934	2,682	–	–	2,692	(10)
Total	18,451	13,535	31,986	17,304	(234)	(3,524)	13,535	11

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

51 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in Annual General Meetings.

52 GENERAL RESERVE

The general reserve of the Group is set up based upon the requirements of:

	Note	**31 December 2020**	31 December 2019
MOF	(1)	**341,307**	305,825
Hong Kong Banking Ordinance	(2)	**2,124**	2,124
Other regulatory bodies in Mainland China	(3)	**6,104**	5,753
Other overseas regulatory bodies		**693**	687
Total		**350,228**	314,389

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the "Regulation on Management of Financial Institutions for Reserves" (Cai Jin [2012] No. 20) issued by the MOF on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.

(2) Pursuant to the requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

53 PROFIT DISTRIBUTION

In the Annual General Meeting held on 19 June 2020, the shareholders approved the profit distribution for the year ended 31 December 2019. The Bank appropriated cash dividend for the year ended 31 December 2019 in an aggregate amount of RMB80,004 million.

In the Board of Directors' Meeting, held on 28 August 2020, the directors approved the payment of dividends to offshore preference shareholders and domestic preference shareholders. The dividends for the offshore preference shares distributed were US$157,583,333.33 (including taxes), calculated using the initial dividend rate of 4.65% (after taxes) as set in the terms and conditions, including US$141,825,000 actually paid to offshore preference shareholders after the deduction of US$15,758,333.33 of withholding income tax and the dividends equaled RMB1,086 million. The dividends for domestic preference shares distributed were RMB2,850 million, calculated using the nominal dividend rate of 4.75% (including taxes) as set in the terms and conditions.

On 15 November 2020, according to the initial annual interest rate of 4.22% before the first interest rate reset date determined by the terms of the Undated Additional Tier 1 Capital Bonds, the interest on perpetual bonds issued by the bank was RMB1,688 million.

On 26 March 2021, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2020:

(1) Appropriate statutory surplus reserve amounted to RMB26,817 million, based on 10% of the net profit of the Bank amounted to RMB268,174 million for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB25,947 million). It has been recorded in "Surplus reserve" as at the balance sheet date.

(2) Appropriate general reserve amounted to RMB35,482 million, pursuant to relevant regulations issued by MOF (for the year ended 31 December 2019: RMB33,824 million).

(3) Declare cash dividend RMB0.326 per share before tax and in aggregation amount of RMB81,504 million to all shareholders (for the year ended 31 December 2019: RMB0.320 per share and RMB80,004 million in aggregation). Proposed dividends as at the balance sheet date are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of the shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

54 NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents

	31 December 2020	31 December 2019
Cash	**49,068**	60,791
Surplus deposit reserves with central banks	**434,199**	398,676
Demand deposits with banks and non-bank financial institutions	**75,870**	91,819
Time deposits with banks and non-bank financial institutions with original maturity with or within three months	**112,194**	281,348
Placements with banks and non-bank financial institutions with original maturity with or within three months	**207,600**	219,706
Total	**878,931**	1,052,340

55 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transferred financial assets qualify for derecognition, the 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 has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has 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 derecognised them. As at 31 December 2020, the carrying value of debt securities lent to counterparties was RMB4,010 million (as at 31 December 2019: RMB5,291 million).

Credit asset securitisation transactions

The Group enters into securitisation transactions in its normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain interests in the form of holding subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement, otherwise the financial assets are derecognised.

As at 31 December 2020, loans with an original carrying amount of RMB829,400 million (as at 31 December 2019: RMB608,956 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2020, the carrying amount of assets that the Group continued to recognise was RMB88,625 million (as at 31 December 2019: RMB66,306 million). As at 31 December 2020, the carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB88,951 million (as at 31 December 2019: RMB66,507 million).

As at 31 December 2020, the carrying amount of asset-backed securities held in the securitisation transaction derecognised by the Group was RMB1,340 million (as at 31 December 2019: RMB292 million), and its maximum loss exposure approximates to the carrying amount.

56 OPERATING SEGMENTS

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

56 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

- "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- "Pearl River Delta" refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the "Central" region refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;
- the "Western" region refers to the following areas where the tier-1 branches of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and
- the "Northeastern" region refers to the following areas where the tier-1 branches of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	Twelve months ended 31 December 2020								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	64,500	60,987	36,662	76,140	62,290	7,353	257,261	10,716	575,909
Internal net interest income/ (expense)	27,451	23,726	46,961	28,551	29,472	18,001	(177,338)	3,176	–
Net interest income	91,951	84,713	83,623	104,691	91,762	25,354	79,923	13,892	575,909
Net fee and commission income	16,620	24,764	18,337	15,896	11,799	4,050	20,056	3,060	114,582
Net trading gain/(loss)	96	204	174	324	104	16	4,126	(731)	4,313
Dividend income	88	7	1,927	650	10	–	89	411	3,182
Net gain/(loss) arising from investment securities	4,273	(778)	(787)	(586)	(40)	(617)	3,200	1,100	5,765
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(13)	10	29	–	–	–	4,612	11	4,649
Other operating (expense)/ income, net	(3,576)	377	1,569	64	1,585	7	3,503	2,295	5,824
Operating income	109,439	109,297	104,872	121,039	105,220	28,810	115,509	20,038	714,224
Operating expenses	(28,835)	(24,624)	(29,637)	(34,160)	(30,153)	(11,692)	(15,452)	(14,021)	(188,574)
Credit impairment losses	(22,994)	(31,459)	(25,623)	(45,476)	(19,352)	(12,688)	(29,696)	(6,203)	(193,491)
Other impairment losses	6	(54)	(205)	–	(6)	(65)	4,343	(457)	3,562
Share of (losses)/profits of associates and joint ventures	(3)	–	260	579	–	–	–	59	895
Profit before tax	57,613	53,160	49,667	41,982	55,709	4,365	74,704	(584)	336,616
Capital expenditure	3,280	1,401	2,638	2,559	1,899	1,031	5,321	7,363	25,492
Depreciation and amortisation	3,662	3,230	4,453	4,921	4,025	1,806	2,215	1,870	26,182
	31 December 2020								
Segment assets	4,873,490	3,942,366	6,667,011	4,416,305	3,985,433	1,451,185	10,577,145	1,433,729	37,346,664
Long-term equity investments	604	–	4,850	7,196	–	–	–	1,052	13,702
	4,874,094	3,942,366	6,671,861	4,423,501	3,985,433	1,451,185	10,577,145	1,434,781	37,360,366
Deferred tax assets									92,950
Elimination									(9,321,062)
Total assets									28,132,254
Segment liabilities	4,836,646	3,915,742	6,596,879	4,397,877	3,963,977	1,453,094	8,585,097	1,313,100	35,062,412
Deferred tax liabilities									1,551
Elimination									(9,321,062)
Total liabilities									25,742,901
Off-balance sheet credit commitments	608,353	588,398	693,095	648,284	446,579	162,120	–	266,701	3,413,530

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	Twelve months ended 31 December 2019								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	58,955	56,235	41,545	64,405	56,390	10,442	236,542	12,552	537,066
Internal net interest income/ (expense)	19,231	16,158	36,168	26,827	25,367	13,445	(136,338)	(858)	–
Net interest income	78,186	72,393	77,713	91,232	81,757	23,887	100,204	11,694	537,066
Net fee and commission income	15,962	23,057	18,340	16,666	11,305	4,180	18,693	2,695	110,898
Net trading gain	97	202	180	188	111	6	8,319	17	9,120
Dividend income	77	5	138	30	11	–	74	849	1,184
Net gain/(loss) arising from investment securities	4,022	(255)	(26)	331	(416)	326	4,294	817	9,093
Net gain/(loss) on derecognition of financial assets measured at amortised cost	2	–	205	(1)	–	–	2,785	368	3,359
Other operating (expense)/ income, net	(1,177)	545	1,199	423	1,179	301	209	4,602	7,281
Operating income	97,169	95,947	97,749	108,869	93,947	28,700	134,578	21,042	678,001
Operating expenses	(28,961)	(24,439)	(29,414)	(34,827)	(30,911)	(12,046)	(14,972)	(12,562)	(188,132)
Credit impairment losses	(15,250)	(17,040)	(34,529)	(34,405)	(28,665)	(8,122)	(22,166)	(2,823)	(163,000)
Other impairment losses	(31)	(29)	(250)	(28)	49	(27)	(169)	(36)	(521)
Share of profits of associates and joint ventures	–	–	8	225	–	–	–	16	249
Profit before tax	52,927	54,439	33,564	39,834	34,420	8,505	97,271	5,637	326,597
Capital expenditure	2,345	1,665	2,970	3,375	2,670	1,026	3,065	4,767	21,883
Depreciation and amortisation	3,516	3,066	3,802	4,489	3,756	1,739	2,044	1,515	23,927
	31 December 2019								
Segment assets	4,749,944	3,767,856	5,570,438	4,480,717	3,670,832	1,286,929	9,745,744	1,722,267	34,994,727
Long-term equity investments	1	–	3,764	6,971	–	–	–	617	11,353
	4,749,945	3,767,856	5,574,202	4,487,688	3,670,832	1,286,929	9,745,744	1,722,884	35,006,080
Deferred tax assets									72,314
Elimination									(9,642,133)
Total assets									25,436,261
Segment liabilities	4,738,703	3,754,627	5,473,747	4,488,214	3,678,278	1,290,772	7,817,032	1,601,437	32,842,810
Deferred tax liabilities									457
Elimination									(9,642,133)
Total liabilities									23,201,134
Off-balance sheet credit commitments	546,411	506,947	640,521	557,471	407,151	149,396	–	277,910	3,085,807

56 OPERATING SEGMENTS (CONTINUED)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	Twelve months ended 31 December 2020				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	187,158	174,543	190,605	23,603	575,909
Internal net interest income/(expense)	69,181	92,384	(152,742)	(8,823)	–
Net interest income	256,339	266,927	37,863	14,780	575,909
Net fee and commission income	35,390	57,586	15,804	5,802	114,582
Net trading (loss)/gain	(1,656)	(37)	4,313	1,693	4,313
Dividend income	–	–	1	3,181	3,182
Net (loss)/gain arising from investment securities	(5,746)	(2,512)	5,729	8,294	5,765
Net gain on derecognition of financial assets measured at amortised cost	–	4,338	274	37	4,649
Other operating income, net	66	834	2,308	2,616	5,824
Operating income	284,393	327,136	66,292	36,403	714,224
Operating expenses	(71,198)	(90,202)	(10,485)	(16,689)	(188,574)
Credit impairment losses	(146,460)	(30,887)	(4,219)	(11,925)	(193,491)
Other impairment losses	(120)	–	4,327	(645)	3,562
Share of profits of associates and joint ventures	–	–	–	895	895
Profit before tax	66,615	206,047	55,915	8,039	336,616
Capital expenditure	6,179	8,725	762	9,826	25,492
Depreciation and amortisation	9,294	13,124	1,146	2,618	26,182
	31 December 2020				
Segment assets	9,235,872	7,409,563	10,077,510	1,472,784	28,195,729
Long-term equity investments	–	–	–	13,702	13,702
	9,235,872	7,409,563	10,077,510	1,486,486	28,209,431
Deferred tax assets					92,950
Elimination					(170,127)
Total assets					28,132,254
Segment liabilities	11,502,039	10,639,882	1,693,095	2,076,461	25,911,477
Deferred tax liabilities					1,551
Elimination					(170,127)
Total liabilities					25,742,901
Off-balance sheet credit commitments	2,115,619	1,031,210	–	266,701	3,413,530

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	Twelve months ended 31 December 2019				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	183,972	147,983	183,827	21,284	537,066
Internal net interest income/(expense)	51,169	63,416	(107,464)	(7,121)	–
Net interest income	235,141	211,399	76,363	14,163	537,066
Net fee and commission income	32,376	56,312	14,628	7,582	110,898
Net trading (loss)/gain	(398)	(42)	3,712	5,848	9,120
Dividend income	–	–	2	1,182	1,184
Net (loss)/gain arising from investment securities	(2,835)	(2,921)	12,119	2,730	9,093
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(13)	2,665	132	575	3,359
Other operating income, net	36	594	2,365	4,286	7,281
Operating income	264,307	268,007	109,321	36,366	678,001
Operating expenses	(68,178)	(91,230)	(12,045)	(16,679)	(188,132)
Credit impairment losses	(123,164)	(28,135)	(5,506)	(6,195)	(163,000)
Other impairment losses	(271)	–	(77)	(173)	(521)
Share of profits of associates and joint ventures	–	–	–	249	249
Profit before tax	72,694	148,642	91,693	13,568	326,597
Capital expenditure	5,888	8,890	945	6,160	21,883
Depreciation and amortisation	8,097	12,225	1,300	2,305	23,927
	31 December 2019				
Segment assets	8,132,225	6,658,229	9,070,449	1,739,892	25,600,795
Long-term equity investments	–	–	–	11,353	11,353
	8,132,225	6,658,229	9,070,449	1,751,245	25,612,148
Deferred tax assets					72,314
Elimination					(248,201)
Total assets					25,436,261
Segment liabilities	10,629,081	9,174,974	1,414,808	2,230,015	23,448,878
Deferred tax liabilities					457
Elimination					(248,201)
Total liabilities					23,201,134
Off-balance sheet credit commitments	1,789,423	1,018,474	–	277,910	3,085,807

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 ENTRUSTED LENDING BUSINESS

As at the end of the reporting period, the entrusted loans and entrusted funds were as follows:

	31 December 2020	31 December 2019
Entrusted loans	**3,572,599**	3,219,935
Entrusted funds	**3,572,599**	3,219,935

58 PLEDGED ASSETS

(1) Assets pledged as securities

The Group's collaterals for liabilities or contingent liabilities include financial assets such as securities and bills, which mainly serve as collaterals for repurchase agreements, derivative contracts and local statutory requirements. As at 31 December 2020, the carrying values of the Group's financial assets pledged as collaterals amounted to approximately RMB1,137,581 million(31 December 2019: RMB923,623 million).

(2) Collateral accepted as securities for assets

As part of the resale agreements, the Group has received securities that were allowed to sell or repledge in the absence of default by their owners. As at 31 December 2020, the Group did not hold any collateral for resale agreements which was permitted to sell or repledge in the absence of default for the transactions (31 December 2019: RMB8,589 million).

59 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loan commitments and credit card overdraft commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the contractual amounts set out in the following table do not represent the expected future cash outflows.

	31 December 2020	31 December 2019
Loan commitments		
– with an original maturity within one year	**94,762**	94,491
– with an original maturity of one year or over	**488,350**	373,227
Credit card commitments	**1,068,582**	1,063,718
	1,651,694	1,531,436
Bank acceptances	**278,231**	207,578
Financing guarantees	**46,656**	61,876
Non-financing guarantees	**1,236,368**	1,125,462
Sight letters of credit	**43,329**	36,629
Usance letters of credit	**141,600**	119,211
Others	**15,652**	3,615
Total	**3,413,530**	3,085,807

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

59 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBIRC and depends on the status of the counterparty and the maturity characteristics.

	31 December 2020	31 December 2019
Credit risk-weighted amount of contingent liabilities and commitments	**1,108,129**	1,050,190

(3) Capital commitments

As at the end of the reporting period, the Group had capital commitments as follows:

	31 December 2020	31 December 2019
Contracted for	**15,004**	20,077

(4) Underwriting obligations

As at 31 December 2020, there was no unexpired underwriting commitment of the Group (as at 31 December 2019: RMB60 million).

(5) Government bond redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2020, were RMB74,435 million (as at 31 December 2019: RMB86,794 million).

(6) Outstanding litigations and disputes

As at 31 December 2020, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB9,424 million (as at 31 December 2019: RMB9,593 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 44). The Group considers that the provisions made are reasonable and adequate.

(7) Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies.

(8) Impact of the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions*

In accordance with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* jointly issued by the PBOC and three other ministries as well as the PBOC's announcement to extend the transition period to 2021, the PBOC encourages financial institutions to dispose of legacy assets orderly using a range of methods such as replacing them with new products, market-based transfers, contract changes, and asset undertaking. The Group is pressing ahead with the rectification of legacy wealth management business and has assessed and recognised the impact of rectification on provisions and credit impairment losses in the financial statements. The Group will duly implement relevant policies and regulatory requirements, and continue to assess and disclose the relevant impact.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

As approved by the State Council, CIC was established on 29 September 2007 with registered capital of RMB1,550,000 million. As a wholly-owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of the PRC government in accordance with laws.

Huijin was incorporated on 16 December 2003 as a wholly-state-owned investment company. It was registered in Beijing with registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2020, Huijin directly held 57.11% of shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB80,000 million (as at 31 December 2019: RMB81,720 million). These are bearer bonds and tradable in the secondary market. The Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group entered into with parent companies are as follows

Amounts:

	2020		2019	
	Amount	**Ratio to similar transactions**	Amount	Ratio to similar transactions
Interest income	**1,987**	**0.20%**	1,887	0.21%
Interest expense	**158**	**0.04%**	209	0.06%
Net trading gain	**34**	**0.79%**	11	0.12%

Balances outstanding as at the end of the reporting period

	31 December 2020		31 December 2019	
	Balance	**Ratio to similar transactions**	Balance	Ratio to similar transactions
Loans and advances to customers	**4,000**	**0.02%**	22,000	0.15%
Financial investments				
Financial assets measured at fair value through profit or loss	**104**	**0.02%**	426	0.06%
Financial assets measured at amortised cost	**23,490**	**0.52%**	13,090	0.35%
Financial assets measured at fair value through other comprehensive income	**20,163**	**1.08%**	17,278	0.96%
Deposits from banks and non-bank financial institutions	**12**	**0.00%**	25	0.00%
Deposits from customers	**5,681**	**0.03%**	1,379	0.01%
Credit commitments	**288**	**0.01%**	288	0.01%

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

Amounts

		2020		2019	
	Note	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income		18,413	1.86%	20,659	2.27%
Interest expense		3,508	0.85%	4,099	1.10%
Fee and commission income		221	0.17%	196	0.15%
Fee and commission expense		359	2.12%	276	1.75%
Net trading gain		289	6.70%	857	9.40%
Net gain arising from investment securities		2,119	36.76%	1,770	19.47%
Operating expenses	(i)	810	0.43%	847	0.45%

Balances outstanding as at the end of the reporting period

		31 December 2020		31 December 2019	
	Note	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		85,722	18.91%	47,017	11.20%
Placements with banks and non-bank financial institutions		138,354	37.55%	172,472	32.47%
Positive fair value of derivatives		14,013	20.30%	4,387	12.66%
Financial assets held under resale agreements		35,743	5.94%	34,246	6.14%
Loans and advances to customers		72,800	0.45%	86,960	0.60%
Financial investments					
Financial assets measured at fair value through profit or loss		97,007	16.78%	70,184	10.39%
Financial assets measured at amortised cost		200,448	4.45%	262,925	7.03%
Financial assets measured at fair value through other comprehensive income		221,531	11.86%	198,140	11.02%
Other assets		53	0.02%	204	0.11%
Deposits from banks and non-bank financial institutions	(ii)	124,039	6.38%	94,204	5.63%
Placements from banks and non-bank financial institutions		119,434	34.16%	141,708	27.17%
Financial liabilities measured at fair value through profit or loss		90	0.04%	81	0.03%
Negative fair value of derivatives		12,037	14.69%	4,666	13.81%
Financial assets sold under repurchase agreements		1,291	2.28%	5,172	4.51%
Deposits from customers		74,052	0.36%	46,787	0.25%
Other liabilities		6,587	1.21%	9,135	2.20%
Credit commitments		14,193	0.42%	27,156	0.88%

(i) Operating expenses mainly represent fees for related services provided by parent companies and their affiliates.

(ii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(2) Transactions with associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group.

In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	2020	2019
Interest income	171	101
Interest expense	55	13
Fee and commission income	69	366
Fee and commission expense	4	4
Net loss arising from investment securities	–	168
Operating expenses	119	100

Balances outstanding as at the end of the reporting period

	31 December 2020	31 December 2019
Loans and advances to customers	7,959	3,474
Other assets	913	20
Financial liabilities measured at fair value through profit or loss	7	67
Deposits from customers	8,047	2,895
Other liabilities	6,709	743
Credit commitments	303	260

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions are conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	2020	2019
Interest income	1,871	1,578
Interest expense	1,160	1,138
Fee and commission income	2,257	2,197
Fee and commission expense	775	1,155
Dividend income	557	323
Operating expenses	6,407	4,807
Other operating expense, net	101	209

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(3) Transactions between the Bank and its subsidiaries (continued)

Balances outstanding as at the end of the reporting period

	31 December 2020	31 December 2019
Deposits with banks and non-bank financial institutions	3,166	785
Placements with banks and non-bank financial institutions	119,347	109,493
Positive fair value of derivatives	177	137
Loans and advances to customers	5,875	3,490
Financial investments		
Financial assets measured at fair value through profit or loss	654	697
Financial assets measured at amortised cost	1,206	1,062
Financial assets measured at fair value through other comprehensive income	18,262	13,210
Other assets	37,967	39,227

	31 December 2020	31 December 2019
Deposits from banks and non-bank financial institutions	11,905	22,675
Placements from banks and non-bank financial institutions	39,189	27,685
Financial liabilities measured at fair value through profit or loss	109	71
Negative fair value of derivatives	317	383
Financial assets sold under repurchase agreements	–	700
Deposits from customers	7,399	12,652
Debt securities issued	50	–
Other liabilities	9,015	2,328

As at 31 December 2020, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary was RMB16,455 million (as at 31 December 2019: RMB23,552 million).

As at 31 December 2020, the transactions between subsidiaries of the Group were mainly debt securities issued and deposits with banks and non-bank financial institutions, and the balances of the above transactions were RMB1,457 million and RMB1,022 million respectively (as at 31 December 2019, the transactions between subsidiaries of the Group were debt securities issued and deposits with banks and non-bank financial institutions, and the balances of the above transactions were RMB1,702 million and RMB1,691 million respectively).

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(5) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme in 2020 and 2019.

As at 31 December 2020, the fair value of the Group's supplementary retirement benefit plan assets managed by CCB Principal Asset Management and CCB Pension was RMB3,918 million (as at 31 December 2019: RMB3,670 million), and management fees payable to CCB Principal Asset Management and CCB Pension were RMB28.05 million (as at 31 December 2019: RMB19.52 million).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the years ended 31 December 2020 and 2019, there were no material transactions and balances with key management personnel.

The compensation of directors and supervisors is disclosed in Note 16. The senior executives' annual compensation before individual income tax during the year is as follows:

	2020			
	Remuneration paid RMB' 000	Contributions to defined contribution retirement schemes RMB' 000	Other benefits in kind (Note (i)) RMB' 000	Total (Note (ii)) RMB' 000
Executive Vice Presidents				
Ji Zhihong	557	39	120	716
Wang Hao	186	17	44	247
Zhang Min	47	4	11	62
Secretary to the Board				
Hu Changmiao	1,058	39	201	1,298
Chief Information Officer				
Jin Panshi	–	–	–	–
Chief Risk Officer				
Cheng Yuanguo	–	–	–	–
Chief Financial Officer				
Zhang Yi	–	–	–	–
Former Executive Vice President				
Huang Yi	186	9	37	232
Former Chief Financial Officer				
Xu Yiming	263	–	59	322
Former Chief Risk Officer				
Jin Yanmin	1,058	39	204	1,301
	3,355	147	676	4,178

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel (continued)

	2019			
	Accrued cost (Allowances) RMB'000	Social insurance, corporate annuity, supplementary medical insurance and housing fund paid by the Bank RMB'000	Other monetary income RMB'000	Total RMB'000
Executive Vice Presidents				
Huang Yi	771	165	–	936
Ji Zhihong	450	91	–	541
Chief Financial Officer				
Xu Yiming	2,371	204	–	2,575
Chief Risk Officer				
Jin Yanmin	1,383	118	–	1,501
Secretary to the Board				
Hu Changmiao	1,383	116	–	1,499
Former Executive Vice Presidents				
Zhang Lilin	514	105	–	619
Liao Lin	707	184	–	891
Former Secretary to the Board				
Huang Zhiling	988	86	–	1,074
	8,567	1,069	–	9,636

(i) Other benefits in kind included 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. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance. In accordance with the Administrative Measures on Annuities of State-owned Financial Enterprises and the China Construction Bank Corporation Annuity Plan, in 2020, the Bank topped up the difference resulting from adjustments to annuity contribution percentages between February 2018 and December 2019. The above disclosure of benefits data includes the top-up made by the Bank of the difference in annuity contributions for 2020.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2020 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's financial statements for the year ended 31 December 2020. The final compensation will be disclosed in a separate announcement when determined.

(iii) The total compensation package for certain key management personnel for the year ended 31 December 2019 had not been finalised in accordance with regulations of the PRC relevant authorities as at the date that the 2019 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2019 has been reviewed and approved by the Board meeting of the Bank and the shareholders' general meeting of the Bank.

(iv) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

(7) Loans, quasi-loans and other credit transactions to directors, supervisors and senior executives

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior executives as at the end of reporting period. Those loans, quasi-loans and other credit transactions to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

61 RISK MANAGEMENT

The Group has exposure to the following risks:

- credit risk
- market risk
- liquidity risk
- operational risk
- insurance risk

This note presents information about the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board performs risk management responsibilities pursuant to the Bank's Articles of Association and regulatory requirements. The Risk Management Committee under the Board is responsible for developing risk management strategies, supervising the implementation, and assessing the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and transmits risk appetite through policies. The Board of Supervisors supervises the construction of the comprehensive risk management system, as well as the performance of the Board and senior management in delivering comprehensive risk management responsibilities. Senior management is responsible for implementing risk strategies developed by the Board and organising the comprehensive risk management work across the Group.

Chief Risk Officer of the Bank assists the President with risk management work within designated responsibilities. Risk Management Department is the leading management department responsible for the Group's comprehensive risk management, and its subordinate department, Market Risk Management Department takes the lead in market risk management. Credit Management Department is the leading management department responsible for the overall credit risk management and country risk management. Asset & Liability Management Department is the leading management department responsible for the management of liquidity risk and interest rate risk of banking book. Internal Control & Compliance Department is the leading management department responsible for operational risk and information technology risk management. Public Relations & Corporate Culture Department is in charge of reputational risk management. Strategy and Policy Coordination Department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for other risks.

The Bank attached great importance to the risk management of subsidiaries, implemented management requirements of the parent bank through the corporate governance mechanism, continuously improved the quality and efficiency of the performance of the Board of Directors of the subsidiaries, and required the subsidiaries to focus on their main businesses, operate steadily, and establish a sound risk control system. It further highlighted the transmission of risk appetite at the Group level within the group risk management framework, and implemented refined and differentiated management of different types of subsidiaries. It strengthened the Group's consolidation and credit management to avoid lending beyond credit limits. It continued to promote the establishment of risk views of subsidiaries, and effectively improved the digital level of risk early warning and risk monitoring of subsidiaries. It strengthened overall planning and coordination and improved the long-term mechanism for risk management of the asset management business at the subsidiaries.

(1) Credit risk

Credit risk management

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit business

The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Special Assets Resolution Center is responsible for the special assets resolutions. The Credit Approval Department is responsible for the Group's comprehensive credit limits and credit approval of various credit businesses. While the Credit Management Department takes the lead, both the Credit Management Department and the Credit Approval Department will coordinate with the Corporate Banking Department, the Inclusive Finance Department, the Institutional Banking Department, the International Business Department, the Strategic Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, and the Legal Affairs Department to implement the credit risk management policies and procedures.

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Credit risk management (continued)

Credit business (continued)

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have been implemented to maintain the stability of asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risk and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually carries out post-lending monitoring, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral or guarantees where appropriate. A refined management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

Treasury business

For risk management purposes, credit risk arising from debt securities and derivatives exposures is managed independently and information thereon is disclosed in Notes (1)(i) and (1)(j) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

Measurement of expected credit losses (ECLs)

(A) Segmentation of financial instruments

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses.

The key definition of the three stages are summarised below:

Stage 1: For financial instruments with no significant increase in credit risk after initial recognition, expected credit losses in the next 12 months are recognised.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, but with no objective evidence of impairment, lifetime expected credit losses are recognised.

Stage 3: For financial instruments with objective evidence of impairment on the balance sheet date, lifetime expected credit losses are recognised.

(B) Significant increase in credit risk (SICR)

The Group assesses at least quarterly whether the credit risk of a financial instrument has increased significantly since initial recognition. The Group compares the risk of default of financial instruments as at the balance sheet date with that as at the date of initial recognition for an individual financial instrument or a group of financial instruments with similar credit risk characteristics to determine whether the credit risk has increased significantly since initial recognition. The Group sufficiently considers all reasonable and supportable information in related assessments, including regulatory and business environment, internal and external credit rating of customer, customer repayment ability, customer operation capacity, contract terms of the loan, asset price, market interest rate, customer repayment behaviors, and forward-looking information.

The Group has set qualitative and quantitative criteria for assessing whether the credit risk of financial instruments has increased significantly since initial recognition. For example, the credit risk of corporate loans and advances whose internal credit ratings have fallen to level 15 and below, and of bond investments whose internal credit ratings have fallen by 2 and more levels, is regarded as having increased significantly.

Usually, the credit risk of loans overdue for more than 30 days is regarded as having increased significantly.

For borrowers who were eligible for temporary deferral in principal repayment and interest payment, deferred repayment and other credit support measures in the wake of COVID-19, the Group, by reference to guidelines by relevant regulators, did not consider these support measures as an automatic trigger of a significant increase in credit risk. The Group continued to make judgment based on substantive risk assessment and comprehensively considered the operations and repayment capacity of borrowers, as well as any changes in the impact of COVID-19 on these borrowers, to assess whether the credit risk of relevant financial instruments had increased significantly since initial recognition.

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Measurement of expected credit losses (ECLs) (continued)

(C) Definition of default and credit-impaired assets

The Group considers a financial asset as having defaulted when it is credit-impaired. Generally, financial assets overdue for more than 90 days on contractual payment terms shall be considered as having defaulted.

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

– Significant financial difficulty of the borrower or issuer;

– Breach of contract terms, such as a default or delinquency in interest or principal payments;

– The Group, for economic or legal reasons, making a concession to a borrower experiencing financial difficulty that the Group would not otherwise consider;

– It is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– Disappearance of an active market for financial assets because of financial difficulties;

– A financial asset purchased or originated by a large discount which reflects the fact of credit-impairment having occurred;

– Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group; and;

– Other objective evidence indicating there is an impairment of the financial asset.

The Group's definition of default has been consistently applied to the estimates of PD, LGD and EAD during the ECL measurement.

(D) Explanation of parameters, assumptions and estimation techniques

The ECL is recognised on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial instrument is considered to be credit-impaired. Expected credit losses are the discounted product of the weighted average of PD, LGD, and EAD under the optimistic, baseline and pessimistic scenarios, defined as follows:

PD refers to the likelihood of a borrower defaulting on its financial obligation in the future, after consideration of forward-looking information. Please refer to earlier disclosure in this note for the definition of default.

LGD refers to the Group's expected loss amount resulting from default as a proportion of total exposure, after consideration of forward-looking information.

EAD is the total amount of risk exposure on and off-balances sheet at the time of default. The exposure is determined by the repayment plan according to different types of products.

The discount rate used in the ECL measurement is the effective interest rate.

During the reporting period, based on changes in macroeconomic environment, the Group has updated forward-looking information used in the measurement of expected credit losses. Please refer to further disclosure in this note for forward-looking information which is incorporated in the measurement of expected credit losses.

The assumptions underlying the ECL measurement, such as the PDs for different maturities and how the collateral values change, are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques and such assumptions made during the reporting period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Measurement of expected credit losses (ECLs) (continued)

(E) Forward-looking information incorporated in the ECL

The assessment of SICR and the measurement of ECL both incorporate forward-looking information.

The Group has performed historical data analysis and identified the macroeconomic variables affecting expected credit losses, such as GDP, CPI, M2, PPI, RMB deposit reserve rate, London spot gold price, average exchange rate of US Dollar to RMB, sales price indices of second-hand residential buildings in 70 large and medium-sized cities, national real estate climate index, unemployment rate, and so on.

COVID-19 has made an unprecedented impact on the macro economy, bringing great uncertainties and significantly increasing the difficulty of forecasting macroeconomic variables. In order to further improve the accuracy of forecasts, the Group developed scenarios specifically tailored for ECL measurement by reference to forecast results of authoritative international and domestic institutions and leveraging on the capability of internal experts.

The forecast GDP value for baseline scenario is set as the average value of forecasts released by authoritative international and domestic institutions. The upper and lower limits of forecast values for optimistic scenario and pessimistic scenario are determined using certain quantiles of the overall distribution of forecast results by relevant authoritative institutions. For other macroeconomic variables, the Group involved internal experts and used methods such as transmission models, principles of economics, and expert judgment to calculate the predicted value of each variable under various scenarios. The forecast 2021 GDP growth rate under the baseline scenario is 8.00%.

The Group constructs empirical models to derive the relationship between historical macroeconomic variables and PD and LGD, and calculates the PD and LGD values for a given future horizon using the forecasted macroeconomic variables.

The Group constructs empirical models to determine the weightings for optimistic, baseline and pessimistic scenarios. As at 31 December 2020 and 31 December 2019, the optimistic, baseline and pessimistic scenarios are of comparable weighting.

(F) Grouping of financial instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, the Group has divided exposures with shared risk characteristics into separate groups. In performing this grouping, the Group obtained sufficient information to ensure it is statistically reliable. The Group uses credit rating, product types and client types, etc., for grouping the personal loans and advances to calculate the expected credit losses measured on a collective basis.

(a) Maximum credit risk exposure

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting any impairment allowance.

	31 December 2020	31 December 2019
Deposits with central banks	**2,767,096**	2,560,219
Deposits with banks and non-bank financial institutions	**453,233**	419,661
Placements with banks and non-bank financial institutions	**368,404**	531,146
Positive fair value of derivatives	**69,029**	34,641
Financial assets held under resale agreements	**602,239**	557,809
Loans and advances to customers	**16,231,369**	14,542,001
Financial investments		
Financial assets measured at fair value through profit or loss	**361,318**	496,653
Financial assets measured at amortised cost	**4,505,243**	3,740,296
Financial assets measured at fair value through other comprehensive income	**1,860,503**	1,791,553
Other financial assets	**205,860**	163,231
Total	**27,424,294**	24,837,210
Off-balance sheet credit commitments	**3,413,530**	3,085,807
Maximum credit risk exposure	**30,837,824**	27,923,017

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) Loans and advances to customers analysed by credit quality

Within overdue but not credit impaired loans and advances and credit impaired loans and advances, the portions covered and not covered by collateral held are as follows:

	31 December 2020		
	Overdue but not credit impaired loans and advances		**Credit impaired loans and advances**
	Corporate	**Personal**	**Corporate**
Portion covered	**1,011**	**16,468**	**81,636**
Portion not covered	**1,535**	**10,419**	**148,796**
Total	**2,546**	**26,887**	**230,432**

	31 December 2019		
	Overdue but not credit impaired loans and advances		Credit impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	1,305	14,249	66,611
Portion not covered	2,218	9,330	118,504
Total	3,523	23,579	185,115

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(c) *Loans and advances to customers analysed by economic sector concentrations*

	31 December 2020			31 December 2019		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Transportation, storage and postal services	**1,703,060**	**10.14%**	**529,450**	1,532,989	10.20%	520,042
– Leasing and commercial services	**1,481,999**	**8.83%**	**505,365**	1,137,429	7.57%	419,247
– Manufacturing	**1,425,165**	**8.49%**	**378,593**	1,266,240	8.43%	319,672
– Production and supply of electric power, heat, gas and water	**867,109**	**5.17%**	**189,047**	837,974	5.58%	198,857
– Real estate	**788,560**	**4.70%**	**436,419**	658,957	4.39%	345,101
– Wholesale and retail trade	**773,466**	**4.61%**	**377,767**	521,670	3.47%	245,607
– Water, environment and public utility management	**540,313**	**3.22%**	**235,243**	438,817	2.92%	215,848
– Construction	**396,171**	**2.36%**	**106,836**	337,375	2.25%	86,217
– Mining	**236,199**	**1.41%**	**16,885**	232,837	1.55%	18,925
– Agriculture, forestry, farming, fishing	**88,754**	**0.53%**	**17,644**	72,200	0.48%	16,092
– Education	**72,721**	**0.43%**	**16,713**	66,651	0.44%	14,397
– Public management, social securities and social organisation	**55,905**	**0.33%**	**1,604**	59,969	0.40%	4,770
– Others	**746,102**	**4.44%**	**210,436**	779,625	5.19%	186,851
Total corporate loans and advances	**9,175,524**	**54.66%**	**3,022,002**	7,942,733	52.87%	2,591,626
Personal loans and advances	**7,311,183**	**43.55%**	**6,104,175**	6,552,480	43.61%	5,515,937
Discounted bills	**259,061**	**1.54%**	**–**	492,693	3.28%	–
Accrued interest	**41,664**	**0.25%**	**–**	36,253	0.24%	–
Total loans and advances to customers	**16,787,432**	**100.00%**	**9,126,177**	15,024,159	100.00%	8,107,563

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of the total gross loans and advances to customers are as follows:

	31 December 2020				2020	
		Allowances for expected credit losses				
	Stage 3 Gross loans	**Stage 1**	**Stage 2**	**Stage 3**	**Charge for the year**	**Written off during the year**
Transportation, storage and postal services	**37,695**	**(28,478)**	**(14,023)**	**(27,783)**	**(14,829)**	**2,382**

	31 December 2019				2019	
		Allowances for expected credit losses				
	Stage 3 Gross loans	Stage 1	Stage 2	Stage 3	Charge for the year	Written off during the year
Transportation,storage and postal services	28,663	(28,436)	(11,075)	(20,105)	(25,268)	440

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(d) *Loans and advances to customers analysed by geographical sector concentrations*

	31 December 2020			31 December 2019		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Central	3,084,244	18.37%	1,914,520	2,684,077	17.87%	1,681,971
Yangtze River Delta	3,003,466	17.89%	1,823,289	2,584,684	17.20%	1,593,754
Bohai Rim	2,819,557	16.80%	1,367,386	2,527,254	16.82%	1,226,117
Pearl River Delta	2,770,718	16.50%	1,885,512	2,320,984	15.45%	1,626,994
Western	2,741,336	16.33%	1,589,540	2,480,840	16.51%	1,430,658
Northeastern	766,232	4.56%	375,371	738,388	4.91%	361,023
Head office	830,609	4.95%	–	747,741	4.98%	–
Overseas	729,606	4.35%	170,559	903,938	6.02%	187,046
Accrued interest	41,664	0.25%	–	36,253	0.24%	–
Gross loans and advances to customers	16,787,432	100.00%	9,126,177	15,024,159	100.00%	8,107,563

Details of Stage 3 loans and expected credit losses in respect of geographical sectors as at the end of the reporting period are as follows:

	31 December 2020			
	Stage 3 Gross loan balance	Allowances for expected credit losses		
		Stage 1	Stage 2	Stage 3
Central	65,990	(50,739)	(19,917)	(49,417)
Bohai Rim	43,467	(45,227)	(21,927)	(26,744)
Western	39,218	(48,926)	(17,893)	(25,133)
Pearl River Delta	38,323	(46,614)	(12,955)	(21,855)
Yangtze River Delta	32,932	(53,150)	(20,265)	(20,308)
Northeastern	22,581	(12,771)	(9,112)	(15,654)
Head office	11,772	(15,165)	(2,917)	(10,231)
Overseas	6,446	(2,836)	(3,113)	(3,194)
Total	260,729	(275,428)	(108,099)	(172,536)

	31 December 2019			
	Stage 3 Gross loans balance	Allowances for expected credit losses		
		Stage 1	Stage 2	Stage 3
Central	46,289	(45,490)	(15,072)	(31,019)
Bohai Rim	43,954	(40,048)	(19,612)	(29,160)
Western	40,008	(45,034)	(14,822)	(30,225)
Pearl River Delta	24,914	(38,381)	(11,878)	(16,651)
Yangtze River Delta	25,796	(43,980)	(18,604)	(17,829)
Northeastern	20,384	(12,623)	(8,916)	(15,074)
Head office	8,185	(11,010)	(2,216)	(7,227)
Overseas	2,943	(3,461)	(1,760)	(2,066)
Total	212,473	(240,027)	(92,880)	(149,251)

The definitions of geographical segments are set out in Note 56(1). The above allowances for ECL do not include allowances for ECL of loans and advances measured at FVOCI.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(e) Loans and advances to customers analysed by type of collateral

	31 December 2020	31 December 2019
Unsecured loans	**5,397,481**	4,959,932
Guaranteed loans	**2,222,110**	1,920,411
Loans secured by property and other immovable assets	**7,703,618**	6,875,286
Other pledged loans	**1,422,559**	1,232,277
Accrued interest	**41,664**	36,253
Gross loans and advances to customers	**16,787,432**	15,024,159

(f) Restructured loans and advances to customers

Restructured loans and advances to customers are those loans and advances to customers for which the Group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. The gross carrying amount of the Group's restructured loans and advances to customers were not significant for the years ended 31 December 2020 and 2019.

(g) Credit exposure

Loans and advances to customers

	31 December 2020			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	**15,937,968**	**44,916**	**–**	**15,982,884**
Medium risk	**–**	**492,265**	**–**	**492,265**
High risk	**–**	**–**	**260,729**	**260,729**
Gross loans and advances	**15,937,968**	**537,181**	**260,729**	**16,735,878**
Allowances for impairment losses on loans and advances measured at amortised cost	**(275,428)**	**(108,099)**	**(172,536)**	**(556,063)**
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	**(603)**	**(237)**	**–**	**(840)**

	31 December 2019			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	14,294,751	26,214	–	14,320,965
Medium risk	–	439,186	–	439,186
High risk	–	–	212,473	212,473
Gross loans and advances	14,294,751	465,400	212,473	14,972,624
Allowances for impairment losses on loans and advances measured at amortised cost	(240,027)	(92,880)	(149,251)	(482,158)
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	(958)	(94)	(570)	(1,622)

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Credit exposure (continued)

Off-balance sheet credit business

	31 December 2020			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	3,368,654	–	–	3,368,654
Medium risk	–	43,455	–	43,455
High risk	–	–	1,421	1,421
Total carrying amount	3,368,654	43,455	1,421	3,413,530
Allowance for impairment losses	(26,480)	(4,009)	(1,344)	(31,833)

	31 December 2019			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	3,019,124	–	–	3,019,124
Medium risk	–	56,814	–	56,814
High risk	–	–	9,869	9,869
Total carrying amount	3,019,124	56,814	9,869	3,085,807
Allowance for impairment losses	(24,773)	(4,401)	(6,305)	(35,479)

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

Financial investments

	31 December 2020			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	6,266,753	208	–	6,266,961
Medium risk	16,995	2,420	–	19,415
High risk	–	947	10,420	11,367
Total carrying amount excluding accrued interest	6,283,748	3,575	10,420	6,297,743
Allowance for impairment losses on financial assets measured at amortised cost	(13,211)	(282)	(6,745)	(20,238)
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	(3,334)	(11)	–	(3,345)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Credit exposure (continued)

Financial investments (continued)

	31 December 2019			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	5,435,395	–	–	5,435,395
Medium risk	22,310	634	–	22,944
High risk	–	637	7,774	8,411
Total carrying amount excluding accrued interest	5,457,705	1,271	7,774	5,466,750
Allowance for impairment losses on financial assets measured at amortised cost	(8,932)	(134)	(3,636)	(12,702)
Allowance for impairment losses on financial assets measured at fair value through other comprehensive income	(3,580)	–	–	(3,580)

The Group classifies financial investment risk characteristics based on asset eligibility and internal rating changes. “Low risk” means that the issuer’s initial internal rating is above the entry level, and there are no reasons to suspect that the financial investment is expected to default; “Medium risk” means that although the issuer’s internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the financial investment is expected to default; “High risk” means that there are obvious problems which may cause a default, or the financial investment indeed is defaulted.

Amounts due from banks and non-bank financial institutions

Amounts due from banks and non-bank financial institutions include deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	31 December 2020			
	Stage 1 12 months ECL	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**
Low risk	**1,421,186**	**–**	**–**	**1,421,186**
Medium risk	**–**	**–**	**–**	**–**
High risk	**–**	**–**	**–**	**–**
Total carrying amount excluding accrued interest	**1,421,186**	**–**	**–**	**1,421,186**
Allowance for impairment losses	**(775)**	**–**	**–**	**(775)**

	31 December 2019			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	1,505,449	–	–	1,505,449
Medium risk	–	–	–	–
High risk	–	–	–	–
Total carrying amount excluding accrued interest	1,505,449	–	–	1,505,449
Allowance for impairment losses	(506)	–	–	(506)

The Group classifies risk characteristics of amounts due from banks and non-bank financial institutions based on asset eligibility and internal rating changes. “Low risk” means that the issuer’s initial internal rating is above the entry level, and there are no reasons to suspect that the amount due from banks and non-bank financial institutions is expected to default; “Medium risk” means that although the issuer’s internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the amount due from banks and non-bank financial institutions is expected to default; “High risk” means that there are obvious problems which may cause a default, or the amount due from banks and non-bank financial institutions indeed is defaulted.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

	31 December 2020	31 December 2019
Credit impaired	–	–
Allowances for impairment losses	–	–
Subtotal	–	–
Neither overdue nor impaired		
– grades A to AAA	1,133,754	1,254,603
– grades B to BBB	2,507	20,384
– unrated	284,925	230,462
Accrued interest	3,465	3,673
Total	1,424,651	1,509,122
Allowances for impairment losses	(775)	(506)
Subtotal	1,423,876	1,508,616
Total	1,423,876	1,508,616

Amounts neither overdue nor impaired are analysed above according to the Group's internal credit ratings. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group has not assigned internal credit ratings.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(i) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investment portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	31 December 2020					
	Unrated	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions	340	–	–	–	–	340
– Enterprises	7,545	–	1,226	–	1,800	10,571
Total	7,885	–	1,226	–	1,800	10,911
Allowances for impairment losses						(6,745)
Subtotal						4,166
Neither overdue nor impaired						
– Government	1,904,091	3,167,073	5,296	11,236	15,151	5,102,847
– Central banks	27,875	2,335	7,997	927	503	39,637
– Policy banks	758,689	408	–	22,297	–	781,394
– Banks and non-bank financial institutions	144,707	202,019	10,768	35,632	8,416	401,542
– Enterprises	59,740	295,736	25,000	25,242	5,253	410,971
Total	2,895,102	3,667,571	49,061	95,334	29,323	6,736,391
Allowances for impairment losses						(13,493)
Subtotal						6,722,898
Total						6,727,064

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(i) Distribution of debt investments analysed by rating (continued)

	31 December 2019					
	Unrated	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions	350	–	–	–	–	350
– Enterprises	6,010	–	–	–	1,901	7,911
Total	6,360	–	–	–	1,901	8,261
Allowances for impairment losses						(3,636)
Subtotal						4,625
Neither overdue nor impaired						
– Government	1,480,381	2,743,166	6,183	17,255	16,633	4,263,618
– Central banks	24,117	3,643	11,496	1,555	–	40,811
– Policy banks	746,166	5,301	2,217	26,873	–	780,557
– Banks and non-bank financial institutions	220,609	183,944	13,147	37,359	9,833	464,892
– Enterprises	96,967	299,767	55,165	26,402	4,764	483,065
Total	2,568,240	3,235,821	88,208	109,444	31,230	6,032,943
Allowances for impairment losses						(9,066)
Subtotal						6,023,877
Total						6,028,502

(j) Credit risk arising from the Group's derivative exposures

The majority of the Group's derivative transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk in respect of both domestic customers and overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(k) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(l) Sensitivity analysis

The allowance for impairment losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, and other factors considered when applying expert judgement. Changes in these inputs, assumptions, models, and judgements would have an impact on the assessment of significant increase in credit risk and the measurement of ECLs.

(i) Sensitivity analysis of segmentation

The allowance for credit losses of performing financial assets consists of an aggregate amount of Stage 1 and Stage 2 probability-weighted ECLs which are 12-month ECLs and lifetime ECLs, respectively. A significant increase in credit risk since initial recognition will result in financial assets transferring from Stage 1 to Stage 2. The following table presents the impact of ECLs from the second year to the end of the lifetime for financial assets in Stage 2.

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61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(l) Sensitivity analysis (continued)

(i) Sensitivity analysis of segmentation (continued)

	31 December 2020		
	12 months credit loss of all performing financial assets	Impact of lifetime	Current ECL
Performing loans	364,768	18,759	383,527
Performing financial investments	16,554	284	16,838

	31 December 2019		
	12 months credit loss of all performing financial assets	Impact of lifetime	Current ECL
Performing loans	320,003	12,904	332,907
Performing financial investments	12,515	131	12,646

The above allowances for ECL do not contain the allowances for ECL of loans and advances measured at FVOCI.

(ii) Sensitivity analysis of macroeconomic variables

The Group has carried out sensitivity analysis of GDP forecast. As at 31 December 2020, when GDP growth rate in the baseline scenario increased or decreased by 10%, the change in ECL allowance did not exceed 5% (As at 31 December 2019: did not exceed 5%).

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department manage the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc., to monitor the interest rate risk periodically.

The Group's foreign exchange exposures mainly comprise exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposures by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivative portfolio and manages this risk by entering into back-to-back hedging transactions with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-Risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(a) VaR analysis

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors it regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

		2020			
	Note	As at 31 December	Average	Maximum	Minimum
VaR of trading portfolio		**141**	**250**	**317**	**137**
Of which:					
– Interest rate risk		**87**	**98**	**182**	**46**
– Foreign exchange risk	(i)	**145**	**246**	**298**	**137**
– Commodity risk		**1**	**9**	**42**	**–**

		2019			
		As at 31 December	Average	Maximum	Minimum
VaR of trading portfolio		253	302	341	227
Of which:					
– Interest rate risk		59	85	117	57
– Foreign exchange risk	(i)	262	298	361	234
– Commodity risk		4	12	31	–

(i) The VaR in relation to bullion is included in the foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss for a specific holding period and at a given confidence level due to fluctuations solely in that risk factor. The individual VaRs do not add up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

- A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used, there is 1 percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and
- The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group by RMB45,546 million (as at 31 December 2019: RMB35,183 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB80,344 million (as at 31 December 2019: RMB77,716 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(c) Interest rate risk

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arises from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate risk (continued)

The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

		31 December 2020					
	Note	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		94,006	2,722,033	125	–	–	2,816,164
Deposits and placements with banks and non-bank financial institutions		–	728,820	75,305	17,512	–	821,637
Financial assets held under resale agreements		–	597,544	4,695	–	–	602,239
Loans and advances to customers	(i)	34,352	9,009,373	6,888,551	223,064	76,029	16,231,369
Investments	(ii)	247,395	347,431	690,258	2,725,215	2,954,056	6,964,355
Others		696,490	–	–	–	–	696,490
Total assets		1,072,243	13,405,201	7,658,934	2,965,791	3,030,085	28,132,254
Liabilities							
Borrowings from central banks		–	175,189	605,165	816	–	781,170
Deposits and placements from banks and non-bank financial institutions		–	1,871,778	291,532	124,537	5,425	2,293,272
Financial liabilities measured at fair value through profit or loss		33,559	163,261	57,259	–	–	254,079
Financial assets sold under repurchase agreements		–	52,701	2,320	1,704	–	56,725
Deposits from customers		127,871	13,695,262	2,754,998	4,020,810	16,035	20,614,976
Debt securities issued		–	311,134	306,548	320,570	1,945	940,197
Others		802,482	–	–	–	–	802,482
Total liabilities		963,912	16,269,325	4,017,822	4,468,437	23,405	25,742,901
Asset-liability gap		108,331	(2,864,124)	3,641,112	(1,502,646)	3,006,680	2,389,353

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate risk (continued)

		31 December 2019					
	Note	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets							
Cash and deposits with central banks		140,579	2,480,431	–	–	–	2,621,010
Deposits and placements with banks and non-bank financial institutions		–	786,464	156,770	7,566	7	950,807
Financial assets held under resale agreements		–	557,809	–	–	–	557,809
Loans and advances to customers	(i)	33,366	9,064,628	5,236,907	133,635	73,465	14,542,001
Investments	(ii)	198,917	446,844	741,615	2,706,502	2,130,716	6,224,594
Others		540,040	–	–	–	–	540,040
Total assets		912,902	13,336,176	6,135,292	2,847,703	2,204,188	25,436,261
Liabilities							
Borrowings from central banks		–	98,793	450,026	614	–	549,433
Deposits and placements from banks and non-bank financial institutions		–	1,732,057	433,752	20,269	8,173	2,194,251
Financial liabilities measured at fair value through profit or loss		16,750	174,019	90,828	–	–	281,597
Financial assets sold under repurchase agreements		–	111,111	1,480	2,067	–	114,658
Deposits from customers		104,332	12,540,537	2,438,017	3,274,102	9,305	18,366,293
Debt securities issued		–	375,884	435,756	263,561	1,374	1,076,575
Others		618,327	–	–	–	–	618,327
Total liabilities		739,409	15,032,401	3,849,859	3,560,613	18,852	23,201,134
Asset-liability gap		173,493	(1,696,225)	2,285,433	(712,910)	2,185,336	2,235,127

(i) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB27,225 million as at 31 December 2020 (as at 31 December 2019: RMB22,430 million).

(ii) Investments include financial assets measured at fair value through profit or loss, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and long-term equity investments, etc.

(d) Currency risk

The Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposures by minimising foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact on the pre-tax profits and other comprehensive income of the Group is not material.

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61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

		31 December 2020			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,510,876	179,211	126,077	2,816,164
Deposits and placements with banks and non-bank financial institutions		671,014	126,735	23,888	821,637
Financial assets held under resale agreements		599,033	–	3,206	602,239
Loans and advances to customers		15,367,154	464,009	400,206	16,231,369
Investments	(i)	6,712,930	133,024	118,401	6,964,355
Others		608,498	33,831	54,161	696,490
Total assets		26,469,505	936,810	725,939	28,132,254
Liabilities					
Borrowings from central banks		749,283	19,087	12,800	781,170
Deposits and placements from banks and non-bank financial institutions		1,885,514	275,053	132,705	2,293,272
Financial liabilities measured at fair value through profit or loss		236,614	15,245	2,220	254,079
Financial assets sold under repurchase agreements		46,841	3,764	6,120	56,725
Deposits from customers		19,834,531	495,952	284,493	20,614,976
Debt securities issued		684,612	188,391	67,194	940,197
Others		785,657	8,773	8,052	802,482
Total liabilities		24,223,052	1,006,265	513,584	25,742,901
Long position		2,246,453	(69,455)	212,355	2,389,353
Net notional amount of derivatives		25,640	36,405	(59,080)	2,965
Credit commitments		2,954,494	292,663	166,373	3,413,530

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

		31 December 2019			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,387,072	98,576	135,362	2,621,010
Deposits and placements with banks and non-bank financial institutions		551,576	282,453	116,778	950,807
Financial assets held under resale agreements		548,770	8,591	448	557,809
Loans and advances to customers		13,571,273	544,790	425,938	14,542,001
Investments	(i)	5,937,817	187,177	99,600	6,224,594
Others		446,170	60,323	33,547	540,040
Total assets		23,442,678	1,181,910	811,673	25,436,261
Liabilities					
Borrowings from central banks		494,047	27,704	27,682	549,433
Deposits and placements from banks and non-bank financial institutions		1,611,357	432,556	150,338	2,194,251
Financial liabilities measured at fair value through profit or loss		263,310	16,339	1,948	281,597
Financial assets sold under repurchase agreements		101,879	4,252	8,527	114,658
Deposits from customers		17,550,909	504,298	311,086	18,366,293
Debt securities issued		640,246	307,218	129,111	1,076,575
Others		594,429	13,183	10,715	618,327
Total liabilities		21,256,177	1,305,550	639,407	23,201,134
Long position		2,186,501	(123,640)	172,266	2,235,127
Net notional amount of derivatives		(241,245)	272,552	(26,584)	4,723
Credit commitments		2,578,126	340,934	166,747	3,085,807

(i) Please refer to Note 61(2)(c)(ii) for the scope of investments.

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk

The Board assumes the ultimate responsibility for liquidity risk management, and authorises its special committees to discharge relevant duties, and reviews and approves the liquidity risk strategy and risk appetite. The senior management carries out the liquidity risk strategy set by the Board, and organises the implementation of the liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and the senior management in the liquidity risk management. The asset & liability management department leads in the Bank's daily liquidity risk management, and forms an executive system together with the business management departments and branches to perform various duties in liquidity risk management. The subsidiaries assume primary responsibility for their own liquidity risk management.

The Group's objective for liquidity risk management is to ensure the security of its payment and settlement, and the overall strategy features prudence, decentralisation, coordination and diversification. Liquidity risk arises from such major factors and events as significant drop in liquidation of current assets, massive outflow of wholesale or retail deposits, decreasing access to wholesale and retail financing, shorter financing periods, increasing financing costs, significant adverse changes in market liquidity and breakdown of the Bank's payment and settlement system. In light of the regulatory requirements, external macro environment and the Bank's business development, the head office formulates approaches for liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out intra-day liquidity management, conducts stress testing at the group level regularly, and reviews and assesses contingency plans.

The Group conducted quarterly stress testing on its liquidity risk in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It improved its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) *Maturity analysis*

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

	31 December 2020							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,330,273	483,266	1,537	1,088	–	–	–	2,816,164
Deposits and placements with banks and non-bank financial institutions	–	83,441	247,624	254,203	218,418	17,951	–	821,637
Financial assets held under resale agreements	–	–	584,491	13,053	4,695	–	–	602,239
Loans and advances to customers	92,098	818,412	390,460	891,697	3,047,961	3,984,181	7,006,560	16,231,369
Investments								
– Financial assets measured at fair value through profit or loss	222,924	17,595	48,777	21,282	53,304	78,416	135,654	577,952
– Financial assets measured at amortised cost	–	–	48,828	85,526	437,453	1,623,296	2,310,140	4,505,243
– Financial assets measured at fair value through other comprehensive income	6,955	–	34,412	39,326	209,352	1,068,340	509,073	1,867,458
– Long-term equity investments	13,702	–	–	–	–	–	–	13,702
Others	317,507	100,855	12,503	40,770	109,048	26,719	89,088	696,490
Total assets	2,983,459	1,503,569	1,368,632	1,346,945	4,080,231	6,798,903	10,050,515	28,132,254
Liabilities								
Borrowings from central banks	–	–	121,089	54,100	605,165	816	–	781,170
Deposits and placements from banks and non-bank financial institutions	–	1,518,231	150,011	173,627	294,142	144,493	12,768	2,293,272
Financial liabilities measured at fair value through profit or loss	–	19,058	110,119	67,643	57,259	–	–	254,079
Financial assets sold under repurchase agreements	–	–	47,927	4,774	2,320	1,704	–	56,725
Deposits from customers	–	11,245,302	1,225,798	973,853	2,926,982	4,225,570	17,471	20,614,976
Debt securities issued	–	–	124,371	147,702	325,314	340,865	1,945	940,197
Others	23,832	283,601	80,560	56,527	231,588	24,361	102,013	802,482
Total liabilities	23,832	13,066,192	1,859,875	1,478,226	4,442,770	4,737,809	134,197	25,742,901
Net gaps	2,959,627	(11,562,623)	(491,243)	(131,281)	(362,539)	2,061,094	9,916,318	2,389,353
Notional amount of derivatives								
– Interest rate contracts	–	–	69,502	130,562	264,040	168,030	18,091	650,225
– Exchange rate contracts	–	–	877,074	692,678	1,798,058	85,774	7,437	3,461,021
– Other contracts	–	–	17,940	19,538	80,646	7,947	–	126,071
Total	–	–	964,516	842,778	2,142,744	261,751	25,528	4,237,317

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

	31 December 2019							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,160,625	459,467	–	918	–	–	–	2,621,010
Deposits and placements with banks and non-bank financial institutions	–	107,976	494,082	178,400	158,868	11,474	7	950,807
Financial assets held under resale agreements	–	–	556,268	1,541	–	–	–	557,809
Loans and advances to customers	65,019	738,080	465,482	671,619	2,960,503	3,450,610	6,190,688	14,542,001
Investments								
– Financial assets measured at fair value through profit or loss	171,984	43,619	48,539	57,976	160,471	98,657	94,115	675,361
– Financial assets measured at amortised cost	–	–	41,285	83,481	395,356	1,703,305	1,516,869	3,740,296
–Financial assets measured at fair value through other comprehensive income	6,031	–	43,664	75,244	199,948	949,217	523,480	1,797,584
– Long-term equity investments	11,353	–	–	–	–	–	–	11,353
Others	292,931	83,015	10,194	35,032	33,431	18,635	66,802	540,040
Total assets	2,707,943	1,432,157	1,659,514	1,104,211	3,908,577	6,231,898	8,391,961	25,436,261
Liabilities								
Borrowings from central banks	–	–	77,689	21,104	450,026	614	–	549,433
Deposits and placements from banks and non-bank financial institutions	–	1,152,774	335,362	205,743	441,916	45,373	13,083	2,194,251
Financial liabilities measured at fair value through profit or loss	–	16,750	110,908	63,111	90,828	–	–	281,597
Financial assets sold under repurchase agreements	–	–	106,571	4,540	1,480	2,067	–	114,658
Deposits from customers	–	10,607,372	839,045	1,026,419	2,467,053	3,414,049	12,355	18,366,293
Debt securities issued	–	–	98,943	220,082	454,317	301,859	1,374	1,076,575
Others	7,921	224,194	53,369	46,777	186,296	21,952	77,818	618,327
Total liabilities	7,921	12,001,090	1,621,887	1,587,776	4,091,916	3,785,914	104,630	23,201,134
Net gaps	2,700,022	(10,568,933)	37,627	(483,565)	(183,339)	2,445,984	8,287,331	2,235,127
Notional amount of derivatives								
– Interest rate contracts	–	–	45,899	68,259	212,359	191,131	18,097	535,745
– Exchange rate contracts	–	–	876,973	724,591	2,014,465	108,229	2,748	3,727,006
– Other contracts	–	–	51,898	19,239	14,012	635	–	85,784
Total	–	–	974,770	812,089	2,240,836	299,995	20,845	4,348,535

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow*

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	31 December 2020							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	781,170	794,953	–	121,383	54,293	618,461	816	–
Deposits and placements from banks and non-bank financial institutions	2,293,272	2,312,157	1,518,231	150,402	174,318	299,787	155,792	13,627
Financial liabilities measured at fair value through profit or loss	254,079	254,227	19,058	110,204	67,706	57,259	–	–
Financial assets sold under repurchase agreements	56,725	56,770	–	47,948	4,784	2,325	1,713	–
Deposits from customers	20,614,976	21,268,003	11,246,849	1,243,390	1,010,531	3,065,734	4,683,271	18,228
Debt securities issued	940,197	986,193	–	124,483	154,158	333,073	372,280	2,199
Other non-derivative financial liabilities	503,594	508,046	141,118	63,153	34,903	159,151	13,975	95,746
Total	25,444,013	26,180,349	12,925,256	1,860,963	1,500,693	4,535,790	5,227,847	129,800
Off-balance sheet loan commitments and credit card commitments (Note)		1,651,694	1,073,078	15,286	54,154	164,463	165,902	178,811
Guarantees, acceptances and other credit commitments (Note)		1,761,836	867	273,366	226,013	714,676	507,553	39,361

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

	31 December 2019							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	549,433	560,382	–	77,946	21,243	460,579	614	–
Deposits and placements from banks and non-bank financial institutions	2,194,251	2,210,456	1,152,774	335,747	207,065	450,499	49,939	14,432
Financial liabilities measured at fair value through profit or loss	281,597	295,086	16,750	117,134	68,828	92,374	–	–
Financial assets sold under repurchase agreements	114,658	114,988	–	106,595	4,558	1,612	2,223	–
Deposits from customers	18,366,293	18,892,932	10,608,196	854,625	1,057,288	2,573,077	3,785,830	13,916
Debt securities issued	1,076,575	1,120,060	–	99,282	221,502	465,592	332,067	1,617
Other non-derivative financial liabilities	371,367	374,864	73,448	40,290	31,445	144,112	15,339	70,230
Total	22,954,174	23,568,768	11,851,168	1,631,619	1,611,929	4,187,845	4,186,012	100,195
Off-balance sheet loan commitments and credit card commitments (Note)		1,531,436	1,071,444	17,382	18,278	116,854	133,533	173,945
Guarantees, acceptances and other credit commitments (Note)		1,554,371	–	266,135	199,086	624,246	433,275	31,629

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amounts to be paid.

61 RISK MANAGEMENT (CONTINUED)

(4) Operational risk

Operational risk refers to risk of losses resulting from inadequate or flawed internal processes, people and systems or from external events.

In 2020, the Group continuously promoted the application of management tools, strengthened the prevention and control of operational risk in key areas, and took multiple measures to reduce operational risk events and losses.

- Continuously promoted the application of operational risk management tools and enhanced the operational risk assessments for new products.
- Focused on the recording, analysis and reporting of events where the Group suffered losses from non-compliance.
- Revised the manual for managing incompatible duties, key position catalogue of job rotations and mandatory leave.
- Strengthened the construction of internal control and formulated business avoidance policy.
- Based on the emergency plan in response to COVID-19, organized emergency drills, and provided guidance on emergency response to overseas institutions for the purpose of business continuity.

(5) Fair value of financial instruments

(a) Valuation process, technique and input

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors takes charge of supervising the performance of the Board and senior management. According to the requirements of the Board and the Board of Supervisors, senior management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

For the year ended 31 December 2020, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2019.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value

(i) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	68,992	37	69,029
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	9,890	–	9,890
– Loans and advances to customers measured at fair value through other comprehensive income	–	259,061	–	259,061
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	1,156	169,209	–	170,365
– Equity instruments and funds	1,385	30	–	1,415
Financial assets designated as measured at fair value through profit or loss				
– Other debt instruments	–	43,347	17,833	61,180
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	1,021	13,181	14,202
– Debt securities	–	115,514	57	115,571
– Funds and others	27,916	50,044	137,259	215,219
Financial assets measured at fair value through other comprehensive income				
– Debt securities	119,489	1,740,584	430	1,860,503
– Equity instruments designated as measured at fair value through other comprehensive income	2,268	–	4,687	6,955
Total	152,214	2,457,692	173,484	2,783,390
Liabilities				
Financial liabilities measured at fair value through profit or loss				
– Financial liabilities designated as measured at fair value through profit or loss	–	251,973	2,106	254,079
Negative fair value of derivatives	–	81,919	37	81,956
Total	–	333,892	2,143	336,035

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	34,583	58	34,641
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	15,282	–	15,282
– Loans and advances to customers measured at fair value through other comprehensive income	–	492,693	–	492,693
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	2,059	227,887	–	229,946
– Equity instruments and funds	940	–	–	940
Financial assets designated as measured at fair value through profit or loss				
– Debt securities	774	33	8,449	9,256
– Other debt instruments	–	131,814	50,555	182,369
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	1,519	4,642	6,161
– Debt securities	–	68,811	110	68,921
– Funds and others	30,695	45,027	102,046	177,768
Financial assets measured at fair value through other comprehensive income				
– Debt securities	182,323	1,609,230	–	1,791,553
– Equity instruments designated as measured at fair value through other comprehensive income	2,446	–	3,585	6,031
Total	219,237	2,626,879	169,445	3,015,561
Liabilities				
Financial liabilities measured at fair value through profit or loss				
– Financial liabilities designated as measured at fair value through profit or loss	–	279,749	1,848	281,597
Negative fair value of derivatives	–	33,724	58	33,782
Total	–	313,473	1,906	315,379

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

A majority of the financial assets classified as level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as measured at fair value through profit or loss classified as level 2 are the funds raised from structured deposits and principal guaranteed wealth management products, the fair value of which are determined based on the income approach. The majority of derivatives are classified as level 2 and valued using income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial assets classified as level 3 are primarily the underlying assets of principal guaranteed wealth management products and unlisted equity instruments measured at fair value through profit or loss. These financial assets are valued using income approach and market approach, which incorporate the non-observable assumptions including discount rate and P/B ratio.

For the year ended 31 December 2020 and 2019, there were no significant transfers within the fair value hierarchy of the Group.

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

	2020											
		Financial assets designated as measured at fair value through profit or loss		Other financial assets measured at fair value through profit or loss			Financial assets measured at fair value through other comprehensive income					
	Positive fair value of derivatives	Debt securities	Other debt instruments	Credit investments	Debt securities	Funds and others	Debt securities	Equity instruments	Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2020	58	8,449	50,555	4,642	110	102,046	–	3,585	169,445	(1,848)	(58)	(1,906)
Total gains or losses:												
In profit or loss	(21)	(163)	(86)	(2,501)	–	106	–	–	(2,665)	(182)	21	(161)
In other comprehensive income	–	–	–	–	–	–	–	142	142	–	–	–
Purchases	–	–	62	11,773	266	49,283	430	963	62,777	(138)	–	(138)
Sales and settlements	–	(8,286)	(32,698)	(733)	(319)	(14,176)	–	(3)	(56,215)	62	–	62
As at 31 December 2020	37	–	17,833	13,181	57	137,259	430	4,687	173,484	(2,106)	(37)	(2,143)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

	2019										
		Financial assets designated as measured at fair value through profit or loss		Other financial assets measured at fair value through profit or loss							
	Positive fair value of derivatives	Debt securities	Other debt instruments	Credit investments	Debt securities	Funds and others	Equity instruments designated as measured at fair value through other comprehensive income	Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2019	35	14,314	84,640	1,253	187	43,961	1,402	145,792	(1,628)	(35)	(1,663)
Total gains or losses:											
In profit or loss	23	(1,821)	(119)	53	(27)	261	–	(1,630)	(44)	(23)	(67)
In other comprehensive income	–	–	–	–	–	–	144	144	–	–	–
Purchases	–	60	313	3,929	67	65,393	2,042	71,804	(359)	–	(359)
Sales and settlements	–	(4,104)	(34,279)	(593)	(117)	(7,569)	(3)	(46,665)	183	–	183
As at 31 December 2019	58	8,449	50,555	4,642	110	102,046	3,585	169,445	(1,848)	(58)	(1,906)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain and net gain arising from investment securities.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

	2020			2019		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total gains/(loss)	**1,261**	**(4,087)**	**(2,826)**	17	(1,714)	(1,697)

(d) Financial instruments not measured at fair value

(i) Financial assets

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets measured at amortised cost.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate to the fair values.

Loans and advances to customers

Majority of the loans and advances to customers measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate to the fair values.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(d) Financial instruments not measured at fair value (continued)

(i) Financial assets (continued)

Financial assets measured at amortised cost

The following table shows the carrying values and the fair values of financial assets measured at amortised cost as at 31 December 2020 and 2019 which are not presented in the statement of financial position at their fair values.

	31 December 2020					31 December 2019				
	Carrying value	Fair value	Level 1	Level 2	Level 3	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	4,505,243	4,534,743	19,815	4,372,096	142,832	3,740,296	3,815,857	51,585	3,619,569	144,703
Total	4,505,243	4,534,743	19,815	4,372,096	142,832	3,740,296	3,815,857	51,585	3,619,569	144,703

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. As at 31 December 2020, the fair value of subordinated bonds and the eligible Tier 2 capital bonds issued was RMB282,028 million (As at 31 December 2019: RMB246,083 million) and the corresponding carrying value was RMB275,887 million (As at 31 December 2019: RMB237,593 million), and the carrying values of other financial liabilities approximated to their fair values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified them as the level 2 of the fair value hierarchy.

(6) Offsetting financial assets and financial liabilities

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. These financial assets and financial liabilities of the Group are not offset in accordance with IFRSs.

As at 31 December 2020, the amounts of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

(7) Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. The characteristic of an insurance contract inherently decides randomness and unpredictability of the underlying insurance risk. For insurance contracts where the theory of probability is applied to pricing and provisioning of insurance contract liabilities, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify the underwriting risks, adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for the insurance risks and recognises insurance contract liabilities accordingly. For long-term personal insurance contracts and short-term personal insurance contracts, insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions on death events, relevant expenses, and interest rates. For property and casualty insurance contracts, claims are often affected by natural disasters, catastrophes, terrorist attacks and other factors. In addition, the insurance risk will be affected by the policy termination, premium reduction or policyholders' refusal of payment, that is, the insurance risk will be affected by the policyholders' behaviour and decision.

61 RISK MANAGEMENT (CONTINUED)

(8) Capital management

The Bank has implemented comprehensive capital management, covering capital management policy design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital motivation, restriction and conduction, capital raising, monitoring and reporting, and applications of advanced approach of capital calculation on the management of the ordinary course of the business. General principles of capital management of the Bank is to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation and strengthen capital restraint and incentive mechanism to support the strategic planning effectively and to restrict and conduct the business so as to increase the capital efficiency and return level continuously; tamp capital strength, and retain relatively high capital quality by achieving capital supplement with priority to the internal accumulation and utilising various capital instruments reasonably to optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit policies, credit approval and pricing.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with the CBRC's "Capital Rules for Commercial Banks (Provisional)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and the total capital ratio at or above a minimum of 8%. Besides, capital conservation buffer requirements and additional buffer requirements of Global Systemically Important Banks should also be met. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

Based on the approval for the Group to implement the advanced capital management method in 2014, the CBIRC approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit risk exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit risk exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC as at the end of the reporting period are as follows:

	Note	31 December 2020	31 December 2019
Common Equity Tier 1 ratio	(a)(b)(c)	**13.62%**	13.88%
Tier 1 ratio	(a)(b)(c)	**14.22%**	14.68%
Total capital ratio	(a)(b)(c)	**17.06%**	17.52%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve		**134,237**	134,511
– Surplus reserve		**275,995**	249,178
– General reserve		**350,647**	314,152
– Retained earnings		**1,241,127**	1,116,273
– Non-controlling interest recognised in Common Equity Tier 1 capital		**3,954**	3,535
– Others	(d)	**19,483**	32,573
Deductions for Common Equity Tier 1 capital			
– Goodwill	(e)	**2,045**	2,615
– Other intangible assets (excluding land use rights)	(e)	**4,623**	3,971
– Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet		**367**	(239)
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**6,970**	3,910
Additional Tier 1 capital			
– Other directly issued qualifying additional Tier 1 instruments including related premium		**99,968**	119,627
– Non-controlling interest recognised in Additional Tier 1 capital		**100**	89
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related premium		**225,016**	201,653
– Provisions in Tier 2	(f)	**245,989**	226,102
– Non-controlling interest recognised in Tier 2 capital		**159**	141
Common Equity Tier 1 capital after regulatory adjustments	(g)	**2,261,449**	2,089,976
Tier 1 capital after regulatory adjustments	(g)	**2,361,517**	2,209,692
Total capital after regulatory adjustments	(g)	**2,832,681**	2,637,588
Risk-weighted assets	(h)	**16,604,591**	15,053,291

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

Notes:

(a) From the first half year of 2014, the Group has adopted the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.

(b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total capital ratio is calculated by dividing the total capital after deduction by risk-weighted assets.

(c) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (insurance companies excluded).

(d) Others include other comprehensive income (including foreign exchange reserve).

(e) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(f) From the first half year of 2014, eligible excessive loan provisions were measured based on the advanced approach and implemented parallel period rules.

(g) Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the total capital.

(h) According to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excess risk-weighted assets due to the application of capital floor.

62 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

	31 December 2020	31 December 2019
Assets:		
Cash and deposits with central banks	2,790,965	2,609,597
Deposits with banks and non-bank financial institutions	406,533	368,495
Precious metals	101,671	46,169
Placements with banks and non-bank financial institutions	460,991	586,245
Positive fair value of derivatives	66,313	32,091
Financial assets held under resale agreements	585,310	551,985
Loans and advances to customers	15,764,751	14,053,834
Financial investments		
Financial assets measured at fair value through profit or loss	312,014	388,350
Financial assets measured at amortised cost	4,397,169	3,646,480
Financial assets measured at fair value through other comprehensive income	1,792,488	1,710,424
Long-term equity investments	70,892	69,290
Investments in consolidated structured entities	68,629	111,113
Fixed assets	137,218	138,898
Land use rights	13,236	13,400
Intangible assets	4,203	3,504
Deferred tax assets	89,980	68,597
Other assets	231,764	200,857
Total assets	27,294,127	24,599,329

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

	31 December 2020	31 December 2019
Liabilities:		
Borrowings from central banks	781,170	549,339
Deposits from banks and non-bank financial institutions	1,935,410	1,658,501
Placements from banks and non-bank financial institutions	256,325	417,963
Financial liabilities measured at fair value through profit or loss	251,898	279,700
Negative fair value of derivatives	78,424	32,710
Financial assets sold under repurchase agreements	33,364	93,194
Deposits from customers	20,289,611	18,024,561
Accrued staff costs	30,547	34,584
Taxes payable	82,374	82,164
Provisions	51,660	40,334
Debt securities issued	863,083	1,001,304
Deferred tax liabilities	48	42
Other liabilities	321,698	217,263
Total liabilities	24,975,612	22,431,659

	31 December 2020	31 December 2019
Equity:		
Share capital	250,011	250,011
Other equity instruments		
Preference Shares	59,977	79,636
Perpetual Bonds	39,991	39,991
Capital reserve	134,835	135,109
Other comprehensive income	21,759	33,527
Surplus reserve	275,995	249,178
General reserve	342,174	306,686
Retained earnings	1,193,773	1,073,532
Total equity	2,318,515	2,167,670
Total liabilities and equity	27,294,127	24,599,329

Approved and authorised for issue by the Board of Directors on 26 March 2021.

Wang Jiang	**Kenneth Patrick Chung**	**Graeme Wheeler**
Vice Chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2020	**250,011**	**79,636**	**39,991**	**135,109**	**33,527**	**249,178**	**306,686**	**1,073,532**	**2,167,670**
Movements during the year	**–**	**(19,659)**	**–**	**(274)**	**(11,768)**	**26,817**	**35,488**	**120,241**	**150,845**
(1) Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(11,768)**	**–**	**–**	**268,174**	**256,406**
(2) Changes in share capital									
i Capital deduction by other equity instruments holders	**–**	**(19,659)**	**–**	**(274)**	**–**	**–**	**–**	**–**	**(19,933)**
(3) Profit distribution									
i Appropriation to surplus reserve	**–**	**–**	**–**	**–**	**–**	**26,817**	**–**	**(26,817)**	**–**
ii Appropriation to general reserve	**–**	**–**	**–**	**–**	**–**	**–**	**35,488**	**(35,488)**	**–**
iii Dividends to ordinary shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(80,004)**	**(80,004)**
iv Dividends to other equity instrument holders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,624)**	**(5,624)**
As at 31 December 2020	**250,011**	**59,977**	**39,991**	**134,835**	**21,759**	**275,995**	**342,174**	**1,193,773**	**2,318,515**

		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2019	250,011	79,636	–	135,109	21,539	223,231	272,867	954,297	1,936,690
Movements during the year	–	–	39,991	–	11,988	25,947	33,819	119,235	230,980
(1) Total comprehensive income for the year	–	–	–	–	11,988	–	–	259,466	271,454
(2) Changes in share capital									
i Capital injection by other equity instruments holders	–	–	39,991	–	–	–	–	–	39,991
(3) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	–	25,947	–	(25,947)	–
ii Appropriation to general reserve	–	–	–	–	–	–	33,819	(33,819)	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(76,503)	(76,503)
iv Dividends to other equity instrument holders	–	–	-	–	–	–	–	(3,962)	(3,962)
As at 31 December 2019	250,011	79,636	39,991	135,109	33,527	249,178	306,686	1,073,532	2,167,670

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

63 EVENTS AFTER THE REPORTING PERIOD

On 26 January 2021, the Group issued in the domestic market a 3-year special financial bond for small and micro enterprise loans with a fixed interest rate of 3.30% and a total face value of RMB20.00 billion. The funds raised were specifically used to grant small and micro enterprise loans.

On 28 January 2021, the Group issued in the domestic market RMB6.00 billion subordinated bonds maturing in 2031. These bonds are fixed interest rate bonds with 10-year term. The Group has an option to redeem these bonds at the end of the fifth year upon meeting certain conditions.

64 COMPARATIVE FIGURES

To comply with the presentation requirements of the current year financial statements, the Group adjusted the presentation of certain comparative figures such as income from credit card instalment business.

65 ULTIMATE PARENT

As stated in Note 1, the immediate and ultimate parents of the Group are Huijin and CIC, respectively.

66 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the year ended 31 December 2020 and have not been adopted in the financial statements.

	Standards	**Effective for annual periods beginning on or after**
(1)	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"	1 January 2021
(2)	Amendments to IFRS 3 "Reference to the Conceptual Framework"	1 January 2022
(3)	Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"	1 January 2022
(4)	Amendments to IAS 37 "Onerous Contracts – Costs of Fulfilling a Contract"	1 January 2022
(5)	Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
(6)	Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	1 January 2023
(7)	IFRS 17 "Insurance Contracts"	1 January 2023
(8)	Amendments to IAS 1 "Disclosure of Accounting Policies" and amendments to IFRS Practice Statement 2 Materiality Judgements	1 January 2023
(9)	Amendments to IAS 8 "Definition of Accounting Estimates"	1 January 2023
(10)	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Effective date has been deferred indefinitely

Except for IFRS 17, the Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(1) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are aimed at addressing accounting issues when an existing interest rate benchmark is replaced with an alternative risk-free rate. The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness.

The amendment provides a provisional exemption. When a company expects reasonably that the alternative benchmark interest rate will meet the separately identifiable requirements within 24 months from the date when it is designated as a non-contractually clear risk component, it shall be deemed to meet the separately identifiable requirements. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

66 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

(2) Amendments to IFRS 3 "Reference to the Conceptual Framework"

Amendments to IFRS 3 are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements issued in 1989 with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities, and clarify that contingent assets do not qualify for recognition at the acquisition date.

(3) Amendments to IAS 16 "Property, Plant and Equipment: Proceeds before Intended Use"

Amendments to IAS 16 prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

(4) Amendments to IAS 37 "Onerous Contracts – Costs of Fulfilling a Contract"

Amendments to IAS 37 specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". The costs that relate directly to a contract include both incremental costs (examples would be the costs of direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(5) Annual Improvements to IFRSs 2018-2020 Cycle

Annual Improvements to IFRSs 2018-2020 Cycle was issued in May 2020. Those amendments affect IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and IFRS 16 "Leases".

(6) Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

(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 during 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 recognised as revenue over the coverage period.

The standard allows a choice between recognising 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.

Amendments to IFRS 17 were issued in June 2020.

The Group is currently assessing the impact of IFRS 17 upon initial application.

66 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

(8) Amendments to IAS 1 "Disclosure of Accounting Policies" and amendments to IFRS Practice Statement 2 Materiality Judgements

The amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Guidance and illustrative examples are added in the Practice Statement 2 to assist in the application of the materiality concept when making judgements about accounting policy disclosures.

(9) Amendments to IAS 8 "Definition of Accounting Estimates"

Amendments to IAS 8, introduces a new definition of 'accounting estimates'. Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors

(10) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The narrow-scope amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 "Business Combinations").

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.

The following information of the Group does not form part of the audited financial statements, and is included herein for information purposes only.

1 DIFFERENCE BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards and its interpretations ("IFRS") promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed on the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2020 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the year ended 31 December 2020 or total equity as at 31 December 2020 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations.

2 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

The liquidity coverage ratio equals to the qualified and high-quality liquid assets divided by net cash outflows in the future 30 days. Net stable funding ratio equals to the available stable funding divided by required stable funding. According to the regulatory requirements, definitions and accounting standards applicable in the current period, the average daily liquidity coverage ratio of the Group in the fourth quarter of 2020 was 158.53% and the net stable funding ratio was 127.15% as at the end of December 2020.

The following tables set the Group's liquidity coverage ratio for the fourth quarter of 2020.

S/N	(In millions of RMB, except percentages)	Total Unweighted Value	Total Weighted Value
High-Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)		4,719,927
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	9,836,595	861,301
3	Stable deposits	2,445,788	122,220
4	Less stable deposits	7,390,807	739,081
5	Unsecured wholesale funding, of which:	10,326,756	3,355,510
6	Operational deposits (excluding those generated from correspondent banking activates)	6,795,090	1,687,314
7	Non-operational deposits (all counterparties)	3,395,272	1,531,802
8	Unsecured debt	136,394	136,394
9	Secured funding		90
10	Additional requirements, of which:	1,825,123	238,154
11	Outflows related to derivative exposures and other collateral requirements	72,283	72,283
12	Outflows related to loss of funding on secured debt products	5,222	5,222
13	Credit and liquidity facilities	1,747,618	160,649
14	Other contractual funding obligations	47	–
15	Other contingent funding obligations	4,045,775	461,595
16	**Total Cash Outflows**		4,916,650
Cash Inflows			
17	Secured lending (including reverse repos and securities borrowing)	764,901	763,538
18	Inflow from fully performing exposures	1,709,833	1,103,134
19	Other cash inflows	73,750	68,601
20	**Total Cash Inflows**	2,548,484	1,935,273
Total Adjusted Value			
21	**Total HQLA**		4,719,927
22	**Total Net Cash Outflows**		2,981,377
23	**Liquidity Coverage Ratio (%)[1]**		158.53

1. The above quarterly daily means represent simple arithmetic means of the values for 92 calendar days in the latest quarter, calculated in accordance with the current applicable regulatory requirements, definitions and accounting standards.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

2 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

The following tables set the quantitative information on the net stable funding ratio at the end of the last two quarters.

		The Fourth Quarter of 2020					The Third Quarter of 2020				
		Unweighted value by residual maturity					Unweighted value by residual maturity				
No.	(In RMB millions, except percentages)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
ASF Item											
1	Capital:	-	-	-	2,600,697	2,600,697	-	-	-	2,575,816	2,575,816
2	Regulatory capital	-	-	-	2,600,697	2,600,697	-	-	-	2,575,816	2,575,816
3	Other capital instruments	-	-	-	-	-	-	-	-	-	-
4	Retail deposits and deposits from small business customers:	5,780,486	4,823,406	183,365	777,057	10,613,001	4,635,916	5,608,531	168,614	842,460	10,315,154
5	Stable deposits	2,530,211	12,816	5,227	4,922	2,425,763	2,001,612	12,052	5,114	5,137	1,922,976
6	Less stable deposits	3,250,275	4,810,590	178,138	772,135	8,187,238	2,634,304	5,596,479	163,500	837,323	8,392,178
7	Wholesale funding:	6,719,511	4,697,042	1,093,831	576,277	6,230,642	6,725,091	5,309,940	893,973	793,738	6,567,956
8	Operational deposits	5,245,623	1,601,374	10,794	455	3,429,351	5,433,705	1,409,078	1,704	173,721	3,595,965
9	Other wholesale funding	1,473,888	3,095,668	1,083,037	575,822	2,801,291	1,291,386	3,900,862	892,269	620,017	2,971,991
10	Liabilities with matching interdependent assets	-	-	-	-	-	-	6	-	-	-
11	Other liabilities:	-	472,754	76,214	331,614	282,840	-	325,946	87,770	330,321	308,672
12	NSFR derivative liabilities				86,880					65,534	
13	All other liabilities and equity not included in the above categories	-	472,754	76,214	244,734	282,840	-	325,946	87,770	264,787	308,672
14	**Total ASF**					19,727,180					19,767,598
RSF Item											
15	Total NSFR high-quality liquid assets (HQLA)					1,602,834					1,547,708
16	Deposits held at other financial institutions for operational purposes	37,124	26,221	5,934	12,659	47,529	57,481	22,256	9,838	11,184	56,183
17	Performing loans and securities:	917,121	3,928,482	1,809,011	11,789,736	12,893,967	895,488	4,302,198	2,066,745	11,378,338	12,746,519
18	Performing loans to financial institutions secured by Level 1 HQLA	-	470,191	2,480	-	71,769	-	592,663	7,980	-	92,890
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	927,305	93,511	238,296	432,679	-	1,114,566	124,375	165,488	409,226
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	831,442	2,290,304	1,528,065	5,808,782	7,252,146	809,614	2,346,891	1,741,715	5,585,893	7,197,581
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	50,896	17,654	52,519	68,412	-	6,000	-	-	3,000
22	Performing residential mortgages, of which:	-	164,471	166,655	5,533,549	4,869,080	-	166,892	168,475	5,419,541	4,774,293
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	85,679	76,211	18,300	209,109	268,293	85,874	81,186	24,200	207,416	272,529
25	Assets with matching Interdependent liabilities	-	-	-	-	-	-	-	-	-	-
26	Other assets:	101,681	217,094	109,927	342,109	781,760	108,487	240,157	121,569	232,308	733,928
27	Physical traded commodities, including gold	101,681				86,429	108,487				92,214
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				1,578	1,341				1,737	1,477
29	NSFR derivative assets				68,621	-				44,073	-
30	NSFR derivative liabilities before deduction of variation margin posted[1]				17,419	17,419				13,125	13,125
31	All other assets not included in the above categories	-	217,094	109,927	271,910	590,892	-	240,157	121,569	186,498	541,238
32	Off-balance sheet items				5,553,705	189,010				5,227,967	181,863
33	**Total RSF**					15,515,100					15,266,201
34	**Net Stable Funding Ratio (%)**					127.15					*129.49*

1. The amount filled out in this account refers to derivative liabilities, i.e., the amount of NSFR derivative liabilities before deduction of variable reserves. This amount makes no distinction between durations, nor does it count towards the total in "26 Other Assets".

According to the regulatory requirements, definitions and accounting standards applicable in the fourth quarter of 2020, the Group's net stable funding ratio was 127.15%, from which the available stable funding was RMB19,727,180 million against the required stable funding of RMB15,515,100 million.

3 LEVERAGE RATIO

From the first quarter of 2015, the Group measures the leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* promulgated by the CBRC in January 2015. The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on-balance sheet and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As at 31 December, 2020, the Group's leverage ratio was 7.99%, which met regulatory requirements.

The following table sets forth the information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	**As at 31 December 2020**	As at 30 September 2020	As at 30 June 2020	As at 31 March 2020
Leverage ratio	**7.99%**	7.78%	7.84%	8.14%
Tier 1 capital after regulatory adjustments	**2,361,517**	2,312,381	2,274,724	2,311,145
On and off-balance sheet assets after adjustments	**29,548,554**	29,722,025	29,023,947	28,404,807

The following table sets forth the detailed items that constitute the on and off-balance sheet assets after adjustments used in the calculation of the Group's leverage ratio, and the reconciliation with the accounting items.

(In millions of RMB)	**As at 31 December 2020**	As at 31 December 2019
Total on-balance sheet assets[1]	**28,132,254**	25,436,261
Consolidated adjustment[2]	**(220,217)**	(171,735)
Derivatives adjustment	**66,243**	58,591
Securities financing transactions adjustment	**680**	899
Off-balance sheet items adjustment[3]	**1,583,599**	1,380,975
Other adjustments[4]	**(14,005)**	(10,258)
On and off-balance sheet assets after adjustments	**29,548,554**	26,694,733

1. Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.
2. Consolidated adjustment refers to the difference between regulatory consolidated total assets and accounting consolidated total assets.
3. Off-balance sheet items adjustment refers to the balance of off-balance sheet items after being multiplied by credit conversion factors in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*.
4. Other adjustments mainly comprise regulatory adjustments to Tier 1 capital.

The following table sets forth the information related to the Group's leverage ratio, Tier 1 capital after regulatory adjustments, and on and off-balance sheet assets after adjustments and their relevant detailed items.

(In millions of RMB, except percentages)	**As at 31 December 2020**	As at 31 December 2019
On-balance sheet assets (excluding derivatives and securities financing transactions)[1]	**27,241,556**	24,675,900
Less: Regulatory adjustments to Tier 1 capital	**(14,005)**	(10,258)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	**27,227,551**	24,665,642
Replacement costs of various derivatives (excluding eligible margin)	**84,361**	40,064
Potential risk exposures of various derivatives	**50,403**	52,930
Nominal principals arising from sales of credit derivatives	**–**	–
Derivative assets	**134,764**	92,994
Accounting assets arising from securities financing transactions	**601,960**	554,223
Counterparty credit risk exposure arising from securities financing transactions	**680**	899
Securities financing transactions assets	**602,640**	555,122
Off-balance sheet assets	**4,507,842**	3,735,906
Less: Decrease in off-balance sheet assets due to credit conversion	**(2,924,243)**	(2,354,931)
Off-balance sheet assets after adjustments	**1,583,599**	1,380,975
Tier 1 capital after regulatory adjustments	**2,361,517**	2,209,692
On and off-balance sheet assets after adjustments	**29,548,554**	26,694,733
Leverage Ratio[2]	**7.99%**	8.28%

1. These refer to on-balance sheet assets excluding derivatives and securities financing transactions on a regulatory consolidated basis.
2. Leverage ratio is calculated through dividing Tier 1 capital after regulatory adjustments by on and off-balance sheet assets after adjustments.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 CURRENCY CONCENTRATIONS

	31 December 2020			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	**945,417**	**352,098**	**376,645**	**1,674,160**
Spot liabilities	**(1,000,213)**	**(330,942)**	**(290,448)**	**(1,621,603)**
Forward purchases	**1,826,299**	**75,051**	**137,233**	**2,038,583**
Forward sales	**(1,758,605)**	**(60,684)**	**(203,639)**	**(2,022,928)**
Net option position	**(16,261)**	**(29)**	**(4)**	**(16,294)**
Net (short)/long position	**(3,362)**	**35,494**	**19,787**	**51,919**
Net structural position	**34,141**	**2,313**	**(6,959)**	**29,495**

	31 December 2019			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,177,322	336,136	473,907	1,987,365
Spot liabilities	(1,280,135)	(388,492)	(324,861)	(1,993,488)
Forward purchases	2,126,358	174,874	185,347	2,486,579
Forward sales	(1,988,021)	(79,784)	(309,671)	(2,377,476)
Net option position	(14,714)	–	(10)	(14,724)
Net long position	20,810	42,734	24,712	88,256
Net structural position	41,583	1,487	(15,465)	27,605

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in the foreign exchange. Structural assets and liabilities include:

- investments in property and equipment, net of accumulated depreciation;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

5 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China. The international claims of the Group are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

5 INTERNATIONAL CLAIMS (CONTINUED)

International claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the Group reduces its exposure to a particular country/region by an effective transfer of credit risk to a different country/region with the use of credit risk mitigation which include guarantees, collateral and credit derivatives.

	31 December 2020				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	223,982	127,130	611,168	23,060	985,340
– of which attributed to Hong Kong	8,974	58,527	324,489	–	391,990
Europe	12,496	33,635	70,933	1,209	118,273
North and South America	35,015	171,380	117,751	–	324,146
Total	271,493	332,145	799,852	24,269	1,427,759

	31 December 2019				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	428,976	65,572	703,741	28,957	1,227,246
– of which attributed to Hong Kong	41,970	8,987	337,889	–	388,846
Europe	32,647	63,025	67,410	101	163,183
North and South America	37,786	118,407	142,693	–	298,886
Total	499,409	247,004	913,844	29,058	1,689,315

6 OVERDUE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL SECTOR

	31 December 2020	31 December 2019
Central	36,547	33,505
Pearl River Delta	23,954	13,071
Bohai Rim	17,147	14,309
Western	16,262	26,066
Yangtze River Delta	13,995	16,404
North eastern	8,034	11,669
Head office	9,008	7,505
Overseas	2,977	1,787
Total	127,924	124,316

According to regulation requirements, the above analysis represents the gross amount of loans and advances to customers overdue for more than three months.

Loans and advances to customers with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances to customers repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances to customers repayable on demand are outside the approved limit that was advised to the borrower, they are also considered to be overdue.

7 EXPOSURES TO NON-BANKS IN MAINLAND CHINA

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2020, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

APPENDIX II: INDICATORS FOR ASSESSING GLOBAL SYSTEMIC IMPORTANCE OF COMMERCIAL BANKS

The Group calculated the indicators for assessing global systemic importance of the Bank in accordance with the *Guidelines for the Disclosure of Indicators for Assessing Global Systemic Importance of Commercial Banks* issued by the China Banking Regulatory Commission and the *Instructions for G-SIB assessment exercise* by the Basel Committee on Banking Supervision. The following table sets forth the Group's indicators as at 31 December 2020.

(In billions of RMB)		**31 December 2020**	31 December 2019
Number	**Indicators**	**Amount[3]**	Amount[3]
1	Total on- and off- balance sheet assets after adjustments[1]	**29,562.6**	26,705.0
2	Intra-financial system assets	**1,163.6**	1,266.5
3	Intra-financial system liabilities	**2,141.9**	2,205.9
4	Securities outstanding and other financing tools	**2,275.5**	2,689.5
5	Total payments through payment system and as a correspondent for other banks	**504,421.7**	443,983.6
6	Assets under custody	**15,309.6**	13,218.8
7	Securities underwriting activity	**2,497.5**	1,578.3
8	Notional amount of over-the-counter (OTC) derivatives	**4,212.7**	4,348.5
9	Securities at fair value through profit or loss and securities at fair value through other comprehensive income[2]	**728.7**	885.6
10	Level 3 assets	**140.9**	139.9
11	Cross-jurisdictional claims	**851.3**	943.5
12	Cross-jurisdictional liabilities	**1,062.0**	1,342.2

1. In accordance with the Instructions for G-SIB assessment exercise by the Basel Committee on Banking Supervision, capital regulatory adjustments will not be deducted from on- and off- balance sheet assets after adjustments.
2. Securities at fair value through profit or loss and securities at fair value through other comprehensive income are calculated by netting off the level 1 and level 2 assets, in accordance with the CBIRC requirements. Level 1 and Level 2 assets are defined in the *Measures for Liquidity Risk Management of Commercial Banks* issued by the CBIRC.
3. As per the regulatory requirements, the indicators for assessing global systemic importance are calculated under regulatory scope of consolidation, which are different from the data under accounting scope of consolidation.

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