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中國工商銀行股份有限公司

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

(Stock Code: 1398)

(EUR Preference Shares Stock Code: 4604)

(USD Preference Shares Stock Code: 4620)

2020 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of Industrial and Commercial Bank of China Limited (the “Bank”) announces the annual audited results of the Bank and its subsidiaries for the year ended 31 December 2020. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the annual audited results. Summary of the Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) is also presented in this Announcement.

1. Corporate Information

1.1 Basic Information

	Stock name	Stock code	Stock exchange on which shares are listed
A Share	工商銀行	601398	Shanghai Stock Exchange
H Share	ICBC	1398	The Stock Exchange of Hong Kong Limited
Offshore Preference Share	ICBC EURPREF1	4604	The Stock Exchange of Hong Kong Limited
	ICBC 20USDPREF	4620	The Stock Exchange of Hong Kong Limited
Domestic Preference Share	工行優1	360011	Shanghai Stock Exchange
	工行優2	360036	Shanghai Stock Exchange

1.2 Contact

Board Secretary and Company Secretary

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2. Financial Highlights

(Financial data and indicators in this annual results announcement are prepared in accordance with International Financial Reporting Standards (“IFRSs”) and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

2.1 Financial Data

	2020	2019	2018	2017	2016
Annual operating results					
(in RMB millions)					
Net interest income ⁽¹⁾	646,765	632,217	593,677	522,078	471,846
Net fee and commission income ⁽¹⁾	131,215	130,573	124,394	139,625	144,973
Operating income	800,075	776,002	725,121	675,654	641,681
Operating expenses	206,585	207,776	194,203	186,194	193,112
Impairment losses on assets	202,668	178,957	161,594	127,769	87,894
Operating profit	390,822	389,269	369,324	361,691	360,675
Profit before taxation	392,126	391,789	372,413	364,641	363,279
Net profit	317,685	313,361	298,723	287,451	279,106
Net profit attributable to equity holders of the parent company	315,906	312,224	297,676	286,049	278,249
Net cash flows from operating activities	<u>1,557,616</u>	<u>481,240</u>	<u>529,911</u>	<u>770,864</u>	<u>239,221</u>
As at the end of reporting period (in RMB millions)					
Total assets	33,345,058	30,109,436	27,699,540	26,087,043	24,137,265
Total loans and advances to customers	18,624,308	16,761,319	15,419,905	14,233,448	13,056,846
Allowance for impairment losses on loans ⁽²⁾	531,161	478,730	413,177	340,482	289,512
Investment	8,591,139	7,647,117	6,754,692	5,756,704	5,481,174
Total liabilities	30,435,543	27,417,433	25,354,657	23,945,987	22,156,102
Due to customers	25,134,726	22,977,655	21,408,934	19,562,936	18,113,931
Due to banks and other financial institutions	2,784,259	2,266,573	1,814,495	1,706,549	2,016,799
Equity attributable to equity holders of the parent company	2,893,502	2,676,186	2,330,001	2,127,491	1,969,751
Share capital	356,407	356,407	356,407	356,407	356,407
Net core tier 1 capital ⁽³⁾	2,653,002	2,457,274	2,232,033	2,030,108	1,874,976
Net tier 1 capital ⁽³⁾	2,872,792	2,657,523	2,312,143	2,110,060	1,954,770
Net capital base ⁽³⁾	3,396,186	3,121,479	2,644,885	2,406,920	2,127,462
Risk-weighted assets ⁽³⁾	<u>20,124,139</u>	<u>18,616,886</u>	<u>17,190,992</u>	<u>15,902,801</u>	<u>14,564,617</u>

	2020	2019	2018	2017	2016
Per share data					
(in RMB yuan)					
Net asset value per share ⁽⁴⁾	7.48	6.93	6.30	5.73	5.29
Basic earnings per share	0.86	0.86	0.82	0.79	0.77
Diluted earnings per share	0.86	0.86	0.82	0.79	0.77
Credit rating					
S&P ⁽⁵⁾	A	A	A	A	A
Moody's ⁽⁵⁾	A1	A1	A1	A1	A1

Notes: (1) According to the Notice on Strictly Implementing the Accounting Standards for Business Enterprises and Effectively Strengthening the 2020 Annual Report of Enterprises promulgated by MOF, State-owned Assets Supervision and Administration Commission of the State Council, CBIRC and CSRC, credit card installment fee income and related expenses are reclassified from fee and commission income and expense to interest income and other net operating income. The data in the comparative periods of 2019 and 2018 are adjusted accordingly, and relevant financial indicators are also restated accordingly.

(2) Calculated by adding allowance for impairment losses on loans and advances to customers measured at amortised cost with allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income.

(3) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

(4) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the reporting period by the total number of ordinary shares at the end of the reporting period.

(5) The rating results are in the form of “long-term foreign currency deposits rating”.

2.2 Financial Indicators

	2020	2019	2018	2017	2016
Profitability (%)					
Return on average total assets ⁽¹⁾	1.00	1.08	1.11	1.14	1.20
Return on weighted average equity ⁽²⁾	11.95	13.05	13.79	14.35	15.24
Net interest spread ⁽³⁾	1.97	2.12	2.20	2.10	2.02
Net interest margin ⁽⁴⁾	2.15	2.30	2.36	2.22	2.16
Return on risk-weighted assets ⁽⁵⁾	1.64	1.75	1.81	1.89	2.01
Ratio of net fee and commission income to operating income	16.40	16.83	17.15	20.67	22.59
Cost-to-income ratio ⁽⁶⁾	24.76	25.79	25.71	26.45	27.40
Asset quality (%)					
Non-performing loans (“NPLs”) ratio ⁽⁷⁾	1.58	1.43	1.52	1.55	1.62
Allowance to NPLs ⁽⁸⁾	180.68	199.32	175.76	154.07	136.69
Allowance to total loans ratio ⁽⁹⁾	2.85	2.86	2.68	2.39	2.22
Capital adequacy (%)					
Core tier 1 capital adequacy ratio ⁽¹⁰⁾	13.18	13.20	12.98	12.77	12.87
Tier 1 capital adequacy ratio ⁽¹⁰⁾	14.28	14.27	13.45	13.27	13.42
Capital adequacy ratio ⁽¹⁰⁾	16.88	16.77	15.39	15.14	14.61
Total equity to total assets ratio	8.73	8.94	8.47	8.21	8.21
Risk-weighted assets to total assets ratio	60.35	61.83	62.06	60.96	60.34

Notes: (1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

(2) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by CSRC.

(3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of interest-generating assets.

- (5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expenses (less taxes and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.
- (9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.
- (10) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

2.3 Quarterly Financial Data

		2020			
	Q1	Q2	Q3	Q4	
(In RMB millions)					
Operating income	206,187	196,159	197,901	199,828	
Net profit attributable to equity holders of the parent company	84,494	64,296	79,885	87,231	
Net cash flows from operating activities	1,907,890	(34,157)	146,709	(462,826)	
		2019			
	Q1	Q2	Q3	Q4	
(In RMB millions)					
Operating income	201,818	192,385	190,481	191,318	
Net profit attributable to equity holders of the parent company	82,005	85,926	83,781	60,512	
Net cash flows from operating activities	1,008,242	(100,949)	300,928	(726,981)	

2.4 Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and Those under IFRSs

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the year ended 31 December 2020 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

3. Business Review

In 2020, facing the disruptions of the novel coronavirus and various unstable and uncertain factors at home and abroad, the Management pursued the decisions and plans of the CPC Central Committee and the State Council, acted upon the working guideline of “adherence to the guidance of Party building and strict governance, customer first and serving the real economy, technology driven and value creation, international vision and global operation, pragmatic transformation and reform, and solid foundation by risk control and talent-oriented development” in real earnest, solidified the foundation for sound development and made new breakthrough in transformation and innovation with a focus on the “Three Tasks” of financial work, and paid efforts to maintain stable and coordinated operations, thereby faring better than expected.

Making progress while pressing stably ahead with the quality and momentum improvement of operations. At the same time of scarifying a reasonable portion of profit to the real economy, the Bank strove to tap potential and raise cost effectiveness, and achieved hard-won growth in 2020. The Group recorded RMB317.7 billion in net profit, representing an increase of 1.4% from the previous year. Profit before provision was RMB594.8 billion, representing an increase of 4.2% from the previous year. Operating income came in at RMB800.1 billion, representing an increase of 3.1% from the previous year. With all kinds of risks under effective control, the NPL ratio, at 1.58%, was maintained in a stable range. The ratio of both overdue loans and special mention loans fell, and 2020 marked the first year for the price scissors between overdue loans and NPLs to turn negative. Allowance to NPLs reached 180.68%. Cost-to-income ratio stood at 24.76%, staying at a satisfactory level in the industry.

Serving the real economy to the best of our abilities as a responsible large bank. The Bank contributed to the endeavor of “ensuring stability on six key fronts” and “maintaining security in six key areas” across the board, earnestly carried out the counter-cyclical policies and maintained the stability of aggregate investment and financing volumes and the continued optimization of structures. The Bank registered new domestic RMB loans of RMB1.88 trillion, RMB549.1 billion more than the increment a year ago. Bond investments grew by RMB1.19 trillion over the year beginning, ranking the first in the market. The Bank carried out special actions to support COVID-19 relief efforts, resumption of work and production, and supply chain stabilization and strengthening, facilitate foreign trade and foreign investment, and help Hubei and Wuhan fight COVID-19, financially empowering the coordination between pandemic prevention and control and each work in relation to economic and social development. The Bank did well in implementing the loan servicing postponement policy, relieving over 0.10 million customers from such pressure, and relevant loans amounted to RMB1.5 trillion. Concerning key fields and weak areas, the Bank optimized the financial resources it supplied and provided direct access to targeted financial services. Manufacturing loans increased by RMB222.9 billion, with the medium to long-term manufacturing loans growing by 46.7%. The Bank actively developed digital supply chain financing, so that premier financial services could benefit more micro-, small- and medium-sized enterprises. Loans to private enterprises and inclusive loans rose by 12.4% and 58%, respectively. Inclusive finance was pushed to increase volume, expand coverage, enhance quality and cut cost. By actively galvanizing the system building and service innovation of green finance, the Bank increased the balance of green loans to RMB1.85 trillion.

Stepping up risk management with the systemic concept. The Bank improved the enterprise risk management system, stuck to the route of “active prevention, smart control and comprehensive management”, put in place the four-pronged risk management approach to people, money, defense line and bottom line, and realized the full coverage and precise control of risks in each segment of the institutions and all types of risks. With equal emphasis upon off-risk and process reengineering, the Bank reinforced the management of “Three Gates” and “Seven-color Pools”, launched the new regulation on credit approval, steadily pushed forward the resolving of credit risks in an orderly manner, and continued to improve credit asset quality. NPLs recovered and disposed of were valued at RMB217.6 billion, representing an increase of RMB28.9 billion over the prior year. The Bank advanced the building of “Rong An e” risk control systems and built the smart risk control brand. It strengthened the analysis and anticipation of market conditions, dynamically revised the investing and trading strategies, and continued to improve the capacity for identifying, measuring, giving early warning on and controlling market risks to effectively tackle market fluctuations. The Bank continued to manage operational, liquidity and reputational risks well, fostered the compliance culture and performed compliance management of domestic and overseas institutions.

Boosting transformation and innovation while deepening strategy implementation. Being customer-centric, the Bank refined the marketing system, strengthened the interactions among government, business and consumption (GBC), and further solidified the customer base. The Bank saw an increase of RMB2.48 trillion in domestic RMB deposits (including interbank deposits), hitting an all-time high. Key strategies were carried out effectively, comprehensively enhancing the personal banking, foreign exchange business and regional development service capabilities. Personal customers reached 680 million, and the number of monthly active Internet banking customers broke the 100 million-mark at the earliest in the banking industry. In alignment with the New Rules on Asset Management, asset management and private banking transformation moved ahead in an orderly manner. The Bank optimized the international development strategy, improved all-around services, and effectively served global and diversified needs of customers. With a successful progress in ECOS development, the Bank continued to lead the industry with advanced IT infrastructure. The acceleration of digitalization went side by side with further promotion of core product, business model and service ecosystem innovations. The Bank actively empowered the industrial Internet, intelligent government services and intelligent medical care, and provided over ten thousand partners with intelligent financial solutions.

4. Discussion and Analysis

4.1 Income Statement Analysis

In 2020, the Bank strived to overcome the impact of the COVID-19 pandemic and changes in the external environment, actively implemented the fee reduction and profit concession policy, enhanced financial services for the real economy, actively empowered business with technology, and strengthened risk prevention and control, so as to maintain prudential operation and development. In the year, the Bank realized a net profit of RMB317,685 million, representing an increase of RMB4,324 million or 1.4% as compared to the previous year. Return on average total assets stood at 1.00%, and return on weighted average equity was 11.95%. Operating income amounted to RMB800,075 million, representing an increase of 3.1%, of which, net interest income grew by 2.3% to RMB646,765 million; non-interest income was RMB153,310 million, up by 6.6%. Operating expenses amounted to RMB206,585 million, representing a decrease of 0.6%, and the cost-to-income ratio was 24.76%. Impairment losses on assets were RMB202,668 million, indicating an increase of 13.2%. Income tax expense fell by 5.1% to RMB74,441 million.

Net Interest Income

In 2020, net interest income was RMB646,765 million, RMB14,548 million or 2.3% higher than that of last year, accounting for 80.8% of the Bank's operating income. Interest income grew by RMB29,076 million or 2.7% to RMB1,092,521 million and interest expenses increased by RMB14,528 million or 3.4% to RMB445,756 million. Net interest spread and net interest margin came at 1.97% and 2.15% respectively, both down 15 basis points from the previous year, mainly because the Bank carried forward the conversion of LPR loan pricing benchmark, continued to provide favorable fee policy for the real economy and further reduced the financing cost of enterprises.

AVERAGE YIELD OF INTEREST-GENERATING ASSETS AND AVERAGE COST OF INTEREST-BEARING LIABILITIES

In RMB millions, except for percentages

Item	Average balance	2020		2019		
		Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Assets						
Loans and advances to customers	17,979,409	766,407	4.26	16,282,090	732,691	4.50
Investment	7,223,638	243,545	3.37	6,141,181	221,184	3.60
Due from central banks ⁽²⁾	2,848,543	42,022	1.48	2,979,028	46,185	1.55
Due from banks and other financial institutions ⁽³⁾	2,003,882	40,547	2.02	2,029,662	63,385	3.12
Total interest-generating assets	30,055,472	1,092,521	3.64	27,431,961	1,063,445	3.88
Non-interest-generating assets	2,865,115			2,802,458		
Allowance for impairment losses on assets	(506,316)			(461,121)		
Total assets	32,414,271			29,773,298		
Liabilities						
Deposits	22,670,373	364,173	1.61	20,847,046	331,066	1.59
Due to banks and other financial institutions ⁽³⁾	2,938,129	51,477	1.75	2,658,948	63,296	2.38
Debt securities issued	1,028,929	30,106	2.93	1,035,442	36,866	3.56
Total interest-bearing liabilities	26,637,431	445,756	1.67	24,541,436	431,228	1.76
Non-interest-bearing liabilities	2,114,998			2,085,315		
Total liabilities	28,752,429			26,626,751		
Net interest income		646,765			632,217	
Net interest spread			1.97			2.12
Net interest margin			2.15			2.30

Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses on assets represent the average of the balances at the beginning of the year and at the end of the year.

(2) Due from central banks mainly includes mandatory reserves and surplus reserves with central banks.

(3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements, and due to banks and other financial institutions includes the amount of repurchase agreements.

Interest Income

- **Interest Income on Loans and Advances to Customers**

Interest income on loans and advances to customers was RMB766,407 million, RMB33,716 million or 4.6% higher as compared to that of last year, mainly due to the increase in the size of loans and advances to customers.

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY MATURITY STRUCTURE

In RMB millions, except for percentages

Item	Average balance	2020	Average yield (%)	2019		
		Interest income		Average balance	Interest income	Average yield (%)
Short-term loans	3,934,831	143,043	3.64	3,656,602	154,556	4.23
Medium to long-term loans	<u>14,044,578</u>	<u>623,364</u>	4.44	<u>12,625,488</u>	<u>578,135</u>	4.58
Total loans and advances to customers	<u><u>17,979,409</u></u>	<u><u>766,407</u></u>	4.26	<u><u>16,282,090</u></u>	<u><u>732,691</u></u>	4.50

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	2020			2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	9,461,995	400,605	4.23	8,570,732	383,600	4.48
Discounted bills	443,764	11,883	2.68	372,127	12,415	3.34
Personal loans	6,606,897	314,940	4.77	5,917,236	279,507	4.72
Overseas business	1,466,753	38,979	2.66	1,421,995	57,169	4.02
Total loans and advances to customers	<u>17,979,409</u>	<u>766,407</u>	4.26	<u>16,282,090</u>	<u>732,691</u>	4.50

- **Interest Income on Investment**

Interest income on investment amounted to RMB243,545 million, representing an increase of RMB22,361 million or 10.1% as compared to that of last year, mainly due to the increase in investment.

- **Interest Income on Due from Central Banks**

Interest income on due from central banks was RMB42,022 million, recording a decrease of RMB4,163 million or 9.0% as compared to that of last year, mainly due to the decrease of the statutory reserve requirement ratio.

- **Interest Income on Due from Banks and Other Financial Institutions**

Interest income on due from banks and other financial institutions was RMB40,547 million, representing a decrease of RMB22,838 million or 36.0% as compared to that of last year, principally due to overall decline in the interest rates of the money market during the reporting period.

Interest Expense

- Interest Expense on Deposits**

Interest expense on deposits amounted to RMB364,173 million, representing an increase of RMB33,107 million or 10.0% over the previous year, principally due to the expansion in the size of due to customers and the increase in the average cost.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	2020		2019			
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	4,757,009	111,977	2.35	4,506,960	106,580	2.36
Demand deposits	<u>6,787,204</u>	<u>53,752</u>	0.79	<u>6,417,558</u>	<u>49,299</u>	0.77
Subtotal	<u>11,544,213</u>	<u>165,729</u>	1.44	<u>10,924,518</u>	<u>155,879</u>	1.43
Personal deposits						
Time deposits	5,723,692	167,153	2.92	5,175,228	139,533	2.70
Demand deposits	<u>4,509,984</u>	<u>17,243</u>	0.38	<u>3,866,882</u>	<u>15,399</u>	0.40
Subtotal	<u>10,233,676</u>	<u>184,396</u>	1.80	<u>9,042,110</u>	<u>154,932</u>	1.71
Overseas business	<u>892,484</u>	<u>14,048</u>	1.57	<u>880,418</u>	<u>20,255</u>	2.30
Total deposits	<u><u>22,670,373</u></u>	<u><u>364,173</u></u>	1.61	<u><u>20,847,046</u></u>	<u><u>331,066</u></u>	1.59

- **Interest Expense on Due to Banks and Other Financial Institutions**

Interest expense on due to banks and other financial institutions was RMB51,477 million, RMB11,819 million or 18.7% lower than that of last year, principally attributable to the overall decline in the interest rates of the money market during the reporting period.

- **Interest Expense on Debt Securities Issued**

Interest expense on debt securities issued was RMB30,106 million, indicating a decrease of RMB6,760 million or 18.3% over last year, mainly attributable to the decrease in the interest rates of the CDs, financial bonds and bills issued by overseas institutions.

Non-interest Income

In 2020, non-interest income was RMB153,310 million, RMB9,525 million or 6.6% higher than that of last year, accounting for 19.2% of the Bank's operating income. Specifically, net fee and commission income increased by 0.5% to RMB131,215 million, and other non-interest income rose by 67.2% to RMB22,095 million.

NET FEE AND COMMISSION INCOME

<i>In RMB millions, except for percentages</i>				
Item	2020	2019	Increase/ (decrease)	Growth rate (%)
Settlement, clearing business and cash management	39,101	37,321	1,780	4.8
Personal wealth management and private banking services	29,630	27,337	2,293	8.4
Investment banking business	21,460	23,860	(2,400)	(10.1)
Bank card business	18,623	21,764	(3,141)	(14.4)
Corporate wealth management services	15,554	14,024	1,530	10.9
Guarantee and commitment business	10,101	10,836	(735)	(6.8)
Asset custody business	7,545	7,004	541	7.7
Trust and agency services	1,617	1,590	27	1.7
Others	3,037	2,614	423	16.2
Fee and commission income	146,668	146,350	318	0.2
Less: Fee and commission expense	15,453	15,777	(324)	(2.1)
Net fee and commission income	131,215	130,573	642	0.5

The Bank focused on serving the real economy and satisfying customer financial needs by continuously transforming and innovating intermediary services. In 2020, the Bank's net fee and commission income was RMB146,668 million, an increase of RMB318 million over last year. Specifically, income on personal wealth management and private banking services increased by RMB2,293 million, as benefited by income increases in agency personal fund service, sale of personal wealth management products and investment management fee; income from settlement, clearing business and cash management increased by RMB1,780 million, mainly driven by the growth of third party payment business income; income from corporate wealth management services registered an increase of RMB1,530 million, mainly due to the income increase from sale of corporate wealth management products and bonds underwriting; asset custody business income increased by RMB541 million, principally attributable to the income increase driven by the size growth of public offered funds under custody. Although hit by the pandemic, the Bank persisted in business transformation and implementation of fee reduction and profit concession policies, resulting in the income decrease on bank card, investment banking, guarantee and commitment businesses.

OTHER NON-INTEREST RELATED GAINS

In RMB millions, except for percentages

Item	2020	2019	Increase/ (decrease)	Growth rate (%)
Net trading income	2,222	8,447	(6,225)	(73.7)
Net gain/(loss) on financial investments	11,829	(3,682)	15,511	N/A
Other operating income, net	8,044	8,447	(403)	(4.8)
Total	<u>22,095</u>	<u>13,212</u>	<u>8,883</u>	67.2

Other non-interest related gains amounted to RMB22,095 million, RMB8,883 million or 67.2% higher than that of the previous year. Specifically, the decrease in net trading income was mainly attributable to the increase in losses from derivative financial instruments; the net gain on financial investments was primarily due to the decrease in payments to customers upon maturity of principle-guaranteed wealth management products and the increase in gains on equity instrument investments.

Operating Expenses

In RMB millions, except for percentages

Item	2020	2019	Increase/ (decrease)	Growth rate (%)
Staff costs	126,572	126,950	(378)	(0.3)
Property and equipment expenses	27,960	27,713	247	0.9
Taxes and surcharges	8,524	7,677	847	11.0
Amortisation	2,607	2,315	292	12.6
Others	40,922	43,121	(2,199)	(5.1)
Total	<u>206,585</u>	<u>207,776</u>	<u>(1,191)</u>	(0.6)

The Bank continually strengthened the refined cost management. Operating expenses amounted to RMB206,585 million, a decrease of RMB1,191 million or 0.6% over last year.

Impairment Losses on Assets

In 2020, the Bank set aside the impairment losses on assets of RMB202,668 million, an increase of RMB23,711 million or 13.2% as compared to that of last year. Specifically, the impairment losses on loans was RMB171,830 million, indicating an increase of RMB9,722 million or 6.0%.

Income Tax Expense

Income tax expense decreased by RMB3,987 million or 5.1% to RMB74,441 million as compared to the previous year. The effective tax rate stood at 18.98%.

4.2 Segment Information

The Bank's principal operating segments include corporate banking, personal banking and treasury operations. The Bank adopts the MOVA (Management of Value Accounting) to evaluate the performance of each of its operating segments.

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Operating income	800,075	100.0	776,002	100.0
Corporate banking	393,661	49.2	375,590	48.4
Personal banking	318,058	39.7	305,577	39.4
Treasury operations	83,931	10.5	90,243	11.6
Others	4,425	0.6	4,592	0.6
Profit before taxation	392,126	100.0	391,789	100.0
Corporate banking	146,903	37.5	146,550	37.4
Personal banking	174,469	44.5	171,194	43.7
Treasury operations	68,199	17.4	72,745	18.6
Others	2,555	0.6	1,300	0.3

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Operating income	800,075	100.0	776,002	100.0
Head Office	107,705	13.5	100,925	13.0
Yangtze River Delta	130,424	16.3	128,672	16.6
Pearl River Delta	102,902	12.9	100,667	13.0
Bohai Rim	145,927	18.1	143,891	18.5
Central China	98,851	12.4	94,915	12.2
Western China	121,336	15.2	115,747	14.9
Northeastern China	32,342	4.0	29,216	3.8
Overseas and others	60,588	7.6	61,969	8.0
Profit before taxation	392,126	100.0	391,789	100.0
Head Office	34,092	8.7	40,088	10.2
Yangtze River Delta	75,295	19.2	82,336	21.0
Pearl River Delta	67,383	17.2	61,250	15.6
Bohai Rim	76,322	19.4	70,099	17.9
Central China	42,655	10.9	42,270	10.8
Western China	66,598	17.0	58,635	15.0
Northeastern China	2,593	0.7	2,743	0.7
Overseas and others	27,188	6.9	34,368	8.8

4.3 Balance Sheet Analysis

In 2020, in response to the impact of the pandemic and the complicated development trends externally, the Bank managed assets, funds and capital in a coordinated manner, and further enhanced its ability to serve the new development paradigm by financial services. The Bank further optimized the asset and liability structure, and continuously improved the operation and management efficiency of assets and liabilities. It coordinated the quality, pace, scale and price of investment and financing, gave full play to the driving and activating effect of all financial factors, and enhanced the adaptability and universality of financial services for the real economy. Furthermore, the Bank strived to cement the deposit development foundation and improved the stability of deposit growth. It deepened the reform of the market-oriented pricing mechanism, promoted the coordinated development of assets and liabilities in volume and price, and fully supported the reduction of financing costs of the real economy.

Assets Deployment

As at the end of 2020, total assets of the Bank amounted to RMB33,345,058 million, RMB3,235,622 million or 10.7% higher than that at the end of the previous year. Specifically, total loans and advances to customers (collectively referred to as “total loans”) increased by RMB1,862,989 million or 11.1% to RMB18,624,308 million, investment increased by RMB944,022 million or 12.3% to RMB8,591,139 million, and cash and balances with central banks increased by RMB219,879 million or 6.6% to RMB3,537,795 million.

In RMB millions, except for percentages

Item	At 31 December 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	18,624,308	—	16,761,319	—
Add: Accrued interest	42,320	—	43,731	—
Less: Allowance for impairment losses on loans and advances to customers measured at amortised cost	530,300	—	478,498	—
Net loans and advances to customers	18,136,328	54.4	16,326,552	54.2
Investment	8,591,139	25.8	7,647,117	25.4
Cash and balances with central banks	3,537,795	10.6	3,317,916	11.0
Due from banks and other financial institutions	1,081,897	3.2	1,042,368	3.5
Reverse repurchase agreements	739,288	2.2	845,186	2.8
Others	1,258,611	3.8	930,297	3.1
Total assets	<u>33,345,058</u>	<u>100.0</u>	<u>30,109,436</u>	<u>100.0</u>

Loan

The Bank duly adjusted its credit strategy on the premise of maintaining the basic stability of overall credit policy orientation, in an effort to meet the funding needs of pandemic containment, work resumption, emergency loans, deferred repayment of principal and interest and other special phases. It also actively supported the construction of key areas of the real economy, and vigorously developed green finance and inclusive finance. As at the end of 2020, total loans amounted to RMB18,624,308 million, RMB1,862,989 million or 11.1% higher compared with the end of the previous year, of which RMB denominated loans of domestic branches were RMB16,805,218 million, up by RMB1,881,450 million or 12.6%.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	11,102,733	59.6	9,955,821	59.4
Discounted bills	406,296	2.2	421,874	2.5
Personal loans	7,115,279	38.2	6,383,624	38.1
Total	18,624,308	100.0	16,761,319	100.0

Corporate loans rose by RMB1,146,912 million or 11.5% from the end of last year. The Bank actively supported the construction of ongoing infrastructure projects and major projects for making up shortcomings, and offered prominent support to the high-quality development of manufacturing, to meet funding requirements of customers in anti-epidemic service sectors for continuing operations. Therefore, the Bank's corporate loans in key areas such as the Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area, Central China and Chengdu-Chongqing region remained growing.

Personal loans increased by RMB731,655 million or 11.5% from the end of last year. Specifically, residential mortgages grew by RMB562,036 million or 10.9%; personal business loans increased by RMB175,742 million or 50.8%, mainly due to the rapid growth of key lending products in the inclusive finance areas such as Online Revolving Loan and Quick Lending for Operation.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

Item	At 31 December 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	17,918,430	96.21	16,066,266	95.86
Special mention	411,900	2.21	454,866	2.71
NPLs	293,978	1.58	240,187	1.43
Substandard	114,438	0.61	97,864	0.58
Doubtful	149,926	0.81	113,965	0.68
Loss	29,614	0.16	28,358	0.17
Total	18,624,308	100.00	16,761,319	100.00

According to the five-category classification, pass loans amounted to RMB17,918,430 million at the end of 2020, representing an increase of RMB1,852,164 million when compared with the end of the previous year and accounting for 96.21% of total loans. Special mention loans stood at RMB411,900 million, representing a decrease of RMB42,966 million, and accounting for 2.21% of the total, with a drop of 0.50 percentage points. NPLs amounted to RMB293,978 million, showing an increase of RMB53,791 million, and NPL ratio was 1.58%, with a rise of 0.15 percentage points.

DISTRIBUTION OF LOANS AND NPLS

In RMB millions, except for percentages

Item	At 31 December 2020				At 31 December 2019			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	11,102,733	59.6	253,815	2.29	9,955,821	59.4	200,722	2.02
Short-term corporate loans	2,643,212	14.2	130,893	4.95	2,458,321	14.7	108,671	4.42
Medium to long-term corporate loans	8,459,521	45.4	122,922	1.45	7,497,500	44.7	92,051	1.23
Discounted bills	406,296	2.2	622	0.15	421,874	2.5	623	0.15
Personal loans	7,115,279	38.2	39,541	0.56	6,383,624	38.1	38,842	0.61
Residential mortgages	5,728,315	30.8	16,207	0.28	5,166,279	30.8	11,679	0.23
Personal consumption loans	183,716	0.9	3,668	2.00	193,516	1.2	4,459	2.30
Personal business loans	521,638	2.8	6,760	1.30	345,896	2.1	7,710	2.23
Credit card overdrafts	681,610	3.7	12,906	1.89	677,933	4.0	14,994	2.21
Total	18,624,308	100.0	293,978	1.58	16,761,319	100.0	240,187	1.43

Corporate NPLs were RMB253,815 million, showing an increase of RMB53,093 million when compared with the end of the previous year, and representing a NPL ratio of 2.29%, with a rise of 0.27 percentage points. Personal NPLs amounted to RMB39,541 million, showing an increase of RMB699 million, and represented a NPL ratio of 0.56%, with a drop of 0.05 percentage points.

DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS OF DOMESTIC BRANCHES BY INDUSTRY OF LOAN CUSTOMERS

In RMB millions, except for percentages

Item	At 31 December 2020				At 31 December 2019			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Transportation, storage and postal services	2,467,959	25.2	20,683	0.84	2,131,892	24.9	17,466	0.82
Manufacturing	1,555,382	15.9	65,361	4.20	1,445,154	16.9	73,976	5.12
Leasing and commercial services	1,441,688	14.8	31,242	2.17	1,187,749	13.9	11,664	0.98
Water, environment and public utility management	1,154,201	11.8	8,425	0.73	910,504	10.6	4,122	0.45
Production and supply of electricity, heat, gas and water	995,232	10.2	3,977	0.40	934,414	10.9	1,900	0.20
Real estate	701,094	7.2	16,238	2.32	638,055	7.5	10,936	1.71
Wholesale and retail	437,283	4.5	60,272	13.78	406,532	4.7	42,492	10.45
Construction	260,667	2.7	8,636	3.31	252,104	2.9	5,344	2.12
Science, education, culture and sanitation	245,378	2.5	5,462	2.23	208,560	2.4	3,214	1.54
Mining	177,408	1.8	7,593	4.28	166,434	2.0	7,305	4.39
Lodging and catering	83,886	0.9	11,743	14.00	88,448	1.0	7,163	8.10
Others	247,866	2.5	5,495	2.22	190,096	2.3	6,511	3.43
Total	9,768,044	100.0	245,127	2.51	8,559,942	100.0	192,093	2.24

The Bank continued to propel the optimization and adjustment of the industry's credit structure, stepped up efforts to shore up the development of the real economy, and made every effort to guarantee the funding needs of key enterprises for pandemic containment. Loans to transportation, storage and postal services increased by RMB336,067 million as compared with the end of the previous year, representing a growth rate of 15.8%, mainly due to increased credit support for key projects in such areas as highways and railways. Loans to leasing and commercial services increased by RMB253,939 million, representing a growth rate of 21.4%, mainly for supporting the financing needs of developing projects for people's wellbeing, projects for strengthening areas of weaknesses in infrastructure, and for serving such strategic planning areas as national new areas, development zones and free trade zones. Loans to water, environment and public utility management grew by RMB243,697 million, representing a growth rate of 26.8%, mainly for steadily satisfying the investment and financing needs arising from significant projects and projects for people's livelihood in the areas of urban infrastructure construction, ecological environment protection and public services. Manufacturing loans rose by RMB110,228 million, an increase of 7.6%, mainly due to continuously increased credit support for high-end equipment manufacturing, epidemic prevention and material guarantee.

Impacted by the COVID-19 pandemic, loans to some customers in the industries of leasing and commercial services, wholesale and retail deteriorated, hence the balance of NPLs rose to some extent.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2020				At 31 December 2019			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	772,372	4.1	21,603	2.80	774,578	4.6	20,725	2.68
Yangtze River Delta	3,582,682	19.2	45,304	1.26	3,124,793	18.6	26,024	0.83
Pearl River Delta	2,746,019	14.8	31,540	1.15	2,341,370	14.0	23,629	1.01
Bohai Rim	3,030,552	16.3	71,763	2.37	2,739,585	16.3	49,037	1.79
Central China	2,789,085	15.0	38,584	1.38	2,445,215	14.7	35,638	1.46
Western China	3,369,916	18.1	47,788	1.42	2,991,010	17.8	40,164	1.34
Northeastern China	841,595	4.5	28,411	3.38	798,691	4.8	35,944	4.50
Overseas and others	1,492,087	8.0	8,985	0.60	1,546,077	9.2	9,026	0.58
Total	18,624,308	100.0	293,978	1.58	16,761,319	100.0	240,187	1.43

MOVEMENTS OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

Item	Movements of allowance for impairment losses on loans and advances to customers measured at amortised cost				Movements of allowance for impairment losses on loans and advances to customers measured at FVOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	215,316	78,494	184,688	478,498	227	–	5	232
Transfer:								
to stage 1	24,002	(22,507)	(1,495)	–	–	–	–	–
to stage 2	(6,913)	9,311	(2,398)	–	–	–	–	–
to stage 3	(4,838)	(53,754)	58,592	–	–	–	–	–
Charge/(reverse)	(2,984)	78,244	95,941	171,201	(16)	–	645	629
Write-offs and transfer out	–	(7)	(120,317)	(120,324)	–	–	–	–
Recoveries of loans and advances previously written off	–	–	4,977	4,977	–	–	–	–
Other movements	(880)	(630)	(2,542)	(4,052)	(0)	–	–	(0)
Balance at 31 December 2020	<u>223,703</u>	<u>89,151</u>	<u>217,446</u>	<u>530,300</u>	<u>211</u>	<u>–</u>	<u>650</u>	<u>861</u>

As at the end of 2020, the allowance for impairment losses on loans stood at RMB531,161 million, of which RMB530,300 million at amortised cost, and RMB861 million at fair value through other comprehensive income. Allowance to NPLs was 180.68%, showing a decrease of 18.64 percentage points over the end of last year; allowance to total loans ratio was 2.85%, showing a decrease of 0.01 percentage points.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 31 December 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	8,703,068	46.8	7,884,774	47.1
Pledged loans	1,401,565	7.5	1,427,911	8.5
Guaranteed loans	2,260,445	12.1	2,078,921	12.4
Unsecured loans	6,259,230	33.6	5,369,713	32.0
Total	18,624,308	100.0	16,761,319	100.0

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 31 December 2020		At 31 December 2019	
	Amount	% of total loans	Amount	% of total loans
Less than 3 months	98,963	0.54	83,084	0.50
3 months to 1 year	74,820	0.40	89,625	0.53
1 to 3 years	72,467	0.39	66,848	0.40
Over 3 years	21,257	0.11	28,659	0.17
Total	267,507	1.44	268,216	1.60

Note: Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by installments, the total amount of loans is deemed overdue if part of the installments is overdue.

Overdue loans stood at RMB267,507 million, representing a decrease of RMB709 million from the end of the previous year. Among which, loans overdue for over 3 months amounted to RMB168,544 million, representing a decrease of RMB16,588 million.

RESCHEDULED LOANS

Rescheduled loans and advances amounted to RMB11,960 million, representing an increase of RMB4,641 million as compared to the end of the previous year. Rescheduled loans and advances overdue for over 3 months amounted to RMB2,055 million, representing an increase of RMB720 million.

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 3.5% and 14.8% of the Bank's net capital base respectively. The total amount of loans granted to the top ten single customers was RMB501,463 million, accounting for 2.7% of the total loans.

Investment

In 2020, the Bank proactively supported the development of the real economy and scaled up its investments in local government bonds, special anti-epidemic government bonds and other bonds. As at the end of 2020, investment amounted to RMB8,591,139 million, representing an increase of RMB944,022 million or 12.3% from the end of the previous year. Among these, bonds rose by RMB1,191,343 million or 17.4% to RMB8,054,193 million.

In RMB millions, except for percentages

Item	At 31 December 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Bonds	8,054,193	93.8	6,862,850	89.7
Equity instruments	175,698	2.0	135,882	1.8
Funds and others ⁽¹⁾	262,800	3.1	558,366	7.3
Accrued interest	98,448	1.1	90,019	1.2
Total	<u>8,591,139</u>	<u>100.0</u>	<u>7,647,117</u>	<u>100.0</u>

Note: (1) Includes assets invested by funds raised by the issuance of principal-guaranteed wealth management products by the Bank.

DISTRIBUTION OF INVESTMENT IN BONDS BY ISSUERS

In RMB millions, except for percentages

Item	At 31 December 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	5,737,368	71.2	4,767,297	69.5
Central bank bonds	32,072	0.4	21,979	0.3
Policy bank bonds	725,625	9.0	652,522	9.5
Other bonds	1,559,128	19.4	1,421,052	20.7
Total	8,054,193	100.0	6,862,850	100.0

In terms of distribution by issuers, government bonds increased by RMB970,071 million or 20.3% over the end of last year, mainly due to the increase in local government bonds and national bonds; central bank bonds increased by RMB10,093 million or 45.9%; policy bank bonds went up by RMB73,103 million or 11.2%; and other bonds increased by RMB138,076 million or 9.7%.

DISTRIBUTION OF INVESTMENT IN BONDS BY REMAINING MATURITY

In RMB millions, except for percentages

Remaining maturity	At 31 December 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Undated ⁽¹⁾	35	0.0	10	0.0
Less than 3 months	495,137	6.1	335,735	4.9
3 to 12 months	978,923	12.2	1,007,366	14.7
1 to 5 years	3,493,342	43.4	3,267,720	47.6
Over 5 years	3,086,756	38.3	2,252,019	32.8
Total	8,054,193	100.0	6,862,850	100.0

Note: (1) Refers to overdue bonds.

DISTRIBUTION OF INVESTMENT IN BONDS BY CURRENCY

In RMB millions, except for percentages

Item	At 31 December 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB-denominated bonds	7,388,349	91.8	6,221,395	90.7
USD-denominated bonds	436,381	5.4	439,219	6.4
Other foreign currency bonds	229,463	2.8	202,236	2.9
Total	8,054,193	100.0	6,862,850	100.0

In terms of currency structure, RMB-denominated bonds rose by RMB1,166,954 million or 18.8% over the end of last year; USD-denominated bonds decreased by an equivalent of RMB2,838 million or 0.6%; other foreign currency bonds increased by an equivalent of RMB27,227 million or 13.5%. During the reporting period, the Bank improved the investment portfolio structure of foreign currency bonds and moderately increased the investment in bonds denominated in other currencies.

DISTRIBUTION OF INVESTMENT BY MEASURING METHOD

In RMB millions, except for percentages

Item	At 31 December 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial investments measured at fair value through profit or loss	784,483	9.1	962,078	12.6
Financial investments measured at fair value through other comprehensive income	1,540,988	17.9	1,476,872	19.3
Financial investments measured at amortised cost	6,265,668	73.0	5,208,167	68.1
Total	8,591,139	100.0	7,647,117	100.0

As at the end of 2020, the Group held RMB1,533,974 million of financial bonds¹, including RMB725,625 million of policy bank bonds and RMB808,349 million of bonds issued by banks and non-bank financial institutions, accounting for 47.3% and 52.7% of financial bonds, respectively.

¹ Financial bonds refer to the debt securities issued by financial institutions on the bond market, including bonds issued by policy banks, banks and non-bank financial institutions but excluding debt securities related to restructuring and central bank bonds.

Liabilities

As at the end of 2020, total liabilities reached RMB30,435,543 million, an increase of RMB3,018,110 million or 11.0% compared with the end of last year. Specifically, due to customers amounted to RMB25,134,726 million, an increase of RMB2,157,071 million or 9.4%.

In RMB millions, except for percentages

Item	At 31 December 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	25,134,726	82.6	22,977,655	83.8
Due to banks and other financial institutions	2,784,259	9.1	2,266,573	8.3
Repurchase agreements	293,434	1.0	263,273	1.0
Debt securities issued	798,127	2.6	742,875	2.7
Others	1,424,997	4.7	1,167,057	4.2
Total liabilities	30,435,543	100.0	27,417,433	100.0

Due to Customers

Due to customers is the Bank's main source of funds. As at the end of 2020, due to customers was RMB25,134,726 million, RMB2,157,071 million or 9.4% higher than that at the end of the previous year. In terms of customer structure, corporate deposits increased by RMB916,598 million or 7.6%; and personal deposits increased by RMB1,182,792 million or 11.3%. In terms of maturity structure, time deposits increased by RMB508,271 million or 4.4%, while demand deposits increased by RMB1,591,119 million or 14.4%. In terms of currency structure, RMB deposits stood at RMB23,571,992 million, an increase of RMB2,062,837 million or 9.6%. Foreign currency deposits were equivalent to RMB1,562,734 million, an increase of RMB94,234 million or 6.4%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	5,489,700	21.8	5,295,704	23.0
Demand deposits	7,455,160	29.7	6,732,558	29.3
Subtotal	12,944,860	51.5	12,028,262	52.3
Personal deposits				
Time deposits	6,463,929	25.7	6,149,654	26.8
Demand deposits	5,196,607	20.7	4,328,090	18.8
Subtotal	11,660,536	46.4	10,477,744	45.6
Other deposits⁽¹⁾	261,389	1.0	234,852	1.0
Accrued interest	267,941	1.1	236,797	1.1
Total	25,134,726	100.0	22,977,655	100.0

Note: (1) Includes outward remittance and remittance payables.

Shareholders' Equity

As at the end of 2020, shareholders' equity totalled RMB2,909,515 million, RMB217,512 million or 8.1% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB217,316 million or 8.1% to RMB2,893,502 million.

4.4 Capital Adequacy Ratio and Leverage Ratio

The Bank calculated its capital adequacy ratios at all levels in accordance with the Regulation Governing Capital of Commercial Banks (Provisional). According to the scope of implementing the advanced capital management approaches as approved by the regulatory authorities, the foundation internal ratings-based (IRB) approach was adopted for corporate credit risk, the IRB approach for retail credit risk, the internal model approach (IMA) for market risk, and the standardized approach for operational risk meeting regulatory requirements. The weighted approach was adopted for credit risk uncovered by the IRB approach and the standardized approach for market risk uncovered by the IMA.

As at the end of 2020, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated by the Bank in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) stood at 13.18%, 14.28% and 16.88%, respectively, complying with regulatory requirements.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 31 December 2020	At 31 December 2019
Core tier 1 capital	2,669,055	2,472,774
Paid-in capital	356,407	356,407
Valid portion of capital reserve	148,534	149,067
Surplus reserve	322,692	292,149
General reserve	339,486	304,876
Retained profits	1,508,562	1,367,180
Valid portion of minority interests	3,552	4,178
Others	(10,178)	(1,083)
Core tier 1 capital deductions	16,053	15,500
Goodwill	8,107	9,038
Other intangible assets other than land use rights	4,582	2,933
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,616)	(4,451)
Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980
Net core tier 1 capital	2,653,002	2,457,274
Additional tier 1 capital	219,790	200,249
Additional tier 1 capital instruments and related premium	219,143	199,456
Valid portion of minority interests	647	793
Net tier 1 capital	2,872,792	2,657,523
Tier 2 capital	523,394	463,956
Valid portion of tier 2 capital instruments and related premium	351,568	272,680
Surplus provision for loan impairment	170,712	189,569
Valid portion of minority interests	1,114	1,707
Net capital base	3,396,186	3,121,479
Risk-weighted assets⁽¹⁾	20,124,139	18,616,886
Core tier 1 capital adequacy ratio (%)	13.18	13.20
Tier 1 capital adequacy ratio (%)	14.28	14.27
Capital adequacy ratio (%)	16.88	16.77

Note: (1) Refers to risk-weighted assets after capital floor and adjustments.

Please refer to the 2020 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on capital measurement.

LEVERAGE RATIO

In RMB millions, except for percentages

Item	At	At	At	At	At
	31 December 2020	30 September 2020	30 June 2020	31 March 2020	31 December 2019
Net tier 1 capital	2,872,792	2,786,578	2,711,433	2,744,542	2,657,523
Balance of adjusted on- and off-balance sheet assets	35,300,338	35,490,453	35,239,614	34,044,105	31,982,214
Leverage ratio (%)	8.14	7.85	7.69	8.06	8.31

On the basis of capital replenishment by retained profits, the Bank proactively expanded the channels for external capital replenishment and continuously promoted the innovation of capital instruments, to reinforce the capital strength, optimize capital structure and control the cost of capital rationally.

- **Issuance of Offshore Preference Shares**

The Bank made a non-public issuance of 145 million USD-denominated non-cumulative perpetual offshore preference shares in September 2020, raising a total amount of USD2.9 billion. Subject to applicable laws and the approval of regulatory authorities, all proceeds from the issuance, after deduction of commissions and issuance expenses, will be used to replenish additional tier 1 capital of the Bank.

- **Issuance Progress of Undated Additional Tier 1 Capital Bonds**

The Bank received a reply from CBIRC in September 2020, pursuant to which, approval was granted to the Bank to issue undated additional tier 1 capital bonds in foreign currency of an amount no more than RMB40.0 billion equivalent in the offshore market, which will be counted as the additional tier 1 capital of the Bank in accordance with relevant regulatory requirements.

The Proposal on the Issuance of Undated Additional Tier 1 Capital Bonds was reviewed and approved at the Second Extraordinary General Meeting of 2020 of the Bank, pursuant to which, the Bank planned to issue undated additional tier 1 capital bonds with the total amount up to RMB100.0 billion in the domestic market, which will be used to replenish the Bank's additional tier 1 capital. The issuance plan of undated additional tier 1 capital bonds is still subject to the approval of relevant regulatory authorities.

- **Issuance of Tier 2 Capital Bonds**

The Bank publicly issued two tranches of tier 2 capital bonds, worth RMB60.0 billion and RMB40.0 billion, in September and November 2020 successively in China’s national inter-bank bond market, raising a total amount of RMB100.0 billion. The Bank issued a tier 2 capital bond of RMB30.0 billion in China’s national inter-bank bond market in January 2021. All proceeds will be used to replenish the Bank’s tier 2 capital in accordance with the applicable laws as approved by relevant regulatory authorities.

4.5 Other Information Disclosed Pursuant to Regulatory Requirements

Major Regulatory Indicators

Item		Regulatory criteria	2020	2019	2018
Liquidity ratio (%)	RMB	≥ 25.0	43.2	43.0	43.8
	Foreign currency	≥ 25.0	91.4	85.9	83.0
Loan-to-deposit ratio (%)	RMB and foreign currency		72.8	71.6	71.0
Percentage of loans to single largest customer (%)		≤ 10.0	3.5	3.1	3.8
Percentage of loans to top 10 customers (%)			14.8	12.6	12.9
Loan migration ratio (%)	Pass		1.7	1.5	1.7
	Special mention		36.4	26.1	25.3
	Substandard		60.9	36.0	38.8
	Doubtful		19.2	15.6	25.2

Note: The regulatory indicators in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the current period. The comparative figures are not adjusted or restated.

Corporate Bonds

The Bank did not issue any corporate bonds that need to be disclosed as per the “No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report” (Revision 2017) or “No. 38 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report of Corporate Bonds”.

Global Systemically Importance Assessment Indicators of Commercial Banks

In accordance with the Guidelines on the Disclosure of Global Systemically Importance Assessment Indicators for Commercial Banks issued by CBIRC and the Instructions for G-SIB Assessment Exercise issued by the Basel Committee on Banking Supervision, the Bank calculated the global systemically importance assessment indicators.

Indicator	<i>In RMB millions</i>	
	2020	2019
Balance of adjusted on- and off-balance sheet assets	35,316,391	32,054,006
Intra-financial system assets	2,046,168	2,008,660
Intra-financial system liabilities	2,874,364	2,273,368
Securities and other financing instruments issued	4,742,888	4,810,820
Payments settled via payment systems or correspondent banks	480,825,563	427,718,826
Assets under custody	18,540,327	16,541,581
Underwritten transactions in debt and equity markets	1,980,245	1,615,956
Notional amount of over-the-counter (OTC) derivatives	8,581,322	7,170,609
Trading and available-for-sale securities	597,258	595,768
Level 3 assets	203,050	201,411
Cross-jurisdictional claims	1,965,383	2,041,464
Cross-jurisdictional liabilities	2,211,697	2,128,717

4.6 Outlook

The world today, marked by changes unseen in a century, is under accelerated evolution. The COVID-19 pandemic has a far-reaching impact, and the international situation remains complex and grim. Peace and development remain the theme of the times. A new round of scientific and technological revolution and industrial reform have been deepened, with the concept of a community with a shared future for mankind winning support among the people. China has achieved major strategic results in the pandemic containment. China's economy has been in an improving trend in a long term, witnessing vast market space, strong development resilience and a stable society overall. The great rejuvenation of the Chinese nation displays a brighter future, embarking on a new journey to build a modern socialist country on all fronts. The digital finance faces broad development potential, the trend of online and offline integration is accelerating, and the consumer finance business is expected to achieve leap-forward development. These will provide favorable conditions for the banking industry to accelerate the formation of a new operation and development pattern that is compatible with serving the new development paradigm and promoting high-quality development.

The year 2021 marks the CPC's centenary, the start of the "14th Five-Year" Plan period, and also the beginning of the new three-year plan of ICBC. The Bank will continue to follow the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, focus on the new development stage, act on the new development philosophy, and establish the new development pattern to drive high-quality development for ensuring a good start for the new three-year plan. **First, it will adhere to Party building and strict governance to shoulder the political responsibility for serving the new development pattern and driving high-quality development.** The Bank will heighten its political stance, better integrate enhanced leadership by the Party and improved corporate governance, and concretely translate institutional advantages into the Group's governance efficacy. **Second, it will remain committed to putting customers in the first place and serving the real economy to seize the focus of serving the new development pattern and driving high-quality development.** It's important to actively conduct monetary policies, reasonably arrange for quality, pace, size and price of investment & financing, and promote to stabilize the size of funds, improve the service quality, optimize the financing structure and ensure accurate and direct funding in serving the real economy. **Third, it will stay technology-driven for value creation to offer stronger impetus for serving the new development pattern and driving high-quality development.** The Bank will accelerate its digital transformation, implement the technological innovation plan and the e-ICBC strategic upgrading program up to high standard, and strive to grow into a great bank in technology and a digital ICBC in the race to grasp the commanding heights amid the new-round competition. **Fourth, it will proceed with global operation with a global vision to expand the sectors of serving the new development pattern and driving high-quality development.** Focused on domestic and foreign markets that reinforce each other, the Bank will optimize its internationalized development strategies and improve services in an all-round way to constantly meet globalized and integrated demands of customers. **Fifth, it will forge ahead with pragmatic transformation and reform to better energize the work in serving the new development pattern and driving high-quality development.** Bringing out its strengths to make up for weaknesses while consolidating the foundation, the Bank integrates top-level design into operational practice, deepens the implementation of major strategies, promotes the business transformation and refines the financial service innovation system as ways of exploring effective paths for driving high-quality development. **Sixth, it will keep consolidating the foundation through risk control and pursuing success through talents for better security for serving the new development pattern and driving high-quality development.** It's imperative to uphold systemic views, promote comprehensive risk management, develop bottom-line thinking, coordinate development and safety and facilitate high-quality development with high-quality risk control. The Bank will also reinforce the building of official and talent teams, stimulate the vitality of staff with an enterprising spirit and strive to begin a new chapter in serving the new development pattern and driving high-quality development and celebrate the CPC's centenary with outstanding accomplishments.

4.7 Hot Topics in the Capital Market

Hot Topic 1: Supporting High-quality Development of Inclusive Finance

The Bank has always regarded the development of inclusive finance as an important measure to serve the real economy and realize its transformation and development. During the reporting period, relying on the Group's FinTech advantages, the Bank substantially strengthened the supply of inclusive finance, accelerated product and service innovation, and stepped up scenario construction to promote the rapid and high-quality development of inclusive financial business.

- I. Building a new “Digital Inclusive” system empowered by technology.** The Bank fully explored the value of internal and external data, optimized the online inclusive loan product system, and served the long-tail inclusive finance customer group. Through multi-dimensional cross-validation and other methods, the Bank built a digital and intelligent full-process risk control system, and gradually formed a set of stable, sustainable and strategic inclusive finance business model. In 2020, the proportion of online inclusive loans to the balance of new inclusive loans reached 98%.
- II. Improving the service quality and efficiency for small and micro enterprises by increasing supplies.** As at the end of 2020, the Bank recorded an inclusive loan balance of RMB745.2 billion, an increase of RMB273.7 billion or 58.0% over the year beginning, over-fulfilling the target of “an annual growth rate higher than 40%”. The inclusive micro and small enterprises with loans reached 606 thousand, an increase of 183 thousand over the year beginning. The Bank reasonably set the term of loans according to the characteristics of loans used by enterprises, so as to help small and micro enterprises improve fund use efficiency and reduce on-lending costs. In 2020, the average interest rate of newly granted loans was 4.13%, indicating a decrease of 0.39 percentage points over the previous year.
- III. Extending the service chain of inclusive finance by developing new scenarios.** The Bank built a small and micro enterprise financial service platform integrating account opening, settlement and financing functions to provide convenient financial services. It launched activities such as “ICBC Inclusive Finance Travel”, “One Hundred Branches Serving Ten Thousand Enterprises,” “One Thousand Experts Serving Small and Micro Enterprises” and “Ten Thousand Small and Micro Enterprises Growth Plan” to provide customized exclusive services. It launched the “ICBC Business Matchmaker” cross-border matchmaking platform to provide access to the global industrial chain. Moreover, it expanded the scope of small and micro financial services, and offered value-added think tank services such as professional consultation and “ICBC e Intelligence”, to continuously improve the activeness of inclusive finance customers and enhanced customer stickiness.

- IV. Enhancing the comprehensive contribution of inclusive finance business by collaboration with the Group.** Relying on the Group’s comprehensive financial service capability, the Bank tapped into customers’ financial needs and extended its services to inclusive customers’ upstream and downstream along the industry chain, business owners and employees, by providing them with services such as clearing and settlement, payroll service and private banking. The Bank built an internal circulation system for GBC funds, and build an inclusive ecosystem featuring long-term cooperation, mutual prosperity and accompanying growth.
- V. Providing effective support and risk control to fight against the COVID-19 by joint force.** The Bank actively helped small and micro enterprises to cope with the impact of the epidemic, implemented the policy of delaying the repayment of principal and interest in accordance with the principle of “due extension” and overcame difficulties with these enterprises. At the meantime, pursuant to the principle of substantive risk judgment, the Bank strengthened post-lending risk monitoring, improved risk control measures, and made risk response ahead of the market curve. As at the end of 2020, the NPL ratio of the Bank’s inclusive loans was significantly lower than the average level of the Bank’s loans, and the risk was stable and controllable.

Hot Topic 2: Competitiveness Enhancement in Key Regions

The Bank took the initiative to integrate into the regional development of the country, leveraged its comprehensive financial advantages, and adhered to the six focuses of loan, bond, stock, agency, lease and consultant to build a full-coverage investment and financing service system and continuously enhance its comprehensive finance service capacity. The Bank fully expanded the channel of financial resources flowing to the real economy, and actively contributed to the integration and high-quality development of the country’s key regions.

- I. New achievements in serving regional development and value contribution.** As at the end of 2020, the Bank recorded a loan balance of RMB11,725.2 billion in the Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area, Central China and Chengdu-Chongqing region, increased by RMB1,495.8 billion over the end of the previous year, and domestic branches in the five regions accounted for 68% of the total loan balance of domestic branches. The increment accounted for 78%; the five regions accounted for 76% of the total deposit balance (excluding inter-bank deposits) of domestic branches, and the increment accounted for 79%, indicating a continuous increase in the operating contribution.

II. New achievements in financial service innovation. First, the Bank held the activity of “Focusing on Demonstration Zone, Serving the International Import Expo, and Financially Supporting the Yangtze River Delta”, and supported the integrated development of the Yangtze River Delta by building the “three centers” of financial innovation, cross-border business and financial market trading. Second, the Bank actively supported the construction of Xiongan New Area and Beijing Sub-center, signed strategic cooperation agreements with Hubei, Sichuan and other provinces, and comprehensively promoted the building of a modern industrial system and the work resumption of enterprises. Focusing on the innovation and upgrade of regional featured industries, traditional pillar industries and manufacturing industries, the Bank provided all-round investment and financing services. Third, the Bank introduced the reform measures of Shenzhen Branch as a pilot bank to actively promote the innovation of cross-border investment and financing, payment and settlement, cross-border asset transfer and other businesses, connect the domestic and overseas markets, and build the Guangdong-Hong Kong-Macau Greater Bay Area with integrated cross-border financial development. Fourth, the Bank released the Sichuan-Chongqing-themed debit card, providing cardholders with the rights and interests of payment and settlement services without any difference between Sichuan and Chongqing, and facilitating the construction of the double-city economic circle in Chengdu and Chongqing with convenient financial services.

III. New mechanism for regional collaboration. The Bank strengthened coordination and interaction between the Head Office and branches, established a division of labor and liaison mechanism for bank leaders and senior management members in key regions, held joint meetings in due course, and coordinated cross-tier, cross-institution and cross-discipline important and difficult issues in regional development. The Bank worked together on the policy, resource, authorization and mechanism sides to provide a strong guarantee for the implementation of the strategy. All regions strengthened coordination and collaboration, reinforced organization and promotion, regional collaboration and business interaction based on their actual development conditions, and deepened strategy implementation, so as to promote the effective implementation of the strategy.

5. Details of Changes in Share Capital and Shareholding of Substantial Shareholders

5.1 Details of Securities Issuance and Listing

The Bank did not conduct any share issue or issue any convertible bonds during the reporting period.

For details on the issuance of preference shares of the Bank, please refer to the section headed “Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares”.

For details on the issuance of tier 2 capital bonds and the issuance progress of undated additional tier 1 capital bonds of the Bank during the reporting period, please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio and Leverage Ratio”.

The Bank did not have any employee shares.

5.2 Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 693,520 ordinary shareholders and no holders of preference shares with voting rights restored, including 116,924 holders of H shares and 576,596 holders of A shares. As at the end of the month immediately before the annual results announcement date (28 February 2021), the Bank had a total number of 617,297 ordinary shareholders and no holders of preference shares with voting rights restored.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 ORDINARY SHAREHOLDERS OF THE BANK

Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage (%)	Total number of shares held	Number of pledged or locked-up shares	<i>Unit: Share</i>
						Increase/decrease of shares during the reporting period
Central Huijin Investment Ltd.	State-owned	A Share	34.71	123,717,852,951	None	–
MOF	State-owned	A Share	31.14	110,984,806,678	None	–
HKSCC Nominees Limited ⁽³⁾	Foreign legal person	H Share	24.18	86,167,601,631	Unknown	14,452,590
National Council for Social Security Fund ⁽⁴⁾	State-owned	A Share	3.46	12,331,645,186	None	–
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other entities	A Share	1.03	3,687,330,676	None	–
China Securities Finance Co., Ltd.	State-owned legal person	A Share	0.68	2,416,131,564	None	–
Hong Kong Securities Clearing Company Limited	Foreign legal person	A Share	0.33	1,186,120,253	None	-156,557,563
Central Huijin Asset Management Co., Ltd.	State-owned legal person	A Share	0.28	1,013,921,700	None	–
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other entities	A Share	0.13	470,349,288	None	92,678,961
Taiping Life Insurance Co., Ltd. — Traditional — Ordinary insurance products — 022L — CT001 Hu	Other entities	A Share	0.11	387,807,151	None	24,521,800

Notes: (1) The above data are based on the Bank's register of shareholders as at 31 December 2020.

(2) The Bank had no shares subject to restrictions on sales.

(3) Total number of shares held by HKSCC Nominees Limited refers to the total H shares held by it as a nominee on behalf of all institutional and individual investors registered with accounts opened with HKSCC Nominees Limited as at 31 December 2020, which included H shares of the Bank held by National Council for Social Security Fund, Ping An Asset Management Co., Ltd., Temasek Holdings (Private) Limited and China Life Insurance (Group) Company.

- (4) According to the Notice on Comprehensively Transferring Part of State-Owned Capital to Fortify Social Security Funds (Cai Zi [2019] No. 49), MOF transferred 12,331,645,186 A shares to the state-owned capital transfer account of National Council for Social Security Fund in a lump sum in December 2019. According to the relevant requirements under the Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (Guo Fa [2017] No. 49), National Council for Social Security Fund shall perform the obligation of more than 3-year lock-up period as of the date of the receipt of transferred shares. At the end of the reporting period, according to the information provided by National Council for Social Security Fund to the Bank, National Council for Social Security Fund also held 7,946,049,758 H shares of the Bank and 20,277,694,944 A and H shares in aggregate, accounting for 5.69% of the Bank's total ordinary shares.
- (5) HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Limited. Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

5.3 Particulars of Substantial Shareholders

During the reporting period, the Bank's controlling shareholders and de facto controller remained unchanged.

5.4 Interests and Short Positions Held by Substantial Shareholders and Other Persons

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

As at 31 December 2020, the Bank received notices from the following persons about their interests or short positions held in the Bank's ordinary shares and underlying shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares ⁽²⁾ (%)	Percentage of total ordinary shares ⁽²⁾ (%)
Central Huijin Investment Ltd. ⁽¹⁾	Beneficial owner	123,717,852,951	Long position	45.89	34.71
	Interest of controlled corporations	1,013,921,700	Long position	0.38	0.28
	Total	124,731,774,651		46.26	35.00
MOF	Beneficial owner	110,984,806,678	Long position	41.16	31.14

Notes: (1) According to the register of shareholders of the Bank as at 31 December 2020, Central Huijin Investment Ltd. held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Central Huijin Investment Ltd., held 1,013,921,700 shares in the Bank.

- (2) Due to rounding, percentages presented herein are for reference only.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Percentage of H shares ⁽⁴⁾ (%)	Percentage of total ordinary shares ⁽⁴⁾ (%)
Ping An Asset Management Co., Ltd. ⁽¹⁾	Investment manager	12,168,809,000	Long position	14.02	3.41
National Council for Social Security Fund ⁽²⁾	Beneficial owner	8,663,703,234	Long position	9.98	2.43
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,317,475,731	Long position	8.43	2.05
China Life Insurance (Group) Company ⁽³⁾	Beneficial owner	205,750,000	Long position	0.24	0.06
	Interest of controlled corporations	5,005,191,000	Long position	5.77	1.40
	Total	5,210,941,000		6.00	1.46

Notes: (1) As confirmed by Ping An Asset Management Co., Ltd., such shares were held by Ping An Asset Management Co., Ltd. on behalf of certain customers (including but not limited to Ping An Life Insurance Company of China, Ltd.) in its capacity as investment manager and the interests in such shares were disclosed based on the latest disclosure of interests form filed by Ping An Asset Management Co., Ltd. for the period ended 31 December 2020 (the date of relevant event being 12 June 2019). Both Ping An Life Insurance Company of China, Ltd. and Ping An Asset Management Co., Ltd. are subsidiaries of Ping An Insurance (Group) Company of China, Ltd. As Ping An Asset Management Co., Ltd. is in a position to fully exercise the voting rights in respect of such shares on behalf of customers and independently exercise the rights of investment and business management in its capacity as investment manager, and is completely independent from Ping An Insurance (Group) Company of China, Ltd., Ping An Insurance (Group) Company of China, Ltd. is exempted from aggregating the interests in such shares as a holding company under the aggregation exemption and disclosing the holding of the same in accordance with the Securities and Futures Ordinance of Hong Kong.

(2) According to the information provided by National Council for Social Security Fund to the Bank, National Council for Social Security Fund held 7,946,049,758 H shares of the Bank as at the end of the reporting period.

(3) According to the interest disclosure by China Life Insurance (Group) Company dated 11 November 2020, China Life Insurance Company Limited is the controlled corporation of China Life Insurance (Group) Company, and it totally held the long position of 4,874,071,000 H shares, accounting for 5.62% and 1.37% of H shares and all ordinary shares of the Bank respectively.

(4) Due to rounding, percentages presented herein are for reference only.

5.5 Preference Shares

- **Issuance and Listing of Preference Shares in Latest Three Years**

Issuance of “工行優2”

With the approval of CBIRC by its Document Yin Bao Jian Fu [2019] No. 444 and the approval of CSRC by its Document Zheng Jian Xu Ke [2019] No. 1048, the Bank made a non-public issuance of 700 million domestic preference shares on 19 September 2019 at a par value of RMB100 per share. The dividend rate is the benchmark interest rate plus a fixed spread, remaining unchanged in the first five years. Subsequently the benchmark interest rate will be reset every five years, with the dividend rate kept unchanged in each reset period and the fixed spread remaining constant through the duration of the domestic preference shares. The initial dividend rate of the afore-mentioned domestic preference shares is set at 4.2% through market inquiry for the first five years. With the consent of Shanghai Stock Exchange by its letter Shang Zheng Han [2019] No. 1752, the afore-mentioned domestic preference shares issued were listed for transfer on the Comprehensive Business Platform of Shanghai Stock Exchange on 16 October 2019 with the stock name “工行優2” and stock code 360036. Proceeds of the afore-mentioned domestic preference shares totaled RMB70.0 billion, all of which was replenished to the additional tier 1 capital of the Bank after deduction of issuance expenses.

For issuance of domestic preference shares of the Bank, please refer to the announcements published by the Bank on the website of Shanghai Stock Exchange, the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited and the website of the Bank.

Issuance of offshore preference shares

With the approval of CBIRC by its Document Yin Bao Jian Fu [2020] No. 138 and the approval of CSRC by its Document Zheng Jian Xu Ke [2020] No. 1391, the Bank made a non-public issuance of 145 million USD-denominated non-cumulative perpetual offshore preference shares (the “Offshore Preference Shares”) on 23 September 2020 at an issuance price of USD20 per share (see the table below for details). The Offshore Preference Shares were listed on The Stock Exchange of Hong Kong Limited on 24 September 2020. All proceeds from the issuance, after deduction of commission and issuance expenses, will be used to replenish additional tier 1 capital and increase capital adequacy ratio.

Type of offshore preference shares	Stock code	Dividend rate	Total issuance amount	Fund raised per share	Net fund raised per share	Number of shares issued
USD Preference Shares	4620	3.58%	USD2.9 billion	USD20	RMB135.77	145 million shares

The number of qualified places for the Offshore Preference Shares shall not be less than six, and they shall be offered only to professional investors instead of retail investors, and shall be non-publicly transferred in the OTC market only.

For details on the issuance of offshore preference shares of the Bank, please refer to the announcements published by the Bank on the website of Shanghai Stock Exchange, the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited and the website of the Bank.

Reset dividend rate of “工行優1”

Pursuant to relevant provisions of the Prospectus on Non-public Offering of Preference Shares of Industrial and Commercial Bank of China Limited, domestic preference shares non-publicly offered by the Bank in November 2015 (abbreviation “工行優1” and code “360011”) were priced at a coupon rate adjusted in stages, with the coupon rate being the benchmark interest rate plus a fixed spread. The coupon rates for the first five years remained unchanged from the date of issuance, and subsequently the benchmark interest rate will be reset every five years, and the nominal dividend rate during each reset period will remain unchanged. In November 2020, the Bank reset the nominal dividend rate of “工行優1” as it lasted five years from the issuance date, and the coupon dividend rate after reset became 4.58% from 23 November 2020.

For details on the reset dividend rate of domestic preference shares of the Bank, please refer to the announcements published by the Bank on the website of Shanghai Stock Exchange, the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited and the website of the Bank.

- **Number of Preference Shareholders and Particulars of Shareholding**

As at the end of the reporting period, the Bank had one offshore preference shareholder (or proxy), 26 domestic preference shareholders of “工行優1” and 32 domestic preference shareholders of “工行優2”. As at the end of the month immediately before the annual results announcement date (28 February 2021), the Bank had one offshore preference shareholder (or proxy), 25 domestic preference shareholders of “工行優1” and 33 domestic preference shareholders of “工行優2”.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 OFFSHORE PREFERENCE SHAREHOLDERS (OR PROXIES) OF THE BANK

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
The Bank of New York Depository (Nominees) Limited	Foreign legal person	USD offshore preference shares	145,000,000	145,000,000	78.4	–	Unknown
		EUR offshore preference shares	–	40,000,000	21.6	–	Unknown

Notes: (1) The above data are based on the Bank’s register of offshore preference shareholders as at 31 December 2020.

(2) As the issuance of the offshore preference shares above was private offering, the register of preference shareholders presented the information on proxies of placees.

(3) The Bank is not aware of any connected relations or concert party action between the afore-mentioned preference shareholder and top 10 ordinary shareholders.

(4) “Shareholding percentage” refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF “工行優1”

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	<i>Unit: Share</i>	
						Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	–	200,000,000	44.4	–	None
China National Tobacco Corporation	Other entities	Domestic preference shares	–	50,000,000	11.1	–	None
China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	–	35,000,000	7.8	–	None
Ping An Life Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	30,000,000	6.7	–	None
BOCOM Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	3,000,000	18,000,000	4.0	–	None
CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
China International Capital Corporation Limited	State-owned legal person	Domestic preference shares	15,000,000	15,000,000	3.3	–	None
BOC International (China) Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
China National Tobacco Corporation Shandong Branch	Other entities	Domestic preference shares	–	10,000,000	2.2	–	None
China National Tobacco Corporation Heilongjiang Branch	Other entities	Domestic preference shares	–	10,000,000	2.2	–	None
Ping An Property & Casualty Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	10,000,000	2.2	–	None

Notes: (1) The above data are based on the Bank’s register of domestic preference shareholders of “工行優1” as at 31 December 2020.

- (2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. “China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu” is managed by China Life Insurance Company Limited. “Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products” is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. have connected relations. Central Huijin Investment Ltd. is the controlling shareholder of China International Capital Corporation Limited. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.
- (3) “Shareholding percentage” refers to the percentage of domestic preference shares of “工行優1” held by preference shareholders in total number (450 million shares) of domestic preference shares of “工行優1”.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF “工行優2”

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Bosera Asset Management Co., Limited	State-owned legal person	Domestic preference shares	–	150,000,000	21.4	–	None
China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	–	120,000,000	17.1	–	None
China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	–	100,000,000	14.3	–	None
BOC International (China) Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	70,000,000	10.0	–	None
CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	70,000,000	10.0	–	None
China National Tobacco Corporation	Other entities	Domestic preference shares	–	50,000,000	7.1	–	None
Shanghai Tobacco Group Co., Ltd.	Other entities	Domestic preference shares	–	30,000,000	4.3	–	None
Bank of Beijing Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	20,000,000	2.9	–	None
BOCOM Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	2.1	–	None
Ping An Property & Casualty Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	2.1	–	None

- Notes: (1) The above data are based on the Bank's register of domestic preference shareholders of “工行優2” as at 31 December 2020.
- (2) Shanghai Tobacco Group Co., Ltd., China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are all wholly-owned subsidiaries of China National Tobacco Corporation. “China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu” is managed by China Life Insurance Company Limited. “Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products” is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. have connected relations. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the aforementioned preference shareholders and among the aforementioned preference shareholders and top 10 ordinary shareholders.
- (3) “Shareholding percentage” refers to the percentage of domestic preference shares of “工行優2” held by preference shareholders in total number (700 million shares) of domestic preference shares of “工行優2”.

• Dividend Distribution of Preference Shares

As per the resolution and authorization of the General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for “工行優2” at the meeting of its Board of Directors on 28 August 2020, permitting the Bank to distribute the dividends on domestic preference shares “工行優2” on 24 September 2020; the Bank reviewed and approved the Proposal on Distribution of Dividends for Offshore EUR Preference Shares and “工行優1” at the meeting of its Board of Directors on 30 October 2020, permitting the Bank to distribute the dividends on domestic preference shares “工行優1” on 23 November 2020 and on the offshore EUR preference shares on 10 December 2020.

Dividends on the Bank's domestic preference shares “工行優1” and “工行優2” are paid annually in cash, and calculated based on the aggregate value of the issued domestic preference shares. Dividends on the Bank's domestic preference shares are non-cumulative. Holders of domestic preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the domestic preference share issuance proposal, the Bank distributed dividends of RMB2,025 million (pre-tax) and RMB2.94 billion (pre-tax) respectively on the domestic preference shares “工行優1” and “工行優2”.

Dividends on the Bank's offshore EUR preference shares are paid annually in cash, and calculated based on the aggregate value of the offshore preference shares. Dividends on the Bank's offshore EUR preference shares are non-cumulative. Holders of offshore EUR preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the offshore EUR preference share issuance proposal, the Bank distributed a dividend of EUR0.04 billion on the offshore EUR preference shares (pre-tax), aggregating to RMB314 million at the rate prevailing on the date the dividend was declared. In practice, the dividend was distributed in EUR. According to relevant laws, when the Bank distributes dividends for offshore EUR preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore EUR preference shares, the Bank will pay the relevant taxes, included in the dividends for offshore EUR preference shares.

During the reporting period, the Bank did not distribute any dividend on offshore USD preference shares.

The table below shows the distribution of dividends on preference shares by the Bank in latest three years:

In RMB millions, except for percentages

Type of preference shares	2020		2019		2018	
	Dividend rate	Dividend distributed	Dividend rate	Dividend distributed	Dividend rate	Dividend distributed
Domestic preference share “工行優1”	4.50%	2,025	4.50%	2,025	4.50%	2,025
Domestic preference share “工行優2”	4.20%	2,940	N/A	N/A	N/A	N/A
Offshore preference share	6.00%	314	6.00%	2,500	6.00%	2,481

Note: Dividend distributed is tax included.

The above-mentioned preference share dividend distribution plans have been fulfilled. For particulars of the Bank’s distribution of dividends on preference shares, please refer to the announcements of the Bank on the website of Shanghai Stock Exchange, the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited and the website of the Bank.

- **Redemption or Conversion of Preference Shares**

During the reporting period, the Bank did not redeem or convert any preference share.

- **Restoration of Voting Rights of Preference Shares**

During the reporting period, the Bank did not restore any voting right of preference share.

- **Accounting Policy Adopted for Preference Shares and Rationale**

According to the Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments promulgated by MOF as well as the International Financial Reporting Standard 9 — Financial Instruments and the International Accounting Standard 32 — Financial Instruments: Presentation promulgated by International Accounting Standards Board and other accounting standards and the key terms of issuance of the Bank’s preference shares, the issued and existing preference shares do not contain contractual obligations to deliver cash or other financial assets or contractual obligations to deliver variable equity instruments for settlement, and shall be accounted for as other equity instruments.

6. Other Information

6.1 Corporate Governance Code

During the reporting period, save as disclosed below, the Bank fully complied with the principles, code provisions and recommended best practices stipulated in the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules).

With regard to the compliance with Article A.2.1 of the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules), Mr. Gu Shu resigned from his position as President of the Bank on 31 December 2020. The Board of Directors of the Bank deliberated and decided that Mr. Chen Siqing, Chairman of the Board of Directors, should perform the duties of acting President from the date when Mr. Gu Shu does not perform the management duties in the Bank due to job change to the date when the new President appointed by the Board of Directors of the Bank formally takes office. On 16 March 2021, Mr. Liao Lin took office as President of the Bank, and since that date, Mr. Chen Siqing had ceased to serve as acting President.

6.2 Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the aforesaid codes of conduct during the reporting period.

6.3 Profits and Dividends Distribution

As approved at the Annual General Meeting for the Year 2019 held on 12 June 2020, the Bank has distributed cash dividends of about RMB93,664 million, or RMB2.628 per ten shares (pre-tax) for the period from 1 January 2019 to 31 December 2019 to the ordinary shareholders whose names appeared on the share register after the close of market on 29 June 2020.

The Board of Directors of the Bank proposed distributing cash dividends of RMB2.660 (pre-tax) for each ten shares of 356,406,257,089 ordinary shares for 2020, totaling about RMB94,804 million. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2020. Once approved, the above-mentioned dividends will be paid to the holders of A shares and H shares whose names appeared on the share register of the Bank after the close of market on 5 July 2021. The Bank will suspend the registration procedures of H share ownership transfer on 30 June 2021 (inclusive) through 5 July 2021 (inclusive). The holders of H shares of the Bank that desire to receive the proposed cash dividends but have not registered the ownership transfer documents are requested to hand over their ownership transfer documents together with the H shares to the Bank's H share registrar — Computershare Hong Kong Investor Services Limited that is located at Room 1712–1716, 17 Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. of 29 June 2021. Pursuant to relevant regulatory requirements and operational rules, dividends on A shares and H shares will be paid on 6 July 2021 and 27 July 2021, respectively.

For dividend-related tax and tax reduction, please refer to the announcements on dividend distribution of the Bank.

The Bank had no plan for converting capital reserve to share capital in the last three years. The table below sets out the dividend distribution of ordinary shares of the Bank for the last three years:

Item	2020	2019	2018
Dividend per ten shares (pre-tax, in RMB yuan)	2.660	2.628	2.506
Cash dividends (pre-tax, in RMB millions)	94,804	93,664	89,315
Percentage of cash dividends ⁽¹⁾ (%)	30.9	30.4	30.5

Note: (1) Calculated by dividing cash dividends on ordinary shares (pre-tax) by net profit attributable to ordinary shareholders of the parent company for the period.

For details on the distribution of dividends on preference shares of the Bank, please refer to the section headed “Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares”.

6.4 Purchase, Sale and Redemption of Shares

During the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Bank.

7. Financial Report

7.1 Audit Opinions

The 2020 financial statements of the Bank prepared in accordance with PRC GAAP and IFRSs have been audited by KPMG Huazhen LLP and KPMG, respectively. KPMG Huazhen LLP and KPMG have expressed unqualified opinions in the independent auditor’s report.

7.2 Consolidated Statement of Profit or Loss, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement

7.2.1 Consolidated Statement of Profit or Loss

Year ended 31 December 2020

(In RMB millions, unless otherwise stated)

	2020	2019
Interest income	1,092,521	1,063,445
Interest expense	<u>(445,756)</u>	<u>(431,228)</u>
NET INTEREST INCOME	646,765	632,217
Fee and commission income	146,668	146,350
Fee and commission expense	<u>(15,453)</u>	<u>(15,777)</u>
NET FEE AND COMMISSION INCOME	131,215	130,573
Net trading income	2,222	8,447
Net gain/(loss) on financial investments	11,829	(3,682)
Other operating income, net	<u>8,044</u>	<u>8,447</u>
OPERATING INCOME	800,075	776,002
Operating expenses	(206,585)	(207,776)
Impairment losses on assets	<u>(202,668)</u>	<u>(178,957)</u>
OPERATING PROFIT	390,822	389,269
Share of profits of associates and joint ventures	<u>1,304</u>	<u>2,520</u>
PROFIT BEFORE TAXATION	392,126	391,789
Income tax expense	<u>(74,441)</u>	<u>(78,428)</u>
PROFIT FOR THE YEAR	<u>317,685</u>	<u>313,361</u>
Attributable to:		
Equity holders of the parent company	315,906	312,224
Non-controlling interests	<u>1,779</u>	<u>1,137</u>
PROFIT FOR THE YEAR	<u>317,685</u>	<u>313,361</u>
EARNINGS PER SHARE		
— Basic (RMB yuan)	<u>0.86</u>	<u>0.86</u>
— Diluted (RMB yuan)	<u>0.86</u>	<u>0.86</u>

7.2.2 Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

(In RMB millions, unless otherwise stated)

	2020	2019
Profit for the year	317,685	313,361
Other comprehensive income (after tax, net):		
Items that will not be reclassified to profit or loss:		
Changes in fair value of equity instruments designated as at fair value through other comprehensive income	1,289	(38)
Other comprehensive income recognised under equity method	(5)	11
Others	8	(5)
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at fair value through other comprehensive income	(3,042)	8,026
Credit losses of debt instruments measured at fair value through other comprehensive income	1,051	(64)
Reserve from cash flow hedging instruments	(253)	(634)
Other comprehensive income recognised under equity method	14	(530)
Foreign currency translation differences	(16,212)	4,271
Others	1,311	(329)
Subtotal of other comprehensive income for the year	(15,839)	10,708
Total comprehensive income for the year	301,846	324,069
Total comprehensive income attributable to:		
Equity holders of the parent company	300,536	322,853
Non-controlling interests	1,310	1,216
	301,846	324,069

7.2.3 Consolidated Statement of Financial Position

31 December 2020

(In RMB millions, unless otherwise stated)

	31 December 2020	31 December 2019
ASSETS		
Cash and balances with central banks	3,537,795	3,317,916
Due from banks and other financial institutions	1,081,897	1,042,368
Derivative financial assets	134,155	68,311
Reverse repurchase agreements	739,288	845,186
Loans and advances to customers	18,136,328	16,326,552
Financial investments	8,591,139	7,647,117
— Financial investments measured at fair value through profit or loss	784,483	962,078
— Financial investments measured at fair value through other comprehensive income	1,540,988	1,476,872
— Financial investments measured at amortised cost	6,265,668	5,208,167
Investments in associates and joint ventures	41,206	32,490
Property and equipment	286,279	286,561
Deferred income tax assets	67,713	62,536
Other assets	729,258	480,399
TOTAL ASSETS	33,345,058	30,109,436
LIABILITIES		
Due to central banks	54,974	1,017
Financial liabilities designated as at fair value through profit or loss	87,938	102,242
Derivative financial liabilities	140,973	85,180
Due to banks and other financial institutions	2,784,259	2,266,573
Repurchase agreements	293,434	263,273
Certificates of deposit	335,676	355,428
Due to customers	25,134,726	22,977,655
Income tax payable	89,785	96,192
Deferred income tax liabilities	2,881	1,873
Debt securities issued	798,127	742,875
Other liabilities	712,770	525,125
TOTAL LIABILITIES	30,435,543	27,417,433
EQUITY		
Equity attributable to equity holders of the parent company		
Share capital	356,407	356,407
Other equity instruments	225,819	206,132
Reserves	800,718	745,111
Retained profits	1,510,558	1,368,536
	2,893,502	2,676,186
Non-controlling interests	16,013	15,817
TOTAL EQUITY	2,909,515	2,692,003
TOTAL EQUITY AND LIABILITIES	33,345,058	30,109,436

7.2.4 Consolidated Statement of Changes in Equity

Year ended 31 December 2020

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													Total equity
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Reserves					Retained profits	Non-controlling interests		
						Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal				
Balance as at 1 January 2020	356,407	206,132	149,139	292,291	305,019	23,280	(18,568)	(4,453)	(1,597)	745,111	1,368,536	2,676,186	15,817	2,692,003
Profit for the year	-	-	-	-	-	-	-	-	-	-	315,906	315,906	1,779	317,685
Other comprehensive income	-	-	-	-	-	(672)	(15,753)	(272)	1,327	(15,370)	-	(15,370)	(469)	(15,839)
Total comprehensive income	-	-	-	-	-	(672)	(15,753)	(272)	1,327	(15,370)	315,906	300,536	1,310	301,846
Dividends – ordinary shares 2019 final	-	-	-	-	-	-	-	-	-	-	(93,664)	(93,664)	-	(93,664)
Dividends to other equity instruments holders	-	-	-	-	-	-	-	-	-	-	(8,839)	(8,839)	-	(8,839)
Appropriation to surplus reserve (i)	-	-	-	31,485	-	-	-	-	-	31,485	(31,485)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	34,682	-	-	-	-	34,682	(34,682)	-	-	-
Capital injection by other equity instruments holders	-	19,687	-	-	-	-	-	-	-	-	-	19,687	-	19,687
Change in shareholding in subsidiaries	-	-	(499)	-	-	-	-	-	-	(499)	-	(499)	(780)	(1,279)
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(337)	(337)
Other comprehensive income transferred to retained earnings	-	-	-	-	-	(221)	-	-	-	(221)	218	(3)	3	-
Others	-	-	-	(865)	-	(10)	6,439	-	(34)	5,530	(5,432)	98	-	98
Balance as at 31 December 2020	<u>356,407</u>	<u>225,819</u>	<u>148,640</u>	<u>322,911</u>	<u>339,701</u>	<u>22,377</u>	<u>(27,882)</u>	<u>(4,725)</u>	<u>(304)</u>	<u>800,718</u>	<u>1,510,558</u>	<u>2,893,502</u>	<u>16,013</u>	<u>2,909,515</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB101 million and RMB935 million, respectively.

(ii) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB11 million and RMB1,435 million, respectively.

Attributable to equity holders of the parent company

	Reserves												Non-controlling interests	Total equity
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total		
Balance as at 1 January 2019	356,407	86,051	152,043	261,720	279,064	15,495	(22,894)	(3,804)	(747)	680,877	1,206,666	2,330,001	14,882	2,344,883
Profit for the year	-	-	-	-	-	-	-	-	-	-	312,224	312,224	1,137	313,361
Other comprehensive income	-	-	-	-	-	7,805	4,326	(649)	(853)	10,629	-	10,629	79	10,708
Total comprehensive income	-	-	-	-	-	7,805	4,326	(649)	(853)	10,629	312,224	322,853	1,216	324,069
Dividends – ordinary shares 2018 final	-	-	-	-	-	-	-	-	-	-	(89,315)	(89,315)	-	(89,315)
Dividends – preference shares	-	-	-	-	-	-	-	-	-	-	(4,525)	(4,525)	-	(4,525)
Appropriation to surplus reserve (i)	-	-	-	30,571	-	-	-	-	-	30,571	(30,571)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	25,955	-	-	-	-	25,955	(25,955)	-	-	-
Capital injection by other equity instruments holders	-	149,967	-	-	-	-	-	-	-	-	-	149,967	-	149,967
Capital deduction by other equity instruments holders	-	(29,886)	(2,901)	-	-	-	-	-	-	(2,901)	-	(32,787)	-	(32,787)
Change in shareholding in subsidiaries	-	-	(3)	-	-	-	-	-	-	(3)	-	(3)	(8)	(11)
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	57	57
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(338)	(338)
Other comprehensive income transferred to retained earnings	-	-	-	-	-	(20)	-	-	-	(20)	12	(8)	8	-
Others	-	-	-	-	-	-	-	-	3	3	-	3	-	3
Balance as at 31 December 2019	356,407	206,132	149,139	292,291	305,019	23,280	(18,568)	(4,453)	(1,597)	745,111	1,368,536	2,676,186	15,817	2,692,003

- (i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB53 million and RMB785 million, respectively.
- (ii) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB2 million and RMB1,194 million, respectively.

7.2.5 Consolidated Cash Flow Statement

Year ended 31 December 2020

(In RMB millions, unless otherwise stated)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES	392,126	391,789
Profit before taxation		
Adjustments for:		
Share of profits of associates and joint ventures	(1,304)	(2,520)
Depreciation	27,046	26,229
Amortisation	2,607	2,315
Amortisation of financial investments	(1,675)	(1,360)
Impairment losses on assets	202,668	178,957
Unrealised (gain)/loss on foreign exchange	(12,642)	8,574
Interest expense on debt securities issued	25,549	28,116
Accreted interest on impaired loans	(1,710)	(2,356)
Net (gain)/loss on financial investments	(9,814)	2,344
Interest income on financial investments	(243,619)	(213,281)
Net gain on changes at fair value	(12,797)	(11,312)
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)	(1,238)	(1,215)
Dividend income	(2,355)	(978)
	<u>362,842</u>	<u>405,302</u>
Net decrease/(increase) in operating assets:		
Due from central banks	75,762	135,320
Due from banks and other financial institutions	(16,064)	(139,844)
Financial assets measured at fair value through profit or loss	284,342	(41,058)
Reverse repurchase agreements	123,955	(190,149)
Loans and advances to customers	(2,079,400)	(1,416,849)
Other assets	(51,517)	(124,746)
	<u>(1,662,922)</u>	<u>(1,777,326)</u>
Net (decrease)/increase in operating liabilities:		
Financial liabilities designated as at fair value through profit or loss	(7,530)	12,103
Due to central banks	53,959	534
Due to banks and other financial institutions	563,361	447,878
Repurchase agreements	30,155	(251,349)
Certificates of deposit	269	9,762
Due to customers	2,219,487	1,533,642
Other liabilities	82,547	173,533
	<u>2,942,248</u>	<u>1,926,103</u>

	2020	2019
Net cash flows from operating activities before tax	1,642,168	554,079
Income tax paid	<u>(84,552)</u>	<u>(72,839)</u>
Net cash flows from operating activities	<u>1,557,616</u>	<u>481,240</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	(38,005)	(34,159)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	8,539	9,587
Purchases of financial investments	(3,191,273)	(2,466,939)
Proceeds from sale and redemption of financial investments	1,845,743	1,613,475
Investments in associates and joint ventures	(11,690)	(2,522)
Proceeds from disposal of associates and joint ventures	627	752
Investment returns received	<u>250,962</u>	<u>217,120</u>
Net cash flows from investing activities	<u>(1,135,097)</u>	<u>(662,686)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of other equity instruments	19,716	150,000
Capital injection by non-controlling shareholders	–	57
Proceeds from issuance of debt securities	927,759	1,140,674
Interest paid on debt securities	(25,137)	(24,989)
Repayment of debt securities	(858,858)	(1,020,942)
Cash payment for redemption of other equity instruments	–	(32,787)
Acquisition of non-controlling interests	(1,279)	(11)
Dividends paid on ordinary shares	(93,664)	(89,315)
Dividends or interest paid to other equity instrument holders	(8,839)	(4,525)
Dividends paid to non-controlling shareholders	(337)	(338)
Cash payment for other financing activities	<u>(6,310)</u>	<u>(4,950)</u>
Net cash flows from financing activities	<u>(46,949)</u>	<u>112,874</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of the year	375,570	(68,572)
Effect of exchange rate changes on cash and cash equivalents	1,450,413	1,509,523
	<u>(34,861)</u>	<u>9,462</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
	<u>1,791,122</u>	<u>1,450,413</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	902,804	861,270
Interest paid	<u>(393,080)</u>	<u>(393,469)</u>

7.3 Significant Accounting Policies

The IASB has issued the following amendments to IFRSs (including International Accounting Standards (“IASs”)) that are effective in 2020 and relevant to the Group’s operation.

<i>Amendments to IFRS 3</i>	<i>Business Combinations “Clarifying what is a business”</i>
<i>Amendments to IAS 1 and IAS 8</i>	<i>Definition of Material</i>
<i>Amendments to IFRS 9, IAS 39, and IFRS 7,</i>	<i>Interest Rate Benchmark Reform</i>
<i>Amendment to IFRS 16</i>	<i>Leases “Covid-19-Related Rent Concessions”</i>

The principal effects of adopting these amended IFRSs are as follows:

Amendments to IFRS 3, Business Combinations “Clarifying what is a business”

The IASB has issued amendments to IFRS 3 that seek to clarify the definition of business. The amendments include an election to use a concentration test. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The effect of these changes is that the new definition of a business is narrower, which could result in fewer business combinations being recognised. The amendments may require a complex assessment to decide whether a transaction is a business combination or an asset acquisition.

The adoption does not have any material impact on financial position and financial performance of the Group.

Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, “Definition of Material”

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved and the amendments ensure that the definition of material is consistent across all IFRS Standards.

The adoption does not have any material impact on financial position and financial performance of the Group.

Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial instruments: Disclosures, “Interest Rate Benchmark Reform”

The IASB issued the amendments to IFRS 9, IAS 39 and IFRS 7, which aims to address uncertainties related to the ongoing reform of interbank offered rates (“IBOR”).

The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. They are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

The adoption does not have any material impact on financial position and financial performance of the Group.

Amendment to IFRS 16, Leases “Covid-19-Related Rent Concessions”

The IASB has issued the amendment to IFRS 16, the amendment allows lessees, as a voluntary practical expedient, not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19 and meet the qualifying criteria. The amendment is effective for annual reporting periods beginning on or after 1 June 2020 with earlier application permitted.

The Group does not adopt the practical expedient of the amendment, therefore the amendment does not have any material impact on financial position and financial performance of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretations and amendments.

7.4 Notes to Consolidated Financial Statements

(In RMB millions, unless otherwise stated)

7.4.1 Net Interest Income

	2020	2019
Interest income on:		
Loans and advances to customers	766,407	732,691
Corporate loans and advances	436,520	437,209
Personal loans	318,272	283,273
Discounted bills	11,615	12,209
Financial investments	243,545	221,184
Due from banks and other financial institutions	40,547	63,385
Due from central banks	42,022	46,185
	<u>1,092,521</u>	<u>1,063,445</u>
Interest expense on:		
Due to customers	(364,173)	(331,066)
Due to banks and other financial institutions	(51,477)	(63,296)
Debt securities issued	(30,106)	(36,866)
	<u>(445,756)</u>	<u>(431,228)</u>
Net interest income	<u>646,765</u>	<u>632,217</u>

7.4.2 Net Fee and Commission Income

	2020	2019
Settlement, clearing business and cash management	39,101	37,321
Personal wealth management and private banking services	29,630	27,337
Investment banking business	21,460	23,860
Bank card business	18,623	21,764
Corporate wealth management services	15,554	14,024
Guarantee and commitment business	10,101	10,836
Asset custody business	7,545	7,004
Trust and agency services	1,617	1,590
Others	3,037	2,614
	<u>146,668</u>	<u>146,350</u>
Fee and commission expense	<u>(15,453)</u>	<u>(15,777)</u>
Net fee and commission income	<u>131,215</u>	<u>130,573</u>

7.4.3 Net Trading Income

	2020	2019
Debt securities	5,964	4,013
Equity investments	3,196	2,316
Derivatives and others	(6,938)	2,118
	<u>2,222</u>	<u>8,447</u>

7.4.4 Net Gain/(Loss) on Financial Investments

	2020	2019
Dividend income from equity investments designated as at FVOCI, including:		
Derecognised during the year	133	–
Held at the year end	2,222	978
Gain/(loss) on financial instruments measured at FVTPL, net	7,402	(6,144)
Including: Loss on financial instruments designated as at FVTPL	(8,859)	(19,538)
Gain on disposal of financial instruments measured at FVOCI, net	2,389	1,408
Others	(317)	76
	<u>11,829</u>	<u>(3,682)</u>

Note: “FVTPL” stands for fair value through profit or loss.

“FVOCI” stands for fair value through other comprehensive income.

7.4.5 Other Operating Income, Net

	2020	2019
Net premium income	47,573	53,857
Operating cost of insurance business	(53,366)	(54,754)
Net gain on disposal of property and equipment, repossessed assets and others	1,323	1,264
Others	12,514	8,080
	<u>8,044</u>	<u>8,447</u>

7.4.6 Operating Expenses

	2020	2019
Staff costs:		
Salaries and bonuses	82,416	80,753
Staff benefits	29,915	29,408
Post-employment benefits — defined contribution plans	14,241	16,789
	<u>126,572</u>	<u>126,950</u>
Property and equipment expenses:		
Depreciation charge for property and equipment assets	13,689	13,290
Lease expenses in respect of land and buildings	8,348	8,190
Repairs and maintenance charges	4,086	4,151
Utility expenses	1,837	2,082
	<u>27,960</u>	<u>27,713</u>
Amortisation	2,607	2,315
Other administrative expenses	25,686	29,308
Taxes and surcharges	8,524	7,677
Others	15,236	13,813
	<u>206,585</u>	<u>207,776</u>

7.4.7 Impairment Losses on Assets

	2020	2019
Loans and advances to customers	171,830	162,108
Others	30,838	16,849
	<u>202,668</u>	<u>178,957</u>

7.4.8 Income Tax Expense

(a) Income tax expense

	2020	2019
Current income tax expense:		
Chinese mainland	74,022	78,666
Hong Kong and Macau	1,776	2,244
Overseas	2,347	3,380
	<u>78,145</u>	<u>84,290</u>
Deferred income tax expense	(3,704)	(5,862)
	<u>74,441</u>	<u>78,428</u>

(b) Reconciliation between income tax and accounting profit

PRC income tax has been provided at the statutory rate of 25% in accordance with the relevant tax laws in Chinese mainland during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before taxation at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	2020	2019
Profit before taxation	<u>392,126</u>	<u>391,789</u>
Tax at the PRC statutory income tax rate	98,032	97,947
Effects of different applicable rates of tax prevailing in other countries/regions	(1,521)	(1,694)
Effects of non-deductible expenses	20,478	16,585
Effects of non-taxable income	(42,803)	(34,180)
Effects of profits attributable to associates and joint ventures	(326)	(630)
Effects of others	581	400
Income tax expense	<u>74,441</u>	<u>78,428</u>

7.4.9 Dividends

	2020	2019
Dividends on ordinary shares declared and paid:		
Final ordinary shares dividends for 2019: RMB0.2628 per share (2018: RMB0.2506 per share)	<u>93,664</u>	<u>89,315</u>
Dividends or interests declared and paid to other equity instruments holders:		
Dividends on preference shares	5,279	4,525
Interests on perpetual bond	<u>3,560</u>	<u>–</u>
	<u>8,839</u>	<u>4,525</u>
	2020	2019
Dividends on ordinary shares proposed for approval (not recognised as at 31 December):		
Final ordinary shares dividends for 2020: RMB0.2660 per share (2019: RMB0.2628 per share)	<u>94,804</u>	<u>93,664</u>

7.4.10 Earnings per Share

The calculation of basic and diluted earnings per share of the Group is based on the following:

	2020	2019
Earnings:		
Profit for the year attributable to equity holders of the parent company	315,906	312,224
Less: Profit for the year attributable to other equity instruments holders of the parent company	<u>(8,839)</u>	<u>(4,525)</u>
Profit for the year attributable to ordinary equity holders of the parent company	<u>307,067</u>	<u>307,699</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>356,407</u>	<u>356,407</u>
Basic and diluted earnings per share (RMB yuan)	<u>0.86</u>	<u>0.86</u>

Basic and diluted earnings per share was calculated as the profit for the year attributable to ordinary equity holders of the parent company divided by the weighted average number of ordinary shares in issue.

7.4.11 Derivative Financial Instruments

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between markets participants at measured date.

In accordance with accounting policy of offsetting, the Group offsets derivative assets and derivative liabilities which meet the criteria for offsetting, and presents net amount in the financial statements. As at 31 December 2020, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB48,896 million (31 December 2019: RMB36,547 million) and RMB51,690 million (31 December 2019: RMB40,614 million) respectively, and the net derivative assets and net derivative liabilities were RMB37,045 million (31 December 2019: RMB26,248 million) and RMB39,839 million (31 December 2019: RMB30,315 million) respectively.

At the end of the reporting period, the Group had derivative financial instruments as follows:

	31 December 2020			31 December 2019		
	Notional amounts	Fair values		Notional amounts	Fair values	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts	5,779,609	95,260	(91,559)	4,944,200	38,258	(36,582)
Interest rate contracts	2,199,849	23,002	(25,248)	2,125,339	16,436	(17,888)
Commodity derivatives and others	804,987	15,893	(24,166)	818,186	13,617	(30,710)
	<u>8,784,445</u>	<u>134,155</u>	<u>(140,973)</u>	<u>7,887,725</u>	<u>68,311</u>	<u>(85,180)</u>

Cash flow hedges

The Group's cash flow hedges consist of interest rate swap contracts, currency swap contracts and equity derivatives that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

	31 December 2020					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	209	15,909	8,730	239	25,087	61	(546)
Currency swap contracts	71,490	77,779	1,211	–	150,480	4,150	(1,243)
Equity derivative	29	3	33	3	68	–	(15)
	<u>71,728</u>	<u>93,691</u>	<u>9,974</u>	<u>242</u>	<u>175,635</u>	<u>4,211</u>	<u>(1,804)</u>

	31 December 2019					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	–	6,824	20,726	1,045	28,595	121	(284)
Currency swap contracts	52,670	55,772	4,002	–	112,444	1,077	(750)
Equity derivative	64	2	51	7	124	3	(7)
	<u>52,734</u>	<u>62,598</u>	<u>24,779</u>	<u>1,052</u>	<u>141,163</u>	<u>1,201</u>	<u>(1,041)</u>

Details of the Group's hedged risk exposures in cash flow hedges and the corresponding effect on equities are as follows:

31 December 2020					
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the current year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	58,998	(14,779)	(62)	(31)	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/ Debt securities issued
Loans	2,278	-	(65)	(82)	Loans and advances to customers
Others	58,190	(308,298)	(19)	(4,524)	Due from banks and other financial institutions/ Other assets/Due to banks and other financial institutions/ Certificates of deposit/ Due to customers/ Other liabilities
	<u>119,466</u>	<u>(323,077)</u>	<u>(146)</u>	<u>(4,637)</u>	
31 December 2019					
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the current year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	23,357	(7,030)	(4)	31	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/ Debt securities issued
Loans	2,914	-	(54)	(17)	Loans and advances to customers
Others	6,050	(104,846)	(639)	(4,505)	Due from banks and other financial institutions/ Other assets/Due to banks and other financial institutions/ Certificates of deposit/ Due to customers/ Other liabilities
	<u>32,321</u>	<u>(111,876)</u>	<u>(697)</u>	<u>(4,491)</u>	

There was no ineffectiveness recognised in profit or loss that arises from the cash flow hedges for the current year (2019: Nil).

Fair value hedges

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates. Interest rate swaps are used as hedging instruments to hedge the interest risk of financial assets and financial liabilities, respectively.

The effectiveness of hedges based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in profit or loss during the year is presented as follows:

	2020	2019
(Loss)/gain arising from fair value hedges, net:		
Hedging instruments	(1,486)	(204)
Hedged items attributable to the hedged risk	<u>1,437</u>	<u>218</u>
	<u><u>(49)</u></u>	<u><u>14</u></u>

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedges are set out below:

	31 December 2020					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	<u>3,074</u>	<u>31,267</u>	<u>38,119</u>	<u>24,984</u>	<u>97,444</u>	<u>277</u>	<u>(3,119)</u>
	<u><u>3,074</u></u>	<u><u>31,267</u></u>	<u><u>38,119</u></u>	<u><u>24,984</u></u>	<u><u>97,444</u></u>	<u><u>277</u></u>	<u><u>(3,119)</u></u>
	31 December 2019					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	<u>697</u>	<u>1,409</u>	<u>47,346</u>	<u>14,841</u>	<u>64,293</u>	<u>199</u>	<u>(1,383)</u>
	<u><u>697</u></u>	<u><u>1,409</u></u>	<u><u>47,346</u></u>	<u><u>14,841</u></u>	<u><u>64,293</u></u>	<u><u>199</u></u>	<u><u>(1,383)</u></u>

Details of the Group's hedged risk exposures in fair value hedges are set out below:

	31 December 2020				Line items in the statement of financial position
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items		
	Assets	Liabilities	Assets	Liabilities	
Bonds	58,827	(5,062)	6,908	(237)	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/Debt securities issued
Loans	5,435	-	1,462	-	Loans and advances to customers
Others	13,289	(10,028)	166	68	Reverse repurchase agreements/Due to banks and other financial institutions/ Repurchase agreements/ Certificates of deposit
	<u>77,551</u>	<u>(15,090)</u>	<u>8,536</u>	<u>(169)</u>	
	31 December 2019				Line items in the statement of financial position
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items		
	Assets	Liabilities	Assets	Liabilities	
Bonds	42,646	(120)	943	(11)	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/Debt securities issued
Loans	5,325	-	32	-	Loans and advances to customers
Others	13,962	(3,481)	(10)	-	Reverse repurchase agreements/Due to banks and other financial institutions
	<u>61,933</u>	<u>(3,601)</u>	<u>965</u>	<u>(11)</u>	

Net investment hedges

The Group's consolidated statement of financial position is affected by exchange differences between the functional currency of the Bank and functional currencies of its branches and subsidiaries. The Group hedges such exchange exposures only in limited circumstances. Hedging is undertaken using deposits taken in the same currencies as the functional currencies of related branches and subsidiaries which are accounted for as hedges of certain net investment in foreign operations.

As at 31 December 2020, an accumulated net gain from the hedging instrument of RMB889 million was recognised in "Other comprehensive income" on net investment hedges (as at 31 December 2019 net accumulated loss: RMB747 million). As at 31 December 2020, there was no ineffectiveness in profit or loss that arises from the net investment hedges (31 December 2019: Nil).

Counterparty credit risk-weighted assets of derivative financial instruments

The credit risk-weighted assets in respect of the above derivatives of the Group as at the end of the reporting date are as follows:

	31 December 2020	31 December 2019
Counterparty credit default risk-weighted assets	147,747	131,219
Including: Non-netting settled credit default risk-weighted assets	76,703	65,292
Netting settled credit default risk-weighted assets	71,044	65,927
Credit value adjustment risk-weighted assets	48,366	34,676
Central counterparties credit risk-weighted assets	2,351	3,060
	<u>198,464</u>	<u>168,955</u>

The credit risk-weighted assets of derivative financial instruments were calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional). The credit risk-weighted assets of the Group's derivative financial instruments include counterparty credit default risk-weighted assets, credit value adjustment risk-weighted assets and central counterparties credit risk-weighted assets.

7.4.12 Financial Investments

	31 December 2020	31 December 2019
Financial investments measured at FVTPL	784,483	962,078
Financial investments measured at FVOCI	1,540,988	1,476,872
Financial investments measured at amortised cost	6,265,668	5,208,167
	<u>8,591,139</u>	<u>7,647,117</u>

7.4.13 Components of Other Comprehensive Income

	2020	2019
Items that will not be reclassified to profit or loss:		
Changes in fair value of equity instruments designated as at FVOCI	1,639	(53)
Less: Income tax effect	<u>(350)</u>	<u>15</u>
	<u>1,289</u>	<u>(38)</u>
Other comprehensive income recognised under equity method	(5)	11
Others	8	(5)
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at FVOCI	(5,036)	9,687
Less: Amount transferred to profit or loss from other comprehensive income	1,072	773
Income tax effect	<u>922</u>	<u>(2,434)</u>
	<u>(3,042)</u>	<u>8,026</u>
Credit losses of debt instruments measured at FVOCI	1,051	(64)
Reserve from cash flow hedging instruments		
Losses during the year	(146)	(696)
Less: Income tax effect	<u>(107)</u>	<u>62</u>
	<u>(253)</u>	<u>(634)</u>
Other comprehensive income recognised under equity method	14	(530)
Foreign currency translation differences	(16,212)	4,271
Others	<u>1,311</u>	<u>(329)</u>
	<u>(15,839)</u>	<u>10,708</u>

7.4.14 Commitments and Contingent Liabilities

(a) Capital commitments

At the end of the reporting period, the Group had capital commitments as follows:

	31 December 2020	31 December 2019
Contracted	<u>42,797</u>	<u>31,915</u>

(b) Operating lease commitments

Operating lease commitments — Lessor

At the end of the reporting period, the Group leased certain aircraft and vessels to third parties under operating lease arrangements, and the total future minimum lease receivables in respect of non-cancellable operating leases with its tenants were as follows:

	31 December 2020	31 December 2019
Within one year	17,218	21,018
Over one year but within five years	67,210	87,494
Over five years	<u>73,626</u>	<u>94,249</u>
	<u>158,054</u>	<u>202,761</u>

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	31 December 2020	31 December 2019
Bank acceptances	343,233	311,300
Guarantees issued:		
— Financing letters of guarantees	54,361	69,634
— Non-financing letters of guarantees	446,460	414,245
Sight letters of credit	51,517	40,932
Usance letters of credit and other commitments	129,015	156,685
Loan commitments:		
With an original maturity of under one year	91,410	187,651
With an original maturity of one year or over	574,420	625,146
Undrawn credit card limit	1,021,038	1,157,478
	<u>2,711,454</u>	<u>2,963,071</u>
	31 December 2020	31 December 2019
Credit risk-weighted assets of credit commitments	<u>1,106,377</u>	<u>1,306,831</u>

(d) Legal proceedings

As at 31 December 2020, there were a number of legal proceedings and arbitrations outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB4,928 million (31 December 2019: RMB4,233 million).

In the opinion of management, the Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits and arbitrations will not have a material impact on the financial position or operations of the Group.

(e) Redemption commitments of government bonds

As an underwriting agent of the Ministry of Finance of the People's Republic of China, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2020, the Bank had underwritten and sold bonds with an accumulated amount of RMB81,112 million (31 December 2019: RMB89,644 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The Ministry of Finance of the People's Republic of China will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) Underwriting obligations

As at 31 December 2020, the Group had no unexpired security-underwriting obligations (31 December 2019: RMB1,000 million).

7.4.15 Segment Information

(a) Operating segments

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services, etc.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services, etc.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers, etc.

Others

This segment covers the Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income/expense". Net interest income and expense relating to third parties are referred to as "external net interest income/expense".

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

	Year ended 31 December 2020				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	275,644	131,043	240,078	–	646,765
Internal net interest income/(expense)	32,948	131,818	(164,766)	–	–
Net fee and commission income	76,173	53,761	1,281	–	131,215
Other income, net	8,896	1,436	7,338	4,425	22,095
Operating income	393,661	318,058	83,931	4,425	800,075
Operating expenses	(85,731)	(103,482)	(14,730)	(2,642)	(206,585)
Impairment losses on assets	(161,027)	(40,107)	(1,002)	(532)	(202,668)
Operating profit	146,903	174,469	68,199	1,251	390,822
Share of profits of associates and joint ventures	–	–	–	1,304	1,304
Profit before taxation	146,903	174,469	68,199	2,555	392,126
Income tax expense					(74,441)
Profit for the year					<u>317,685</u>
Other segment information:					
Depreciation	9,482	8,742	3,213	124	21,561
Amortisation	878	520	296	193	1,887
Capital expenditure	22,759	20,475	7,696	600	51,530

	31 December 2020				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>11,339,394</u>	<u>7,454,567</u>	<u>14,366,145</u>	<u>184,952</u>	<u>33,345,058</u>
Including: Investments in associates and joint ventures	–	–	–	41,206	41,206
Property and equipment	110,846	101,573	37,244	36,616	286,279
Other non-current assets	42,553	18,012	6,601	15,357	82,523
Segment liabilities	<u>13,766,666</u>	<u>12,167,001</u>	<u>4,391,690</u>	<u>110,186</u>	<u>30,435,543</u>
Other segment information:					
Credit commitments	<u>1,716,094</u>	<u>995,360</u>	<u>–</u>	<u>–</u>	<u>2,711,454</u>

	Year ended 31 December 2019				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	284,211	120,354	227,652	–	632,217
Internal net interest income/(expense)	8,114	129,067	(137,181)	–	–
Net fee and commission income	76,440	52,715	1,418	–	130,573
Other income/(expense), net	6,825	3,441	(1,646)	4,592	13,212
Operating income	375,590	305,577	90,243	4,592	776,002
Operating expenses	(76,305)	(109,170)	(16,484)	(5,817)	(207,776)
Impairment losses on assets	(152,735)	(25,213)	(1,014)	5	(178,957)
Operating profit/(loss)	146,550	171,194	72,745	(1,220)	389,269
Share of profits of associates and joint ventures	–	–	–	2,520	2,520
Profit before taxation	146,550	171,194	72,745	1,300	391,789
Income tax expense					(78,428)
Profit for the year					<u>313,361</u>
Other segment information:					
Depreciation	8,315	7,265	2,946	543	19,069
Amortisation	1,026	803	446	146	2,421
Capital expenditure	23,847	20,693	8,539	1,660	54,739

	31 December 2019				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>10,247,794</u>	<u>6,655,928</u>	<u>13,029,624</u>	<u>176,090</u>	<u>30,109,436</u>
Including: Investments in associates and joint ventures	–	–	–	32,490	32,490
Property and equipment	107,967	93,773	37,943	46,878	286,561
Other non-current assets	44,350	13,974	7,577	17,329	83,230
Segment liabilities	<u>12,850,937</u>	<u>10,912,514</u>	<u>3,532,247</u>	<u>121,735</u>	<u>27,417,433</u>
Other segment information:					
Credit commitments	<u>1,832,133</u>	<u>1,130,938</u>	<u>–</u>	<u>–</u>	<u>2,963,071</u>

(b) Geographical information

The Group operates principally in Chinese mainland, and also has branches and subsidiaries operating outside Chinese mainland (including: Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi, Mumbai, Phnom Penh, Vientiane, Lima, Buenos Aires, Sao Paulo, Auckland, Kuwait City, Mexico City, Yangon, Riyadh, Istanbul, Prague, Zurich, Manila, Vienna and Panama City, etc.).

The distribution of the geographical areas is as follows:

Chinese mainland (Head Office and domestic branches):

- Head Office (“HO”): the HO business division (including institutions directly managed by the HO and their offices);
- Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang and Ningbo;
- Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;
- Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;
- Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;
- Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and
- Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian.
- Overseas and others: branches located outside Chinese mainland, domestic and overseas subsidiaries, and investments in associates and joint ventures.

Year ended 31 December 2020

Chinese mainland (HO and domestic branches)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
External net interest income	270,017	69,071	74,150	20,128	71,669	95,814	13,968	31,948	-	646,765
Internal net interest (expense)/income	(219,971)	41,775	14,623	112,918	20,533	15,508	13,027	1,587	-	-
Net fee and commission income	42,859	23,086	15,433	16,336	8,646	12,950	2,445	10,729	(1,269)	131,215
Other income/(expense), net	14,900	(3,508)	(1,304)	(3,455)	(1,997)	(2,936)	2,902	16,324	1,169	22,095
Operating income	107,805	130,424	102,902	145,927	98,851	121,336	32,342	60,588	(100)	800,075
Operating expenses	(22,438)	(30,917)	(23,339)	(32,781)	(29,820)	(35,113)	(12,127)	(20,161)	111	(206,585)
Impairment losses on assets	(51,286)	(24,212)	(12,180)	(36,824)	(26,376)	(19,625)	(17,622)	(14,543)	-	(202,668)
Operating profit	34,081	75,295	67,383	76,322	42,655	66,598	2,593	25,884	11	390,822
Share of profits of associates and joint ventures	-	-	-	-	-	-	-	1,304	-	1,304
Profit before taxation	34,081	75,295	67,383	76,322	42,655	66,598	2,593	27,188	11	392,126
Income tax expense										(74,441)
Profit for the year										<u>317,685</u>
Other segment information:										
Depreciation	2,146	2,949	2,433	3,708	3,174	3,751	1,372	2,028	-	21,561
Amortisation	737	219	100	141	208	180	53	249	-	1,887
Capital expenditure	4,692	5,269	3,925	6,346	4,072	5,413	1,356	20,457	-	51,530

31 December 2020

Chinese mainland (HO and domestic branches)

	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Assets by geographical areas	9,665,936	7,183,515	4,935,763	4,994,061	3,334,445	4,249,027	1,246,742	4,024,527	(6,356,671)	33,277,345
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	41,206	-	41,206
Property and equipment	13,929	32,725	12,791	21,477	18,374	23,164	9,088	154,731	-	286,279
Other non-current assets	14,352	7,817	6,065	7,534	8,580	9,950	2,256	25,969	-	82,523
Unallocated assets										67,713
Total assets										<u>33,345,058</u>
Liabilities by geographical areas	7,250,493	7,840,257	4,886,621	7,507,515	3,203,936	3,811,490	1,360,916	838,331	(6,356,682)	30,342,877
Unallocated liabilities										92,666
Total liabilities										<u>30,435,543</u>
Other segment information:										
Credit commitments	1,077,366	999,018	683,005	785,796	371,823	565,802	145,460	675,725	(2,592,541)	2,711,454

Year ended 31 December 2019

	Chinese mainland (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
External net interest income	255,298	69,436	68,232	27,769	67,470	90,373	17,403	36,236	-	632,217
Internal net interest (expense)/income	(194,621)	37,138	14,710	102,725	18,049	13,846	9,356	(1,203)	-	-
Net fee and commission income	30,922	26,073	18,339	17,235	11,334	14,201	2,960	11,168	(1,659)	130,573
Other income/(expense), net	9,422	(3,975)	(614)	(3,838)	(1,938)	(2,673)	(503)	15,768	1,563	13,212
Operating income	101,021	128,672	100,667	143,891	94,915	115,747	29,216	61,969	(96)	776,002
Operating expenses	(20,548)	(30,764)	(23,596)	(33,743)	(30,099)	(35,985)	(12,323)	(20,829)	111	(207,776)
Impairment losses on assets	(40,400)	(15,572)	(15,821)	(40,049)	(22,546)	(21,127)	(14,150)	(9,292)	-	(178,957)
Operating profit	40,073	82,336	61,250	70,099	42,270	58,635	2,743	31,848	15	389,269
Share of profits of associates and joint ventures	-	-	-	-	-	-	-	2,520	-	2,520
Profit before taxation	40,073	82,336	61,250	70,099	42,270	58,635	2,743	34,368	15	391,789
Income tax expense										(78,428)
Profit for the year										<u>313,361</u>
Other segment information:										
Depreciation	1,851	2,719	2,108	3,110	3,002	3,404	1,312	1,563	-	19,069
Amortisation	808	234	215	235	279	309	87	254	-	2,421
Capital expenditure	3,784	3,898	3,092	5,103	3,374	4,309	1,255	29,924	-	54,739

31 December 2019

	Chinese mainland (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
Assets by geographical areas	10,687,512	6,380,888	4,126,087	4,256,707	2,973,119	3,841,497	1,140,631	3,971,298	(7,330,839)	30,046,900
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	32,490	-	32,490
Property and equipment	11,964	32,168	12,015	20,252	18,306	23,009	9,413	159,434	-	286,561
Other non-current assets	13,250	8,114	5,975	7,352	8,488	12,370	2,093	25,588	-	83,230
Unallocated assets										62,536
Total assets										<u>30,109,436</u>
Liabilities by geographical areas	8,135,659	6,694,114	4,164,747	7,051,203	2,996,409	3,675,924	1,207,528	724,638	(7,330,853)	27,319,369
Unallocated liabilities										98,064
Total liabilities										<u>27,417,433</u>
Other segment information:										
Credit commitments	1,266,960	767,677	464,593	655,424	252,299	464,788	122,273	725,581	(1,756,524)	2,963,071

8. Unaudited Supplementary Financial Information

8.1 Correspondence between Balance Sheet in Published Financial Statements and Capital Composition

The disclosure of correspondence between balance sheet in published financial statements and capital composition is based on the Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks (Yin Jian Fa, No. 33, 2013) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

(i) Capital composition

Item	31 December 2020	31 December 2019	Reference	
Core tier 1 capital:				
1	Paid-in capital	356,407	356,407	X18
2	Retained earnings	2,170,740	1,964,205	
2a	Surplus reserve	322,692	292,149	X21
2b	General reserve	339,486	304,876	X22
2c	Retained profits	1,508,562	1,367,180	X23
3	Accumulated other comprehensive income (and other public reserves)	138,356	147,984	
3a	Capital reserve	148,534	149,067	X19
3b	Others	(10,178)	(1,083)	X24
4	Valid portion to core tier 1 capital during the transition period (only applicable to non- joint stock companies. Fill in 0 for joint stock banks)	–	–	
5	Valid portion of minority interests	3,552	4,178	X25
6	Core tier 1 capital before regulatory adjustments	2,669,055	2,472,774	
Core tier 1 capital: Regulatory adjustments				
7	Prudential valuation adjustments	–	–	
8	Goodwill (net of deferred tax liabilities)	8,107	9,038	X16
9	Other intangible assets other than land use rights (net of deferred tax liabilities)	4,582	2,933	X14-X15
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of deferred tax liabilities)	–	–	
11	Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,616)	(4,451)	X20
12	Shortfall of provision for loan impairment	–	–	
13	Gain on sale related to asset securitization	–	–	

Item	31 December 2020	31 December 2019	Reference
14	–	–	
15	–	–	
16	–	–	
17	–	–	
18	–	–	
19	–	–	
20	N/A	N/A	
21	–	–	
22	–	–	
23	–	–	
24	N/A	N/A	
25	–	–	
26a	7,980	7,980	X11

Item	31 December 2020	31 December 2019	Reference
26b	–	–	
Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation			
26c	–	–	
Others that should be deducted from core tier 1 capital			
27	–	–	
Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital			
28	16,053	15,500	
Total regulatory adjustments to core tier 1 capital			
29	2,653,002	2,457,274	
Core tier 1 capital			
Additional tier 1 capital:			
30	219,143	199,456	
Additional tier 1 capital instruments and related premium			
31	139,156	199,456	X28+X32
Including: Portion classified as equity			
32	79,987	–	
Including: Portion classified as liabilities			
33	–	–	
Invalid instruments to additional tier 1 capital after the transition period			
34	647	793	X26
Valid portion of minority interests			
35	–	–	
Including: Invalid portion to additional tier 1 capital after the transition period			
36	219,790	200,249	
Additional tier 1 capital before regulatory adjustments			
Additional tier 1 capital: Regulatory adjustments			
37	–	–	
Direct or indirect investments in own additional tier 1 instruments			
38	–	–	
Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions			
39	–	–	
Deductible amount of non-significant minority investment in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation			
40	–	–	
Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation			

Item	31 December 2020	31 December 2019	Reference
41a	–	–	
41b	–	–	
41c	–	–	
42	–	–	
43	–	–	
44	219,790	200,249	
45	2,872,792	2,657,523	
Tier 2 capital:			
46	351,568	272,680	X17
47	40,570	60,855	
48	1,114	1,707	X27
49	–	439	
50	170,712	189,569	X02+X04
51	523,394	463,956	
Tier 2 capital: Regulatory adjustments			
52	–	–	
53	–	–	
54	–	–	
55	–	–	X31

Item	31 December 2020	31 December 2019	Reference
56a	–	–	
Investments in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation			
56b	–	–	
Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation			
56c	–	–	
Others that should be deducted from tier 2 capital			
57	–	–	
Total regulatory adjustments to tier 2 capital			
58	523,394	463,956	
Tier 2 capital			
59	3,396,186	3,121,479	
Total capital (tier 1 capital + tier 2 capital)			
60	20,124,139	18,616,886	
Total risk-weighted assets			
Requirements for capital adequacy ratio and reserve capital			
61	13.18%	13.20%	
Core tier 1 capital adequacy ratio			
62	14.28%	14.27%	
Tier 1 capital adequacy ratio			
63	16.88%	16.77%	
Capital adequacy ratio			
64	4.0%	4.0%	
Institution specific buffer requirement			
65	2.5%	2.5%	
Including: Capital conservation buffer requirement			
66	–	–	
Including: Countercyclical buffer requirement			
67	1.5%	1.5%	
Including: G-SIB buffer requirement			
68	8.18%	8.20%	
Percentage of core tier 1 capital meeting buffers to risk-weighted assets			
Domestic minima for regulatory capital			
69	5.0%	5.0%	
Core tier 1 capital adequacy ratio			
70	6.0%	6.0%	
Tier 1 capital adequacy ratio			
71	8.0%	8.0%	
Capital adequacy ratio			
Amounts below the thresholds for deduction			
72	138,247	84,515	X05+X07 +X08+X09 +X12+X29 +X30
Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation			

Item	31 December 2020	31 December 2019	Reference	
73	Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	32,452	37,654	X06+X10 +X13
74	Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75	Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	65,719	60,846	
Valid caps of surplus provision for loan impairment in tier 2 capital				
76	Provision for loan impairment under the weighted approach	23,204	17,647	X01
77	Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	7,802	7,923	X02
78	Surplus provision for loan impairment under the internal ratings-based approach	507,096	460,851	X03
79	Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	162,910	181,646	X04
Capital instruments subject to phase-out arrangements				
80	Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
81	Excluded from core tier 1 capital due to cap	–	–	
82	Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
83	Excluded from additional tier 1 capital due to cap	–	–	
84	Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements	40,570	60,855	
85	Excluded from tier 2 capital for the current period due to cap	67,463	63,383	

(ii) Consolidated financial statements

	31 December 2020 Consolidated balance sheet as in published financial statements*	31 December 2020 Balance sheet under regulatory scope of consolidation*	31 December 2019 Consolidated balance sheet as in published financial statements*	31 December 2019 Balance sheet under regulatory scope of consolidation*
Assets				
Cash and balances with central banks	3,537,795	3,537,795	3,317,916	3,317,916
Due from banks and other financial institutions	522,913	489,231	475,325	450,976
Precious metals	277,705	277,705	238,061	238,061
Placements with banks and other financial institutions	558,984	558,984	567,043	567,043
Derivative financial assets	134,155	134,155	68,311	68,311
Reverse repurchase agreements	739,288	738,958	845,186	841,954
Loans and advances to customers	18,136,328	18,134,777	16,326,552	16,325,339
Financial investments	8,591,139	8,429,328	7,647,117	7,528,268
– Financial investments measured at FVTPL	784,483	732,478	962,078	921,042
– Financial investments measured at FVOCI	1,540,988	1,498,008	1,476,872	1,451,357
– Financial investments measured at amortised cost	6,265,668	6,198,842	5,208,167	5,155,869
Long-term equity investments	41,206	49,186	32,490	40,470
Fixed assets	249,067	249,008	244,902	244,846
Construction in progress	35,173	35,166	39,714	39,712
Deferred income tax assets	67,713	67,713	62,536	62,536
Other assets	453,592	440,548	244,283	230,111
Total assets	33,345,058	33,142,554	30,109,436	29,955,543

* Prepared in accordance with PRC GAAP.

	31 December 2020 Consolidated balance sheet as in published financial statements*	31 December 2020 Balance sheet under regulatory scope of consolidation*	31 December 2019 Consolidated balance sheet as in published financial statements*	31 December 2019 Balance sheet under regulatory scope of consolidation*
Liabilities				
Due to central banks	54,974	54,974	1,017	1,017
Due to banks and other financial institutions	2,315,643	2,315,643	1,776,320	1,776,320
Placements from banks and other financial institutions	468,616	468,616	490,253	490,253
Financial liabilities measured at FVTPL	87,938	87,938	102,242	102,242
Derivative financial liabilities	140,973	140,973	85,180	85,180
Repurchase agreements	293,434	282,458	263,273	254,926
Certificates of deposit	335,676	335,676	355,428	355,428
Due to customers	25,134,726	25,134,726	22,977,655	22,977,655
Employee benefits payable	32,460	32,073	35,301	34,960
Taxes payable	105,380	105,356	109,601	109,545
Debt securities issued	798,127	798,127	742,875	742,875
Deferred income tax liabilities	2,881	1,994	1,873	1,690
Other liabilities	664,715	483,519	476,415	339,246
Total liabilities	<u>30,435,543</u>	<u>30,242,073</u>	<u>27,417,433</u>	<u>27,271,337</u>
Equity				
Share capital	356,407	356,407	356,407	356,407
Other equity instruments	225,819	225,819	206,132	206,132
Capital reserve	148,534	148,534	149,067	149,067
Other comprehensive income	(10,428)	(10,178)	(1,266)	(1,083)
Surplus reserve	322,911	322,692	292,291	292,149
General reserve	339,701	339,486	305,019	304,876
Retained profits	1,510,558	1,508,562	1,368,536	1,367,180
Equity attributable to equity holders of the parent company	2,893,502	2,891,322	2,676,186	2,674,728
Minority interests	16,013	9,159	15,817	9,478
Total equity	<u>2,909,515</u>	<u>2,900,481</u>	<u>2,692,003</u>	<u>2,684,206</u>

* Prepared in accordance with PRC GAAP.

(iii) Description of related items

Item	31 December 2020 Balance sheet under regulatory scope of consolidation	Reference
Loans and advances to customers	18,134,777	
Total loans and advances to customers	18,665,077	
Less: Provision for loan impairment under the weighted approach	23,204	X01
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	7,802	X02
Less: Provision for loan impairment under the internal ratings-based approach	507,096	X03
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	162,910	X04
Financial investments		
Financial investments measured at FVTPL	732,478	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	67	X05
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	1,658	X06
Including: Non-significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	217	X07
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	126,749	X08
Financial investments measured at FVOCI	1,498,008	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	10,998	X09
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	3,445	X10
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X29

Item	31 December 2020 Balance sheet under regulatory scope of consolidation	Reference
Financial investments measured at amortised cost	6,198,842	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	199	X30
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X31
Long-term equity investments	49,186	
Including: Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	17	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	27,349	X13
Other assets	440,548	
Interest receivable	1,985	
Intangible assets	20,717	X14
Including: Land use rights	16,135	X15
Other receivables	359,902	
Goodwill	8,107	X16
Long-term deferred expenses	4,639	
Repossessed assets	5,325	
Others	39,873	

Item	31 December 2020 Balance sheet under regulatory scope of consolidation	Reference
Debt securities issued	798,127	
Including: Valid portion of tier 2 capital instruments and their premium	351,568	X17
Share capital	356,407	X18
Other equity instruments	225,819	
Including: Preference shares	139,156	X28
Including: Perpetual bonds	79,987	X32
Capital reserve	148,534	X19
Other comprehensive income	(10,178)	X24
Reserve for changes in fair value of financial assets	22,726	
Reserve for cash flow hedging	(4,725)	
Including: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,616)	X20
Changes in share of other owners' equity of associates and joint ventures	(1,381)	
Foreign currency translation reserve	(27,518)	
Others	720	
Surplus reserve	322,692	X21
General reserve	339,486	X22
Retained profits	1,508,562	X23
Minority interests	9,159	
Including: Valid portion to core tier 1 capital	3,553	X25
Including: Valid portion to additional tier 1 capital	647	X26
Including: Valid portion to tier 2 capital	1,114	X27

(iv) Main features of eligible capital instruments

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)
Issuer	The Bank	The Bank	The Bank
Unique identifier	601398	1398	4604
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	Securities and Futures Ordinance of Hong Kong/Hong Kong, China	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law
Regulatory treatment	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)			
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Core tier 1 capital instrument	Core tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB336,554	RMB168,374	RMB equivalent 4,542
Par value of instrument (in millions)	RMB269,612	RMB86,795	EUR 600
Accounting treatment	Share capital, Capital reserve	Share capital, Capital reserve	Other equity
Original date of issuance	19 October 2006	19 October 2006	10 December 2014

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)
Perpetual or dated Including: Original maturity date	Perpetual No maturity date	Perpetual No maturity date	Perpetual No maturity date
Issuer call (subject to prior supervisory approval)	No	No	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	The First Redemption Date is 10 December 2021, in full or partial amount
Including: Subsequent call dates, if applicable	N/A	N/A	10 December in each year after the First Redemption Date
Coupons/dividends Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	6% (dividend rate) before 10 December 2021
Including: Existence of a dividend stopper	N/A	N/A	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	Yes
Including: If convertible, conversion trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)
Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs
Including: If convertible, conversion rate	N/A	N/A	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory
Including: If convertible, specify instrument type convertible into	N/A	N/A	Core tier 1 capital
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	The Bank
Write-down feature	No	No	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A
Including: If write-down, full or partial	N/A	N/A	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders	Subordinated to depositor, general creditor, creditor of the subordinated debts, and preference shareholders	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds
Non-compliant transitioned features Including: If yes, specify non-compliant features	No N/A	No N/A	No N/A

Main features of regulatory capital instrument	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	360011	1928018	360036	4620
Governing law(s) of the instrument	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents /China	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law.
Regulatory treatment	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)				
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company /Group	Parent company /Group	Parent company /Group	Parent company /Group
Instrument type	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB44,947	RMB79,987	RMB69,981	RMB19,687
Par value of instrument (in millions)	RMB45,000	RMB80,000	RMB70,000	USD2,900
Accounting treatment	Other equity	Other equity	Other equity	Other equity
Original date of issuance	18 November 2015	26 July 2019	19 September 2019	23 September 2020
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	The First Redemption Date is 18 November 2020, in full or partial amount	The First Redemption Date is 30 July 2024, in full or partial amount	The First Redemption Date is 24 September 2024, in full or partial amount	The First Redemption Date is 23 September 2025, in full or partial amount

Main features of regulatory capital instrument	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)
Including: Subsequent call dates, if applicable	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares	Redemption of present bonds in full or in part on each Interest Date since the First Redemption Date (30 July 2024). The Issuer has the right to redeem the present bonds in full rather than in part if the present bonds are no longer included in additional tier 1 capital after they are issued due to unpredictable changes in regulatory rules	Commences on the First Redemption Date (24 September 2024) and ends on the completion or conversion of all the Domestic Preference Shares	23 September in each year after the First Redemption Date
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	4.5% (dividend rate) before 23 November 2020, 4.58% (dividend rate) from 23 November 2020 to 22 November 2025	4.45% (interest rate) before 30 July 2024	4.2% (dividend rate) before 24 September 2024	3.58% (dividend rate) before 23 September 2025
Including: Existence of a dividend stopper	Yes	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Yes	No	Yes	Yes
Including: If convertible, conversion trigger(s)	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Non-Viability Trigger Event
Including: If convertible, fully or partially	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs

Main features of regulatory capital instrument	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)
Including: If convertible, conversion rate	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	N/A	The initial conversion price is equal to the average trading price of the A Shares of the Bank for the 20 trading days preceding 30 August 2018, the date of publication of the Board resolution in respect of the issuance plan.	The initial conversion price is equal to the average trading price of the H Shares of the Bank for the 20 trading days preceding 30 August 2018, the date of publication of the Board resolution in respect of the issuance plan.
Including: If convertible, mandatory or optional conversion	Mandatory	N/A	Mandatory	Mandatory
Including: If convertible, specify instrument type convertible into	Core tier 1 capital	N/A	Core tier 1 capital	Core tier 1 capital
Including: If convertible, specify issuer of instrument it converts into	The Bank	N/A	The Bank	The Bank
Write-down feature	No	Yes	No	No
Including: If write-down, write-down trigger(s)	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	N/A	N/A
Including: If write-down, full or partial	N/A	Full or partial write-down when an Additional Tier 1 Capital Trigger Event occurs; full write-down when a Tier 2 Capital Trigger Event occurs	N/A	N/A
Including: If write-down, permanent or temporary	N/A	Permanent write-down	N/A	N/A
Including: If temporary write-down, description of write-up mechanism	N/A		N/A	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to deposits, general debts, subordinated tier 2 capital bonds and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated tier 2 capital bonds	Subordinated to deposits, general debts, subordinated tier 2 capital bonds and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated tier 2 capital bonds and undated additional tier 1 capital bonds
Non-compliant transitioned Features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank
Unique identifier	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06	1728021	1728022
Governing law(s) of the instrument	The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with, New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB equivalent 12,998	RMB44,000	RMB44,000
Par value of instrument (in millions)	USD2,000	RMB44,000	RMB44,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	21 September 2015	06 November 2017	20 November 2017
Perpetual or dated	Dated	Dated	Dated
Including: Original maturity date	21 September 2025	08 November 2027	22 November 2027
Issuer call (subject to prior supervisory approval)	No	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	08 November 2022, in full amount	22 November 2022, in full amount

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons/dividends			
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.875%	4.45%	4.45%
Including: Existence of a dividend stopper	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, pari passu with other subordinated debits	Subordinated to depositor and general creditor; but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debits that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debits that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A

	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Main features of regulatory capital instrument				
Issuer	The Bank 1928006	The Bank 1928007	The Bank 1928011	The Bank 1928012
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)				
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)				
Including: Eligible to the parent company/group level	Parent company /Group	Parent company /Group	Parent company /Group	Parent company /Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB45,000	RMB10,000	RMB45,000	RMB10,000
Par value of instrument (in millions)	RMB45,000	RMB10,000	RMB45,000	RMB10,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	21 March 2019	21 March 2019	24 April 2019	24 April 2019
Perpetual or dated	Dated	Dated	Dated	Dated
Including: Original maturity date	25 March 2029	25 March 2034	26 April 2029	26 April 2034
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	25 March 2024, in full amount	25 March 2029, in full amount	26 April 2024, in full amount	26 April 2029, in full amount

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.26%	4.40%	4.51%	4.69%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank
Unique identifier	2028041	2028049	2028050
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Parent company/Group	Parent company/Group	Parent company/Group
Including: Eligible to the parent company/group level	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Instrument type	RMB60,000	RMB30,000	RMB10,000
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB60,000	RMB30,000	RMB10,000
Par value of instrument (in millions)	Debt securities issued	Debt securities issued	Debt securities issued
Accounting treatment	22 September 2020	12 November 2020	12 November 2020
Original date of issuance	Dated	Dated	Dated
Perpetual or dated	24 September 2030	16 November 2030	16 November 2035
Including: Original maturity date	Yes	Yes	Yes
Issuer call (subject to prior supervisory approval)	24 September 2025 in full amount	16 November 2025 in full amount	16 November 2030 in full amount
Including: Optional call date, contingent call dates and redemption amount			

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons/dividends			
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.20%	4.15%	4.45%
Including: Existence of a dividend stopper	No	No	No
Including: Fully discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A

8.2 Disclosure of Leverage Ratio

The following information is disclosed in accordance with the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No. 1, 2015) Appendix 3 Disclosure Templates of Leverage Ratio.

Comparison of Regulatory Leverage Ratio Items and Accounting Items

S/N	Item	31 December 2020	31 December 2019
1	Total consolidated assets as per published financial statements	33,345,058	30,109,436
2	Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation	(202,504)	(153,893)
3	Adjustments for fiduciary assets	–	–
4	Adjustments for derivative financial instruments	85,324	12,352
5	Adjustment for securities financing transactions	29,188	18,975
6	Adjustment for off-balance sheet items	2,059,325	2,010,844
7	Other adjustments	(16,053)	(15,500)
8	Balance of adjusted on- and off-balance sheet assets	35,300,338	31,982,214

Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted On- and Off-balance Sheet Assets and Related Information

S/N	Item	31 December 2020	31 December 2019
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	32,598,277	29,507,681
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(16,053)	(15,500)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	32,582,224	29,492,181
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	146,069	74,843
5	Add-on amounts for PFE associated with all derivatives transactions	67,843	70,072
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	(12,330)	(18,334)
9	Effective notional amount of written credit derivatives	42,669	32,286
10	Less: Adjusted effective notional deductions for written credit derivatives	(12,858)	(71,672)
11	Total derivative exposures	231,393	87,195
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	398,208	373,019
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	29,188	18,975
15	Agent transaction exposures	–	–
16	Total securities financing transaction exposures	427,396	391,994
17	Off-balance sheet exposure at gross notional amount	5,727,987	5,025,875
18	Less: Adjustments for conversion to credit equivalent amounts	(3,668,662)	(3,015,031)
19	Balance of adjusted off-balance sheet assets	2,059,325	2,010,844
20	Net tier 1 capital	2,872,792	2,657,523
21	Balance of adjusted on- and off-balance sheet assets	35,300,338	31,982,214
22	Leverage ratio	8.14%	8.31%

8.3 Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

S/N	Item	Fourth-quarter 2020	
		Total un-weighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		5,530,542
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	12,298,497	1,224,294
3	Stable deposits	84,950	2,939
4	Less stable deposits	12,213,547	1,221,355
5	Unsecured wholesale funding, of which:	14,364,101	4,783,073
6	Operational deposits (excluding those generated from correspondent banking activities)	8,440,160	2,052,615
7	Non-operational deposits (all counterparties)	5,847,398	2,653,915
8	Unsecured debt	76,543	76,543
9	Secured funding		10,387
10	Additional requirements, of which:	3,244,208	1,480,999
11	Outflows related to derivative exposures and other collateral requirements	1,340,772	1,340,772
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	1,903,436	140,227
14	Other contractual funding obligations	70,870	70,848
15	Other contingent funding obligations	5,123,850	134,060
16	Total cash outflows		7,703,661
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	780,487	482,633
18	Inflows from fully performing exposures	1,871,752	1,396,166
19	Other cash inflows	1,336,546	1,333,266
20	Total cash inflows	3,988,785	3,212,065
		Total adjusted value	
21	Total HQLA		5,530,542
22	Total net cash outflows		4,491,596
23	Liquidity coverage ratio (%)		123.28%

Data of the above table are all the simple arithmetic means of the 92 natural days' figures of the recent quarter.

8.4 Quantitative Information Disclosure of Net Stable Funding Ratio (NSFR) Using Advanced Approaches

		31 December 2020				
		Unweighted value by residual maturity				
No.	Item	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:	3,061,304	–	–	352,218	3,413,522
2	Regulatory capital	3,061,304	–	–	351,568	3,412,872
3	Other capital instruments	–	–	–	650	650
4	Retail deposits and deposits from small business customers:	6,551,425	6,215,325	24,565	9,478	11,526,879
5	Stable deposits	61,904	27,800	14,661	6,712	105,859
6	Less stable deposits	6,489,521	6,187,525	9,904	2,766	11,421,020
7	Wholesale funding:	8,560,328	6,050,612	314,704	301,281	7,312,974
8	Operational deposits	8,257,098	444,921	52,147	7,274	4,384,357
9	Other wholesale funding	303,230	5,605,691	262,557	294,007	2,928,617
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	12,506	1,149,204	24,246	510,449	428,726
12	NSFR derivative liabilities				106,352	
13	All other liabilities and equities not included in the above categories	12,506	1,149,204	24,246	404,097	428,726
14	Total ASF					22,682,101
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					854,980
16	Deposits held at other financial institutions for operational purposes	146,018	30,984	584	2,090	91,120
17	Loans and securities:	1,878	3,928,755	2,445,607	15,211,642	15,557,030
18	Loans to financial institutions secured by Level 1 HQLA	–	309,390	3,560	6,757	54,073
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,181,106	256,338	190,841	496,675
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	2,098,300	2,059,580	8,500,075	9,235,813
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	426,953	347,809	283,013	563,887

31 December 2020

No.	Item	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
22	Residential mortgages, of which:	-	1,801	2,472	5,717,269	4,859,640
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	429	417	16,334	12,130
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,878	338,158	123,657	796,700	910,829
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	388,361	576,396	28,139	225,547	918,755
27	Physical traded commodities, including gold	24,746				21,034
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				5,720	4,862
29	NSFR derivative assets				106,354	2
30	NSFR derivative liabilities with additional variation margin posted				115,939*	23,188
31	All other assets not included in the above categories	363,615	576,396	28,139	113,473	869,669
32	Off-balance sheet items				7,664,240	252,491
33	Total RSF					17,674,376
34	Net Stable Funding Ratio (%)					128.33%

(*) The amount of derivative liabilities shall be recorded for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 "Other assets".

No.	Item	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) item						
1	Capital:	2,996,814	–	–	312,787	3,309,601
2	Regulatory capital	2,996,814	–	–	312,109	3,308,923
3	Other capital instruments	–	–	–	678	678
4	Retail deposits and deposits from small business customers:	6,438,516	6,230,319	29,576	8,927	11,442,625
5	Stable deposits	38,654	47,089	16,831	6,136	103,581
6	Less stable deposits	6,399,862	6,183,230	12,745	2,791	11,339,044
7	Wholesale funding:	8,297,164	6,628,983	372,376	305,731	7,461,610
8	Operational deposits	7,995,433	417,083	60,373	3,936	4,240,380
9	Other wholesale funding	301,731	6,211,900	312,003	301,795	3,221,230
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	12,000	1,136,562	24,297	429,219	352,633
12	NSFR derivative liabilities	–	–	–	100,735	–
13	All other liabilities and equities not included in the above categories	12,000	1,136,562	24,297	328,484	352,633
14	Total ASF					22,566,469
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					840,468
16	Deposits held at other financial institutions for operational purposes	212,866	34,170	860	2,165	126,344
17	Loans and securities:	3,447	4,427,383	2,778,255	14,872,939	15,488,858
18	Loans to financial institutions secured by Level 1 HQLA	–	773,072	2,224	8,105	124,686
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,288,275	369,898	205,889	585,308
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	1,958,486	2,294,698	8,346,908	9,152,517
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	390,050	434,478	283,596	589,759
22	Residential mortgages, of which:	–	2,184	2,484	5,604,922	4,764,211
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	441	434	16,777	12,390

30 September 2020

No.	Item	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	3,447	405,366	108,951	707,115	862,136
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	391,736	444,995	36,476	357,106	1,054,516
27	Physical traded commodities, including gold	41,820				35,547
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				52,614	44,722
29	NSFR derivative assets				88,599	–
30	NSFR derivative liabilities with additional variation margin posted				109,519*	21,904
31	All other assets not included in the above categories	349,916	444,995	36,476	215,893	952,343
32	Off-balance sheet items				7,461,441	256,850
33	Total RSF					17,767,036
34	Net Stable Funding Ratio (%)					127.01%

(*) The amount of derivative liabilities shall be recorded for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 “Other assets”.

9. Summary of the Capital Adequacy Ratio Report Disclosed in Accordance with the Regulation Governing Capital of Commercial Banks (Provisional)

9.1 Capital Adequacy Ratio

- **Scope of Calculation of Capital Adequacy Ratio**

The Bank calculated capital adequacy ratios at all tiers in accordance with the Regulation Governing Capital of Commercial Banks (Provisional). The scope of calculation of consolidated capital adequacy ratio includes the Bank and financial institutions in which the Bank directly or indirectly invested in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

- **Results of Capital Adequacy Ratio Measurement**

In RMB millions, except for percentages

Item	At 31 December 2020		At 31 December 2019	
	Group	Parent Company	Group	Parent Company
Net core tier 1 capital	2,653,002	2,404,030	2,457,274	2,222,316
Net tier 1 capital	2,872,792	2,605,594	2,657,523	2,403,000
Net capital base	3,396,186	3,114,878	3,121,479	2,852,663
Core tier 1 capital adequacy ratio	13.18	13.14	13.20	13.29
Tier 1 capital adequacy ratio	14.28	14.24	14.27	14.37
Capital adequacy ratio	16.88	17.02	16.77	17.06

Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio and Leverage Ratio” for details on the capital adequacy ratio calculation at the end of 2020.

- **Measurement of Risk-Weighted Assets**

In RMB millions

Item	At 31 December 2020	At 31 December 2019
Credit risk-weighted assets	18,535,324	17,089,815
Parts covered by internal ratings-based approach	12,279,663	11,081,413
Parts uncovered by internal ratings-based approach	6,255,661	6,008,402
Market risk-weighted assets	174,784	178,718
Parts covered by internal model approach	94,238	102,412
Parts uncovered by internal model approach	80,546	76,306
Operational risk-weighted assets	1,414,031	1,348,353
Total	<u>20,124,139</u>	<u>18,616,886</u>

9.2 Credit Risk

- **Credit Risk Exposure**

In RMB millions

Item	At 31 December 2020		At 31 December 2019	
	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach
Corporate	10,942,603	1,400,916	9,905,090	1,437,024
Sovereign	—	7,019,844	—	5,998,583
Financial institution	—	3,472,859	—	3,727,940
Retail	6,984,921	507,002	6,252,608	484,400
Equity	—	176,993	—	161,426
Asset securitization	—	97,887	—	97,663
Others	—	5,359,568	—	5,034,184
Total risk exposure	<u>17,927,524</u>	<u>18,035,069</u>	<u>16,157,698</u>	<u>16,941,220</u>

- **Measurement Results of Internal Ratings-Based Approach**

MEASUREMENT RESULTS OF NON-RETAIL CREDIT RISK UNDER FOUNDATION IRB APPROACH

In RMB millions, except for percentages

At 31 December 2020					
PD level	Exposure at default	Weighted average PD (%)	Weighted average LGD (%)	Risk- weighted assets	Average risk weight (%)
Level 1	1,232,593	0.09	44.77	356,363	28.91
Level 2	1,544,923	0.21	42.09	707,669	45.81
Level 3	2,155,413	0.65	43.06	1,574,946	73.07
Level 4	2,716,833	1.63	42.84	2,601,332	95.75
Level 5	1,771,130	2.57	42.70	1,847,214	104.30
Level 6	611,791	3.72	42.34	683,964	111.80
Level 7	331,289	5.28	41.86	415,447	125.40
Level 8	103,425	7.20	41.24	143,729	138.97
Level 9	108,298	9.60	40.76	166,971	154.18
Level 10	49,953	18.00	41.79	100,137	200.46
Level 11	94,723	56.00	42.72	171,688	181.25
Level 12	222,232	100.00	43.80	36,481	16.42
Total	10,942,603	—	—	8,805,941	80.47

At 31 December 2019					
PD level	Exposure at default	Weighted average PD (%)	Weighted average LGD (%)	Risk- weighted assets	Average risk weight (%)
Level 1	1,149,672	0.09	44.85	329,997	28.70
Level 2	1,330,325	0.21	41.77	592,970	44.57
Level 3	1,926,387	0.65	43.31	1,430,541	74.26
Level 4	2,531,365	1.63	42.94	2,467,274	97.47
Level 5	1,525,028	2.57	42.44	1,569,509	102.92
Level 6	607,498	3.72	42.19	680,813	112.07
Level 7	265,605	5.28	41.68	333,085	125.41
Level 8	119,075	7.20	41.38	172,230	144.64
Level 9	101,558	9.60	42.01	164,425	161.90
Level 10	49,294	18.00	41.82	96,161	195.08
Level 11	104,928	56.00	42.51	193,303	184.22
Level 12	194,355	100.00	44.00	21,472	11.05
Total	9,905,090	—	—	8,051,780	81.29

MEASUREMENT RESULTS OF RETAIL CREDIT RISK UNDER IRB APPROACH

In RMB millions, except for percentages

At 31 December 2020

Type of risk exposure	Exposure at default	Weighted average PD (%)	Weighted average LGD (%)	Risk-weighted assets	Average risk weight (%)
Residential mortgages	5,637,631	1.22	27.87	1,136,677	20.16
Qualifying revolving retail exposure	709,742	2.85	42.65	124,405	17.53
Other retail exposures	637,548	4.32	47.53	361,786	56.75
Total	6,984,921	—	—	1,622,868	23.23

At 31 December 2019

Type of risk exposure	Exposure at default	Weighted average PD (%)	Weighted average LGD (%)	Risk-weighted assets	Average risk weight (%)
Residential mortgages	5,090,032	1.20	27.17	1,025,226	20.14
Qualifying revolving retail exposure	689,431	3.95	42.76	139,772	20.27
Other retail exposures	473,145	5.99	47.59	275,218	58.17
Total	6,252,608	—	—	1,440,216	23.03

9.3 Market Risk

CAPITAL REQUIREMENT FOR MARKET RISK

Risk type	<i>In RMB millions</i>	
	At 31 December 2020	At 31 December 2019
Parts covered by internal model approach	7,539	8,193
Parts uncovered by internal model approach	6,444	6,104
Interest rate risk	3,405	3,306
Commodity risk	3,015	2,713
Stock risk	–	8
Option risk	24	77
Total	13,983	14,297

Note: According to the implementation scope of the advanced capital management approaches approved by the regulatory authorities, parts covered by the market risk internal model approach of the Bank include currency risk of the Group, general interest rate risk of the parent company and ICBC (Canada) and commodity risk of the parent company. Parts uncovered by the internal model approach are measured by the standardized approach.

The Bank applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of ten days and historical data of 250 days) to measure the VaR, which is then used for capital measurement under the internal model approach.

VALUE AT RISK (VAR)

Item	<i>In RMB millions</i>							
	2020				2019			
	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
VaR	696	1,487	2,107	597	1,824	2,249	3,522	987
Interest rate risk	451	247	711	92	133	174	263	93
Currency risk	846	1,483	1,996	767	1,845	2,297	3,564	1,044
Commodity risk	142	169	536	40	96	69	133	15
Stressed VaR	696	1,544	2,107	696	1,824	3,356	4,600	987
Interest rate risk	451	278	711	153	154	209	326	116
Currency risk	846	1,529	2,082	767	1,845	3,299	4,466	1,044
Commodity risk	142	170	536	38	95	68	122	32

9.4 Interest Rate Risk in the Banking Book

Supposing that there is parallel shift of overall market interest rates, and taking no account of possible risk management actions taken by the management to mitigate the interest rate risk, the analysis on interest rate sensitivity of the Bank categorized by major currencies at the end of 2020 is shown in the following table:

In RMB millions

Currency	<u>+100 basis points</u>		<u>-100 basis points</u>	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(27,286)	(31,709)	27,286	34,753
USD	(169)	(7,340)	169	7,345
HKD	(1,734)	(68)	1,734	68
Others	(30)	(1,766)	30	1,769
Total	(29,219)	(40,883)	29,219	43,935

9.5 Operational Risk

The Bank adopts the standardized approach to measure capital requirement for operational risk. As at the end of 2020, the capital requirement for operational risk was RMB113,122 million.

9.6 Equity Risk in the Banking Book

In RMB millions

Equity type	At 31 December 2020			At 31 December 2019		
	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealised potential gains (losses) ⁽²⁾	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealised potential gains (losses) ⁽²⁾
Financial institution	28,675	15,423	9,025	33,859	16,023	6,618
Corporate	12,686	126,595	(2,709)	3,537	108,007	(1,486)
Total	41,361	142,018	6,316	37,396	124,030	5,132

Notes: (1) Publicly-traded equity investment refers to equity investment made in listed companies, and non-publicly-traded equity investment refers to equity investment made in non-listed companies.

(2) Unrealised potential gains (losses) refer to unrealised gains or losses recognized on the balance sheet but not recognized on the income statement.

10. Issue of Results Announcement, Annual Report and Capital Adequacy Ratio Report

This Results Announcement will be released on the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com) simultaneously. The 2020 Annual Report prepared in accordance with IFRSs and the 2020 Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) will be released on the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com). Specifically, the 2020 Annual Report prepared in accordance with IFRSs will be dispatched to the shareholders of H shares of the Bank. The 2020 Annual Report and its abstract prepared in accordance with PRC GAAP and the 2020 Capital Adequacy Ratio Report will be released simultaneously on the websites of Shanghai Stock Exchange (www.sse.com.cn) and the Bank (www.icbc-ltd.com).

This Results Announcement has been prepared in both Chinese and English languages. In case of any discrepancy between the two versions, the Chinese version shall prevail.

By Order of
The Board of Directors of
Industrial and Commercial Bank of China Limited

26 March 2021

As at the date of this announcement, the Board of Directors comprises Mr. CHEN Siqing and Mr. LIAO Lin as executive directors, Mr. LU Yongzhen, Mr. ZHENG Fuqing, Mr. FENG Weidong and Ms. CAO Liqun as non-executive directors, Mr. Anthony Francis NEOH, Mr. YANG Siu Shun, Mr. SHEN Si, Mr. Nout WELLINK and Mr. Fred Zulu HU as independent non-executive directors.