ICBC

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 Report

ICBC

Company Profile

Industrial and Commercial Bank of China was established on 1 January 1984. On 28 October 2005, the Bank was wholly restructured to a joint-stock limited company. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Through its continuous endeavor and stable development, the Bank has developed into the leading bank in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank regards service as the very foundation to seek further development and adheres to creating value through services while providing a comprehensive range of financial products and services to over 8.60 million corporate customers and 680 million personal customers. The Bank has been consciously integrating the social responsibilities with its development strategy and operation and management activities, and gaining wide recognition in the aspects of supporting pandemic containment, promoting inclusive finance, backing poverty alleviation and rural revitalization, developing green finance and participating in public welfare undertakings.

The Bank always keeps in mind its underlying mission of serving the real economy with its principal business, and along with the real economy it prospers, suffers and grows. Taking a risk-based approach and never overstepping the bottom line, it constantly enhances its capability of controlling and mitigating risks. Besides, the Bank remains steadfast in understanding and following the business rules of commercial banks to strive to be a century-old bank. It also stays committed to seeking progress with innovation while maintaining stability, continuously enhances the key development strategies, actively develops the FinTech and accelerates the digital transformation. The Bank unswervingly delivers specialized services, and pioneers a specialized business model, thus making it "a craftsman in large banking".

The Bank was ranked the 1st place among the Top 1000 World Banks by *The Banker*, the 1st place in the Global 2000 by *Forbes*, and the 1st place in the list of commercial banks of the Global 500 in *Fortune* for the eighth consecutive year, and took the 1st place among the Top 500 Banking Brands of *Brand Finance* for the fifth consecutive year.

Strategic Objective:

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, ICBC will adhere to the general principle of pursuing progress while ensuring stability, apply the new development philosophy, modernize its governance system and capacity, and turn ICBC into a world-class and modern financial enterprise with global competitiveness.

Strategic Significance:

Adherence to the guidance of Party building and strict governance: ICBC adheres to and strengthens the Party's leadership over financial work, deepens the building of governance system and capacity, and improves the scientific decision-making and effectiveness of governance.

Adherence to the customer first and serving the real economy: ICBC sticks to the source of the real economy, commits itself to meeting people's new expectations and demands for financial services, and makes every effort to build the No.1 Personal Bank.

Adherence to the technology driven and value creation: ICBC empowers operation and management by FinTech and creates superior value for the real economy, shareholders, customers, employees and society.

Adherence to the international vision and global operation: ICBC actively utilizes domestic and overseas markets and resources, improves the layout and content of international development, and integrates it into China's new pattern of high-level opening-up.

Adherence to the pragmatic transformation and reform: ICBC advances reform in key areas and key links in keeping pace with the times, and seeks more room for transformation and more vitality for reform.

Adherence to the solid foundation by risk control and talent-oriented development: ICBC strengthens the bottom-line thinking, combines prevention and control, and holds onto the lifeline of asset quality. ICBC strengthens humanistic care and corporate culture building, and enhances staff cohesion.

Vision:

To build a world-class, globally competitive modern financial enterprise which delivers superior value, sticks to the fundamental mission, serves as customers' first choice, leads in market innovation, preserves security and prudence, and devotes to the development of people

Mission:

Excellence for You

—— Excellent services for clients, Maximum returns to shareholders Real success for our employees, Great contribution to society

Value:

Integrity Leads to Prosperity

—— Integrity, Humanity, Prudence, Innovation and Excellence

Contents

For details on the Bank's fulfillment of corporate social responsibilities, please refer to the 2020 Corporate Social Responsibility Report (ESG Report) of Industrial and Commercial Bank of China Limited issued by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Definitions

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

Articles of Association	The Articles of Association of Industrial and Commercial Bank of China Limited
Bank ICBC (JSC)	Bank ICBC (Joint stock company)
Capital Regulation	Regulation Governing Capital of Commercial Banks (Provisional) promulgated in June 2012
CBIRC	China Banking and Insurance Regulatory Commission
Company Law	Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd.
ICBC (Almaty)	Industrial and Commercial Bank of China (Almaty) Joint Stock Company
ICBC (Argentina)	Industrial and Commercial Bank of China (Argentina) S.A.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Austria)	ICBC Austria Bank GmbH
ICBC (Brasil)	Industrial and Commercial Bank of China (Brasil) S.A.
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBC (Europe)	Industrial and Commercial Bank of China (Europe) S.A.
ICBC (Indonesia)	PT. Bank ICBC Indonesia
ICBC (London)	ICBC (London) PLC
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC (Mexico)	Industrial and Commercial Bank of China Mexico S.A.
ICBC (New Zealand)	Industrial and Commercial Bank of China (New Zealand) Limited
ICBC (Peru)	ICBC PERU BANK
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC (Turkey)	ICBC Turkey Bank Anonim Şirketi
ICBC (USA)	Industrial and Commercial Bank of China (USA) NA
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC International	ICBC International Holdings Limited
ICBC Investment	ICBC Financial Asset Investment Co., Ltd.
ICBC Investments Argentina	ICBC Investments Argentina S.A. Sociedad Gerente de Fondos Comunes de Inversión
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
ICBC Standard Bank	ICBC Standard Bank PLC
ICBC Technology	ICBC Information and Technology Co., Ltd.
ICBC Wealth Management	ICBC Wealth Management Co., Ltd.
ICBC-AXA	ICBC-AXA Assurance Co., Ltd.
ICBCFS	Industrial and Commercial Bank of China Financial Services LLC
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
Inversora Diagonal	Inversora Diagonal S.A.
MOF	Ministry of Finance of the People's Republic of China
New Rules on Asset Management	The Guiding Opinions on Regulating the Asset Management Business of Financial Institutions jointly promulgated by PBC, CBIRC, CSRC and State Administration of Foreign Exchange in 2018 and relevant rules
PBC	The People's Bank of China
PRC GAAP	Accounting Standards for Business Enterprises promulgated by MOF
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
SSF	National Council for Social Security Fund
Standard Bank	Standard Bank Group Limited
State Council	The State Council of the People's Republic of China
The Bank/The Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries

Major Ranking and Rewards in 2020

Ranking the 1st place

Among the Top 1000 World Banks for the eighth consecutive year

The Banker

Ranking the 1st place

Among commercial banks in the Global 500 for the eighth consecutive year

Fortune

Ranking the 1st place

In the Global 2000 for the eighth consecutive year

Forbes

Ranking the 1st place

Among the Top 500 Banking Brands for the fifth consecutive year

Brand Finance

Ranking the 1st place

In the "Corporate Brand Value List" for the fifth time

China Council for Brand Development

Best Bank in China
Best Corporate Bank in China
Most **Creative** Bank in China

Global Finance

Best Bank, China
Best Bond Advisor in China
Best Insurance Custodian Bank in China

The Asset

Best Retail Bank for Online Banking 2020
Overall **Best** Gold Bank
Best Bank for Domestic Debt Capital Markets 2020

Asiamoney

Best Mega Retail Bank in China
Best API and Open Banking Implementation
Best Asian International Cash Management Bank in Asia Pacific

The Asian Banker

The Hong Kong Corporate Governance **Excellence** Awards

The Chamber of Hong Kong Listed Companies

Effectiveness Award for Supporting China's Winning the "Three Critical Battles"
Effectiveness Award for Practicing the Belt and Road Initiative
Effectiveness Award for Best Inclusive Finance

China Banking Association

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Industrial and Commercial Bank of China Limited undertake that the information in this report contains no false record, misleading statement or material omission, and assume individual and joint and several liability for the authenticity, accuracy and completeness of the information in this report.

The 2020 Annual Report of the Bank and its abstract have been considered and approved at the meeting of the Board of Directors of the Bank held on 26 March 2021. All directors of the Bank attended the meeting.

The 2020 financial statements prepared by the Bank in accordance with PRC GAAP and IFRSs have been audited by KPMG Huazhen LLP and KPMG in accordance with Chinese and International Standards on Audit respectively, with standard unqualified auditors' reports being issued.

The Board of Directors of the Bank proposed distributing cash dividends for ordinary shares of RMB2.660 (pre-tax) for each ten shares for 2020. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2020. The Bank did not convert capital reserve to share capital.

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

26 March 2021

Mr. Chen Siqing, Legal Representative of the Bank, Mr. Liao Lin, President in charge of finance of the Bank, and Mr. Liu Yagan, General Manager of the Finance and Accounting Department of the Bank, hereby represent and warrant that the financial statements contained in the Annual Report are authentic, accurate and complete.

The report contains forward-looking statements on the Bank's financial position, business performance and development. The statements are based on existing plans, estimates and forecasts, and bear upon future external events or the Group's future finance, business or performance in other aspects, and may involve future plans which do not constitute substantive commitment to investors. Hence, investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

The Bank is primarily exposed to credit risk, market risk, interest rate risk in the banking book, liquidity risk, operational risk, reputational risk and country risk. The Bank has actively adopted measures to effectively manage various types of risks. Please refer to the section headed "Discussion and Analysis — Risk Management" for detailed information.

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

Corporate Information

Legal name in Chinese

中國工商銀行股份有限公司（"中國工商銀行"）

Legal name in English

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED ("ICBC")

Legal Representative

Chen Siqing

Registered address and office address

55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal code: 100140
Telephone: 86-10-66106114
Business enquiry and complaint hotline: 86-95588
Website: www.icbc.com.cn, www.icbc-ltd.com

Principal place of business in Hong Kong

33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong SAR, China

Authorized representatives

Liao Lin and Guan Xueqing

Board Secretary and Company Secretary

Guan Xueqing
Address: 55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Telephone: 86-10-66108608
Facsimile: 86-10-66107571
E-mail: ir@icbc.com.cn

Selected media for information disclosure

China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by CSRC for publication of the annual report in respect of A shares

www.sse.com.cn

The "HKEXnews" website of HKEX for publication of the annual report in respect of H shares

www.hkexnews.hk

Legal Advisors

Chinese mainland

King & Wood Mallesons
17–18/F, East Tower, World Financial Center, 1 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Haiwen & Partners
20/F, Fortune Financial Center, 5 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Hong Kong SAR, China

Allen & Overy
9/F, Three Exchange Square, Central, Hong Kong SAR, China

Freshfields Bruckhaus Deringer
55th Floor, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong SAR, China

Share Registrars

A Share

China Securities Depository and Clearing Corporation Limited, Shanghai Branch
188 Yanggao South Road, Pudong New Area, Shanghai, China
Telephone: 86-4008058058

H Share

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong SAR, China
Telephone: 852-28628555
Facsimile: 852-28650990

Location where copies of this annual report are kept

Board of Directors' Office of the Bank

Place where shares are listed, and their names and codes

A Share

Shanghai Stock Exchange
Stock name: 工商銀行
Stock code: 601398

H Share

The Stock Exchange of Hong Kong Limited
Stock name: ICBC
Stock code: 1398

Domestic Preference Share

Shanghai Stock Exchange
Stock name: 工行優1
Stock code: 360011

Stock name: 工行優2
Stock code: 360036

Offshore Preference Share

The Stock Exchange of Hong Kong Limited
Stock name: ICBC EURPREF1
Stock code: 4604

Stock name: ICBC 20USDPREF
Stock code: 4620

Joint sponsor agencies for domestic preference share "工行優2"

Guotai Junan Securities Co., Ltd.
618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone
Signatory Sponsor Representatives: Jin Licheng and Zhang Yi
Continuous Supervision Period: 16 October 2019 to 31 December 2020

CITIC Securities Co., Ltd.
CITIC Securities Mansion, North Tower, Time Square Excellence II, 8 Zhongxinsan Road, Futian District, Shenzhen City, Guangdong Province, China
Signatory Sponsor Representatives: Sun Yi and Cheng Yue
Continuous Supervision Period: 16 October 2019 to 31 December 2020

Name and office address of Auditors

Domestic Auditors

KPMG Huazhen LLP
8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, China
CPAs (Practicing): Li Li and He Qi

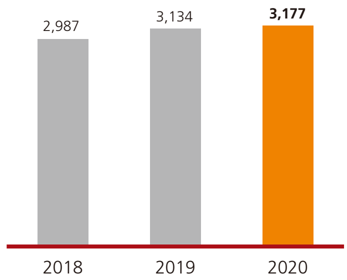
International Auditors

KPMG
8/F, Prince's Building, 10 Chater Road, Central, Hong Kong SAR, China

Financial Highlights

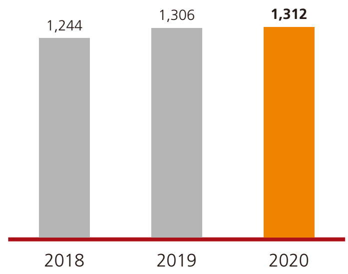
Net profit

Unit: RMB100 millions



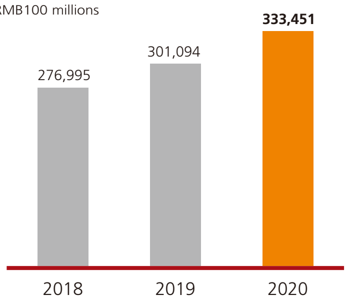
Net fee and commission income

Unit: RMB100 millions



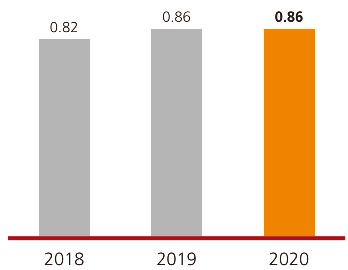
Total assets

Unit: RMB100 millions



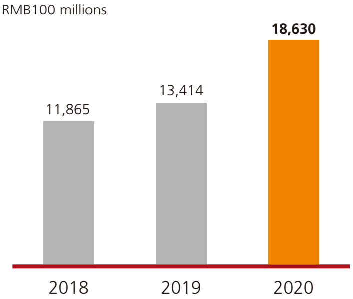
Basic earnings per share

Unit: RMB Yuan



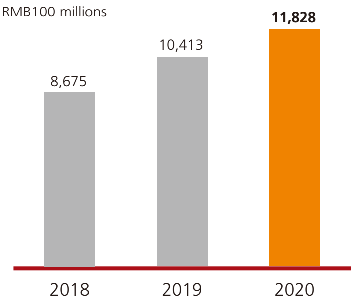
Increment of loans to customers

Unit: RMB100 millions



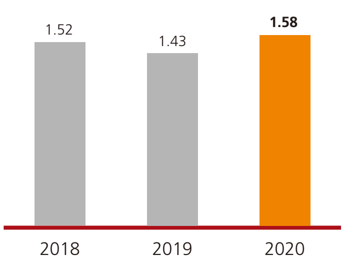
Increment of personal deposits

Unit: RMB100 millions



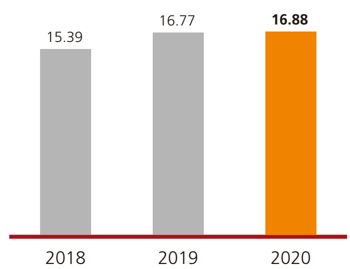
Non-performing loans ratio

%



Capital adequacy ratio

%



(Financial data and indicators in this annual report are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

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	1,557,616	481,240	529,911	770,864	239,221
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)	20,124,139	18,616,886	17,190,992	15,902,801	14,564,617
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 Capital Regulation.

(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".

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 Capital Regulation.

Quarterly Financial Data

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

Chairman's Statement

Chairman **Chen Siqing**

The year 2020 was an extraordinary year. It was also a year worth remembering for ICBC as we made remarkable progress in reform and development in the year. In the face of challenges brought about by the pandemic and the ever-changing environment, ICBC adhered to the principles of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and implemented in depth the decisions of the CPC Central Committee and the State Council. In accordance with the 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, solid foundation by risk control and talent-oriented development", we kept forging ahead, despite the challenges, continued to serve the real economy, strengthen financial risk management, and deepen financial reforms (i.e., the "Three Tasks"). We participated in the prevention of major risks, targeted poverty alleviation and pollution control (i.e., the "Three Critical Battles") and achieved steady progress and better-than-expected performance.

ICBC Group's total assets reached RMB33 trillion in 2020. Our net profit stood at RMB317.7 billion, an increase of 1.4% over the previous year. Our non-performing loans ratio stood at 1.58%, indicating a high level of financial stability. Our capital adequacy ratio reached 16.88%. The Board of Directors of the Bank has proposed to pay RMB2.660 for every 10 ordinary shares to shareholders as dividends for 2020. The proposal will be submitted to the Shareholders' General Meeting for approval.

Keeping in mind our mission as a large state-owned bank, we fully supported COVID-19 control and the development of the real economy. In the face of the sudden outbreak of COVID-19, we insisted on putting people's life and health first. We set up a leading group and a task force to respond to challenges related to COVID-19 in a timely manner, adjusted prevention and control strategies when situation changed, and built a strong line of defense against the virus. We donated a total of RMB250 million in cash and in kind. More than 2,800 cadres and employees joined the frontline fight against the virus. We firmly shouldered the responsibility of financial support, made well-targeted efforts to ensure stability on six key fronts and maintain security in six key areas and 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. The increase in our RMB loans and bond investment hit a record high. We actively promoted the development of inclusive finance, industrial finance, and scientific innovation finance, and continued to improve the adaptability, competitiveness, and inclusiveness of our financial services. Inclusive loans issued by us topped RMB1 trillion, and the proportion of medium to long-term manufacturing loans and advanced manufacturing loans significantly increased.

Polishing the people-oriented foundation, we continued to meet the people's aspiration for a better life with high-quality financial services. Upholding the principle of pursuing development and services that can benefit the people, we developed products, improved quality and built the ecosystem based on customer demand, to comprehensively improve our personal banking services. We saw a record high increase in savings deposits. ICBC continued to rank first in brand value in the global retail banking sector. We continued to optimize the service process to reduce customers' legwork, thus improving customer experience and increasing their satisfaction and sense of gain. We took the initiative to undertake public welfare responsibilities, and launched free public welfare platforms such as "Emergency Materials Management System" and "Campus Anti-pandemic Registration System", forming a public welfare service system with a matrix of 16,000 outlets. In the final year of the battle against poverty, we helped all four counties and cities that ICBC was paired up with under the targeted poverty alleviation program get rid of poverty as scheduled, and two ICBC units were awarded "National Advanced Collective in Poverty Alleviation".

Following high-quality development requirements, we advanced reform, innovation and transformation in depth. Sticking to our duty of serving the real economy and the dual-wheel drive of system reform and technological innovation, we continued to strengthen our internal power and growth momentum. We accelerated digital transformation, advanced the "Digital ICBC" initiative, improved financial availability, convenience, and accuracy, and helped drive the digital transformation of the entire country. We sought self-reliance in technology. With a successful progress in ECOS development, we stepped up empowerment through financial inclusion technology. Seizing the opportunity of the factor market opening-up, we worked faster to improve the comprehensive service system to make it a comprehensive service system with complete functions and smooth coordination. We coordinated our effort to support national and regional development initiatives and also to increase our own competitiveness, and gave priority to meeting the financing needs of key regions and major projects. We promoted the development of green finance, improved the layout of credit assets, and maintained a leading position in the industry in terms of the total value of green loans, actively contributing our financial power to the green transformation of the economy.

We earnestly balanced between development and security to ensure better performance in risk control of new loans and risk disposal of existing ones. We adopted a systematic approach in risk management to plan ahead, see the big from the small, remedy in time and draw inferences. We improved the top-level design of risk management, integrated risk investigation and management, and coordinated the advancement of risk prevention and process reengineering, to safeguard the bottom line of avoiding any systemic financial risks. We coordinated credit risk management throughout the

Group, stabilized the overall quality of our assets. 2020 saw a drop in both the proportions of overdue loans and special mention loans of ICBC. We stepped up the management of market risks and liquidity risks, and successfully stabilized the trading business amidst drastic market fluctuations. We earnestly fulfilled our responsibilities as a strategic investor and supported Jinzhou Bank gradually resuming normal operation. We adopted various measures including fund support, technological empowerment and technology output simultaneously to build a line of defense against risks with small and medium banks, thus maintaining financial stability.

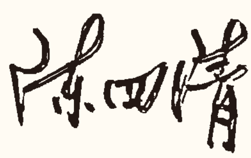
Upholding the idea of a community with a shared future for mankind, we continued to improve our international development layout and connotation. We expanded global footprint with an international perspective, improved our institutional network, and achieved better connection between the domestic market and the overseas market as well as better integration of domestic and overseas resources. We integrated domestic and overseas services, local currency and foreign currency services, and online and offline services, improved domestic foreign exchange service, and strengthened global one-stop service capability. We opened the Auckland Branch in New Zealand and the Panama Branch. Our network of overseas institutions covered 49 countries and regions. We provided comprehensive services to China International Import Expo (CIIE), China International Fair for Trade in Services (CIFTIS), and China Import and Export Fair (Canton Fair); organized financial cooperation forums and meetings of Global Systemically Important Financial Institutions, helped expand the Belt and Road Inter-bank Regular Cooperation Mechanism (BRBR) covering 61 countries and regions, and promoted multilateral financial cooperation.

2020 was the final year of ICBC's three-year plan. After continuous hard work, all main goals and tasks listed in the three-year plan had been completed. ICBC continued to rank first in total market value in China's financial sector, and ranked first in *Forbes*'s Global 2000 and *The Banker*'s Top 1000 World Banks for the eighth consecutive year, with comprehensive strength leapt to a new stage.

In 2020, we continued to regard corporate governance as the key to improving core competitiveness, constantly improving the robustness and effectiveness of corporate governance measures. The Executive Committee was established to oversee the management of business operations under the leadership of the Bank's Party Committee. We make continuous effort to increase corporate governance efficiency by improving our corporate governance structure, which is led by the Bank's Party Committee with the Board of Directors acting as the decision-making organ, the Board of Supervisors responsible for compliance supervision, and the Management in charge of operation.

In 2020, Mr. Gu Shu resigned from the positions of Vice Chairman, Executive Director and President of ICBC due to change of job assignments. During his tenure, Mr. Gu Shu faithfully and diligently performed his duties and comprehensively improved the efficiency of the operation and management of the Bank. On behalf of the Board of Directors, I would like to express my sincere gratitude to Mr. Gu for his outstanding contributions to the Bank. On behalf of the Board of Directors, I would also like to welcome Mr. Liao Lin as our new Vice Chairman, Executive Director and President, Mr. Feng Weidong and Ms. Cao Liqun as new directors, as well as Mr. Wang Jingwu, Mr. Zhang Wenwu and Mr. Xu Shouben as the new Senior Executive Vice Presidents. We hope all the new directors and management members will continue to make even greater contributions to the Bank and work hard to drive the high-quality development of ICBC.

2021 marks the 100th anniversary of the founding of the Communist Party of China. It is the first year of the country's 14th Five-Year Plan and the Bank's new three-year plan. We will thoroughly study and follow the principles of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and put in practice new development concepts in new development stages. We will continue to make progress while maintaining stability, step up risk management, support major projects, build a services-centered new development pattern, promote high-quality development, and create value for shareholders, customers, employees and the society. We will continue to work hard to become a world-class modern financial institution, and celebrate the 100th anniversary of the founding of the Communist Party of China with an excellent track record backing us.



Chairman: Chen Siqing

26 March 2021

President **Liao Lin**

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.

China's long-term sound economic growth fundamentals will not change in 2021. With the launch of the new three-year plan, the Bank has entered into a new period of business development. We will firmly take the characteristic of economic recovery into consideration, proceed from the "big, comprehensive, stable, new, optimal and strong" orientation of development, apply the method of "Three Comparisons, Three Reviews and Three Improvements" into our work, and perfect the pattern of "bringing out our strengths to make up for our weaknesses and laying a solid foundation". We will carry out all the tasks of the new three-year plan, make financial services more adaptive, competitive and inclusive, and endeavor to better support the economy's high-quality development through our high-quality development, risk control and transformation. We are confident to take each step forward solidly in the new period of business development, leveraging our foresight that transcends time and space and prudent, cross-cycle advantage to repay the trust and support of all the shareholders and the public with more stellar results.

President: Liao Lin

26 March 2021

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

In 2020, due to the outbreak of COVID-19, trade protectionism and geopolitical conflicts, international trade and investment shrank substantially, and the world economy suffered from the worst recession since World War II. The potential risks in the international financial market scaled up, and the stock markets in many countries halted several times, along with sharp fluctuation in the world's major exchange rates and wide vibration in the prices of bulk commodities.

China's economy continued to recover steadily, making it the only major economy in the world to achieve positive economic growth. In 2020, China's gross domestic product (GDP), consumer price index (CPI), fixed asset investment (excluding rural households), industrial added value of above-scale enterprises, and total imports and exports rose by 2.3%, 2.5%, 2.9%, 2.8% and 1.9% year on year respectively, while retail sales of consumer goods dropped by 3.9% year on year.

The prudent monetary policy became more flexible and targeted. By comprehensive use of various monetary policy tools such as reserve requirement ratio (RRR) cut, relending, rediscounting, medium-term lending facilities (MLF) and open market operation, PBC kept the total volume of liquidity matched with market demands. It improved the structural monetary policy tool system, introduced three batches of relending and rediscounting policies totaling RMB1.8 trillion at different levels and tiers, and innovatively launched two monetary policy tools directly targeting at the real economy. Moreover, PBC deepened the Loan Prime Rate (LPR) reform and pushed down the overall market interest rate and lending rate. It improved the market-based RMB exchange rate formation mechanism and kept RMB exchange rates basically stable at a reasonable and balanced level.

Major financial indicators performed in line with expectations, and the financial system ran smoothly. At the end of 2020, the balance of M2 supply was RMB218.68 trillion, up 10.1% year on year. The outstanding RMB loans reached RMB172.75 trillion, increasing by 12.8% year on year. The balance of RMB deposits amounted to RMB212.57 trillion, up 10.2% year on year. The outstanding social financing scale stood at RMB284.83 trillion, a year-on-year increase of 13.3%. The total issuance amount of various bonds in the bond market reached RMB56.9 trillion, up 26% year on year. The stock market index rebounded, with the Shanghai Composite Index and the Shenzhen Component Index increasing by 13.9% and 38.7% respectively over the end of last year. The central parity of RMB against the US dollar was RMB6.5249, an appreciation of 6.9% from the end of last year.

The asset scale of commercial banks grew steadily, with basically stable quality of credit assets and relatively sufficient risk offsetting capacity. At the end of 2020, the total assets of financial institutions in China's banking sector were RMB319.7 trillion, up 10.1% year on year. The balance of NPLs of commercial banks reached RMB2.7 trillion, with a NPL ratio of 1.84% and allowance to NPLs of 184.5%. Besides, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 10.72%, 12.04% and 14.7% respectively.

FINANCIAL STATEMENTS ANALYSIS

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.

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	2020	2019	Increase/ (decrease)	Growth rate (%)
Net interest income	646,765	632,217	14,548	2.3
Non-interest income	153,310	143,785	9,525	6.6
Operating income	800,075	776,002	24,073	3.1
Less: Operating expenses	206,585	207,776	(1,191)	(0.6)
Less: Impairment losses on assets	202,668	178,957	23,711	13.2
Operating profit	390,822	389,269	1,553	0.4
Share of profits of associates and joint ventures	1,304	2,520	(1,216)	(48.3)
Profit before taxation	392,126	391,789	337	0.1
Less: Income tax expense	74,441	78,428	(3,987)	(5.1)
Net profit	317,685	313,361	4,324	1.4
Attributable to: Equity holders of the parent company	315,906	312,224	3,682	1.2
Non-controlling interests	1,779	1,137	642	56.5

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

	2020			2019		
Item	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Assets						
Loans and advances to customers	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.

ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSE

In RMB millions

Item	Comparison between 2020 and 2019		
	Increase/(decrease) due to		Net increase/ (decrease)
	Volume	Interest rate	
Assets			
Loans and advances to customers	72,793	(39,077)	33,716
Investment	36,486	(14,125)	22,361
Due from central banks	(2,078)	(2,085)	(4,163)
Due from banks and other financial institutions	(512)	(22,326)	(22,838)
Changes in interest income	**106,689**	**(77,613)**	**29,076**
Liabilities			
Deposits	28,938	4,169	33,107
Due to banks and other financial institutions	4,932	(16,751)	(11,819)
Debt securities issued	(237)	(6,523)	(6,760)
Changes in interest expenses	**33,633**	**(19,105)**	**14,528**
Changes in net interest income	**73,056**	**(58,508)**	**14,548**

Note: Changes in volume are measured by the changes in average balances, while the changes in interest rate are measured by the changes in average interest rates. Changes resulted from the combination of volume and interest rate have been allocated to the changes resulted from business volume.

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	2020			2019		
	Average balance	Interest income	Average yield (%)	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	14,044,578	623,364	4.44	12,625,488	578,135	4.58
Total loans and advances to customers	**17,979,409**	**766,407**	**4.26**	**16,282,090**	**732,691**	**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	**17,979,409**	**766,407**	**4.26**	**16,282,090**	**732,691**	**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

	2020			2019		
Item	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	6,787,204	53,752	0.79	6,417,558	49,299	0.77
Subtotal	**11,544,213**	**165,729**	**1.44**	**10,924,518**	**155,879**	**1.43**
Personal deposits						
Time deposits	5,723,692	167,153	2.92	5,175,228	139,533	2.70
Demand deposits	4,509,984	17,243	0.38	3,866,882	15,399	0.40
Subtotal	**10,233,676**	**184,396**	**1.80**	**9,042,110**	**154,932**	**1.71**
Overseas business	**892,484**	**14,048**	**1.57**	**880,418**	**20,255**	**2.30**
Total deposits	**22,670,373**	**364,173**	**1.61**	**20,847,046**	**331,066**	**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. Please refer to "Note 35. to the Financial Statements: Debt Securities Issued" for the debt securities issued by the Bank.

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

In RMB millions, except for percentages

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	**22,095**	**13,212**	**8,883**	**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	**206,585**	**207,776**	**(1,191)**	**(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%. Please refer to "Note 23. to the Financial Statements: Loans and Advances to Customers; Note 14. to the Financial Statements: Impairment Losses on Assets" for details.

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%. Please see "Note 15. to the Financial Statements: Income Tax Expense" for the reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate and the effective income tax expense.

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

Note: Please see "Note 50. to the Financial Statements: Segment Information" for details.

Please refer to the section headed "Discussion and Analysis — Business Overview" for details on the development of each of these operating segments.

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

Note: Please see "Note 50. to the Financial Statements: Segment Information" for details.

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[(1)]	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	**33,345,058**	**100.0**	**30,109,436**	**100.0**

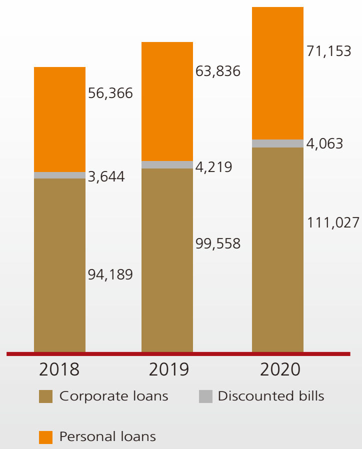
Note: (1) Please see "Note 23. to the Financial Statements: Loans and Advances to Customers".

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%.

Total Loans

Unit: RMB100 millions



DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2020 Amount	At 31 December 2020 Percentage (%)	At 31 December 2019 Amount	At 31 December 2019 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**

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

Item	At 31 December 2020 Amount	At 31 December 2020 Percentage (%)	At 31 December 2019 Amount	At 31 December 2019 Percentage (%)
Short-term corporate loans	2,643,212	23.8	2,458,321	24.7
Medium to long-term corporate loans	8,459,521	76.2	7,497,500	75.3
Total	**11,102,733**	**100.0**	**9,955,821**	**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.

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 31 December 2020 Amount	At 31 December 2020 Percentage (%)	At 31 December 2019 Amount	At 31 December 2019 Percentage (%)
Residential mortgages	5,728,315	80.5	5,166,279	80.9
Personal consumption loans	183,716	2.6	193,516	3.0
Personal business loans	521,638	7.3	345,896	5.4
Credit card overdrafts	681,610	9.6	677,933	10.7
Total	**7,115,279**	**100.0**	**6,383,624**	**100.0**

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.

Please see the section headed "Discussion and Analysis — Risk Management" for detailed analysis of the Bank's loans and their quality.

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 Amount	At 31 December 2020 Percentage (%)	At 31 December 2019 Amount	At 31 December 2019 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	**8,591,139**	**100.0**	**7,647,117**	**100.0**

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 Amount	At 31 December 2020 Percentage (%)	At 31 December 2019 Amount	At 31 December 2019 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 Amount	At 31 December 2020 Percentage (%)	At 31 December 2019 Amount	At 31 December 2019 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 Amount	At 31 December 2020 Percentage (%)	At 31 December 2019 Amount	At 31 December 2019 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 Amount	At 31 December 2020 Percentage (%)	At 31 December 2019 Amount	At 31 December 2019 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 bonds[1], 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.

TOP 10 FINANCIAL BONDS HELD BY THE BANK

In RMB millions, except for percentages

Bond name	Nominal value	Annual interest rate (%)	Maturity date	Allowance for impairment losses(1)
Policy bank bonds 2015	21,810	4.21	13 April 2025	–
Policy bank bonds 2020	19,460	3.23	23 March 2030	–
Policy bank bonds 2019	19,310	3.48	8 January 2029	–
Policy bank bonds 2020	18,441	2.96	17 April 2030	–
Policy bank bonds 2019	17,646	3.45	20 September 2029	–
Policy bank bonds 2015	16,391	4.29	7 April 2025	–
Policy bank bonds 2019	13,450	3.86	20 May 2029	–
Policy bank bonds 2015	13,435	3.81	5 February 2025	–
Policy bank bonds 2015	12,740	4.25	13 April 2022	–
Policy bank bonds 2019	12,192	3.74	12 July 2029	–

Note: (1) Excludes stage 1 allowance for impairment losses set aside in accordance with the expected credit loss model.

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

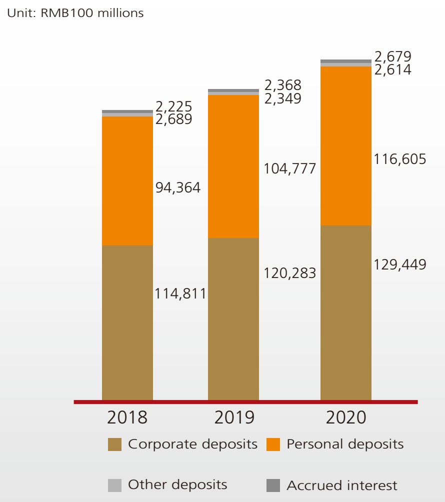
Item	At 31 December 2020		At 31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	25,134,726	82.6	22,977,655	83.8
Due to banks and other financial institutions	2,784,259	9.1	2,266,573	8.3
Repurchase agreements	293,434	1.0	263,273	1.0
Debt securities issued	798,127	2.6	742,875	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**

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.

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%.

Due to Customers



DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

	At 31 December 2020		At 31 December 2019	
Item	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.

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2020 Amount	At 31 December 2020 Percentage (%)	At 31 December 2019 Amount	At 31 December 2019 Percentage (%)
Head Office	42,611	0.2	45,507	0.2
Yangtze River Delta	5,057,963	20.0	4,474,455	19.5
Pearl River Delta	3,335,179	13.3	2,988,476	13.0
Bohai Rim	6,733,969	26.8	6,212,525	27.0
Central China	3,608,490	14.4	3,324,189	14.5
Western China	4,072,459	16.2	3,801,033	16.5
Northeastern China	1,308,155	5.2	1,184,289	5.2
Overseas and others	975,900	3.9	947,181	4.1
Total	**25,134,726**	**100.0**	**22,977,655**	**100.0**

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. Please refer to the “Financial Statements: Consolidated Statement of Changes in Equity” for details.

For details on off-balance sheet items, please refer to “Note 45. to the Financial Statements: Commitments and Contingent Liabilities; Note 46. to the Financial Statements: Designated Funds and Loans”.

Analysis on Statement of Cash Flows

Net cash inflows from operating activities amounted to RMB1,557,616 million, representing an increase of RMB1,076,376 million as compared to last year, principally due to the increase of cash inflows resulted from the increase of due to customers. Specifically, cash outflows of operating assets reduced by RMB114,404 million; and cash inflows of operating liabilities increased by RMB1,016,145 million.

Net cash outflows from investing activities amounted to RMB1,135,097 million. Specifically, cash inflows were RMB2,105,871 million, representing an increase of RMB264,937 million over last year, mainly due to the increased cash received from the recovery of financial investment; and cash outflows were RMB3,240,968 million, representing an increase of RMB737,348 million, mainly due to the increase in cash payment for financial investment.

Net cash outflows from financing activities amounted to RMB46,949 million. Specifically, cash inflows were RMB947,475 million, representing a decrease of RMB343,256 million over last year, mainly due to the decreased proceeds from the Bank’s issuance of debt securities; and cash outflows were RMB994,424 million, representing a decrease of RMB183,433 million mainly due to the decreased payment for repayment of debt securities.

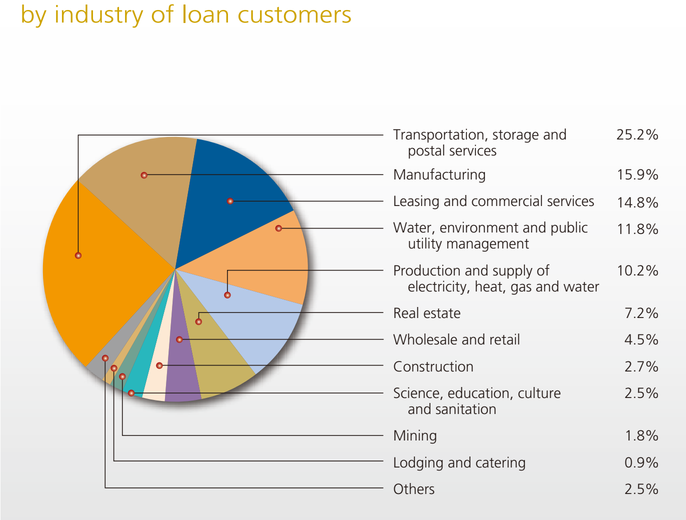
BUSINESS OVERVIEW

Corporate Banking

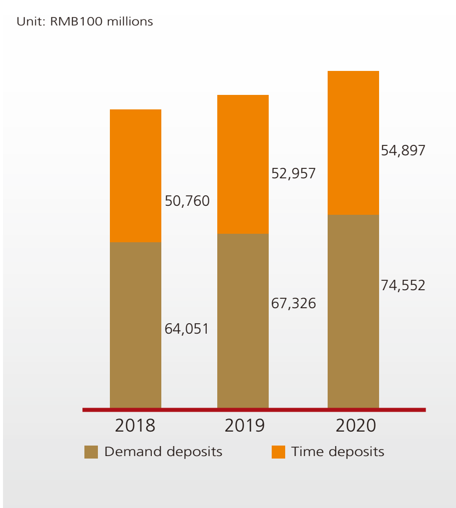
The Bank actively supported the construction of infrastructure and major projects that could “make up for shortcomings”, especially the high-quality development of manufacturing, backed the consumption upgrade service industries such as healthcare, education and pension, and energetically developed green finance and inclusive finance. The Bank timely adjusted its credit strategy to support the development of the real economy, meet the fund demand for epidemic prevention and control, resumption of work and production, emergency loans and deferred repayment of principal and interest and that in special periods, and properly relieved the temporary operational difficulties of enterprises affected by the epidemic.

- The volume and price of corporate loans were coordinated and deposit growth remained robust. The Bank increased credit granting, and ranked first among peers in terms of the balance of corporate loans, with the growth topping RMB1 trillion for the first time. The Bank transformed its pricing benchmark for existing floating-rate loans. Through multi-dimensional expansion, flexible pricing, product innovation and other effective measures, the Bank’s corporate deposit growth reached a record high, and both the balance and the growth of corporate deposits ranked first in the industry.
- The Bank stepped up credit support for key fields and key regions. It granted loans of RMB1.65 trillion to manufacturing companies, representing an increase of RMB218.9 billion over the end of the previous year, of which medium to long-term corporate loans amounted to RMB624.5 billion, up RMB188.7 billion. The Bank ranked first in the industry in terms of the balance and growth of loans to manufacturing companies and medium to long-term corporate loans, which both hit a record high. Corporate loans granted to private enterprises stood at RMB2.18 trillion, representing an increase of RMB240.5 billion over the end of the previous year. The priority of newly increased corporate loans was given to key regions, with 79% of the Bank’s newly increased loans granted to such key regions as Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area, Central China and Chengdu-Chongqing region.
- At the end of 2020, the number of corporate customers increased by 545 thousand over the end of the previous year to 8,643 thousand. The balance of corporate loans reached RMB11,102,733 million, representing an increase of RMB1,146,912 million or 11.5%. The balance of corporate deposits hit RMB12,944,860 million, representing an increase of RMB916,598 million or 7.6%.

Corporate loans of domestic branches by industry of loan customers



Corporate Deposits



Inclusive Finance

The Bank effectively strengthened the supply of inclusive finance, accelerated product innovation, improved risk control, coordinated epidemic prevention and control with the support for the resumption of work and production of small and micro enterprises, and promoted the high-quality and sustainable development of inclusive finance business.

- ✧ The Bank optimized three categories of online products. The Quick Lending for Operation sped up the data integration and application of tax, credit reference, logistics and power, and launched more than 400 financing scenarios, including settlement, tax, cross-border and medical security financing. e-Mortgage Quick Loan, an online revolving loan, improved business efficiency and customer experience relying on a new model of "online assessment of collateral, automatic approval of business and online monitoring of risks". ICBC e Credit, a key product of digital supply chain, realized the credit granting throughout the whole industrial chain, and cumulatively exploited nearly 2,000 industrial chains.
- ✧ The Bank well performed in deferring the repayment of principal and interest on the loans to small and micro enterprises. For the enterprises affected by the epidemic that could not repay principal and interest on time, the Bank made the arrangements for deferred repayment of principal and interest by loan renewal, extension, refinancing, grace period, adjustment of repayment plan and other ways, so as to ease the financial pressure of enterprises.
- ✧ Credit product innovation was accelerated. The Bank diversified online unsecured loan products, and launched Anti-epidemic Loan, Reopen Loan and Employment Loan to assist in epidemic prevention and control and resumption of work and production of small and micro enterprises. As one of the first batch of banking partners, the Bank signed a "Head Office-to-Head Office" cooperation agreement on batch guarantee business with the National Financing Guarantee Fund, and took the lead in launching the loan business in China.
- ✧ At the end of 2020, the balance of inclusive loans to small and micro enterprises amounted to RMB745,227 million, representing an increase of RMB273,706 million or 58.0% over the beginning of the year. The number of such customers was 606 thousand, up 183 thousand. The average interest rate on inclusive loans granted in the year decreased by 39 basis points from the prior year to 4.13%. Inclusive farmer business loans and inclusive small and micro enterprise agriculture-related loans totaled RMB152,187 million, representing an increase of RMB40,611 million or 36.4% over the year beginning; the number of such customers was 98 thousand, up 15 thousand; the number of small and micro financial business centers was 324, up 36 over the end of the previous year.

Institutional Banking

- ✧ The Bank assisted with government reform through bank-government services. It actively cooperated with MOF and local financial departments to promote the electronic reform of local non-tax collection, and was continuously leading the industry in terms of the coverage and scale of agency business. It is the first one in the industry to launch an integrated social security service platform — "ICBC e Social Security", making its services available in all provinces and autonomous regions in China. The market share of provincial pooling account of old-age insurance ranked first in the industry.
- ✧ The Bank stayed ahead in many fields in cooperation with peers. It established a unified management system for the centralized clearing agency business of Shanghai Clearing House, fully covering the qualifications of the centralized clearing agency business in the interbank market. In order to provide financing support for small and medium enterprises, the Bank launched the online standard warehouse receipt pledge financing business in conjunction with Shanghai Futures Exchange, making it the only state-owned commercial bank among the institutions that have launched the business. The Bank vigorously promoted the commercial paper brokerage business, provided services for enterprises through the "Discount Connect" platform of Shanghai Commercial Paper Exchange, and ranked first in the industry in terms of the number of enterprises that have signed contracts with the Bank.
- ✧ The Bank spared no effort to support epidemic prevention and control. As a main channel for allocating anti-epidemic funds on behalf of public finance departments at all levels, the Bank could complete the allocation of the funds efficiently. It quickly rolled out the "emergency material management system" and "campus epidemic prevention registration management system", and launched the special anti-epidemic columns such as "ICBC e Government Service" online donation and "ICBC e Social Security", to help with epidemic prevention and control and resumption of work and production.

Settlement and Cash Management

- The Bank optimized the building of three major platforms. The global cash management platform provides treasury management cloud services to help enterprises improve the efficiency of domestic and foreign fund management. The small and micro financial service platform rolled out innovative functions, such as convenient payment and foreign exchange settlement, providing small and micro enterprises with round-the-clock comprehensive financial services, including account opening at the mobile terminal, settlement, investment and financing. The "ICBC Pooling" platform launched such innovative products as "Supply Chain Cloud", "Government Procurement Cloud", "Medicine Purchase Cloud" and "Construction Cloud", and enhanced the comprehensive service capability of supply chain customer groups.
- The Bank constantly facilitated product innovation. It developed "ICBC e BillPay" into a smart bill payment platform that integrates the functions such as convenient bill payment, donation and community life. The Bank embedded the "ICBC e Corporate Payment" in the corporate online payment scenario of public online payment scenario of the platform for core enterprises in the supply chain and government affairs, and launched the innovative mode of O2O payment and small-value convenient payment to provide customers with corporate online settlement services that could ensure the capital safety, convenient process and controllable risk. The Bank actively promoted the scenario building of the "Corporate Wallet", a digital currency electronic payment tool, enabling corporate digital wallets to be used in the scenarios such as "ICBC e BillPay", "ICBC e Corporate Payment" and QR code-based charging. The Bank comprehensively optimized the global payroll payment service, allowing customers to pay salaries at home and abroad.
- At the end of 2020, the Bank maintained 10,106 thousand corporate settlement accounts, representing an increase of 7.0% over the end of the previous year. The volume of corporate settlements reached RMB2,518.24 trillion, up 5.0%. The Bank had 1,447 thousand cash management customers. The number of global cash management customers reached 8,787, representing an increase of 10.2%.

International Settlement and Trade Finance Business

- Relying on the intensive advantage in customs import and export data, the Bank launched a "single window" financial service in an innovative manner, and became one of the first batch of pilot banks which directly connected with the cross-border financial blockchain service platform of the State Administration of Foreign Exchange.
- To support the development of new business patterns such as cross-border e-business, the Bank strengthened cooperation with domestic and foreign payment institutions, cross-border e-business platforms and other different customers in cross-border payment, and launched the "Cross-border e-Business Connect", a comprehensive service platform.
- In 2020, domestic branches disbursed an aggregate of USD63,076 million in international trade finance. International settlements amounted to USD3,242,127 million, of which USD1,318,726 million was handled by overseas institutions.

Investment Banking

- The Bank constantly enhanced the capability of investment banking in serving the real economy. Through new models of investment-loan interconnection and commerce-investment interaction, it increased support for modern service industry, strategic emerging industries, digital economy and private economy. The Bank conducted mergers and acquisitions focusing on the key fields, including capital market, industrial integration, reform of state-owned enterprises, and the Belt and Road Initiative, and maintained a leading position in domestic and foreign merger and acquisition markets. The Bank advanced the innovation of advisory services for financing rearrangement and debt restructuring of large enterprises in distress, actively moved forward financial services and risk prevention, and enhanced the capability of investment banking to resolve risks. It rolled out innovative sustainable debt financing mode, helped enterprises optimize their capital structure, and provided financial support for major infrastructure projects. It promoted asset securitization investment and securitization of proactively managed assets to meet the needs of enterprises for comprehensive financial services.

- The Bank improved the product system covering "one advisory service, two certificates and three e-services"[1], launched an innovative intelligent financial solution, and promoted the intelligent upgrading of advisory services. The Bank took the lead in the industry to launch an e-confirmation platform, making it possible to handle the whole bank confirmation services online. "ICBC e Security" was designed to effectively prevent and control telecommunication frauds by risk screening. "ICBC e Intelligence" accesses to high-quality property transaction information and keeps enriching the content of think tank services continuously. "ICBC e RM" adds a new financial benchmarking system for listed companies, making its analysis more comprehensive.
- In 2020, the Bank acted as the lead underwriter for 2,632 Chinese bond projects with a total value of RMB1,904,204 million, ranking No.1 in the domestic market.

Discounted Bills

- The Bank continued to optimize and upgrade innovative products such as "ICBC e Discount", "Supply Chain Bill Pay" and "Inclusive Discount", and gave full play to the role of bill products in financing the real economy, especially small and micro enterprises, industrial chain and supply chain.
- In 2020, discounted bills amounted to RMB1,474,935 million, representing an increase of 8.0% year on year, ranking first in the market. Discounted bills for small and micro enterprises reached RMB429,809 million, with an outstanding balance of RMB208,907 million.

Personal Banking

In 2020, the Bank continued to deepen the No.1 Personal Bank Strategy, consolidated personal customer base, strengthened the FinTech empowerment, and further enhanced its market competitiveness. At the end of 2020, personal financial assets totaled RMB16.0 trillion. Specifically, the personal deposits arrived at RMB11,660,536 million, representing an increase of RMB1,182,792 million or 11.3%; the personal loans stood at RMB7,115,279 million, an increase of RMB731,655 million or 11.5%. Its personal customers increased by 30.24 million to 680 million.

- The Bank launched the "No.1 Personal Bank" brand. Based on the concept of "considerate bank, intelligent bank, boundless bank and reliable bank", the Bank made every effort to help meet people's yearning for a better life.
- The Bank strengthened deposit service innovation. It rolled out deposit products for key customer base such as Fu Man Yi, Happy Deposit, exclusive deposit of social security card, and themed deposit products like red CDs, and took the lead in the industry to launch the function of large-denomination CD negotiability, driving the stable growth of saving deposits.
- According to the PBC's requirements on interest rate liberalization reform, the Bank steadily pushed forward the LPR conversion for personal loans. It strengthened innovation of loan business focusing on the key consumption markets such as pension, automobile, leasing, education and home decoration, and improved the consumer finance services.
- In the face of the impact of COVID-19, the Bank well performed in rendering emergency services in response to the call of the state and regulatory requirements, and ensured that personal financial services were uninterrupted without losing the quality. It further advanced the transformation of online, digital and intelligent operation transformation, and helped enterprises and residents resume production and work and reopen businesses and markets.
- In 2020, funds under agency sales amounted to RMB685.6 billion, government bonds under agency distribution were valued at RMB33.5 billion, and personal insurance products under agency sales reported at RMB115.2 billion.
- The Bank was awarded the "Best Mega Retail Bank in China" by *The Asian Banker* consecutively, and ranked first in the global banking brands by retail banking issued by *The Banker* of the United Kingdom.

1 Refers to the advisory service, ICBC e Confirmation Service, credit certification, ICBC e Security, ICBC e Intelligence and ICBC e RM.

Deepened the No.1 Personal Bank Strategy

In 2020, the Bank made coordinated arrangements for epidemic containment, strategic advancement and business development, and achieved good results in personal banking business. It made new breakthroughs in market competitiveness, benefit contribution, operation quality and intelligent transformation, laying a solid foundation for the continuous deepening of the No.1 Personal Bank Strategy.

Market competitiveness improved steadily. At the end of the reporting period, the time-point balance of personal deposits topped RMB11 trillion, and the time-point growth hit a record high. The rapid growth of personal deposits drove the continuous expansion of personal financial assets under management, and the balance of personal financial assets under management reached RMB16 trillion, maintaining and consolidating the Bank's leading position in the market. Personal non-principal-guaranteed wealth management products amounted to RMB2.15 trillion, maintaining an absolute leading position in the market. Personal loans grew remarkably, and the growth of residential mortgages ranked first in the industry.

Benefit contribution hit a new high. The retail sales line provided a strong support for the Bank's operating income growth. The total amount and the growth of fee-based business income from personal banking both ranked first in the industry.

Customer base was constantly optimized. The number of personal customers increased by 30.24 million over the end of the previous year to 680 million. The number of personal customers with the average monthly/daily financial assets of RMB6.00 million and above for the past six months was 182 thousand. The number of personal mobile banking customers topped 416 million, and the Bank ranked first in the industry in terms of total number, increment and average monthly number of active personal mobile banking customers.

Risk control remained robust. The quality of personal loan assets remained sound despite the epidemic impact, with NPL ratios of personal loans and residential mortgages standing at 0.56% and 0.28% respectively. The quality was sound as a whole, paving the way for stabilizing the quality of the Bank's credit assets.

Smart transformation was accelerated. The Bank built a new ecosystem of online customer acquisition, and gradually explored a new open banking service mode to adapt to the Internet era with "ICBC e Wallet" as the carrier. It has served more than 33.00 million customers. The Bank developed an intelligent customer maintenance system, launched a "cloud studio" for customer managers, and sped up the building of a new generation of broadest customer base maintenance system. It promoted the building of a series of projects such as intelligent brain, intelligent experience and intelligent outbound call, and effectively improved the intelligent customer services. Relying on the intelligent brain, the front-line marketing staff provide differentiated and targeted services to 9,546.2 thousand customers. The Bank accelerated the intelligent transformation of channels, promoted the construction of 5G intelligent bank outlets in some key cities, and built an enterprise-level intelligent service platform.

2021 is the year when the No.1 Personal Bank Strategy will be deepened. In the year, the Bank will continue to promote the strategy to achieve prominent results.

Private Banking

- The Bank adhered to the whole market selection and whole product allocation, actively served the net worth-based transformation of wealth management products, effectively undertook the matured customer funds through diversified comprehensive allocation, and made every effort to expand wealth management products under the New Rules on Asset Management. It customized high-quality selected products on demand, steadily improved exclusive insurance products, and developed innovative comprehensive advisory business of family trust.
- The Bank established a professional assessment system for investment consultants and improved the collaborative work mechanism between wealth consultants and investment consultants. It took the lead to launch such online training brands as "Private Banking Support Station", "Private Bank e Hour" and "Wealth Management Micro Class" to comprehensively improve professionalism.

- The Bank established an online service system of "full ecological response and universal service through one-point access", accelerated business innovation and technology empowerment, and promoted the function optimization of private banking exclusive version of ICBC Mobile. It optimized the online customer service scenario to improve service experience of private banking customers.
- The Bank won the "Private Wealth Service of the Year in China" by *The Asian Banker*, the "Best Private Banking Experience, China" by *The Asset*, and the "Best Domestic Private Bank Brand" by the *Wealth*.
- At the end of 2020, the Bank had 102 thousand personal customers with financial assets of RMB8.00 million and above, an increase of 11,517 or 12.8% over the end of last year; the assets under management totaled RMB1.8 trillion, an increase of RMB238.7 billion or 15.4%. As at the end of 2020, the number of personal customers with the average monthly/daily financial assets of RMB6 million and above for the past six months was 182 thousand, an increase of 23,750 or 15.0% over the end of last year; and the assets under management totaled RMB2.2 trillion, an increase of RMB282.8 billion or 14.9%.

Bank Card Business

- The Bank launched personalized cards such as wedding cards and graduation season cards, and special debit cards, including the "Commemorative Card for the 600th Anniversary of the Forbidden City". The Forbidden City debit card won the "Elan Award — Unique Innovation Award" for 2020 conferred by the International Card Manufacturers Association (ICMA), the first time for the Bank's debit card product to win such an international award.
- The Bank advanced its digital transformation by innovating online acquisition products. At the end of October 2020, it launched the ICBC UnionPay Unlimited Digital Platinum Card which is an online-only digital card that can be applied and activated in seconds. The card has drawn wide attention once it is available to customers.
- On ICBC e Life, by building a platform for credit card spending, the Bank established a financial ecosystem composed of APP, WeChat Applets, WeChat Official Accounts and online campaign pages. The platform added financial functions such as credit limit increase, password resetting and online installment. It has three major scenarios: shopping, bonus point and installment; three major sub-brands: e-Food Coupons, e-Top-selling Products and e-Coffee; and three promotion campaigns Seasons: "Top-selling Season, Travel Season and Digital Season". The platform also supports live broadcast. Currently, the number of registered subscribers of ICBC e Life has exceeded 90.00 million.
- By the end of 2020, the Bank issued 1,127 million bank cards, an increment of 55.31 million compared with the end of last year. Specifically, 967 million debit cards and 160 million credit cards have been issued. The overdraft balance of credit cards reached RMB681,610 million. In 2020, ICBC bank cards registered a spending volume of RMB21.46 trillion, including RMB18.88 trillion from debit cards and RMB2.58 trillion from credit cards.

Asset Management Services

The Bank firmly implemented the regulatory requirements, seized development opportunities, pushed forward the transformation of asset management business and products in a steady and compliant manner and comprehensively enhanced investment management and research capabilities. It established an asset management business system allowing allocation of capital in all markets and value creation across the whole value chain by relying on the strength of the Group's asset management, custody and pension businesses as well as its comprehensive subsidiaries specialized in fund, insurance, leasing, investment banking and wealth management, to provide diversified, integrated and specialized services for customers.

Wealth Management Services

The Bank actively advanced the net worth-based transformation of wealth management products and constantly improved product structure. Both the product scale and the investment scale under the New Rules on Asset Management exceeded RMB1 trillion. At the end of 2020, the balance of non-principal-guaranteed wealth management products stood at RMB2,708,427 million. Please refer to the section headed "Business Overview — Internationalized and Diversified Operation" for the business development of ICBC Wealth Management.

Asset Custody Services

- The Bank actively explored hot areas and emerging markets, and further strengthened its leading position in the industry. The mutual fund under custody continued to develop quickly and the Bank was the first among domestic peers with custody size of more than RMB3 trillion. The insurance assets under custody continued to lead the industry, and its leading edge continued to expand, with the custody scale exceeding RMB5.4 trillion. The Bank made an important breakthrough in global custody business, acted as the depositor of the first Chinese depository receipt (CDR) in China and conducted the first CDR transaction. Seizing the business development opportunities brought by the New Rules on Asset Management, the outsourcing of asset management product operation[1] developed rapidly, with a size of over RMB1.5 trillion.
- The building of intelligent custodian bank was advanced steadily. The Bank introduced the main functions of an intelligent operation platform, and completed the structuring of an intelligent data platform to realize flexible query of managed data. An intelligent customer service platform was put into operation, and a brand-new ICBC Custody Mobile Banking was introduced to provide a full spectrum of custody services to customers.
- At the end of 2020, the size of custody business reached RMB19.6 trillion.

Pension Services

- Actively seizing the opportunities brought by the rapid growth of the occupational annuity market, the Bank successfully obtained the trustee, custodian and investment manager qualifications for occupational annuities of central and all the local governmental agencies and administrative institutions that have completed bid invitations, with the total size of occupational annuities of the three qualifications ranking first in the market.
- It continued to improve digital operation of pension business, enhance the building of service channels and functions in an all-round way, and made great efforts to promote "ICBC e Pension" service platform, covering more than 80% of the customers under the automated and self-service operation mode. During the COVID-19 pandemic, the Bank introduced online processing method to ensure the continuity of pension business and efficiency of pension services.
- At the end of 2020, the pension funds under the Bank's trusteeship amounted to RMB326.0 billion; the Bank managed 11.36 million individual enterprise annuity accounts, and the enterprise annuity funds and occupational annuity funds under the Bank's custody totaled RMB955.7 billion. The Bank led other banks in terms of the scale of enterprise annuity funds under the Bank's trusteeship, number of individual enterprise annuity accounts and enterprise annuity funds under the Bank's custody.

Financial Market Business

Money Market Activities

- In the RMB money market, the Bank actively provided liquidity supply during the COVID-19 pandemic, reasonably strengthened fund operation, and ensured liquidity support for small and medium financial institutions on the premise that risks were controllable, making great contributions to the smooth operation of the money market. It scientifically developed financing strategies, rationally devised financing maturities, varieties and counterparty structure, and constantly improved the profitability of fund operation.
- In the foreign exchange money market, the Bank enhanced the proactive and forward-looking management of foreign exchange liquidity, to ensure the liquidity safety of its foreign currency funds. The Bank took advantage of various investment and financing instruments in the foreign exchange money market to improve the profitability of fund operation. Both the business volume and the number of customers of non-bank lending went up. It enhanced the capability of quotation for non-USD market making, and entered into the first batch of CHF and KRW-denominated lending transactions in China Foreign Exchange Trade System. It took an active part in the innovation of the domestic foreign exchange money market, and entered into the first EUR, CAD and JPY-denominated repurchase transaction with domestic RMB bonds pledged as collateral.
- In 2020, the Bank won many honors, including the "Exemplary Money Market Dealer in Interbank Local Currency Market", the "Best Quotation Bank for Foreign Currency Lending", the "Best Foreign Currency Lending Member" and the "Best Foreign Currency Repurchase Member" conferred by China Foreign Exchange Trade System.

1 The outsourcing of asset management product operation means the Bank, as a service provider, is entrusted by various asset management institutions to continuously provide financial services, such as accounting and valuation, registration, sales fund clearing and information disclosure, for various asset management products.

Investment

- In terms of RMB bond investment, the Bank actively invested in various bonds to fuel the growth of the real economy. It vigorously invested in bonds in the pandemic areas and bonds with proceeds mainly used for pandemic prevention and control, in an effort to provide strong financing support for the pandemic prevention and control. Both the quality and the efficiency of corporate bond investment in serving the real economy kept improving, and the investment fields involved energy, manufacturing, transportation and other important industries. The Bank continued to enhance the management of investment portfolios, and took various steps to improve return on investment.
- In terms of foreign-currency bond investment, the Bank met Chinese-funded enterprises' financing demands abroad, and strengthened investment in high-rating bonds with a good credit quality, a high credit rating and an ample interest spread. Portfolio was optimized to diversify investment risks and enhance the overall yield and credit quality of the portfolio.
- The Bank was honored as the "Top Investment Houses in Asian G3 Bonds" by *The Asset* for the third consecutive year.

Financing

- The Bank steadily advanced the online migration of interbank deposits, and actively leveraged the advantages of less contact and high efficiency of online transactions during the COVID-19 pandemic. Its online interbank deposit size ranked first in the market.
- For details on the Bank's CDs and debt securities issued, please refer to "Note to the Financial Statements: 33. Certificates of Deposit; 35. Debt Securities Issued".

Treasury Trading Business on Behalf of Customers

- In terms of foreign exchange settlement and sales on behalf of customers and foreign exchange trading, the Bank actively assisted with the pandemic prevention and control, organized its foreign exchange settlement and sales line to establish a green channel at the first time, and gave priority to the foreign exchange settlement and sales business handled for the purpose of pandemic prevention and control. According to the local plans for resumption of work and production, the Bank facilitated the money settlement to corporate customers and extended the settlement date for more than 100 enterprises. It took the initiative to contact foreign trade customers, continuously enriched foreign exchange settlement and sales and foreign exchange trading currencies, improved the trading functions of three major online channels, i.e. online banking, mobile banking and electronic trading platform, and enhanced capability of serving foreign exchange trading customers.
- In terms of paper commodities trading, the Bank suspended the opening of new positions and new accounts for some paper commodities transactions in response to the drastic fluctuations of international commodity market, so as to protect the rights and interests of customers and prevent market risks. The Bank strengthened risk warning and investor education, reminded customers to trade rationally, effectively protected the interests of customers, and ensured the smooth operation of paper commodities trading.
- In terms of corporate commodity derivative trading, the Bank conducted an in-depth survey of customer demands, advanced key customer marketing and provided targeted hedging trading strategies. In 2020, the number of customers and transaction amount of corporate commodity trading increased steadily. The Bank kept optimizing its trading system. It launched the electronic order entry function of spread trading, optimized the delivery scenario of corporate franchise business funds, and improved the business process of corporate commodity trading.
- In terms of the over-the-counter bond business, the Bank distributed the special government bonds for pandemic control, China Development Bank's bonds with the theme of "anti-pandemic", "poverty alleviation", "response to climate change" and "protection of the Yangtze River" and the over-the-counter local government bonds in four provinces and cities to investors in the over-the-counter market, contributing to the national fight against the virus and poverty and supporting economic growth. The Bank was rated as an "Exemplary Undertaking Institution in Over-the-Counter Bond Business" and an "Exemplary Underwriting Institution in Over-the-Counter Local Government Bond Business" by China Central Depository & Clearing Co., Ltd.
- In the area of foreign institutional investors trading business in the China's Interbank Market, the Bank took an active part in serving foreign institutional investment customers from nearly 60 countries and regions all over the world, and fully meeting their investment and trading needs in China's Interbank Market. It won the "Contribution Award for Opening Up" granted by the National Interbank Funding Center and the "Exemplary Settlement Agency of Global Connect Business" granted by China Central Depository & Clearing Co., Ltd.

Asset Securitization Business

- The asset securitization business effectively supported the Bank in disposing of non-performing loans, revitalizing stock assets, economizing capital occupation and optimizing credit structure. In 2020, the Bank issued 18 asset-backed securities totaling RMB142,600 million, including 10 residential mortgage-backed securities (RMBS) totaling RMB137,158 million, and eight non-performing asset-backed securities totaling RMB5,442 million.

Precious Metal Business

- The Bank optimized the supply of physical precious metal financial services from aspects of product innovation and service upgrading, to meet customers' demands for the allocation of precious metal hedging assets. It established the brand and system development mechanism for physical precious metal products advocating traditional culture, red culture and struggling culture, and successfully developed the "Magnificent China" product series. The precious metal products of "Lucky Bag" and the "Bright Future Golden Card" were launched in partnership with the Palace Museum and the National Museum of China. The Bank established partnership with 26 local governments focusing on customized physical products, to advance the marketing of physical precious metals. It advanced the integrated development of multiple channels online and offline and within and outside the Bank, and managed to build an Internet of Thing platform for physical gold.
- In 2020, the Bank ranked first among all dealers in Shanghai Gold Exchange in terms of trading volume, clearing amount and gold leasing scale.

FinTech

With a successful progress in ecosystem (ECOS) development, the Bank has made more efforts in the construction of 5G, data center, cloud computing and other new-type digital infrastructure, reinforcing production and operation safety. The Bank accelerated management system and mechanism reforms, and relied on the fifth generation of core banking system to boost the development of digital business forms and digital transformation and upgrading of the Bank.

In 2020, the Bank was ranked at first place in the banking industry for seven consecutive years in CBIRC's IT supervision ratings. Its seven achievements won the annual Banking Technological Development Award from PBC, the most among its peers in the industry. In particular, the distributed technology system received the first prize of the above award. The Bank won the "Best Financial Innovation Award" from *The Chinese Banker* for the fifth consecutive year. Besides, it was rated with multiple FinTech innovation awards, e.g. "Best Internet of Things Implementation in China", "Best Process Automation Implementation in China" and "Best API and Open Banking Implementation" by *The Asian Banker*.

Upgrading Digital Infrastructure

The integration and innovation of technology and business were deepened and the construction of new infrastructure was advanced with remarkable achievements made. A series of new enterprise-level technology platforms with strong service capability and industry-leading advantages were built up based on 5G+ABCDI[1], through which a whole-process new technology transformation and application mechanism was established, covering forward-looking trend tracking, study and prediction, key technology research breakthrough and implementation of business scenario innovation.

- A new-type IT architecture was fully built, featuring "core business system + open ecosystem". The Bank was the first among its peers to launch a distributed technology platform covering major fields of distributed technology, with an average daily service invocation of nearly 6.0 billion times. The new generation of cloud computing platform was put in place, and the scale of IaaS infrastructure cloud and PaaS platform service cloud has remained in the leading position in the industry. Based on the "cloud computing + distributed" open platform architecture system, an open platform core banking system consisting of the core business infrastructure support framework, account system and products & services has been established. The Bank was the first to complete the most critical debit card account host for downward extension of the core system with the largest data size therein, making a historic breakthrough in IT infrastructure as a large bank.

1 Refers to AI, BLOCK-CHAIN, Cloud Computing, Big Data and IoT.

- A platform of big data and artificial intelligence with "in-depth perception and open application" was built up. The Bank was ahead of its peers to enable its big data system to comply with the "Six Integrations" standard as set at CCSA (China Communications Standards Association) TC601. An automatically controllable and industry-leading enterprise-level artificial intelligence (AI) technical system was fully built so as to perform the five core functions of "reading, listening, thinking, speaking and acting" of AI. A one-stop AI modelling workstation was constructed, achieving wide application of mainstream AI technologies such as machine learning, Optical Character Recognition (OCR), Robot Process Automation (RPA), and knowledge map by using facial, voiceprint, iris recognition and other biometric features recognition capabilities.
- A high-value brand of "ICBC Blockchain+" was built. By leveraging more than 150 technological breakthrough and filing more than 120 patent applications, the Bank was one of the first batch to pass all certifications under special evaluation for "Trusted Blockchain" by the Ministry of Industry and Information Technology. It was also the first among its peers in the finance industry to obtain the safety evaluation certificate issued by State Cryptography Administration. It took the lead in getting registered with the Cyberspace Administration of China and was awarded with Blockchain 50 by Forbes. The Bank has successively applied the blockchain technology in scenarios in multiple fields including charitable funds, medical services, engineering construction and bank confirmations, etc., directly connecting more than 1000 service institutions.
- Developing the capability for comprehensive connection to 5G and IoT. The Bank has established an IoT technology system integrating "end, side and cloud" and built up an enterprise-level audio and video platform to support the innovation of cloud outlets, cloud counters and other contactless customer service modes. The Bank was the first in the industry to complete the independent construction of 5G Messaging as a Platform (MaaP), and complete piloting in MaaP business with China Mobile.
- The Bank was put on the list of National Green Data Center of 2020. By promoting the planning and construction of new data center, the Bank effectively undertook the stable operation of information system, massive digital asset storage and intelligent application under high concurrent services.

Establishing Digital Business Form

Relying on the ECOS, the Bank fully established a new digital business form to boost the coordinated development of retail, corporate business, government affairs, rural business, and other fields of business, and realized the replacement of old drivers with new ones in business operation, quality upgrading, and efficiency improvement.

- Cloud-based retail business was created. The Bank launched Personal Mobile Banking Version 6.0 to accelerate the "integrated connection" between mobile banking and physical outlets and made innovations in Personal Mobile Banking and WeChat applets to launch the interactive online "cloud outlets" and "cloud studios" of customer managers so as to provide "screen to screen" contactless financial services. Relying on the technology platform based on cloud computing and distributed technology, etc., the Bank provided 24×7 financial services both online and offline.
- A chain financial ecosystem was driven. The Bank closely kept up with the pace of transformation and development of leading enterprises in the industry, and extended financial services to a wider range of customer base. The Bank delivered accounts, deposits, payments, financing and other financial products to the leading enterprises transforming towards digitalization in a centralized manner, enabling various online application scenarios of affiliates. The Bank delivered corporate online payment, integrated receipt collection, reconciliation of secure accounts, supply chain financing and other services to large industrial Internet platform. Relying on big data, AI, IoT and other new technologies, the Bank has developed 109 open and inclusive finance services in five major categories. It cooperated with key "Going Global" enterprise customers to facilitate the inclusive service and a prosperous ecosystem. It launched innovative "Cloud Flash Loan", "Power e Loan", "Cross-border Loan" and other products, and stepped up product innovation and scenario expansion to assist enterprises in digital transformation.
- Construction of the element market of government affairs was accelerated. The Bank actively participated in the construction of element market and strengthened the cooperation with provincial-level big data centers. It made innovations in financing products by using the government affairs data from multi-dimensional platforms. As the only bank, it participated in the first batch of pilot projects of opening Shanghai's public data, and used government procurement data to release the innovative "government procurement loan". The Bank launched smart government services in Beijing, providing 154 kinds of government services such as social security rights and interests inquiry through self-service terminal. It also cooperated to launch "inclusive big data credit loan" based on social security, tax and other government data, so as to realize government convenience and benefit services.

- A new rural finance model was created. The Bank established a comprehensive service platform for the digitalization of rural areas, which is intended to comprehensively provide comprehensive services such as government affairs, finance, rural affairs, Party affairs and finance, etc. in a one-stop way to rural customer groups including rural collective organizations, village-run enterprises and villagers. At present, the Bank has contracted with 500 county-level agricultural and rural government authorities in 154 cities in 31 provinces, cities and autonomous regions. The Bank addressed the "First Mile Problem" of rural customers to whom the services are not accessible and upgraded portable intelligent terminals to offer more than 120 businesses such as new card opening, registration of E-banking and domestic transfer and remittance. The Bank launched an upgraded Personal Mobile Banking, innovated online county-specific services using dialects in different regions, and comprehensively promoted this practice nationwide.
- The level of digital risk control in the industry was improved. The Bank was the first among its peers to create a new mode of voiceprint risk control, which uses voiceprint recognition to quickly and insensibly provide customer managers with identification and fraud risk judgment basis, thereby comprehensively improving the level of intelligent risk control and customer service experience. The Bank upgraded the intelligent anti-money laundering system "ICBC Brains" serving the peers, which covers the whole process of anti-money laundering such as know your customer (KYC), customer risk classification, large-sum and suspicious transaction monitoring, and provides services to a number of peers and non-banking institutions. The Bank improved the risk big data intelligent service product "ICBC e Security" and developed nine product systems including blacklist service, risk, intelligence, association and dynamic monitoring, which can effectively prevent the risk of external fraud and has served 275 peers and more than 56,000 enterprise customers.

Reinforcing Production Safety

The Bank took the initiative to deal with the new challenges brought by the complex and volatile external situation and technological reforms and reinforced production safety such that the safe production and operation throughout the Group is maintained at a high level and the production and operation capacity of technical support, monitoring and analysis, emergency response, performance planning and management and control were pushed to a new level.

- The transformation of production and operation was carried out in an orderly manner. All key applications have been modified to have high availability and a production and operation management system adapted to the route of new technologies such as automatic controlling and distributed technologies has been gradually formed. The business operation monitoring system has been continuously improved, and the monitoring computing efficiency has been raised from minute level to 10-second level. The Bank completed annual information system switching locally and disaster recovery drills non-locally, continuously increasing the support to business continuity.
- A group-wide integrated security protection system was established. The information systems of the Group were maintained operating safely and stably and the relevant systems were granted with "Excellent Grade" in the network security rating and protection assessment in 2020, providing customers with safe and stable financial services. The Bank carried out a campaign to improve the security defense capability of the security team, making it lead the industry in the security competitions held by the state and regulatory authorities. The Bank increased the output of security capability to provide security-related assistance to the construction of financial industrial level security situation awareness and the research of financial industry network security situation.

Further Reform of Fintech Governance and Management

The Bank deepened the layout of FinTech consisting of "one department, three centers, one subsidiary, and one research institute". It increased FinTech investment and unleashed the vitality of the Bank's FinTech innovation. In 2020, the Bank invested RMB23.819 billion in FinTech and had 35,400 FinTech personnel, accounting for 8.1% of all employees across the Bank.

- The organizational structure and layout were optimized. The Bank set up a data intelligence center to fully leverage its technical edges in the field of big data and keep up with the development of data industry. The Bank set up an information security operation center (SOC) to advance the transformation of the security protection model into a practical one. It moved ahead with the construction of a professional FinTech team and built a compound financial technology talent team with experienced and skilled members.

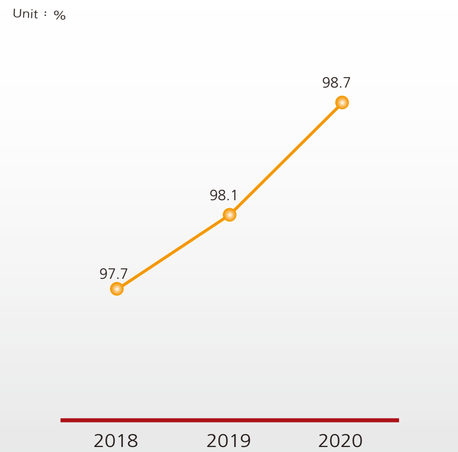
- The integrated enterprise-university-research output capacity of the Fintech Institute was developed. The Bank cooperated with leading enterprises and scientific research institutes to continuously carry out research and tackle key problems in key core technology fields, making contributions to China's independent innovation in science and technology. The Bank was the first among its peers to issue the White Paper on Application and Development of Blockchain in Finance, White Paper on Banking Innovation in the Era of 5G and other white papers and special research reports. Its six projects were designated as the pilot innovation and application projects for innovation and supervision of FinTech by PBC, with number of the projects leading the industry.

- The market-oriented technology capacity of the Bank was strengthened. The Bank output professional technological capacities at all levels to bolster the business innovation of the Group's major customers and undertook project R&D and operation & maintenance for a number of financial institutions and digital transformation enterprises. The Bank enhanced cooperation for mutual benefits, improved the blockchain platform for resettlement fund management and smart social security public service platform, etc. It promoted cooperation experiences in Xiongan New Area in Jiangsu Province, Beijing and other cities and provinces. It launched 18 financial ecosphere cloud products in the fields of education, medical care and enterprise services, facilitating intelligent government affairs and digital transformation of enterprises.

Internet Finance

The Bank deepened the interconnection of government, business and consumption (GBC) fronts, to serve the digital transformation of the state, government and enterprises, and enhance customers' financial service experience. In 2020, the internet financial transaction amount hit RMB640.38 trillion, an increase of 1.2% from the end of the previous year; and its proportion rose by 0.6 percentage points from the end of last year to 98.7%.

Proportion of Internet Financial Transaction



Note: The proportion of internet financial transactions refers to the number of internet financial transactions divided by the total number of transactions of the bank.

Deepening the Digital Transformation of Government Service

The Bank created 5,287 effective internet scenarios in the fields of intelligent government service, intelligent travel, healthcare and social security, intelligent campus, judicial finance and poverty alleviation through consumption.

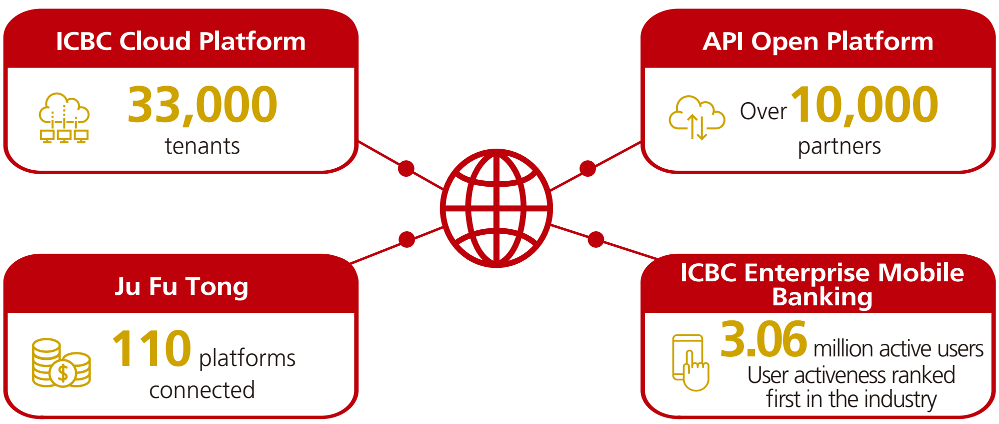
- Intelligent government service: The Bank successfully marketed three provincial-level government service platforms including "Beijingtong", "Wanshitong" and "Shanzhengtong" as well as more than 10 prefecture-level government service platforms such as "i Xuchang". A management platform for rural development fund was developed and launched in cooperation with 13 provincial agricultural and rural departments. The Bank cooperated with 15 local governments to realize the interconnection of mortgage registration systems in 300 cities, to provide comprehensive services for ten types of provident fund business in 12 provinces and 28 cities. The "ICBC e Government Service" product was promoted to provide "government service + financial service", and 31,000 institutional users were expanded accumulatively. Besides, full efforts were made to provide services for large-scale national exhibitions such as the online Canton Fair and China International Import Expo.

- Intelligent travel: With three core products, namely, ETC, unconscious payment and QR code payment service for public transportation launched, the Bank served more than 80 million person-times throughout the year. The "e-Ride" mini program was innovatively rolled out, supporting all kinds of scanning codes for ride and covering 200 cities across China.

- Healthcare and social security: Following the direction of national medical reform, a total of 6.69 million electronic vouchers for medical insurance were issued, and the medical insurance clearing mobile payment platform was launched in 10 provinces and regions. For the medical device industry, the Bank pioneered an innovative service program "Commercial Medical Cloud" integrating the internet, medical devices and finance.
- Intelligent campus: The "Campus Affairs Management Cloud" could provide parents, students and schools with integrated services including payment, management, and epidemic prevention and control, which was promoted in a total of 21,000 schools, driving the increase of 0.84 million new personal customers.
- Intelligent justice: The Bank served the reform of national judicial system and promoted judicial auction platform of ICBC Mall in a total of 258 courts, with a cumulative transaction amount of nearly RMB2.0 billion. Besides, it successfully issued the first "judicial auction" loan through ICBC Mall.

Facilitating the Internet-based Transformation of Industries

- ICBC Cloud Platform: The "industry + finance" integrated services are provided, covering six major industries and 19 segments. More than 20 standard cloud services including Education Cloud, Party Building Cloud, Property Management Cloud and HR Cloud were launched, to become "available immediately upon renting".
- API Open Platform: The platform provides customized and component-based API services, opening over 120 products that fall in 18 categories and more than 1,900 application interfaces, thus steadily elevating the open capacity and the number of partners.
- Ju Fu Tong: The "Ju Fu Tong" scenarios-embedded comprehensive financial services were promoted to serve more than 10 industries including government service, transportation, medical care, tourism and agriculture. Besides, it carried out cooperation with a number of governmental, industrial and internet-based consumption platforms, e.g. 12306.
- ICBC Enterprise Mobile Banking: The Bank innovatively launched Enterprise Mobile Banking 3.0 based on the needs of corporate customers, realizing new technology applications such as voiceprint authentication, digital-human customer service and OCR recognition. The Bank rolled out functions and products such as Quick Lending for Operation, e-Mortgage Quick Loan, foreign exchange settlement, credit report inquiry and payroll payment. It also introduced online and offline integrated services including account opening reservation, online application reservation and settlement account information change.



Note: These data are as at 31 Dec 2020.

Upgrading Online Personal Services

- ICBC Mobile: The Bank strengthened the application of technological innovations. It innovatively launched Mobile Banking 6.0, created "Customer Manager Cloud Studio" and "Cloud Outlet", and introduced functions such as vocal print login, AR recognition of foreign currency, and AI intelligent recommendation. The Bank guided the rendering of services in the lower-tiered market. It launched the "Beautiful Home" version for the county market, to provide exclusive financial services for "benefiting the people, benefiting farmers, and benefiting business merchants", which were introduced in 1,509 county sub-branches. The Bank implemented service transformation for the elderly. It continued to optimize the function and experience of "Happy Life" version for elderly persons, to improve the convenience of mobile financial services for the elderly. The Bank promoted the integration of online and offline services. During the COVID-19 pandemic, "contactless" functions were quickly introduced, such as online modification of card passwords, conversion of LPR interest rate and credit card repayment from other banks; online ordering and offline mailing services under 18 scenarios were supported, and 92 kinds of services could be handled at outlets through mobile banking code scanning instead of bank cards.

- ICBC Mall: The Bank completed the version 3.0 upgrade project for ICBC Mall, and launched interactive shopping experience functions such as face registration and APP aggregate payment. By adhering to featured and quality management, it sped up the layout of key areas such as procurement, travel and cross-border e-commerce, with the transaction amount of "5e+4" featured segments[1] reaching RMB297.6 billion.

- ICBC Link: The Bank refined user experience by upgrading the version 5.0 of ICBC Link and fully optimizing the functional layout, process and experience of main interface. The WeChat mini program of customer manager was launched to integrate communication and transaction. In addition, the Bank innovatively launched the "gold red packet", the first gold accumulation model integrating "financial service + social intercourse" in the banking sector.

- ICBC e Life: The Bank established an open ecosystem composed of online campaign pages, APP, WeChat applets, WeChat official account, and life account, to realize the transformation of comprehensive operation. It built nine scenarios including "shopping, catering, accommodation, travel, entertainment, education, health, urban services, and poverty alleviation and inclusiveness". The platform developed six special columns of "shopping, credit bonus points, installment, in-app purchase, poverty alleviation, and recreation".

- Mobile Payment: The Bank deeply cultivated the three-party payment and consumption scenarios, and participated in the consumption coupon issuance activities sponsored by Beijing and Wuhan municipal governments. It carried out such activities of 22 phases in total, reaching 33.80 million person-times of customers, and successfully issued nearly 5.00 million consumption coupons, directly driving consumption of approximately RMB0.47 billion. During the COVID-19 pandemic period, more than 100 activities on 30 themes were carried out, such as "Cloud Vegetable Buying", "Traveling with Peace of Mind", and "ICBC Food Season".

- ICBC e Wallet: The application areas covered government affairs, people's livelihood services, transportation, membership management, house purchase services, consumer finance and other scenarios, serving more than 33.00 million customers. During the pandemic, the "contactless" full online payroll service model was innovatively introduced, with the adoption of full online account opening and payroll payment process. As at the end of 2020, nearly one million personal customers were served under this online payroll service model. The Bank was also awarded the "Best API and Open Banking Implementation" by *The Asian Banker* and the "Best Internet Banking Service" by *Asiamoney*.

1 "5e+4" featured segments refer to ICBC e Procurement, ICBC e Assets, ICBC e Cross-border, ICBC e Travel, ICBC e Public Welfare, Court Affairs Management Cloud, Car Cloud Loan, Ji Ke Platform and Open Platform.

ICBC Mobile
416 million customers
Monthly active customers topped 100 million
Both customer size and activeness led the peers

ICBC Mall
161 million users

ICBC 工銀e錢包
Over 380 projects launched
Serving more than 30.00 million personal customers

ICBC e Life
91.08 million users

ICBC Link
177 million users

Note: These data are as at 31 Dec 2020.

Channel Development and Service Enhancement

The Bank fully implemented the coordinated development strategy of serving the country and regions, kept close track of the development trend of regional market economy, and assisted in poverty alleviation. With "stabilizing aggregate, optimizing layout, making up for deficiencies, and improving efficiency" as the main theme, the Bank comprehensively propelled the strategic adjustment and structural optimization of outlets, to effectively improve the service coverage of core regions, county markets and high-quality customer groups.

Channel Development

- Outlets were optimized and adjusted effectively. The Bank optimized and adjusted more than 420 outlets in key areas such as the Beijing-Tianjin-Hebei region and the Yangtze River Delta, and established 150 outlets in county markets, including 36 outlets in the poverty-stricken counties such as Jinyang in Sichuan and Nagqu in Tibet. It continued to intensify the renovation of old and core potential outlets, and completed the overall renovation of 1,611 outlets, to provide strong hardware guarantee for customer service.
- The Bank deepened the integration and coordination of online and offline channels. It continued to promote the coordination and integration of physical outlets, mobile banking, remote banking and new channels. It actively responded to the COVID-19 pandemic by providing digital and contactless customer services. The offline intelligent self-service channels can be used to handle 299 personal and corporate services, including more than 130 "medialess" services, covering the services frequently used by customers. The Bank also promoted the collaboration between outlets and online channels. The "Cloud Outlet" service was launched on mobile banking and WeChat mini program, and the full entry of personal customer managers was realized, for customers to handle more than 40 items of businesses through "Cloud Outlet". In addition, a new service model of "Customer self-service + Remote operator assistance and verification" was introduced as a pilot program. ICBC Cloud Banking as the first bank launched "Home Agent Customer Service" by Cloud Desktop, and it also comprehensively upgraded ICBC intelligent robot "Gino (Gong Xiao Zhi)" which represents ICBC intelligent services.
- The Bank actively explored the transformation and innovation of outlets. By implementing the GBC interconnection strategy in an in-depth manner, it constructed special business scenarios such as "outlets + government service", "outlets + inclusive finance" and "outlets + precious metals", and built more than 1,200 outlets featuring in government service that could provide one-stop services including social security, provident fund, business administration and taxation, hence constantly enhancing the comprehensive service capabilities of outlets.
- At the end of 2020, the Bank had 15,800 outlets, 25,167 self-service banks, 79,672 intelligent devices, and 73,059 ATMs with trading volume of RMB5,907.8 billion.

Service Enhancement

- The Bank continuously improved the quality of customer services. By building a new ecosystem of operational service process, it promoted an integrated operation model of online channels, offline outlets and back-office centers in 27 types of personal and corporate scenarios, to facilitate the online, collaborative and efficient operation of customer services. With the in-depth development of thematic service enhancement activity "2020 Service First", focus was put on seven working measures including improving the service efficiency of outlets, standardizing the service environment of outlets, strengthening the care for employees and the services for benefiting the people, and properly handling complaints, to effectively enhance customers' experience in financial services.
- The Bank made every effort to conduct regular epidemic prevention and control. It reinforced regular epidemic prevention and control in the outlets in all aspects, insisted on putting the protection of customer safety and improvement of service supply in the first place, and implemented 30 safety protection measures from the six aspects of outlet preparation before business operation, protection during and after business operation, disinfection management, daily management and employee health protection, so as to maintain the business order of outlets under the regular epidemic prevention and control.
- The Bank propelled the upgrading of public welfare service brand of outlets. It continued to upgrade its service brand "ICBC Sharing Stations" for inclusive service and people's benefit, and accelerated the establishment of a five-in-one service system including "sharing and convenience for the people, property alleviation for people's benefit, public welfare for the people, propagating and supporting the people, integrating and benefiting the people". Intimate and meticulous services were also provided for grassroots workers such as sanitation workers and couriers. In addition, nearly one hundred outlets that could provide featured services for the elderly customer groups were established to enhance the comprehensive service capabilities for these customers.

Consumer Protection

- The Bank endeavoured to meet the demands for financial services in special periods. It formulated guidelines for consumer protection during the COVID-19 pandemic containment and worked out 33 measures on the "fight against COVID-19" for ICBC's consumer protection, to clarify the consumer protection requirements for the Bank during the pandemic period. The Bank timely handled problems concerning customer loans, credit card repayment and credit reports during the pandemic period, to ensure that customers' reasonable demands could be properly satisfied as a warm and responsible bank. The Bank also made every effort to appropriately perform such tasks as consumer protection review, financial literacy and education, charging regulation and business publicity, to ensure that the rights and interests of customers could be fully protected in special periods.
- The Bank improved consumer protection rules and measures. In accordance with the latest laws, regulations and regulatory requirements, and in combination with the new trends and characteristics of financial consumer behavior, it revised consumer protection and complaint management measures, and drafted financial literacy and education rules for customers, to continuously consolidate the foundation of consumer protection system.
- In 2020, the Bank's "Customer Service and Complaint Management System" recorded a total of 141 thousand customer complaints, including 892 personal customer complaints per 100 outlets and 446 personal customer complaints per RMB100 billion assets, involving such businesses as credit card, personal banking and internet finance, which were mainly from areas such as Zhejiang, Sichuan, Hebei, Shandong and Beijing.

Human Resources Management, Employees and Institutions

Human Resources Management

- The Bank optimized its institutions and employees. By adhering to the human resource efficiency improvement ideas of "serving strategy, scientific configuration, reducing consumption and enhancing efficiency, cultivating talents, and stimulating vitality", it effectively guaranteed the input of human resources in key strategic areas, business lines and professional talent teams. The Head Office's organizational structure and branch system was optimized and adjusted, to practically promote the construction of an intensive operation center and steadily implement the centralization of domestic and overseas businesses. Besides, the Bank deepened the optimization and adjustment of sub-branch layout, streamlined the setting of urban sub-branches, and strengthened the construction of county-level sub-branches, to boost efficiency improvement with intensive human resources.
- The Bank kept improving the quality and effectiveness of education and training. Focusing on strategic transmission, key projects were developed, such as the "No.1 Personal Bank" and the "Preferred Bank for Domestic Foreign Exchange Business". Concentrating on talent training, it carried out trainings on job knowledge and skills, new products, new business and new process promotion, and deepened the implementation of reading activities for all employees, to explore advanced trainings covering the entire career cycle and serve the growth of employees' performance. In 2020, the Bank took the initiative to seek changes in response to the pandemic prevention and control, and actively promoted such training modes as live streaming classroom, e-learning and online training camp. A total of 31 thousand online and offline training sessions were held, and 5.89 million person-times were trained in 2020.
- The Bank also integrated corporate culture into business development. In 2020, ICBC hosted the second "ICBC Innovation Contest", aiming at fostering innovation culture for all employees. ICBC initiated a cultural activity themed with "red finance", to summarize "July 1st Achievements" as a gift for the 100th Anniversary of the Founding of the CPC. In addition, thematic cultural activities such as "ONE ICBC ONE FAMILY" and "ICBC Culture Stories" were organized to gather the strength of the whole group and carry forward the spirit of the new age.

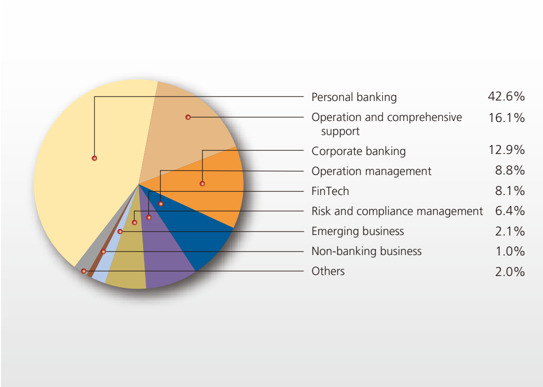
Remuneration Policy

- The Bank adopted a remuneration policy that was in line with corporate governance requirements, in combination with sustainable development targets, in adaptation to risk management system and talent development strategy, and well-matched with employees' value contribution, so as to advance the sound operation and sustainable development of the whole bank.
- Employee remuneration consisted of basic remuneration, performance-based remuneration and welfare income. In particular, the basic remuneration depended on an employee's value contribution and ability to perform duties, and the performance-based remuneration was based on the overall situation of the Bank, the employee's institution or department, and the employee's personal performance measurement results. Meanwhile, the performance-based remuneration to the Senior Management and employees in positions with a significant impact on risks was subject to a deferred payment, stop-payment and pay-back mechanism, so as to balance risks and incentives.
- According to the principle of "efficiency first and consideration of impartiality", the Bank continuously optimized the remuneration resource allocation mechanism with value creation as the core, transmitted the Group's strategic objectives for business management, and allocated more remuneration resources to the grassroots employees, for the purpose of mobilizing and inspiring the business vitality of institutions at all tiers.

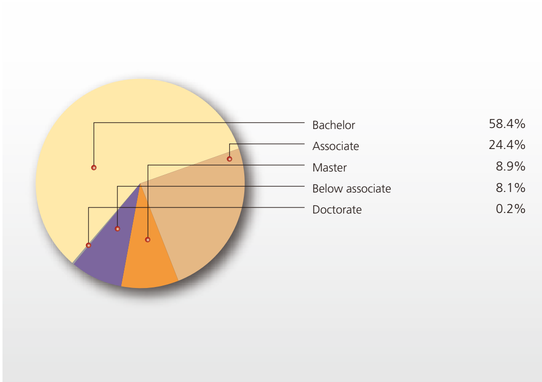
Basic Information on Employees and Institutions

As at the end of 2020, the Bank had a total of 0.44 million employees, including 417 thousand employees in domestic branches, 7 thousand employees in domestic subsidiaries, and 16 thousand employees in overseas institutions.

Employee Specialization



Educational Background of Employees



✧ As at the end of 2020, the Bank had a total of 16,623 institutions, representing an increase of 18 as compared with the end of the previous year. Among them, there were 16,197 domestic institutions and 426 overseas ones. Domestic institutions included the Head Office, 36 tier-one branches and branches directly managed by the Head Office, 456 branches in capital cities and tier-two branches, 15,541 outlets, 31 Head Office-level profitability units along with their directly managed institutions and branches, and 132 subsidiaries and their branches.

GEOGRAPHIC DISTRIBUTION OF ASSETS, INSTITUTIONS AND EMPLOYEES

Item	Assets (in RMB millions)	Percentage of assets (%)	Number of institutions	Percentage of institutions (%)	Number of employees	Percentage of employees (%)
Head Office	9,665,936	29.0	32	0.2	19,243	4.4
Yangtze River Delta	7,183,515	21.5	2,533	15.2	62,360	14.2
Pearl River Delta	4,935,763	14.8	1,995	12.0	48,649	11.1
Bohai Rim	4,994,061	15.0	2,707	16.3	68,868	15.7
Central China	3,334,445	10.0	3,479	20.9	85,077	19.3
Western China	4,249,027	12.7	3,686	22.2	88,823	20.2
Northeastern China	1,246,742	3.7	1,633	9.8	43,588	9.9
Overseas and others	4,024,527	12.1	558	3.4	23,179	5.2
Eliminated and undistributed assets	(6,288,958)	(18.8)				
Total	**33,345,058**	**100.0**	**16,623**	**100.0**	**439,787**	**100.0**

Note: Overseas and other assets include investments in associates and joint ventures.

Internationalized and Diversified Operation

Internationalized Operation

The Bank provided comprehensive services for high-level opening-up, and accelerated the implementation of the strategy to become the preferred bank for domestic foreign exchange business. The local and foreign-currency integrated operation system was improved, and efforts were made to enhance cross-border financial services and provide targeted and efficient services for the new development pattern. The Bank harnessed its global operation advantages, and launched the "Chunrong Action" to support the stability of foreign trade and investment. It supported enterprises' resumption of work and production, and helped maintain the stability of global industrial chain and supply chain. The Bank actively fulfilled its social responsibilities in supporting the fight against the COVID-19 pandemic in the countries and regions where its overseas institutions are located.

- Corporate banking: The Bank strengthened financial support for Chinese enterprises "Going Global" and the Belt and Road Initiative. It made coordinated efforts to advance the characteristic financial innovation in free trade zones, promoted the implementation of large-scale and high-quality overseas cooperation projects, and provided cross-border customers with "one-stop" comprehensive financial services. The Bank has remained the first place for six consecutive years in terms of the number of deals completed for the cross-border acquisition transactions of Chinese-invested enterprises according to the ranking promulgated by Refinitiv. The Bank was among market leaders in Hong Kong IPO underwriting and sponsorship, and the underwriting of overseas bonds and offshore China bonds.

- Personal banking: The Bank endeavored to enhance public convenience in the Guangdong-Hong Kong-Macau Greater Bay Area by launching the "Bay Area Service Link", "Bay Area Account Link" and "ICBC Pay" services. ICBC e Life created the "Bay Area Life" column and the Bank launched the Greater Bay Area virtual credit card. The functions of overseas mobile payment and online marketing of "ICBC Partner" and "ICBC e Payment" were improved. The discount campaigns of contactless payment were carried out to our customers. Personal consumer finance products, such as "card-and-loan-in-one" and "ICBC e Loan", were successfully launched to enable combined online application for overseas credit card product and loan product.

- Internet financial services: In tune with the development trend of the internet, the Bank offered overseas individual and corporate customers internet banking, mobile banking and other online channels, and provided services for 41 countries and regions, providing services in 14 languages. A full range of financial services, including account query, transfer and remittance, investment and wealth management, and payment, were available to customers.

- Financial market business: The Bank established a green channel, giving priority to the foreign exchange settlement and sales business handled for pandemic prevention and control, and helped foreign trade and foreign-invested enterprises control exchange rate risk. The Bank established the interbank bond and foreign exchange market business partnership with overseas institutional investors from nearly 60 countries and regions. The Bank participated in the innovation of opening-up project, and implemented the first FX Spot program trading in the China Foreign Exchange market. As a market marker and an agency settlement bank, it completed the first batch of direct transactions in the interbank bond market direct investment channel (CIBM Direct) of overseas institutional investor customers and the first transaction in the extended trading hours. The Bank took the lead in underwriting the first panda bond issued by an international multilateral institution for COVID-19 containment and the first panda bond issued by an internet firm.

- Global asset management services: The Bank constantly improved the foreign exchange wealth management product system, strived to develop foreign exchange and cross-border RMB products, expanded the scale of management and advisory assets, and actively met the demands of domestic and overseas customers for foreign exchange and cross-border wealth management. The government bond index ETF was successfully issued and formally listed on Singapore Exchange. ICBC Wealth Management ranked first in terms of the market share of cross-border and foreign-currency wealth management products.

- Global custody service: The Bank seized the opportunity brought by the opening of capital market to achieve rapid expansion of custody asset size, and ranked first among domestic banks in terms of the number of qualified foreign institutional investors. To promote opening up to the outside world at a high level, the Bank served as the Depository Receipt bank for the first Chinese Depository Receipt (CDR) transaction, and successfully provided custody service for the first batch of "Shenzhen-Hong Kong ETF Connect" funds and the largest overseas listed China government bond ETF fund. It strengthened the risk management of global custody network during the COVID-19 pandemic to guarantee the smooth operation of global custody products.

- Cross-border RMB business: The Bank advanced the building of cross-border RMB product system and multi-scenario cross-border RMB services, enriched RMB-denominated financial products in the offshore market, and actively supported the RMB-denominated settlement, pricing and financing of commodities and foreign contracted projects. The Bank promoted the innovative development of cross-border RMB business in key regions, including the Lingang New Area in Shanghai, Guangdong-Hong Kong-Macau Greater Bay Area and Hainan Free Trade Port. The Bank stepped up its efforts to develop key offshore RMB markets and boost the overall capability of offshore RMB services. It continuously improved the features of cross-border e-business service platform and the quality and efficiency of customer services. In 2020, the cross-border RMB business volume exceeded RMB7.2 trillion.

- The Bank continued to improve its global network. Auckland Branch officially opened, and Panama Branch was granted a banking license. At the end of 2020, the Bank established 426 overseas institutions in 49 countries and regions and indirectly covered 20 African countries as a shareholder of Standard Bank Group. It had 124 institutions in 21 countries along the Belt and Road. The Bank also established correspondent banking relationships with 1,436 overseas banking institutions in 143 countries and regions, making its service network covering six continents and important international financial centers around the world.

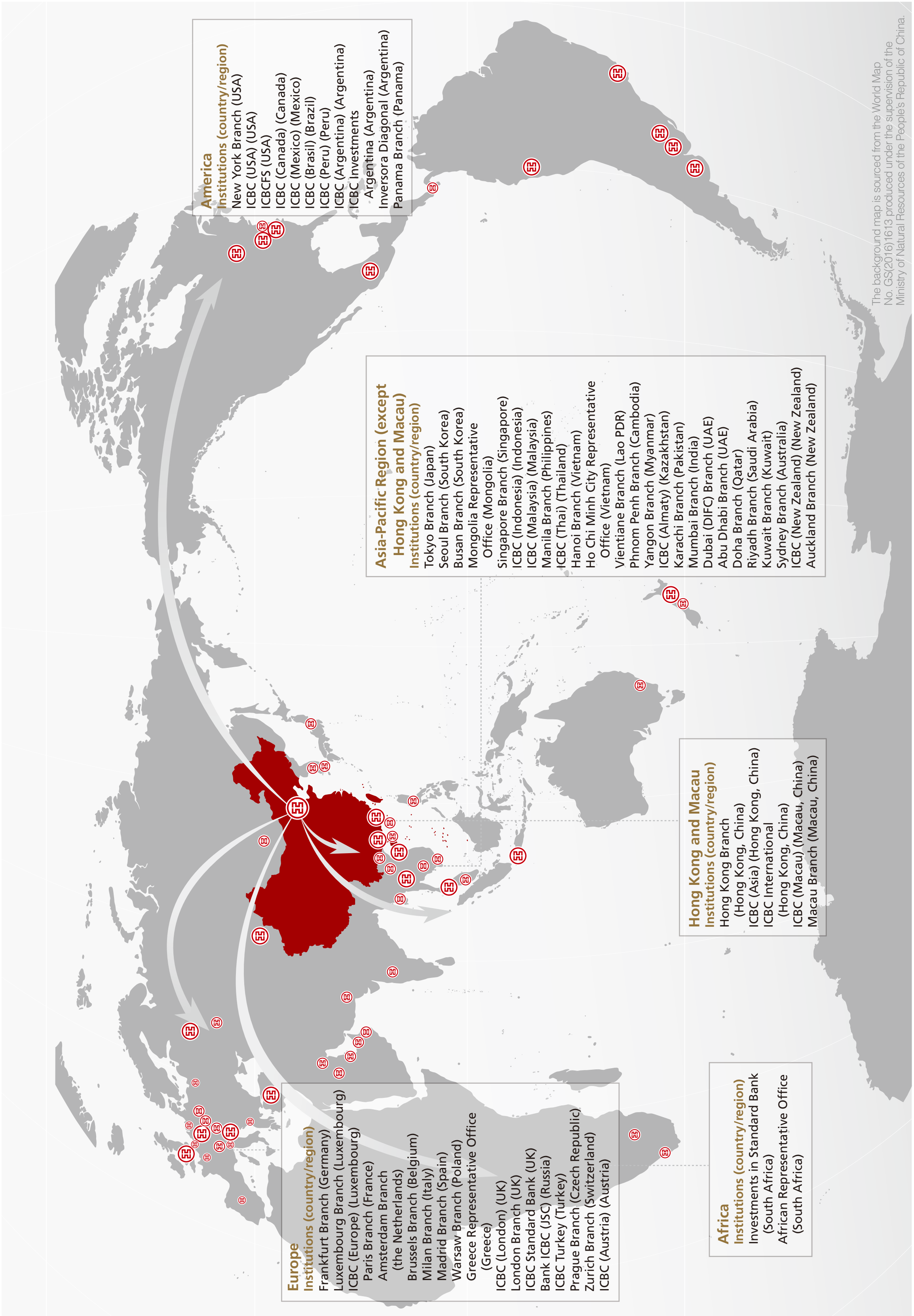
MAJOR INDICATORS FOR OVERSEAS INSTITUTIONS

Item	Assets (in USD millions)		Profit before taxation (in USD millions)		Number of institutions	
	At the end of 2020	At the end of 2019	2020	2019	At the end of 2020	At the end of 2019
Hong Kong and Macau	204,181	197,279	1,565	2,105	108	107
Asia-Pacific Region (except Hong Kong and Macau)	118,253	108,867	950	1,139	90	90
Europe	89,030	80,926	302	21	75	79
America	51,106	51,836	42	449	152	151
Africa Representative Office	–	–	–	–	1	1
Eliminations	(44,378)	(37,213)				
Subtotal	**418,192**	**401,695**	**2,859**	**3,714**	**426**	**428**
Investment in Standard Bank(1)	3,887	3,988	158	376		
Total	**422,079**	**405,683**	**3,017**	**4,090**	**426**	**428**

Note: (1) The assets represent the balance of the Bank's investment in Standard Bank and the profit before taxation represents the Bank's gain on investment recognized by the Bank during the reporting period.

- As at the end of 2020, total assets of overseas institutions (including overseas branches, subsidiaries and investments in Standard Bank) of the Bank were USD422,079 million, an increase of USD16,396 million or 4.0% from the end of the previous year, and they accounted for 8.3% of the Group's total assets. Profit before taxation during the period was USD3,017 million, representing a decrease of USD1,073 million or 26.2% and accounting for 5.0% of the Group's profit before taxation. Total loans amounted to USD202,844 million, representing an increase of USD2,011 million or 1.0% from the end of the previous year; and total deposits were USD148,221 million, representing an increase of USD13,472 million or 10.0%.

DISTRIBUTION MAP OF OVERSEAS INSTITUTIONS



Diversified Operation

ICBC CREDIT SUISSE ASSET MANAGEMENT

- Focusing on the reform and development of capital market, ICBC Credit Suisse Asset Management actively served the real economy and met the diversified investment demands of customers. Operating quality and efficiency continuously improved, and the total amount of assets under management continued to maintain a sound momentum of steady growth. It performed well in investment, and ranked first in terms of the overall return on investment of the stock funds under management. Business structure was continuously improved, and the scale of annuity funds, social security funds and other pension funds under management totalled RMB527.4 billion, an increase of 44.2% over the end of the previous year, continuing to stay ahead in the industry. The scale of non-monetary funds grew quickly, of which stock funds increased by 103%.
- Product and service innovation was advanced steadily. ICBC Credit Suisse Asset Management continued to strengthen the development of equity and hybrid products, took the lead in the industry to issue STIB 50 ETF fund, and made every effort to support the building of the Science and Technology Innovation Board. It continuously improved customer services, upgraded the features of the ICBC Credit Suisse Fund APP, and launched the Fund Wealth in ICBC Mobile, providing customers with a one-stop fund investment services such as query, investment, review, use and learning.
- It actively enhanced investor education. Its investor education base was included in the list of state-level securities and futures investor education bases, which was the first state-level internet investor education base in the fund industry and rated as an "Advanced Unit in Southbound Stock Connect Investor Education in 2020".

ICBC LEASING

- ICBC Leasing deepened the coordination with the Group's strategy, actively integrated into the Group's "1 + N" comprehensive financial service system, and continuously improved the professional customer service capability, the ability of serving the Group's strategy and core competency. It continued to strengthen business expansion and business model innovation in Beijing-Tianjin-Hebei region, Yangtze River Delta, Guangdong-Hong Kong-Macau Greater Bay Area, Central China and Chengdu-Chongqing region.
- Its aircraft leasing line specially optimized asset layout, and actively improved the efficiency of managing existing assets. At the end of 2020, it owned and managed more than 780 aircrafts, and served 82 renowned airline companies around the world. Its business spanned over Europe, Asia-Pacific region, North America, South America and Africa, etc.
- In terms of shipping leasing, the company focused on high-quality customers and flagship enterprises in the industry, and strengthened the analysis and judgment of the situations of global shipping market. Both new and potential projects increased steadily. Its vessel assets covered bulk carriers, container ships, oil tankers, gas ships, luxury cruise ships and other high value-added assets, providing domestic and foreign customers with diverse service modes, such as financial leasing, operating leasing, joint leasing, index-linked leasing arrangement, and parcel transportation service.
- In terms of equipment leasing, the company steadily enhanced the professional customer service capability, continuously consolidated the competitive advantages in transport, energy, large-size equipment and other fields, and increased the support for clean energy, intelligent transport, high-end equipment manufacturing and other fields. It actively explored the business innovation mode in the fields such as culture and sports, healthcare, green energy.
- The company was rated as the "Best Financial Leasing Company of the Year" by the *Financial Times* for three consecutive years, and the "Best Financial Leasing Company of the Year" by the *Securities Times*.

ICBC-AXA

- ICBC-AXA strengthened its guidance role of the "High Growth in Value" strategy, coordinated the COVID-19 containment and business development, and implemented the social responsibilities of risk protection. In support of fighting against the pandemic, the company took the initiative to design and provide the exclusive "Medical Angel" life insurance product for the medical staff in Hubei Province. A total of 2,258 cases were handled in 2020, with a total compensation of RMB40.56 million. It donated a total sum assured of RMB500 billion insurance products for people at the front line of fighting against COVID-19 pandemic.
- ICBC-AXA actively advanced the optimization of business mix. It adhered to the transformation of regular payment business, and its regular premium income hit a record high. As residents raised awareness about the importance of health insurance, it seized the opportunity to develop health insurance business. It paid close attention to the changes in the capital market, optimized the investment portfolio, enhanced the risk management of investment assets, and achieved a significant improvement in investment returns.
- By the end of 2020, ICBC-AXA had 1.44 million in-force individual customers, representing an increase of 9.7% over the end of the previous year, remaining as the first bank-affiliated insurance company in terms of premium income. It won the "Ark Award for Model Deeds in COVID-19 Containment of China's Insurance Industry in 2020", the "Best Insurance Company in Supporting COVID-19 Containment in 2020" and the "Brand Influence Insurance Company in 2020", and ranked first in the comprehensive competitiveness list of foreign-invested life insurance companies in 2020.

ICBC INTERNATIONAL

- ICBC International made overall plans to promote the regular pandemic prevention and control and the business development, provided sound customer service for listed companies and investors, ensured 24-hour trading services for customers, and stabilized market sentiment.
- The four business segments, i.e. investment banking, sales and trading, investment management and asset management, achieved smooth development. ICBC International was among the highest echelon of the market in terms of the underwriting scale of IPO business, and stayed ahead in the market in the underwriting scale of overseas bonds. It was promoted to the Class-B securities firms on the Hong Kong Stock Exchange. It was the first among domestic peers to launch cross-border two-way RMB fund pool business. Its market research was awarded the "Best Overseas Analyst Team" in the Greater China by the *Institutional Investor*.

ICBC INVESTMENT

- As one of the first pilot banks to conduct debt-for-equity swap authorized by the State Council, ICBC Investment actively and steadily expanded and improved market-oriented debt-for-equity swap business, made strategic arrangements with a focus on the supply-side structural reform, and diversified fund-raising channels. It served the high-quality development of manufacturing industry, the mixed ownership reform of central enterprises and the development of private economy, and continuously improved the quality and efficiency in serving the real economy.
- It was the first in the industry to launch a special fund for the prevention and control of COVID-19 pandemic, in a bid to help enterprises resume work and production. It launched the innovative mode of first investing in the headquarters of central enterprises through debt-for-equity swap, and made every effort to support China's energy reform.
- ICBC Investment gave full play to the role of shareholder, and sent directors and supervisors to the shareholding subsidiaries in which it conducted debt-for-equity swap. It took an active part in these companies' corporate governance, and provided comprehensive financial services for them by bank-company interconnection and investment-loan interconnection, and energetically supported the reform and development of these enterprises.

ICBC WEALTH MANAGEMENT

- ✧ In light of the New Rules on Asset Management and other regulatory requirements, ICBC Wealth Management continuously exploited products and services, and enhanced investment research and the building of core risk control capability. It served the demands of 25.68 million individual customers, 89 thousand private banking customers and 722 thousand corporate customers for asset allocation and wealth management, and achieved leap-forward development starting from scratch to the management scale of more than one trillion.
- ✧ ICBC Wealth Management kept improving its business structure and product portfolio, and advanced the steady growth of the proportion of non-cash, hybrid and medium to long-term products. It released the first net worth-based product linked to options in the industry. It was the first among all banks to launch a wide-spectrum unsecured bond index and an open USD-denominated wealth management product. The "ICBC CSOP FTSE Chinese Government Bond Index ETF" was officially listed on Singapore Exchange.
- ✧ ICBC Wealth Management actively enhanced management capability, continuously consolidated the core advantages in fixed-income and project investment, actively cultivated multi-asset, equity, quantified and cross-border investment capability, advanced the steady growth of net worth of overall products, and constantly improved the applicability of serving the real economy.
- ✧ In light of the Group's uniform risk appetite, ICBC Wealth Management built a comprehensive risk control compliance framework to strengthen the risk prevention and control for core business and key fields, and quickened the building of risk management platform.
- ✧ It won a number of industry prestigious awards, including "2020 Golden Bull Award for Banking Wealth Management". The numbers of subscribers for the WeChat public account of "ICBC Wealth Management" exceeded 100 thousand.

Major Controlled Subsidiaries and Equity Participating Company

Major Overseas Subsidiaries

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

ICBC (Asia) is a wholly-owned Hong Kong registered bank by the Bank, and has an issued share capital of HKD44,188 million. It provides comprehensive commercial banking services and the major businesses, including commercial credit, trade finance, investment service, retail banking, e-banking, custody, credit card, receiving bank services for IPOs and dividend distribution, etc. At the end of 2020, ICBC (Asia) recorded total assets of USD120,113 million and net assets of USD17,773 million. It generated a net profit of USD713 million during the year.

ICBC INTERNATIONAL HOLDINGS LIMITED

ICBC International, a licensed integrated platform for financial services in Hong Kong that is wholly-owned by the Bank, has a paid-up capital of HKD4,882 million. It mainly renders a variety of financial services, including corporate finance, investment management, sales and trading, and asset management. At the end of 2020, ICBC International recorded total assets of USD7,948 million and net assets of USD1,630 million. It generated a net profit of USD225 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MACAU) LIMITED

ICBC (Macau) is the largest local legal banking entity in Macau. It has a share capital of MOP589 million, in which the Bank holds an 89.33% stake. ICBC (Macau) mainly engages in comprehensive commercial banking services such as deposit, loan, trade finance and international settlement. At the end of 2020, ICBC (Macau) recorded total assets of USD50,777 million and net assets of USD3,540 million. It generated a net profit of USD298 million during the year.

PT. BANK ICBC INDONESIA

ICBC (Indonesia) is a full-licensed commercial banking subsidiary of the Bank registered in Indonesia, with a paid-up capital of IDR3.71 trillion, in which the Bank holds a 98.61% stake. ICBC (Indonesia) mainly specializes in financial services such as deposit, loans, trade finance, settlement, agency services, interbank borrowing and lending and foreign exchange. At the end of 2020, ICBC (Indonesia) recorded total assets of USD3,967 million and net assets of USD429 million. It generated a net profit of USD8.51 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD

ICBC (Malaysia) is a wholly-owned subsidiary of the Bank established in Malaysia. With a paid-up capital of MYR833 million, it is able to provide a full range of commercial banking services. At the end of 2020, ICBC (Malaysia) recorded total assets of USD1,019 million and net assets of USD302 million. It generated a net profit of USD10.11 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED

ICBC (Thai), a subsidiary of the Bank in Thailand, has a share capital of THB20,132 million, in which the Bank holds a 97.86% stake. ICBC (Thai) holds a comprehensive banking license and provides various services including deposit, loan, trade finance, remittance, settlement, leasing and consulting. At the end of 2020, ICBC (Thai) recorded total assets of USD9,005 million and net assets of USD1,119 million. It generated a net profit of USD79.63 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ALMATY) JOINT STOCK COMPANY

ICBC (Almaty), a wholly-owned subsidiary of the Bank, was incorporated in Kazakhstan with a share capital of KZT8,933 million. It principally engages in commercial banking services such as deposit, loan, international settlement and trade finance, foreign currency exchange, guarantee, account management, internet banking and bank card service. At the end of 2020, ICBC (Almaty) recorded total assets of USD514 million and net assets of USD72 million. It generated a net profit of USD10.45 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

ICBC (New Zealand), a wholly-owned subsidiary of the Bank in New Zealand, has a paid-up capital of NZD234 million. ICBC (New Zealand) provides corporate and personal banking services such as account management, transfer and remittance, international settlement, trade finance, corporate credit, residential mortgages and credit card business. At the end of 2020, ICBC (New Zealand) recorded total assets of USD1,477 million and net assets of USD195 million. It generated a net profit of USD9.05 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A.

ICBC (Europe), a wholly-owned subsidiary of the Bank, was incorporated in Luxembourg with a paid-up capital of EUR437 million. Paris Branch, Brussels Branch, Amsterdam Branch, Milan Branch, Madrid Branch, Warsaw Branch and Greece Representative Office are structured under ICBC (Europe), which mainly offers financial services including loan, trade finance, settlement, treasury, investment banking, custody, franchise wealth management, etc. At the end of 2020, ICBC (Europe) recorded total assets of USD6,830 million and net assets of USD761 million. It suffered a net loss of USD14.17 million during the year.

ICBC (LONDON) PLC

ICBC (London), a wholly-owned subsidiary of the Bank, was incorporated in the United Kingdom with a paid-up capital of USD200 million. It provides banking services such as deposit and exchange, loans, trade finance, international settlement, funds clearing, foreign exchange trading and retail banking. At the end of 2020, ICBC (London) recorded total assets of USD2,009 million and net assets of USD457 million. It generated a net profit of USD10.59 million during the year.

ICBC STANDARD BANK PLC

ICBC Standard Bank, a subsidiary of the Bank in the United Kingdom, has an issued share capital of USD1,083 million, in which the Bank holds a 60% stake directly. ICBC Standard Bank mainly provides global commodity trading businesses such as base metals, precious metals, commodities and energy as well as global financial markets businesses such as exchange rate, interest rate and credit. At the end of 2020, ICBC Standard Bank recorded total assets of USD27,739 million and net assets of USD1,303 million. It generated a net profit of USD117 million during the year.

BANK ICBC (JOINT STOCK COMPANY)

Bank ICBC (JSC), a wholly-owned subsidiary of the Bank, was incorporated in Russia with a share capital of RUB10,810 million. It mainly provides a full spectrum of corporate banking services including corporate and project loan, trade finance, deposit, settlement, securities brokerage, custody, franchise treasury business and securities trading, foreign currency exchange, global cash management, investment banking and corporate financial consulting, as well as personal banking services. At the end of 2020, Bank ICBC (JSC) recorded total assets of USD1,067 million and net assets of USD164 million. It generated a net profit of USD8.63 million during the year.

ICBC TURKEY BANK ANONIM ŞIRKETI

ICBC (Turkey), a subsidiary of the Bank in Turkey, has a share capital of TRY860 million, in which the Bank holds a 92.84% stake. It holds commercial banking, investment banking and asset management licenses, and provides corporate customers with comprehensive financial services including deposit, project loan, syndicated loan, trade finance, small and medium-sized enterprise loan, investment and financing advisory, securities brokerage and asset management, and renders personal customers with financial services such as deposit, consumption loan, residential mortgages, credit card and E-banking. At the end of 2020, ICBC (Turkey) recorded total assets of USD3,391 million and net assets of USD196 million. It generated a net profit of USD13.21 million during the year.

ICBC AUSTRIA BANK GMBH

ICBC (Austria), a wholly-owned subsidiary of the Bank in Austria, has a share capital of EUR200 million. ICBC (Austria) provides financial services such as corporate deposit, loan, trade finance, international settlement, cash management, cross-border RMB business, foreign exchange transactions, and financial advisory for cross-border investment and financing. At the end of 2020, ICBC (Austria) recorded total assets of USD774 million and net assets of USD237 million. It suffered a net loss of USD3.28 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (USA) NA

ICBC (USA), a controlled subsidiary of the Bank in the United States, has a paid-up capital of USD369 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license registered in the UFIQAC, ICBC (USA) is a member of Federal Deposit Insurance Corporation, providing corporate and retail banking services such as deposit, loan, settlement and remittance, trade finance, cross-border settlement, cash management, E-banking and bank card services. At the end of 2020, ICBC (USA) recorded total assets of USD2,901 million and net assets of USD390 million. It suffered a net loss of USD51.33 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC

ICBCFS, a wholly-owned securities subsidiary of the Bank in the United States, has a paid-up capital of USD50.00 million. It mainly specializes in securities clearing and financing business in Europe and America, and offers securities brokerage services including securities clearing, financing and custody for institutional customers. At the end of 2020, ICBCFS recorded total assets of USD23,117 million and net assets of USD97 million. It generated a net profit of USD5.19 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

ICBC (Canada) is a subsidiary of the Bank in Canada with a paid-up capital of CAD208 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license, ICBC (Canada) provides corporate and retail banking services such as deposit, loan, settlement and remittance, trade finance, foreign exchange trading, funds clearing, cross-border RMB settlement, RMB currency notes, cash management, E-banking, bank card and investment and financing information consulting service. At the end of 2020, ICBC (Canada) recorded total assets of USD1,944 million and net assets of USD278 million. It generated a net profit of USD1.45 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA MEXICO S.A.

ICBC (Mexico), a wholly-owned subsidiary of the Bank in Mexico, has a paid-up capital of MXN1,597 million. Holding a full-functional commercial banking license, ICBC (Mexico) offers corporate deposit, loan, international settlement, trade finance, foreign exchange trading and other services. At the end of 2020, ICBC (Mexico) recorded total assets of USD201 million and net assets of USD32 million. It suffered a net loss of USD18.09 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (BRASIL) S.A.

ICBC (Brasil), a wholly-owned subsidiary of the Bank in Brazil, has a paid-up capital of BRL202 million. ICBC (Brasil) offers commercial banking and investment banking services such as deposit, loan, trade finance, international settlement, fund transaction, franchise wealth management and financial advisory. At the end of 2020, ICBC (Brasil) recorded total assets of USD270 million and net assets of USD39 million. It suffered a net loss of USD2.34 million during the year.

ICBC PERU BANK

ICBC (Peru), a wholly-owned subsidiary of the Bank in Peru, has a paid-up capital of USD120 million. Holding a full-functional commercial banking license, ICBC (Peru) offers corporate deposit, loan, financial leasing, international settlement, trade finance, foreign exchange trading, E-banking and other services. At the end of 2020, ICBC (Peru) recorded total assets of USD824 million and net assets of USD106 million. It generated a net profit of USD8.84 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ARGENTINA) S.A.

ICBC (Argentina), a wholly-owned subsidiary of the Bank in Argentina, has a share capital of ARS18.8 billion. With the full-functional commercial banking license, ICBC (Argentina) provides a full range of commercial banking services including working capital loan, syndicated loan, structured financing, trade finance, personal loan, auto loan, spot/forward foreign exchange trading, financial markets, cash management, investment banking, bond underwriting, asset custody, leasing, international settlement, E-banking, credit card, asset management, etc. At the end of 2020, ICBC (Argentina) recorded total assets of USD4,151 million and net assets of USD663 million. It generated a net profit of USD112 million during the year.

Major Domestic Subsidiaries

ICBC CREDIT SUISSE ASSET MANAGEMENT CO., LTD.

ICBC Credit Suisse Asset Management, a subsidiary of the Bank, has a paid-up capital of RMB200 million, in which the Bank holds an 80% stake. It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by CSRC, and owns many business qualifications including mutual fund, QDII, enterprise annuity, specific asset management, domestic and overseas investment manager of social security fund, RQFII, insurance asset management, non-listed asset management, occupational annuity, manager of basic pension insurance investment. It is one of the fund companies with the most comprehensive qualifications in the industry. At the end of 2020, ICBC Credit Suisse Asset Management managed a total of 164 mutual funds and nearly 600 enterprise annuity accounts and segregated management accounts as well as non-listed assets portfolios, with the assets under management amounting to RMB1.41 trillion, and recorded total assets of RMB14,924 million and net assets of RMB11,303 million. It generated a net profit of RMB1,973 million during the year.

ICBC FINANCIAL LEASING CO., LTD.

ICBC Leasing, a wholly-owned subsidiary of the Bank, has a paid-up capital of RMB18.0 billion. It mainly operates the financial leasing of large-scale equipment in critical fields such as aviation, shipping, energy and power, rail transit and equipment manufacturing. It also engages in various financial and industrial services including rental transfer, investment fund, securitization of investment assets, assets trading and assets management. At the end of 2020, ICBC Leasing recorded total assets of RMB281,417 million and net assets of RMB38,148 million, and generated a net profit of RMB3,513 million during the year.

ICBC-AXA ASSURANCE CO., LTD.

ICBC-AXA, a subsidiary of the Bank, has a paid-up capital of RMB12,505 million, in which the Bank holds a 60% stake. ICBC-AXA engages in a variety of insurance businesses such as life insurance, health insurance and accident insurance, and re-insurance of these businesses, businesses in which use of insurance capital is permitted by laws and regulations of the State, and other businesses approved by the CBIRC. At the end of 2020, ICBC-AXA recorded total assets of RMB209,523 million and net assets of RMB16,175 million. It generated a net profit of RMB1,451 million during the year.

ICBC FINANCIAL ASSET INVESTMENT CO., LTD.

ICBC Investment, a wholly-owned subsidiary of the Bank, has a paid-up capital of RMB12.0 billion and is one of the first pilot banks in China to conduct debt-for-equity swap authorized by the State Council. It holds the franchise license of non-bank financial institution and is mainly engaged in debt-for-equity swap and the supporting business. At the end of 2020, ICBC Investment recorded total assets of RMB145,625 million and net assets of RMB15,135 million. It generated a net profit of RMB1,122 million during the year.

ICBC WEALTH MANAGEMENT CO., LTD.

ICBC Wealth Management, a wholly-owned subsidiary of the Bank, has a paid-up capital of RMB16.0 billion. It engages mainly in the issuance of wealth management products, wealth management advisory and consulting service and other activities approved by CBIRC, and is qualified for general derivatives trading and foreign exchange business. At the end of 2020, ICBC Wealth Management recorded total assets of RMB17,861 million and net assets of RMB16,745 million. It generated a net profit of RMB408 million during the year.

Major Equity Participation Company

STANDARD BANK GROUP LIMITED

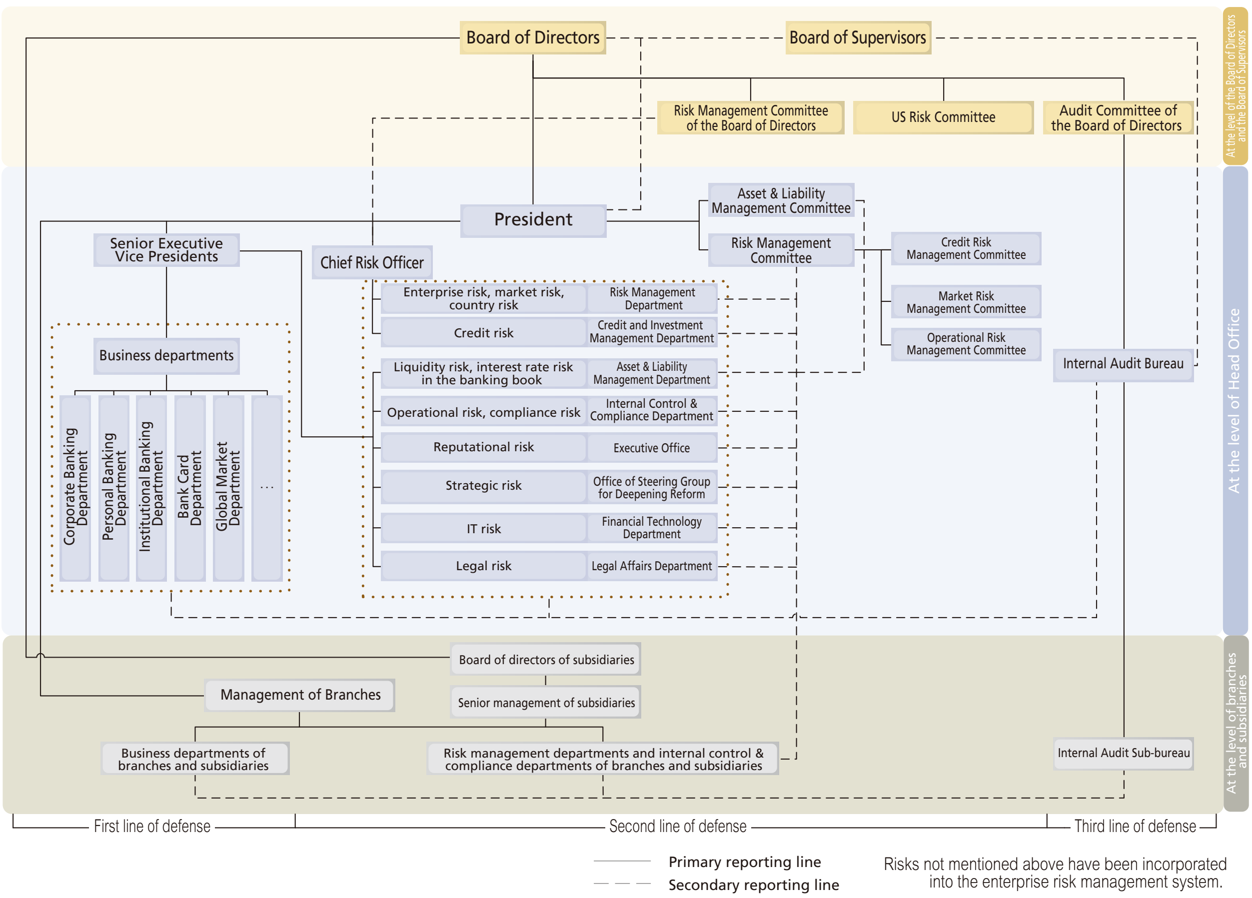
Standard Bank is the largest commercial bank in Africa. Its scope of business covers commercial banking, investment banking, life insurance business and other areas. The Bank holds 20.06% ordinary shares of Standard Bank. Based on mutual benefit and win-win cooperation, the two sides furthered their cooperation in equity cooperation, customer expansion, project financing, product innovation, risk management, FinTech and staff exchange. At the end of 2020, Standard Bank recorded total assets of ZAR2,532,940 million and net assets of ZAR215,272 million. It generated a net profit of ZAR14,513 million during the year.

RISK MANAGEMENT

Enterprise Risk Management System

Enterprise risk management is a process to effectively identify, assess, measure, monitor, control or mitigate and report risks in order to ensure the realization of the Group's operating and strategic objectives by setting up effective and balanced risk governance structure, fostering robust and prudent risk culture, formulating unified risk management strategies and risk appetite, and implementing the risk limit and risk management policies. The principles of enterprise risk management of the Bank include full coverage, matching, independence, perspectiveness and effectiveness, etc.

The Bank's organizational structure of risk management comprises the Board of Directors and its special committees, the Board of Supervisors, the Senior Management and its special committees, the risk management departments, the internal audit departments, etc. The risk management organizational structure is illustrated below:



In 2020, the Bank's overall objective was to "build an enterprise risk management framework that matches a world-class and modern financial enterprise with global competitiveness". It focused on the "management of personnel, assets, defense lines and bottom lines", continuously improved the top-level design of risk management, and enhanced enterprise risk management based on the path of "active prevention, smart control and comprehensive management". The Bank revised and ameliorated the enterprise risk management system, performed risk management responsibilities, transmitted risk management culture, and achieved full coverage of institutions, businesses and personnel with risk management measures. Besides, it optimized the risk appetite and risk limit management system, improved risk emergency management capabilities and consolidated the foundation of the Group's consolidated risk management, to promote the intelligent construction of risk control system, and deepen the application of new technologies such as big data and artificial intelligence.

Credit Risk

Credit Risk Management

Credit risk is the risk where loss is caused to the banking business when the borrower or counterparty fails to meet its contractual obligations. The Bank's credit risks mainly originate from loans, treasury operations (including due from banks, placements with banks, reverse repurchase agreements, corporate bonds and financial bonds investment), receivables and off-balance sheet credit business (including guarantees, commitments and financial derivatives trading).

The Bank strictly adheres to regulatory requirements regarding credit risk management, diligently fulfills established strategies and objectives under the leadership of the Board of Directors and the Senior Management, and implements an independent, centralized and vertical credit risk management mode. The Board of Directors assumes the ultimate responsibility for the effectiveness of credit risk management. The Senior Management is responsible for executing the strategies, overall policy and system regarding credit risk management approved by the Board of Directors. The Credit Risk Management Committee of the Senior Management is the reviewing and decision-making organ of the Bank in respect of credit risk management, is responsible for reviewing material and important affairs of credit risk management, and performs its duty in accordance with the Charters of the Credit Risk Management Committee. The credit and investment management departments at different levels undertake the responsibility of coordinating credit risk management at respective levels, and the business departments implement credit risk management policies and standards for their respective business areas in accordance with their functions.

The Bank's credit risk management has the following characteristics: (1) Unified risk appetite. Unified credit risk appetite is implemented for the Bank's credit risk exposures; (2) Entire-process management. The credit risk management covers the entire process including customer investigation, credit rating, loan evaluation, loan review and approval, loan payment and post-lending monitoring; (3) System management. It continues to enhance the building of credit information system, and improve the tools to manage and control credit risk; (4) Strict management over credits. Strict qualification management is enforced on the business institutions and the credit practitioners. The Bank supervises and inspects its credits to promote compliant and robust operation; (5) The specialized institution is set up to conduct unified risk monitoring over credit risk businesses; and (6) The specialized institution is established to effectively coordinate management and directly participate in the collection and disposal of non-performing assets ("NPAs") in a timely manner or guide branches to do so.

According to the regulatory requirement on loan risk classification, the Bank implemented five-category classification management in relation to loan quality and classified loans into five categories: pass, special mention, substandard, doubtful and loss, based on the possibility of collecting the principal and interest of loans. In order to implement sophisticated management of credit asset quality and improve risk management, the Bank implemented the twelve-category internal classification system for corporate loans. The Bank applied five-category classification management to personal credit assets and ascertained the category of the loans based on the number of months in default, expected loss ratio, credit rating, collateral and other quantitative and qualitative factors.

Credit Risk Management of Corporate Loans

The Bank continued to strengthen the building of the credit policy system. A joint prevention and control mechanism was established to support key business development and risk management, with the coordinated participation by front-, middle- and back-office departments, and an intelligent credit risk management and control model consisting of "Three Gates" and "Seven-color Pools"[1] was built, to highlight the strengthening of credit risk management and control. New credit approval regulations were implemented in an all-around manner, to optimize the review and approval system, and improve credit risk mitigation measures. Besides, the working capital loan management rules were optimized and integrated, the management of risk control process was strengthened, and the transformation of supporting systems was completed. The Bank also formulated the loan management measures for supporting technological enhancements of manufacturing enterprises, so as to provide positive support for the financing needs of these enterprises for technological upgrading and transformation and for the construction of high-quality projects.

1 The intelligent credit risk management solutions of "Three Gates" and "Seven-color Pools" are the systematic summary of the Bank's management and control ideas on credit risk. "Three Gates" refer to asset selection at the entrance end, asset management at the threshold end and asset disposal at the exit end. "Seven-color Pools" cover seven color pools with risk rating from low to high, which are driven by intelligent risk control and can strengthen holistic coordination of the credit risk management and realize differential and precise risk management by pool, area and segment.

The Bank strengthened the strategic guidance on credit policies. It actively provided support for the infrastructure projects under construction such as highways, railways, airports, urban rail transit and municipal public facilities as well as the construction of major projects for tackling areas of weaknesses. It highlighted the support for high-quality customers and projects in the emerging manufacturing fields such as new generation information technology and high-end equipment, to continuously intensify the differentiated policy management of the traditional manufacturing industry. Besides, active support was also given to the financing demand for consumption upgrade in the service industry. Through organic connection between industrial and regional policies, the Bank revised and improved the credit policies for key regions such as the Yangtze River Delta, the Guangdong-Hong Kong-Macau Greater Bay Area, the Beijing-Tianjin-Hebei region, Central China, and the Chengdu-Chongqing economic circle. Priority was given to supporting key investment and financing projects along the Belt and Road, upgrading core technologies, stabilizing the global industrial chain, and promoting the dual-cycle related business needs at home and abroad.

The Bank strengthened the risk management in the real estate industry. It paid close attention to the risk changes in the real estate markets of different regions, focused on supporting ordinary commercial housing projects aimed to satisfy rigid demands that are in line with regulatory policies, proactively and prudently promote financing for commercial rental housing projects, and provided financial support for the building of government-subsidized housing projects in compliance with laws and regulations. In addition, it continued to implement quota management for commercial real estate investment and financing, for the purpose of reasonably controlling the total amount of investment and financing for such projects.

The Bank enhanced the risk management of inclusive loans. In adherence to the whole-process risk prevention and control of inclusive loans, the Bank followed the development direction of "digital inclusiveness", and created an inclusive loan risk management system featuring "data-driven, intelligent warning, dynamic management, and continuous operation". It optimized customer selection and model access, to strictly control customer access. The duration management model in combination with on-site inspection and off-site monitoring was constantly prompted, with the performance of on-site inspection responsibilities, to continuously enrich off-site monitoring data sources, optimize monitoring models, and improve the accuracy and coverage of off-site monitoring. Moreover, the Bank kept monitoring the use of loans related to epidemic prevention, strictly implemented bail-in policy arrangements such as deferred principal and interest repayment, and reinforced the tracking and monitoring of loans with deferred debt service.

Credit Risk Management of Personal Loans

For the purpose of proactively responding to the risks caused by the pandemic, the Bank made every effort to provide credit support and service guarantee for personal customers during the outbreak of the pandemic, and strengthened the mitigation of credit risk for customers whose repayment capability was severely affected by the pandemic. An intelligent implementation plan for credit risk management and control of personal loans was prepared, to strictly manage customer access, and strengthen differentiated risk warning and refined management of NPAs. Furthermore, the personal loan risk monitoring model was optimized to improve monitoring and warning capabilities, the case prevention management was properly conducted to enhance the tracking and remediation of risk events, and close attention was paid to the tracking and governance of key risk points.

Credit Risk Management of Credit Card Business

The Bank consolidated the credit management system for credit card business by improving related regulations and processes including the joint prevention and control mechanism for review and approval process and the authenticity review rules; and it established a scenario-based "1+N" credit management mechanism, to realize functions such as credit view, real-time credit granting, and real-time digital card issuance. The Bank innovated the limit management mode and built a customer-based financing limit management and control system. In addition, the Bank established and improved a multi-dimensional risk monitoring system, and developed a credit default risk management and control system for existing customers, to enhance differentiated risk management and control.

Credit Risk Management of Treasury Operations

In terms of investment business, the Bank strengthened pre-investment screening and analysis, paid close attention to the redemption risk of bonds due within the year, strengthened the monitoring of exiting bonds in key risk industries, and reinforced duration management. With respect to money market business, the Bank tightened up the pre-review and regular risk assessment of counterparty access, strengthened the systematic management and control of important risk management processes such as authorization, credit extension, counterparty access, collateral, transaction price and concentration, and improved ex post duration management, with appropriate potential risk analysis and investigation. As for derivative business, the Bank actively promoted the negotiation and signing of ISDA, NAFMII and other legal agreements, strictly managed and controlled the credit line of derivative counterparties through the Global Financial Market Transaction platform, and maintained regular monitoring of client margins and credit line.

Credit Risk Analysis

At the end of 2020, the Bank's maximum exposure to credit risk, without taking into account any collateral and other credit enhancements, was RMB35,016,818 million, an increase of RMB2,870,673 million compared with the end of the previous year. Please refer to "Note 51.(a)(i) to the Financial Statements: Maximum Exposure to Credit Risk Without Taking Account of Any Collateral and Other Credit Enhancements". For mitigated risk exposures of credit risk asset portfolio of the Bank, please refer to the section headed "Credit Risk" of the 2020 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

	At 31 December 2020		At 31 December 2019	
Item	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

	At 31 December 2020				At 31 December 2019			
Item	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	**223,703**	**89,151**	**217,446**	**530,300**	**211**	**–**	**650**	**861**

Note: Please see "Note 23. to the Financial Statements: Loans and Advances to Customers" for details.

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 Amount	At 31 December 2020 % of total loans	At 31 December 2019 Amount	At 31 December 2019 % 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. The table below shows the details of the loans granted to the top ten single borrowers of the Bank as at the end of 2020.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total loans
Borrower A	Transportation, storage and postal services	117,828	0.6
Borrower B	Transportation, storage and postal services	66,444	0.4
Borrower C	Finance	57,007	0.3
Borrower D	Finance	48,375	0.3
Borrower E	Transportation, storage and postal services	44,656	0.2
Borrower F	Transportation, storage and postal services	39,407	0.2
Borrower G	Finance	37,893	0.2
Borrower H	Production and supply of electricity, heat, gas and water	32,668	0.2
Borrower I	Transportation, storage and postal services	28,646	0.2
Borrower J	Transportation, storage and postal services	28,539	0.1
Total		**501,463**	**2.7**

Large Exposures Management

The Bank actively established and improved the management structure and system for large exposures, improved relevant rules and regulations, and clarified requirements on management framework, calculation method, policy and procedures related to large exposures management. Efforts were also made to promote the system related to large exposures management to effectively manage the Bank's large exposures.

Risk Management for Asset Management

The Bank actively implemented the requirements of New Rules on Asset Management, strictly implemented the principle of "risk isolation between agency investment and proprietary business", and continued to strengthen the construction of system for managing asset management risk, to promote the transformation of such management system. The credit risk management mechanism was regulated for non-standardized agency investment business after the establishment of ICBC Wealth Management, and the basic management system for non-standardized agency investment business was revised, to intensify the refined and differentiated management of key businesses. With the continuous optimization of IT system functions related to asset management, the whole-process and systematic management of agency investment business was strengthened. The wealth management and investment risks were reviewed, to strictly control the use of wealth management funds. To optimize and improve the credit rating mechanism, a credit rating system with full market coverage and dynamic adjustment was established. With close attention paid to market fluctuations, market research and judgment was intensified, and stress testing was carried out on a regular basis, so that risk management could be more forward-looking and effective. Besides, a dynamic and prudent liquidity risk management system was built, to reasonably match product maturity and asset maturity, and tighten up liquidity monitoring at key points in time.

For credit risk capital measurement, please refer to the section headed "Credit Risk" of the 2020 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited.

Market Risk

Market risk is defined as the risk of loss to the Bank's on- and off-balance sheet activities caused by adverse movements in market rates (including interest rates, exchange rates, stock prices and commodity prices). The Bank is primarily exposed to interest rate risk and currency risk (including gold).

Market risk management is the process of identifying, measuring, monitoring, controlling and reporting market risk for the purposes of setting up and enhancing the market risk management system, specifying responsibilities and process, determining and standardizing the measurement approaches, limit management indicators and market risk reports, controlling and preventing market risk and improving the level of market risk management. The objective of market risk management is to control market risk exposures within a tolerable level and maximize risk-adjusted return according to the Bank's risk appetite.

The Bank strictly complies with regulatory requirements on market risk management, has implemented an independent, centralized and coordinated market risk management model, and formed a management organizational structure featuring the segregation of the front, the middle and the back offices in the financial market business. The Board of Directors assumes the ultimate responsibility for monitoring market risk management. The Senior Management is responsible for executing the strategies, overall policy and system concerning market risk management approved by the Board of Directors. The Market Risk Management Committee of the Senior Management is the reviewing and decision-making organ of the Bank in respect of market risk management, is responsible for reviewing material affairs of market risk management, and performs its duty in accordance with the Working Regulations for the Market Risk Management Committee. The risk management departments at different levels undertake the responsibility of coordinating market risk management at respective levels, and the business departments implement market risk management policies and standards for their respective business areas in accordance with their functions.

In 2020, the Bank continued to improve the Group's market risk management, and deepened the establishment of market risk management system at the Group's level, to enrich and ameliorate the market risk management policy system on an ongoing basis. It innovated the financial market business and product risk management system, and established a product life-cycle risk assessment and review mechanism. To cement the market risk management of overseas institutions, a major market risk emergency management plan for overseas institutions was formulated. The Group's market risk appetite and limit transmission mechanism was improved, to strictly control the Group's market risk limits. A forward-looking analysis of interest rate, exchange rate and commodity risks was conducted in a timely manner, with the establishment of a quick risk reporting mechanism during the COVID-19 pandemic. Empowered by technologies, the market risk management system was more intelligent, thus enhancing the optimization, management and application of functions such as stress testing and continuously promoting the extended application of global market risk management system to overseas institutions.

Management of Market Risk in the Trading Book

The Bank kept strengthening trading book market risk management and product control, and adopted the value-at-risk (VaR), stress testing, sensitivity analysis, exposure analysis, profit/loss analysis, price monitoring and other means to measure and manage trading book products. It continued to improve the portfolio-based market risk limit management system, refined the limit indicator system, ameliorated the dynamic management mechanism, and realized quick and flexible limit monitoring and dynamic adjustments based on the GMRM system, to meet the requirements of new products and businesses for timeliness.

For VaR of the trading book, please refer to "Note 51. (c)(i) to the Financial Statements: VaR".

Currency Risk Management

Currency risk is the risk of adverse movements of exchange rate resulting in losses on the foreign currency exposure, which is due to the currency structure's mismatch between foreign currency assets and liabilities. The Bank's objective of currency risk management is to control the impact of exchange rate fluctuations on the Bank's financial position and shareholders' equity within a tolerable extent. The Bank mitigates such risk principally by limit management and hedging of risks. The Bank carries out sensitivity analysis and stress testing of currency risk on a quarterly basis, and the Senior Management and the Market Risk Management Committee review the currency risk reports on a quarterly basis.

In 2020, the Bank closely watched the changes in external environment and market conditions, actively took a combination of measures such as limit management and hedging of risks to improve the matching degree of the Group's foreign exchange assets and liabilities, and strengthened capital fund preservation management of overseas institutions. The currency risk was controllable in general.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

Item	At 31 December 2020		At 31 December 2019	
	RMB	USD equivalent	RMB	USD equivalent
Exposure of on-balance sheet foreign exchange items, net	402,774	61,593	372,187	53,453
Exposure of off-balance sheet foreign exchange items, net	(198,474)	(30,351)	(176,923)	(25,410)
Total foreign exchange exposure, net	**204,300**	**31,242**	**195,264**	**28,043**

Please refer to "Note 51.(c)(ii) to the Financial Statements: Currency Risk" for the exchange rate sensitivity analysis.

Please refer to the section headed "Market Risk" of the 2020 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on market risk capital measurement.

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is defined as the risk of loss in the economic value and overall profit of the banking book arising from adverse movements in interest rate and maturity structure, etc.

Management of Interest Rate Risk in the Banking Book

In 2020, the Bank actively responded to the challenges brought about by the deepened interest rate liberalization and the impact of the COVID-19 pandemic. It continued to optimize the interest rate risk portfolio control mechanism, improved the "group-wide, full-process and full-product" interest rate risk limit management system, developed a systematic and intelligent risk warning, prevention and control mechanism, and refined the access assessment, accountability and emergency management process, to enhance risk management capabilities in a complex interest rate environment. Besides, a proactive and forward-looking interest rate risk management strategy was implemented, cross-cycle policies were appropriately designed, and a combination of asset-liability quantitative instruments, price instruments and derivative instruments was utilized, to prop up the steady growth of the Group's overall income and long-term value.

Management System and Governance Structure for Interest Rate Risk in the Banking Book

The Bank's management system for interest rate risk in the banking book conforms to the system importance, risk status and business complexity, and fits the Bank's overall development strategy and the enterprise risk management system. The system mainly consists of the following elements: an effective risk governance structure; sound risk management strategies, policies and procedures; effective risk identification, measurement, monitoring, control and mitigation that cover all areas; a complete internal control and review mechanism; a fully-built risk management system; and adequate information disclosure and reporting.

The Bank strictly complied with regulatory requirements for interest rate risk in the banking book, effectively managed interest rate risk in the banking book at the Bank and consolidated level, and developed a sound governance structure for interest rate risk management in the banking book that is fully built and well-structured, with clearly defined rights and responsibilities. The Board of Directors and the Senior Management are vested with the ultimate and executive responsibilities, respectively, for managing interest rate risk in the banking book. The Asset & Liability Management Department of the Head Office takes the leading role in managing interest rate risk in the banking book, and other departments and institutions play their roles in implementing policies and standards concerning interest rate risk in the banking book. The Internal Audit Bureau and the Internal Control & Compliance Department of the Head Office are responsible for reviewing and evaluating duties in respective of interest rate risk in the banking book.

Objective, Strategy and Important Policy of Management of Interest Rate Risk in the Banking Book

The objective of management of interest rate risk in the banking book: The Bank aims at maximizing the risk-adjusted net interest income within the tolerable level of interest rate risk under its risk management and risk appetite.

The Bank formulated strategies and clarified objectives and modes for managing interest rate risk in the banking book based on risk appetite, risk status, macroeconomic and market changes. Based on the pre-judging of the interest rate trend and measurement results of the changes in overall profit and economic value, the Bank formulated and put into practice relevant management policies, and adopted a coordinated approach to using interest rate risk control tools to mitigate and manage risks, so as to ensure the Bank's actual interest rate risks conform to its bearing capability and willingness.

On the basis of management strategies and objectives, the Bank developed policies and made clear the modes and instruments for managing interest rate risk in the banking book. By developing and modifying such methods as on-balance sheet adjustment and off-balance sheet hedging to manage interest rate risk, adeptly using quantity, pricing and derivative instruments regarding assets and liabilities, and applying limit management system, business plan, performance assessment and capital evaluation in all areas for interest rate risk management and assessment, the Bank achieved effective control of interest rate risk at the business lines, the branches, the affiliates and the products and portfolios easily affected by interest rate risk.

Stress Testing

In line with the principles of comprehensiveness, prudence and foresight, the Bank's stress testing on interest rate risk in the banking book adopted the interest rate risk exposure measurement approach and standardized duration approach to measure the effect of interest rate changes under different stress scenarios on the overall profit and economic value. Based on the domestic and overseas regulatory requirements, the bank-wide asset and liability business structure, operation and management as well as risk appetite, the Bank set stress testing scenarios for interest rate risk in the banking book by taking into account the current interest rate level, historical changes and trends, total assets and liabilities and their term characteristics, business development strategies, customer behaviors and other factors, and conducted stress testing quarterly.

Analysis on Interest Rate Risk in the Banking Book

Interest Rate Sensitivity Analysis

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

	+100 basis points		-100 basis points	
Currency	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**

Note: Please refer to "Note 51.(d) to the Financial Statements: Interest Rate Risk in the Banking Book".

Interest Rate Exposure Analysis

As at the end of 2020, the Bank had a positive cumulative interest rate sensitivity exposure within one year of RMB1,107,246 million, representing an increase of RMB1,252,402 million from the end of the previous year, mainly caused by the increase in repriced or matured loans and advances to customers within one year and the decrease in customer deposits. It had a positive cumulative interest rate sensitivity exposure above one year of RMB1,324,213 million, representing a decrease of RMB805,996 million, mainly resulted from the increase in repriced or matured due to customers above one year.

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
At 31 December 2020	(6,378,856)	7,486,102	(1,560,515)	2,884,728
At 31 December 2019	(1,593,786)	1,448,630	220,030	1,910,179

Note: Please refer to "Note 51.(d) to the Financial Statements: Interest Rate Risk in the Banking Book".

Liquidity Risk

Liquidity risk is the risk that the Bank is unable to raise funds on a timely basis at a reasonable cost to settle liabilities as they fall due, or perform other payment obligations and satisfy other funding demands arising from the normal course of business. Liquidity risk may arise from the following events or factors: withdrawal of customers' deposits, drawing of loans by customers, overdue payment of debtors, mismatch between assets and liabilities, difficulties in assets realization, operating losses, derivatives trading risk and risk associated with its affiliates.

Liquidity Risk Management

In 2020, the Bank continued to uphold a steady and prudent liquidity risk management strategy, kept strengthening liquidity risk management, and took different measures to ensure that the Group's liquidity could be stable and safe. It tightened up the monitoring on funds, and maintained reasonable and affluent liquidity reserves, so as to manage liquidity risk properly during peak payments, important holidays and key points in time. Besides, the Group's liquidity risk management system was optimized constantly, the application of fund operation and monitoring system was strengthened, the automation level of liquidity risk measurement and control system was enhanced, and the multi-layer and multi-dimensional liquidity monitoring and warning system was upgraded, to further improve the Group's liquidity risk prevention capabilities.

Liquidity Risk Management System and Governance Structure

The Bank's liquidity risk management system conforms to the overall development strategy and the overall risk management system of the Bank, and is commensurate with the business scale, business nature, complexity and other aspects of the Bank. The system includes the following fundamental elements: effective governance structure for liquidity risk management; sound strategy, policy and procedures for liquidity risk management; effective identification, measurement, monitoring and control for liquidity risk and a complete management information system.

In respect of liquidity risk management, the Bank's governance structure embodies the decision-making system comprising the Board of Directors and its special committees as well as the Asset and Liability Management Committee and the Risk Management Committee of the Head Office; the supervision system comprising the Board of Supervisors, the Internal Audit Bureau and the Internal Control and Compliance Department of the Head Office; and the execution system comprising the Asset and Liability Management Department, leading management departments of on- and off-balance sheet businesses, the information technology departments, operation management departments of the Head Office and relevant departments of branches. Each of these systems performs the corresponding functions of decision making, supervision and execution according to division of responsibilities.

Objective, Strategy and Important Policy of Liquidity Risk Management

Objective of liquidity risk management: By establishing and improving the liquidity risk management system, the Bank aims at realizing complete identification, accurate measurement, continuous monitoring and effective control of the liquidity risk at the Group level, the Bank, the affiliates, the branches and the business lines, and ensuring the liquidity demand is satisfied at a reasonable cost in time under the normal business scenario and the stress scenario.

The Bank's liquidity risk management strategy and policy are formulated in accordance with the liquidity risk appetite, and they cover all businesses on- and off-balance sheet, all domestic and overseas business departments, branches and affiliates that are likely to have a material impact on the liquidity risk, and contain the liquidity risk management under normal and stressed scenarios. The liquidity risk management strategy specifies the overall objective and mode of liquidity risk management and lists major policies and procedures for liquidity risk management. The policies for liquidity risk management are formulated in accordance with external and macro operating environments and business development of the Bank, with a view to striking an effective balance among security, liquidity and profitability.

Stress Testing

Following the prudence principle, the Bank employs the scenario analysis and the sensitivity analysis to perform stress testing on liquidity risk. The Bank has taken full consideration of various macroscopic and microscopic factors that may influence the Bank's liquidity status to set stress scenarios against those products, businesses and institutions with concentrated liquidity risk in line with the characteristics and complexity of the Bank's businesses. The Bank performs stress testing on a quarterly basis. Where necessary, the Bank may carry out temporary and special stress testing at a particular time in light of changes in the external operating environment and regulatory requirements.

Liquidity Risk Analysis

The Bank assesses liquidity risk status by comprehensive use of a variety of methods and tools such as liquidity indicator analysis and liquidity exposure analysis.

In 2020, RMB liquidity ratio and foreign currency liquidity ratio of the Bank were 43.2% and 91.4% respectively, both meeting the regulatory requirements. Loan-to-deposit ratio was 72.8%. Please refer to the section headed "Discussion and Analysis — Other Information Disclosed Pursuant to Regulatory Requirements" for details.

Net stable funding ratio aims to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of assets and off-balance sheet risk exposures. The net stable funding ratio is the ratio of the available stable funding to the required stable funding. As at the end of the fourth quarter of 2020, the net stable funding ratio was 128.33%, 1.32 percentage points higher than that at the end of the previous quarter, mainly because the Bank constantly strengthened the Group's liquidity coordination and management to ensure the sufficient sources of stable funds. For the quantitative information for net stable funding ratio in accordance with Disclosure Rules on Net Stable Funding Ratio of Commercial Banks, please refer to the section headed "Unaudited Supplementary Financial Information".

The daily average liquidity coverage ratio for the fourth quarter of 2020 was 123.28%, 1.88 percentage points lower than the previous quarter, mainly because the growth rate of net cash outflows exceeded the eligible high-quality liquid assets. High-quality liquid assets cover cash, available central bank reserve under stress and primary and secondary bond assets that can be included in the liquidity coverage ratio under the regulatory requirements. For the quantitative information for liquidity coverage ratio based on the Administrative Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks, please refer to the section headed "Unaudited Supplementary Financial Information".

As at the end of 2020, the negative liquidity exposure for 1 month to 3 months decreased from the end of last year, mainly due to the decrease of matured due to customers within corresponding term and increase of bond investments. The positive liquidity exposure for the 1 to 5 years category decreased, mainly due to the increase of matured due to customers and the decrease of loans and advances to customers within corresponding term. The positive liquidity exposure for the category of over 5 years expanded, which was mainly due to the increase in matured loans and advances to customers and bond investments within corresponding term. Deposits maintained steady growth with a high deposition rate, and at the same time the Bank made major investment in highly liquid bond assets, and possessed sufficient liquidity reserves. Therefore, the overall liquidity of the Bank maintained at a safe level.

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
At 31 December 2020	(14,309,956)	335,580	(209,780)	(563,541)	981,145	13,324,640	3,351,427	2,909,515
At 31 December 2019	(13,148,663)	372,311	(701,406)	(715,546)	3,498,846	10,069,296	3,317,165	2,692,003

Note: Please refer to "Note 51.(b) to the Financial Statements: Liquidity Risk".

Operational Risk

Operational Risk Management

Operational risk is defined as the risk of loss resulting from insufficient or problematic internal processes, employees and IT systems or from external events, including legal risk, but excluding strategic and reputational risk. There are seven major types of operational risks faced by the Bank, including internal fraud, external fraud, employment system and workplace safety, customers, products and business activities, damage to physical assets, IT system, execution and delivery and process management. Among these, external fraud, execution, delivery and process management constitute major sources of operational risk losses of the Bank.

The Bank strictly complies with regulatory requirements on operational risk management. The Board of Directors, the Board of Supervisors, the Senior Management and its Operational Risk Management Committee are respectively responsible for decision-making, supervision and execution with respect to operational risk management, and relevant departments act as the "three lines of defense" for operational risk management pursuant to their management functions, thus forming an operational risk management system with close connection and mutual checks and balances. Institutions and departments function as the first line of defense, which assume the direct responsibility for respective operational risk management. Classified management departments such as Internal Control & Compliance, Legal Affairs, Security, Financial Technology, Finance & Accounting, Operation Management and Human Resources as well as cross-risk management departments including Credit and Investment Management and Risk Management jointly perform the functions as the second line of defense, which are respectively responsible for the lead management of operational risk, the classified management of certain type of operational risk and the management of operational risk across credit and market risks. The Internal Audit Department performs the functions as the third line of defense and assumes the responsibility for supervision, which is responsible for supervising the effectiveness of operational risk management.

In 2020, the Bank continued to reinforce operational risk management in line with regulatory focuses and operational risk trends. It optimized the risk limit decomposition and implementation mechanism, effectively transmitted the Group's operational risk management appetite, and strengthened risk warning and forward-looking control of large-value operational risk events. The operational risk and control self-assessment under "regulatory red line" was carried out, with the focus on key risk points in major areas of regulatory penalties, to further address gaps and energetically improve a long-term risk control mechanism. Moreover, the operational risk application and management system was optimized, to continuously enhance effective risk data aggregation and risk reporting capabilities. During the reporting period, the operational risk management system of the Bank operated smoothly, and the operational risk was controllable on the whole.

Legal Risk

Legal risk is the risk of incurring legal sanctions, regulatory penalties, financial losses, reputational losses or other negative consequences that arises out of or in connection with the failure of the Bank to comply with relevant laws, regulations, administrative rules, regulatory provisions or requirements of other relevant rules during the Bank's operation; the unfavorable legal defects that exist in products, services or information provided to clients, transactions engaged in, and contracts, agreements or other documents executed by the Bank; legal disputes (litigation or arbitration proceedings) between the Bank and its clients, counterparties and stakeholders; important changes in relevant laws and regulations, administrative rules, regulatory provisions and other relevant rules; and other relevant legal events that occur internally and externally.

Based on the objective to ensure legal and compliant operation, the Bank always attaches great importance to establishing a sound legal risk management system, forming a full-process legal risk prevention and control mechanism to support and secure business innovation and market competition, and to prevent and eliminate various potential or practical legal risks. The Board of Directors is responsible for reviewing and determining the strategy and policy relating to legal risk management, and assumes the ultimate responsibility of legal risk management. The Senior Management is responsible for executing the strategy and policy relating to legal risk management, examining and approving relevant important affairs. The Legal Affairs Department of the Head Office is in charge of legal risk management across the Group, with relevant business departments providing related support and assistance on legal risk prevention and control. The affiliates, domestic and overseas branches undertake the responsibility of legal risk management of their respective institutions.

In 2020, the Bank continued to strengthen legal risk management, by improving the risk prevention and control capacity in legal risk management, ensuring the legal and compliant operation, healthy business development and overall business stability of the Group. In accordance with new laws and regulations such as the Civil Code, its business rules and relevant agreements were continuously improved, and legal risk prevention and control in key areas and links was further pushed forward in line with new requirements of financial regulators. The Bank also improved both the vertical interconnection and horizontal coordination mechanism between the Head Office and branches. By systematically embedding legal risk prevention and control into business negotiations, product design, contract signing and other links, the Bank made risk prevention and control more prospective, proactive and targeted. It improved the cross-border coordination and management for legal work and strengthened the legal risk management of overseas institutions, properly responding to cross-border legal issues emerging in the development of international operations. Moreover, the Bank ameliorated the function design and management mechanic for the electronic signing system, to strengthen its strict control of seal use in business contracts during the whole process, and effectively prevent and control operational risk, legal risk and reputational risk caused by misuse of contract seal. It reinforced authorization management, related party management, trademark management and intellectual property protection, and made efforts to effectively institutionalize risk management and control, and refine the structure of the system. A variety of legal means were utilized comprehensively to improve the effectiveness of collection, practically cement the risk prevention and control of sued cases, avoid and reduce risk losses. In addition to the active assist in online judicial inquiry and enforcement, the Bank played a positive role in improving the efficiency of law enforcement and case handling by competent authorities and building a social credibility system.

Anti-Money Laundering

In strict compliance with anti-money laundering ("AML") laws and regulations of China and host countries (regions) of overseas institutions, the Bank earnestly implemented the "risk-based" regulatory requirements in respect of AML, and sincerely fulfilled the legal obligations and social responsibilities concerning AML, thus further enhancing the quality and efficiency of AML work.

The Bank pushed forward the all-around building of the Group's AML management capability by starting the "AML Management Capability Improvement Project". AML training and education activities covering "learning, training, speaking and testing" were organized and conducted, to popularize AML knowledge and improve AML skills. The governance of customer identification and the management and control of high-risk areas were effectively boosted, for the purpose of comprehensively reconstructing a money laundering risk assessment system integrating "customers, products and institutions". Besides, the prevention and control of sensitive information risks was intensified, and the research, judgment and reporting of suspicious transactions was reinforced, to facilitate the intelligent construction of AML system in an orderly manner, and build an intelligent, open, shared and integrated AML ecosystem.

Please refer to the section headed "Operational Risk" of the 2020 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on operational risk capital measurement.

Reputational Risk

Reputational risk is defined as the risk of negative comments on the Bank from stakeholders, the public or the media as a result of the behaviors of the Bank or practitioners or external events, thereby damaging brand value, detrimental to normal operation, and even affecting market and social stability. Reputational risk may arise in any part of the Bank's operation and management, and usually co-exists and correlates with credit risk, market risk, operational risk and liquidity risk. Good reputation is central to the operation and management of a commercial bank. The Bank highly values its reputation and has incorporated reputational risk management in the corporate governance and enterprise risk management system to prevent reputational risk.

The Board of Directors is responsible for reviewing and finalizing bank-wide policies concerning reputational risk management that are in line with the strategic objective of the Bank, establishing a bank-wide system of reputational risk management, monitoring the overall status and effectiveness of reputational risk management across the Bank and assuming the ultimate responsibility for reputational risk management. The Senior Management is responsible for leading reputational risk management of the Bank, implementing the strategies and policies established by the Board of Directors, reviewing and finalizing the rules, measures and operating procedures for reputational risk management, preparing plans for responding to and coping with extraordinarily major reputational risk events and ensuring the proper and effective operation of the reputational risk management system. The Bank has established a special reputational risk management team to take charge of the daily management of reputational risk.

In 2020, the Bank kept improving the structure of reputational risk management system, to optimize relevant working mechanism and enhance reputational risk management. For the improvement of institutional construction, a sound responsibility review and identification mechanism for reputational risk events was established, to consolidate the main management responsibilities, strengthen the governance of reputational risk sources, and mitigate hidden reputational risk in an active and effective manner. In addition, the Bank promptly responded to social focuses and public concerns, and organized and promoted influential brand communication activities, to enhance the Bank's brand image. During the reporting period, the reputational risk of the Bank was stable and within a controllable range.

Country Risk

Country risk is the risk incurred to a bank arising from the inability or refusal by the borrower or debtor to repay bank debt, losses suffered by the Bank or its commercial presence in such country or region and other losses due to economic, political and social changes and events in a country or a region. Country risk may be triggered by deterioration of economic conditions, political and social turmoil, asset nationalization or expropriation, government's refusal to pay external debt, foreign exchange control or currency depreciation in a country or a region.

The Bank strictly observes regulatory requirements on country risk management. The Board of Directors assumes the ultimate responsibility for the effectiveness of country risk management. The Senior Management is responsible for executing the country risk management policies approved by the Board of Directors. The Risk Management Committee of the Head Office is responsible for reviewing matters regarding country risk management. The Bank manages and controls country risk with a series of tools, including country risk assessment and rating, country risk limit, country risk exposure calculation and monitoring and stress testing. The Bank reviews the country risk rating and limits at least once every year.

In 2020, facing the increasingly complicated international political and economic environment under the COVID-19 pandemic, the Bank strictly abode by regulatory requirements and, with consideration of its business development needs, continued to strengthen country risk management. The Bank closely observed changes in country risk exposures, constantly tracked, monitored and reported country risk, and timely updated and adjusted the country risk rating and limits. It continued to strengthen early warning mechanism for country risk, proactively conducted stress testing on country risk and reasonably and effectively controlled country risk while steadily promoting internationalization.

CAPITAL MANAGEMENT

The Bank implements a group-based capital management mechanism, and takes capital as the object and an instrument for its management activities, including planning, measurement, allocation, application and operation. The Bank's capital management aims at maintaining appropriate capital adequacy ratio and continuously meeting capital supervisory regulations and policies; ceaselessly strengthening and enhancing the capital base and supporting business growth and implementation of strategic planning; establishing a value management system focusing on economic capital, reinforcing capital constraint and incentive mechanism and improving capital allocation efficiency; innovating and expanding capital replenishment channels, raising capital quality and optimizing capital structure. The Bank's capital management covers various operating entities in the Group, and its contents include capital adequacy ratio management, economic capital management, capital investment and financing management.

In 2020, the Bank further deepened the capital management reform, strengthened capital saving and optimization, carried forward the disposal of low-efficiency capital occupation, intensified the constraint of economic capital management on risk-weighted assets and continued to elevate the capital use efficiency. It holistically balanced the endogenous and exogenous capital replenishment, and further consolidated the capital base to further reinforce its capacity in supporting the real economy. In 2020, all capital indicators performed well, of which capital adequacy ratio was kept at a sound and appropriate level.

Capital Adequacy Ratio and Leverage Ratio

The Bank calculated its capital adequacy ratios at all levels in accordance with the Capital Regulation. 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.

RESULTS OF CAPITAL ADEQUACY RATIO CALCULATION OF THE GROUP AND PARENT COMPANY

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

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 Capital Regulation 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 31 December 2020	At 30 September 2020	At 30 June 2020	At 31 March 2020	At 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**

Note: Please refer to "Unaudited Supplementary Financial Information" for details on disclosed leverage ratio information.

Capital Financing Management

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. For details, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares".

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.

For details on the issuance of capital instruments of the Bank, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Allocation and Management of Economic Capital

Economic capital management of the Bank includes three major aspects: measurement, allocation and application. Economic capital indicators include Economic Capital (EC), Risk-Adjusted Return on Capital (RAROC) and Economic Value-added (EVA). All of the above are applied in credit resource allocation, quota management, performance assessment, expenditure allocation, product pricing and customer management, etc.

The Bank further improved the Group's economic capital management system in terms of measurement, allocation and assessment, strengthened the Group's economic capital constraint and incentive mechanism, and promoted the Group's intensive capital development. It further improved its economic capital measurement policy and optimized its economic capital measurement standards and system. The Bank strictly implemented the quota management of economic capital, continuously boosted the refined management of economic capital, and reinforced the capital constraint on domestic branches, profitability units, overseas institutions and subsidiaries. Moreover, the Bank upgraded the economic capital measurement and appraisal policy of credit business and proactively facilitated the adjustment of its credit structure. It strengthened trainings on economic capital management for institutions at all levels, and vigorously pushed forward the application of economic capital in operational management and business front-line.

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.

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.

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.

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.

In RMB millions

Indicator	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

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.

ICBC IS IN ACTION TO SUPPORT POVERTY ALLEVIATION

The Bank took poverty alleviation as an important part of fulfilling its social responsibilities, earnestly implemented requirements of the CPC Central Committee and the State Council to win the hard battle against poverty. It continuously improved the poverty alleviation system and mechanism, enriched means of process management and explored new approaches for the poverty alleviation. In doing so, the Bank did its part to win the critical fight against poverty.

I. Overall Precision Poverty Alleviation Planning

Strengthening the leadership and coordination. The Bank paid close attention to the poverty alleviation, and adhered to making heads of institutions at all levels assume the overall responsibility for poverty alleviation and pushing forward the overall coordinated efforts across the Bank with precise focus and strength. It attached importance to the pooled efforts across the Bank and explored effective new model of poverty alleviation to contribute ICBC's wisdom to winning the hard battle against poverty.

Improving the mechanism for poverty alleviation. In 2020, the Head Office's Leading Group for Poverty Alleviation through Finance held six themed meetings in many forms, to continually strengthen the leadership and coordination of poverty alleviation work. The Bank formulated five guiding documents on precision poverty alleviation including the ICBC Work Plan for Precision Poverty Alleviation through Finance (Version 2020), the ICBC Assessment Measures for Work Effects Achieved by Precision Poverty Alleviation through Finance (Version 2020), the Work Plan for Targeted Poverty Alleviation in 2020, the Notice on Further Optimizing the Credit Policy Support for Poverty Alleviation through Finance, and the Notice on Strengthening the Loan Granting and Statistics for Precision Poverty Alleviation through Finance to provide a solid policy basis for poverty alleviation work.

II. Summary of Precision Poverty Alleviation

The Bank conducted solid work on all aspects of the poverty alleviation, and achieved the steady growth in precision poverty alleviation loans, sustained improvement in comprehensive financial services, remarkable achievements in new poverty alleviation model, steady income increase in counties and cities of targeted poverty alleviation, and gradual expansion of social influence in poverty alleviation. It continued to improve the assistance mechanism. Guided by the "1+3" working principle of "coordinating four counties with priority given to Jinyang", the Bank helped to lift four counties (cities) of Sichuan Province, that is, Tongjiang, Nanjiang, Wanyuan, and Jinyang out of poverty through targeted assistance with high quality. As a result, Nanjiang, Tongjiang, and Wanyuan shook off poverty in 2018 and 2019 successively, and the extreme poor county Jinyang did so in 2020.

Increasing loan granting for poverty alleviation. By closely focusing on the financial needs of poor households in poverty-stricken areas, especially those in the extreme poor areas of the "Three Regions and Three Prefectures", the Bank increased credit resources to them and continued to increase loan granting for precision poverty alleviation. It promoted the service model of "precision poverty alleviation and agriculture-related supply chain" to steadily lift poor households out of poverty and increase their incomes through loan of industry precision poverty alleviation. FinTech was fully leveraged to bring the petty credit products for poverty alleviation online, a move enabling poor population to get financial services more efficiently.

Improving comprehensive financial services. The Bank improved the financial services for poverty-stricken areas and poor households in various fields in a multi-pronged approach. It actively improved the geographical distribution and optimum adjustment of offline channels, and implemented the overall planning of new outlets in poverty-stricken areas. It continued to adopt fee reduction of personal settlements, and set up tailor-made wealth management products and certificates of deposit in poverty-stricken areas. It generally upgraded "e-Business Dream Plan" to increase financial service support for poverty-stricken areas through online products. It carried out solid special study on the overall planning for the development of the whole county-based market, including poverty-stricken areas.

Rolling out innovative models for precision poverty alleviation. The Bank adhered to the "blood-making" poverty alleviation approach, empowering poor people with means to prosper. Giving full play to its superior FinTech, the Bank continued to optimize online service channels, and provided the impoverished areas with financial services online. A poverty alleviation column was added to the Bank's various platforms, including ICBC Mobile Banking, ICBC Mall, ICBC e Life, ICBC e Intelligence, and ICBC Business Matchmaker. The column was designed to promote products of poverty-stricken areas, by providing them with sales channels, releasing their investment invitation plans, and displaying their projects in reserve. Therefore, it provided poor areas with a superior platform to release information and acquire customer resources. At the same time, the Bank engaged in the poverty alleviation through finance with cross-border joint efforts. Overseas institutions were encouraged to fully mobilize their resources, and increase the finance-backed poverty alleviation endeavors through the group-wide actions. The Bank cemented its cooperation with foreign financial institutions in terms of poverty alleviation, and diversified the collaboration channels for poverty alleviation through finance. With the supply and demand information available at home and abroad matched up together, it innovatively set up a large-scale platform for joint poverty alleviation through finance.

Focusing on extreme poverty. The Bank gave the top priority of targeted poverty alleviation to Jinyang, an extreme poor county, by setting out the assistance principle of "three priorities", and preferentially arranging new anti-poverty funds, projects, and measures for it. The Bank focused on bolstering the weak links concerning the "two assurances and three guarantees." In practice, it helped the county building schools, hospitals, safe drinking water facilities, training and commending teachers in mountain villages, and subsidizing students from impoverished families. Moreover, the establishment of Jinyang Sub-branch further boosted the financial service capabilities of the Bank at the local county.

Consolidating the results of poverty alleviation. The Bank helped to ensure Tongjiang, Nanjiang and Wanyuan, three counties that had got out of poverty, never slipped back into poverty. The "precision poverty alleviation insurance" project was carried out on a pilot basis, which effectively reduced the possibility of people sinking into or returning to poverty. The Bank also shored up poverty alleviation efforts through industries, set up an "SME Industrial Development Fund" on a trial basis to preferentially support some distinctive industries related to gazelle, walnut and honeysuckle, and financed the counties in extreme poverty to develop large-scale agriculture.

Continuing to develop education in poverty-stricken areas and help local people increase self-confidence. To give full play to the advantages as a major bank, ICBC selected elite executives to take part in poverty alleviation, introduced remuneration and benefit guarantee measures for them, and encouraged them to work with no worry and take responsibilities boldly. The Bank continued to recruit impoverished college graduates as employees. For the graduates who came from impoverished families, got registered as impoverished students in institutions of higher learning, or ever won the National Encouragement Scholarship, the minimum academic qualifications were relaxed to the bachelor's degree upgraded from the junior college diploma through full-time learning. The Bank supported Jinyang in building a comprehensive training center for employment and poverty alleviation, so as to improve the employability of local poor people from the source. A targeted recruitment fair was conducted through which vocational high school graduates from the counties receiving targeted poverty alleviation assistance could go to Beijing for internship and work, thus training talents for these counties as needed by the development of the tertiary industry.

Launching consumption-based poverty alleviation. The Bank took the "Chunnuan Action" and the "Jinqiu Action" to reduce poverty through consumption. It pooled together the bank-wide forces to help the poverty-stricken areas overcome the impact of the pandemic. It assisted them in selling agricultural products through multiple channels. Most of its support went to the four counties (cities) as its targeted poverty alleviation assistance recipients and the areas of Hubei severely hit by the pandemic, to help poor households increase their income stably.

Attaching equal importance to regular pandemic control and poverty alleviation. Paying close attention to the needs of poor areas arising from pandemic response, the Bank promptly donated masks, disinfectants and other urgently needed anti-pandemic supplies to them. It actively supported enterprises of the four counties (cities) with financial difficulties in applying for new loans and renewing their existing loans, so as to facilitate the resumption of work and production. At the areas receiving poverty alleviation assistance, the Bank opened up a green channel that turned registration of corporate users, account opening, and cash settlement management into an electronic process, thus capable of providing contactless financial services.

III. Precision Poverty Alleviation Achievements

In RMB10,000

I. Finance-backed precision poverty alleviation	
Balance of loans(2)	20,065,731.90
Including: Loan of industry precision poverty alleviation	1,241,697.34
Loan of project precision poverty alleviation	6,118,646.02
Including: Rural transport facilities	160,128.00
Upgrading of rural power network	246,550.10
Rural water conservancy facilities	771,735.11
Rural education loan	262,026.00
II. Amount of targeted poverty alleviation input	14,000.00
1. Poverty alleviation through industries	2,720.00
2. Poverty alleviation through education	4,250.00
3. Poverty alleviation through healthcare	4,620.00
4. Poverty alleviation through jobs	800.00
III. Consumption-based poverty alleviation	304,398.87
1. Assistance in selling agricultural products in poor areas	250,240.99
2. Purchase of agricultural products in poor areas	54,157.88
IV. The Group poverty alleviation donations apart from targeted poverty alleviation	
1. Amount of donations	3,596.60
2. Projects	Including infrastructure construction, industrial development, education, healthcare, etc.

Notes: (1) The "targeted poverty alleviation" refers to the poverty alleviation efforts in Tongjiang County, Nanjiang County, Jinyang County and Wanyuan City in Sichuan Province.

(2) The data is disclosed in accordance with the statistical standard as stipulated by CBIRC.

ICBC is in action to support poverty alleviation

2020 was a year of decisive victory for the poverty alleviation. The Bank carried out the decisions and deployments of the CPC Central Committee and ensured concrete progress in targeted poverty alleviation. It made all-out efforts to support Nanjiang, Tongjiang and Wanyuan in Sichuan Province to consolidate their poverty alleviation results, and assisted Jinyang County to shake off poverty as planned.

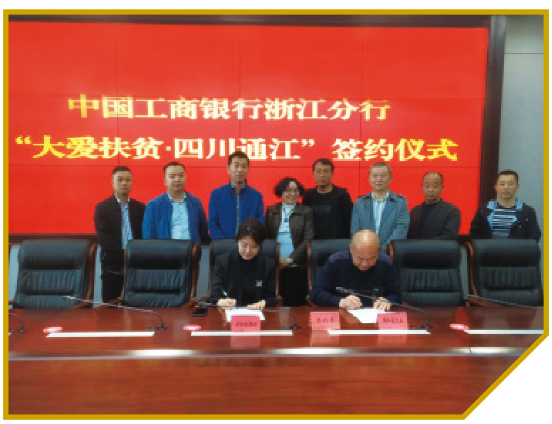
ICBC improved the assistance mechanism

Taking targeted poverty alleviation as its major task, the Bank enhanced coordinated guidance and improved the assistance mechanism featuring paired-up assistance by eligible branches, interconnection among the Head Office, branches and sub-branches and coordination between domestic and overseas institutions.

▲ ICBC "Eyes Care Action" in progress in Jinyang to examine eyesight of local children in September 2020

- In 2020, four branches in Beijing, Shanghai, Zhejiang and Guangdong were assigned to assist the four counties and cities in pairs.
- By organizing online international promotion meetings, overseas institutions helped **116** enterprises in **26** countries and regions and industrial projects in the paired-up areas with matchmaking.
- The Bank launched the "Eyes Care Action" and other assistance programs, and worked with financial peers to promote "banking + insurance + futures" financial services for poverty alleviation.

ICBC took targeted and tailored measures



▲ ICBC Zhejiang Branch introducing quality enterprises to sign contract of cooperation with Tongjiang County in May 2020

- In 2020, the Bank input and introduced over RMB**200** million funds for poverty alleviation.
- In Nanjiang, Tongjiang and Wanyuan that were already lifted out of poverty, the Bank initiated assistance programs focused on industry, education and health, explored mechanisms against return to poverty, and set up "targeted anti-poverty insurance".
- In Jinyang, a country in deep poverty, the Bank input RMB**100** million mainly into prominent problems relating to the "two assurances and three guarantees", set up Jinyang Sub-branch, and put more withdrawal centers for farmers in place to improve financial services in the county.

ICBC enhanced poverty alleviation through consumption

In its efforts to step up purchase of quality agricultural products in poverty-stricken areas, the Bank organized consumption-based poverty alleviation programs including "Chunnuan Action" and "Jinqiu Action", and advocated "buying more is helping more".

- In 2020, the Bank purchased and helped sell agricultural products from poverty-stricken areas worth over RMB**3.0** billion.

▲ ICBC Beijing Branch contributing to the "Chunnuan Action" and purchasing Wanyuan chicken in April 2020

▲ ICBC officials in poverty alleviation visiting the goat industry in Nanjiang in April 2020

ICBC strengthened the endogenous power

Poverty alleviation was combined with attitude change and education support.

▲ An ICBC volunteer teaching an English class in Reshuihe Town Central School in Jinyang County in May 2020

- The Bank launched the "Dream in ICBC" training program, and trained more than **100,000** person-times of community-level cadres and technicians in the four counties and cities.
- The Bank continued to implement the "Candle Program" and the "Sailing Program" to train and commend excellent rural teachers, fund college students, and recruit college graduates from families in poverty to extend the poverty alleviation chain through education.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Ordinary Shares

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

	At 31 December 2019		Increase/decrease during the reporting period	At 31 December 2020	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares subject to restrictions on sales	–	–	–	–	–
II. Shares not subject to restrictions on sales	356,406,257,089	100.00	–	356,406,257,089	100.00
1. RMB-denominated ordinary shares	269,612,212,539	75.65	–	269,612,212,539	75.65
2. Foreign shares listed overseas	86,794,044,550	24.35	–	86,794,044,550	24.35
III. Total number of shares	356,406,257,089	100.00	–	356,406,257,089	100.00

Notes: (1) The above data are based on the Equity Structure Chart issued by China Securities Depository and Clearing Corporation Limited.

(2) "Foreign shares listed overseas", namely H shares, are within the same meaning as defined in the "No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding" (Revision 2007) of CSRC.

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

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 Management".

For information on other securities issued by the Bank and its subsidiaries, please refer to "Note 35. to the Financial Statements: Debt Securities Issued; Note 38. to the Financial Statements: Other Equity Instruments" for details.

The Bank did not have any employee shares.

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

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage (%)	Total number of shares held	Number of pledged or locked-up shares	Increase/ decrease of shares during the reporting period
Huijin	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
SSF(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 SSF, 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 SSF 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), SSF 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 SSF to the Bank, SSF 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 Huijin. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

Particulars of Substantial Shareholders

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

Controlling Shareholders

The largest single shareholder of the Bank is Huijin, whose full name is Central Huijin Investment Ltd. Huijin is a state-owned company founded by the State according to the Company Law on 16 December 2003. Its registered capital is equal to its paid-in capital at RMB828,209 million. Its registered address is New Poly Plaza, 1 Chaoyangmen North Street, Dongcheng District, Beijing. Its unified social credit code is 911000007109329615, and its legal representative is Peng Chun. Huijin is a wholly-owned subsidiary of China Investment Corporation. It, in accordance with authorization by the State Council, makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in any other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

As at 31 December 2020, Huijin held approximately 34.71% shares of the Bank. It held shares directly in the institutions listed below:

No.	Company name	Huijin's shareholding percentage
1	China Development Bank Corporation	34.68%
2	Industrial and Commercial Bank of China (A; H)	34.71%
3	Agricultural Bank of China Limited (A; H)	40.03%
4	Bank of China Limited (A; H)	64.02%
5	China Construction Bank Corporation (A; H)	57.11%
6	China Everbright Group Ltd.	63.16%
7	Hengfeng Bank Co., Ltd.	53.95%
8	China Export & Credit Insurance Corporation	73.63%
9	China Reinsurance (Group) Corporation (H)	71.56%
10	New China Life Insurance Company Limited (A; H)	31.34%
11	China Jianyin Investment Limited	100.00%
12	China Galaxy Financial Holdings Company Limited	69.07%
13	Shenwan Hongyuan Group Co., Ltd. (A; H)	20.05%
14	China International Capital Corporation Limited (A; H)	40.11%
15	Jiantou CITIC Asset Management Co., Ltd. (A; H)	30.76%
16	China Galaxy Asset Management Co., Ltd.	13.3%
17	Guotai Junan Investment Management Co., Ltd.	14.54%

Notes: (1) A represents A share listed company, while H represents H share listed company.

(2) Except the above-mentioned controlling or equity participating enterprises, Huijin also has a wholly-owned subsidiary — Central Huijin Asset Management Co., Ltd. Central Huijin Asset Management Co., Ltd. was incorporated in November 2015 in Beijing. With a registered capital of RMB5 billion, the company runs an asset management business.

The second single largest shareholder of the Bank is MOF, which held approximately 31.14% shares of the Bank as at 31 December 2020. MOF is a department under the State Council, and is responsible for overseeing the State's fiscal revenue and expenditure, formulating the fiscal and taxation policies, and supervising State finance at a macro level.

Particulars of Other Substantial Shareholders

SSF. SSF owned 5.69% of the shares of the Bank as at 31 December 2020. Founded in August 2000, SSF is a public service institution administered by MOF, having its address at South Tower, Building 11, Fenghuiyuan Fenghui Times Building, Xicheng District, Beijing, China, and its legal representative being Liu Wei. With the approval of the State Council and pursuant to regulations of MOF and the Ministry of Human Resources and Social Security, SSF has been entrusted to manage the following funds: the National Social Security Fund, the subsidy from central government to individual accounts, part of the surplus of the enterprise employee's basic pension insurance, basic pension insurance fund and the partial state-owned capital transferred. There was no pledge of shares of the Bank by the substantial shareholder.

Particulars of the De Facto Controller

None.

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] (%)
Huijin[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, Huijin held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Huijin, 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
SSF[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 SSF to the Bank, SSF 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.

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 SSE 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 SSE 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 SSE, the "HKEXnews" website of HKEX 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 SEHK 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	Full amount of proceeds per share	Net amount of proceeds 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 placees 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 SSE, the "HKEXnews" website of HKEX 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 SSE, the "HKEXnews" website of HKEX 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"

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
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. Huijin 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 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 par 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 SSE, the "HKEXnews" website of HKEX 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.

Directors, Supervisors and Senior Management

Basic Information on Directors, Supervisors and Senior Management

Name	Position	Gender	Birth year	Tenure
Chen Siqing	Chairman, Executive Director	Male	1960	May 2019–May 2022
Liao Lin	Vice Chairman, Executive Director, President	Male	1966	July 2020–July 2023
Lu Yongzhen	Non-executive Director	Male	1967	August 2019–August 2022
Zheng Fuqing	Non-executive Director	Male	1963	February 2015–November 2021
Feng Weidong	Non-executive Director	Male	1964	January 2020–January 2023
Cao Liqun	Non-executive Director	Female	1971	January 2020–January 2023
Anthony Francis Neoh	Independent Non-executive Director	Male	1946	April 2015–April 2021
Yang Siu Shun	Independent Non-executive Director	Male	1955	April 2016–June 2022
Shen Si	Independent Non-executive Director	Male	1953	March 2017–June 2023
Nout Wellink	Independent Non-executive Director	Male	1943	December 2018–December 2021
Fred Zuliu Hu	Independent Non-executive Director	Male	1963	April 2019–April 2022
Zhang Wei	Shareholder Supervisor	Male	1962	June 2016–June 2022
Huang Li	Employee Supervisor	Male	1964	June 2016–June 2022
Wu Xiangjiang	Employee Supervisor	Male	1962	September 2020–September 2023
Qu Qiang	External Supervisor	Male	1966	December 2015–December 2021
Shen Bingxi	External Supervisor	Male	1952	June 2016–June 2022
Wang Jingwu	Senior Executive Vice President	Male	1966	April 2020–
Zhang Wenwu	Senior Executive Vice President	Male	1973	July 2020–
Xu Shouben	Senior Executive Vice President	Male	1969	October 2020–
Wang Bairong	Chief Business Officer	Male	1962	April 2020–
Guan Xueqing	Board Secretary	Male	1963	July 2016–
Xiong Yan	Chief Business Officer	Female	1964	April 2020–
Song Jianhua	Chief Business Officer	Male	1965	April 2020–
Directors, Supervisors and Senior Management Leaving Office				
Gu Shu	Vice Chairman, Executive Director, President	Male	1967	December 2016–December 2020
Yang Guozhong	Chairman of the Board of Supervisors	Male	1963	January 2020–March 2021
Hu Hao	Executive Director, Senior Executive Vice President	Male	1962	June 2019–February 2020
Ye Donghai	Non-executive Director	Male	1963	October 2017–March 2020
Mei Yingchun	Non-executive Director	Female	1971	August 2017–February 2021
Dong Shi	Non-executive Director	Male	1965	August 2017–February 2020
Sheila Colleen Bair	Independent Non-executive Director	Female	1954	March 2017–March 2020
Hui Ping	Employee Supervisor	Male	1960	September 2015–September 2020

Notes: (1) Please refer to the section headed "Appointment and Removal".

(2) The term of Mr. Liao Lin as Executive Director of the Bank is set out in the above table. Please refer to the section headed "Biographies of Directors, Supervisors and Senior Management" for the starting time of his term as a Senior Management member of the Bank. Mr. Gu Shu served as Board Secretary, Senior Executive Vice President, President, Executive Director and Vice Chairman of the Bank from July 2008 to December 2020. Mr. Hu Hao served as Board Secretary, Senior Executive Vice President and Executive Director from December 2010 to February 2020.

(3) According to the Articles of Association, before the newly elected directors take office, the current directors shall continue to act as directors.

(4) According to the regulations of CSRC, the commencement date of a re-elected director or supervisor's tenure as indicated in the above table shall be the day of his/her first appointment.

(5) During the reporting period, the Bank did not implement any share incentives. None of the existing directors, supervisors and senior management members of the Bank or those who left office during the reporting period held shares or share options or were granted restricted shares of the Bank, and there was no change during the reporting period.

(6) The full name of Mr. Nout Wellink is Arnout Henricus Elisabeth Maria Wellink.

Biographies of Directors, Supervisors and Senior Management

Chen Siqing, Chairman, Executive Director

Mr. Chen has served as Chairman and Executive Director of the Bank since May 2019. He joined Bank of China in 1990. Mr. Chen Siqing previously worked in the Hunan Branch of Bank of China before he was dispatched to the Hong Kong Branch of China and South Sea Bank Ltd. as Assistant General Manager. Mr. Chen held various positions in Bank of China, including Assistant General Manager and Vice General Manager of the Fujian Branch, General Manager of the Risk Management Department of the Head Office, General Manager of the Guangdong Branch, Executive Vice President, President, Vice Chairman and Chairman of Bank of China. Mr. Chen served concurrently as Chairman of the Board of Directors of BOC Aviation Limited, Non-executive Director, Vice Chairman and Chairman of the Board of Directors of BOC Hong Kong (Holdings) Limited. Mr. Chen graduated from Hubei Institute of Finance and Economics, and obtained a Master's degree in Business Administration (MBA) from Murdoch University, Australia. He is a Certified Public Accountant and a senior economist.

Liao Lin, Vice Chairman, Executive Director, President

Mr. Liao has served as Vice Chairman, Executive Director and President of the Bank since March 2021, Executive Director of the Bank since July 2020, and Senior Executive Vice President, Senior Executive Vice President and concurrently Chief Risk Officer since November 2019. Mr. Liao joined China Construction Bank in 1989, and was appointed as Deputy General Manager of Guangxi Branch of China Construction Bank, General Manager of Ningxia Branch, Hubei Branch and Beijing Branch of China Construction Bank, Chief Risk Officer, Executive Vice President and concurrently Chief Risk Officer of China Construction Bank. Mr. Liao graduated from Guangxi Agricultural University. He obtained a Doctorate degree in management science from Southwest Jiaotong University. Mr. Liao is a senior economist.

Lu Yongzhen, Non-executive Director

Mr. Lu has served as Non-executive Director of the Bank since August 2019. He joined Huijin in 2019. Mr. Lu previously served as Deputy Director of the Administrative Office of the Economic Research Consultation Centre of the State Economic and Trade Commission, Director of the Specific Research Department of the Economic Research Centre of the State Economic and Trade Commission, Director of the Capital Markets Research Department of the Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council, and Director Assistant of the Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council with the concurrent post as the Director of the Capital Markets Research Department, and Deputy Director of the Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council. Mr. Lu obtained a Bachelor's degree and a Master's degree in History from Peking University, and a Doctorate degree in Economics from Southwestern University of Finance and Economics. He is a researcher.

Zheng Fuqing, Non-executive Director

Mr. Zheng has served as Non-executive Director of the Bank since February 2015. He joined MOF in 1989, and served as Deputy Head and Head of the Administrative Office of Shanxi Finance Ombudsman Office of MOF, and Assistant Ombudsman and Associate Counsel of Shanxi Finance Ombudsman Office of MOF. Mr. Zheng graduated from the Party School of the Central Committee of CPC majoring in law theory. He is an economist.

Feng Weidong, Non-executive Director

Mr. Feng has served as Non-executive Director of the Bank since January 2020. He joined MOF in 1986. He previously served as Deputy Director of Academic Affairs Division of Chinese Accounting Correspondence School of Accounting Department of MOF (deputy division chief level), Person in charge of Teaching Material Department of National Accountant Certification Examination Leading Group Office, Director of Accounting Personnel Management Division and Director of Institutional System Division I of Accounting Department of MOF, Deputy Director (deputy director-general level), Deputy Director (person in charge), Director (director-general level), Secretary of the Party Committee and Director of National Accountant Assessment & Certification Centre of MOF. He concurrently serves as a Managing Director of the 8th Council of the Accounting Society of China, a part-time professor and off-campus practice tutor for postgraduate students of the School of Economics and Management of Beijing Jiaotong University, and a visiting tutor for postgraduate students in the Accounting School of the Central University of Finance and Economics. Mr. Feng obtained a Bachelor's degree in Economics from Dongbei University of Finance & Economics and Doctorate degree from Beijing Jiaotong University. Mr. Feng Weidong is a senior accountant, researcher, non-practicing certified public accountant and is a recipient of the Special Government Allowance by the State Council of China.

Cao Liqun, Non-executive Director

Ms. Cao has served as Non-executive Director of the Bank since January 2020. She joined Huijin in 2020. Ms. Cao previously served as Deputy Director of Regulations Division, General Affairs Department, Director of Regulations Division, General Affairs Department, Director of Non-Financial Institutions Inspection Division, Supervision and Inspection Department, Director of General Affairs Division, Supervision and Inspection Department, Deputy Director-General of Supervision and Inspection Department, Inspector of General Affairs Department (Policy and Regulation Department), Level-Two Inspector of General Affairs Department (Policy and Regulation Department) of State Administration of Foreign Exchange, and acted as Deputy Director of Administrative Committee of Beijing's Zhongguancun Science Park. Ms. Cao obtained a Bachelor's degree in Law from China University of Political Science and Law, a Master's degree in Finance from Renmin University of China, and a Master's degree in Public Administration from Peking University. Ms. Cao is an economist.

Anthony Francis Neoh, Independent Non-executive Director

Mr. Neoh has served as Independent Non-executive Director of the Bank since April 2015. He previously served as Chief Advisor to CSRC, a member of the International Consultation Committee of CSRC, a member of the Basic Law Committee of the Hong Kong Special Administrative Region under the Standing Committee of the National People's Congress of People's Republic of China, and Chairman of the Hong Kong Securities and Futures Commission. He was Chairman of the Technical Committee of the International Organization of Securities Commissions, a Non-executive Director of Global Digital Creations Holdings Limited. He was an Independent Non-executive Director of Link Management Limited, which is the Manager of Link Real Estate Investment Trust. He was also an Independent Non-executive Director of China Shenhua Energy Company Limited, Bank of China Limited, China Life Insurance Company Limited and New China Life Insurance Company Ltd. Mr. Neoh currently serves as an Independent Non-executive Director of CITIC Limited and Chairman of Hong Kong Independent Police Complaints Council. He graduated from the University of London with a Bachelor's degree in Law. He is Honorary Doctorate of Law of Chinese University of Hong Kong and Open University of Hong Kong and Honorary Doctorate of Social Sciences of Lingnan University. He was elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences. Mr. Neoh was appointed as Senior Counsel in Hong Kong. He is a barrister of England and Wales. He was admitted to the State Bar of California.

Yang Siu Shun, Independent Non-executive Director

Mr. Yang has served as Independent Non-executive Director of the Bank since April 2016. He previously served as Chairman and Principal Partner of PricewaterhouseCoopers Hong Kong, Executive Chairman and Principal Partner of PricewaterhouseCoopers Chinese Mainland and Hong Kong, member of five-people leading group of global leadership committee of PricewaterhouseCoopers, Chairman of PricewaterhouseCoopers Asia-Pacific region, Director and Chairman of Audit Committee of Hang Seng Management College and Vice Chairman of the Council of the Open University of Hong Kong. Mr. Yang currently serves as a member of the 13th National Committee of the Chinese People's Political Consultative Conference, a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority, a member of the board of directors of the Hong Kong Jockey Club and an Independent Non-executive Director of Tencent Holdings Limited. Mr. Yang graduated from the London School of Economics and Political Science. He was awarded the degree of Honorary Doctor of Social Sciences by The Open University of Hong Kong. He is a Justice of the Peace in Hong Kong. Mr. Yang holds the qualification of Chartered Accountants, and is a senior member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Shen Si, Independent Non-executive Director

Mr. Shen has served as Independent Non-executive Director of the Bank since March 2017. Previously, he served as Deputy Division Chief and Division Chief of Zhejiang Branch of PBC, Deputy General Director of the Investigation and Statistics Department of the Head Office of PBC, and Deputy President of the Hangzhou Branch of Shanghai Pudong Development Bank, Board Secretary of Shanghai Pudong Development Bank and Executive Director and concurrently Board Secretary of Shanghai Pudong Development Bank. He obtained a Master's degree in Economics from Zhejiang University and an EMBA degree. He is a senior economist.

Nout Wellink, Independent Non-executive Director

Mr. Wellink has served as Independent Non-executive Director of the Bank since December 2018. Previously, he served as the Treasurer General in the Dutch Ministry of Finance, member of the Executive Board and the President of the Dutch Central Bank, member of the Governing Council of the European Central Bank, member of the Group of Ten Central Bank Governors and Governor of the International Monetary Fund, member and Chairman of the Board of Directors of the Bank for International Settlements, Chairman of the Basel Committee on Banking Supervision, Independent Director of Bank of China Limited, Vice Chairman of Supervisory Board of PricewaterhouseCoopers Accountants N.V. and an Emeritus Professor at the Free University in Amsterdam. Mr. Wellink also served as member of the supervisory board of a bank, a reinsurance company and other enterprises on behalf of the Dutch authorities, Chairman of the Board of Supervisors of the Netherlands Open Air Museum, member and treasurer of the Royal Picture Gallery Mauritshuis and the Westeinde Hospital in The Hague. He was awarded a Knighthood in the Order of the Netherlands Lion in 1980 and is Commander of the Order of Orange-Nassau since 2011. He received a Master's degree in Law from Leiden University, a Doctorate degree in Economics from Erasmus University Rotterdam and an Honorary Doctorate from Tilburg University.

Fred Zuliu Hu, Independent Non-executive Director

Mr. Hu has served as Independent Non-executive Director of the Bank since April 2019. He previously served as a senior economist at the International Monetary Fund, Head of Research at the World Economic Forum, the chairman for Greater China and a partner at Goldman Sachs Group, Inc., an independent non-executive director of Great Wall Pan Asia Holdings Limited (formerly known as SCMP Group Limited), an independent non-executive director of Hang Seng Bank Limited, the non-executive director of China Asset Management Co., Ltd., an independent director of Dalian Wanda Commercial Management Group Co., Ltd. and an independent director of Shanghai Pudong Development Bank etc. Mr. Hu currently serves in various positions such as the chairman of Primavera Capital Group, the non-executive chairman of Yum China Holdings, Inc, the independent non-executive director of Hong Kong Exchanges and Clearing Limited, the independent non-executive director of Ant Group Co., Ltd., the director of UBS Group AG, the co-chair of The Nature Conservancy's Asia Pacific Council and the director of the China Medical Board. Mr. Hu is also a member of the Global Board of Advisors for the Council on Foreign Relations, the 21st Century Council of the Berggruen Institute, the Harvard Global Advisory Council, the Harvard Kennedy School Mossavar-Rahmani Center for Business and Government, the Stanford Center for International Development, and the Jerome A. Chazen Institute of International Business at Columbia University etc. He concurrently serves as the co-director of the National Center for Economic Research and a professor at Tsinghua University, and he is also an adjunct professor at the Chinese University of Hong Kong and Peking University. Mr. Hu obtained a master's degree in engineering science from Tsinghua University, and a master's degree and a PhD in economics from Harvard University.

Zhang Wei, Shareholder Supervisor

Mr. Zhang has concurrently served as Shareholder Supervisor and Director of the Board of Supervisors' Office of the Bank since June 2016. He joined ICBC in 1994, and has served as Employee Supervisor of the Board of Supervisors, General Manager of the Legal Affairs Department and Chief of Consumer Protection Office of the Bank. He graduated from Peking University with a Doctorate degree in Law and is a research fellow.

Huang Li, Employee Supervisor

Mr. Huang has served as Employee Supervisor of the Bank since June 2016. He joined ICBC in 1994 and is currently the Head of Beijing Branch of the Bank. He served as Deputy General Manager and General Manager of the Banking Department as well as Deputy Head and Head of Guizhou Branch of ICBC. Mr. Huang graduated from The University of Hong Kong with an MBA degree. He is a senior economist.

Wu Xiangjiang, Employee Supervisor

Mr. Wu has served as Employee Supervisor of the Bank since September 2020. He joined ICBC in 1988 and is currently the General Manager of Internal Control & Compliance Department of the Bank. He served such positions at the Bank as Deputy Head of Zhejiang Branch, General Manager of E-banking Department and General Manager of Internet Finance Department. Mr. Wu graduated from Zhejiang University with a Doctorate degree in Management. He is a senior economist.

Qu Qiang, External Supervisor

Mr. Qu has served as External Supervisor of the Bank since December 2015. Currently, he is a professor and tutor for PhD students of Renmin University of China, Director of China Fiscal and Financial Policy Research Center (a key research center of humanities and social sciences of the Ministry of Education), Deputy Director of Capital Market Research Institute of Renmin University of China, a council member of China Finance Society and External Expert of China Development Bank. He was Head of the Applied Finance Department of the School of Finance, Renmin University of China. Currently, he is also External Supervisor of Bank of Beijing. Mr. Qu graduated from Renmin University of China, and received a Doctorate degree in Economics.

Shen Bingxi, External Supervisor

Mr. Shen has served as External Supervisor of the Bank since June 2016. He previously served as the Deputy Chief of the Financial Market Division of the Financial System Reform Department, Chief of the System Reform Division and Monetary Policy Research Division of the Policy Study Office, and Chief of the Monetary Policy Research Division of the Research Bureau of the PBC, Chief Representative of the PBC Representative Office in Tokyo, Deputy Director-general and Director-level Inspector of Financial Market Department of the PBC, and Non-executive Director of Agricultural Bank of China. Mr. Shen is currently guest professor of Tsinghua University, Zhejiang University and Nankai University. Mr. Shen graduated from Renmin University of China, and received a Doctorate degree in Economics. He is a research fellow.

Wang Jingwu, Senior Executive Vice President

Mr. Wang has served as Senior Executive Vice President of the Bank since April 2020. He joined PBC in August 1985, and has successively served as Supervision Commissioner (Deputy Director level) of PBC Shijiazhuang Central Sub-branch, Head of PBC Shijiazhuang Central Sub-branch and concurrently Director of State Administration of Foreign Exchange (SAFE) Hebei Branch, Head of PBC Hohhot Central Sub-branch and concurrently Director of SAFE Inner Mongolia Branch, Head of PBC Guangzhou Branch and concurrently Director of SAFE Guangdong Branch, and Director-General of PBC Financial Stability Bureau since January 2002. Mr. Wang graduated from the Hebei Banking School, and he received a doctorate degree in economics from Xi'an Jiaotong University. He is a research fellow.

Zhang Wenwu, Senior Executive Vice President

Mr. Zhang has served as Senior Executive Vice President of the Bank since July 2020. He joined ICBC in 1995. He was appointed as Deputy General Manager of the Finance & Accounting Department of the Head Office, Deputy Head of Liaoning Branch, Executive Director and Chief Financial Officer of ICBC-AXA Assurance Co., Ltd., Director of the Board of Supervisors' Office of the Head Office, and General Manager of the Finance & Accounting Department of the Head Office. Mr. Zhang graduated from the University of International Business and Economics, and he obtained a Doctorate degree in Management from Renmin University of China. He is a senior accountant.

Xu Shouben, Senior Executive Vice President

Mr. Xu has served as Senior Executive Vice President of the Bank since October 2020. He joined ICBC in 1995. He was appointed as Deputy Head of Guangdong Branch and Head of Shenzhen Branch. Mr. Xu graduated from the Harbin Institute of Technology, and he obtained a Doctorate degree in Economics from Sun Yat-sen University. He is a senior economist.

Wang Bairong, Chief Business Officer

Mr. Wang has served as Chief Business Officer of the Bank since April 2020. He began his career in 1986. He joined ICBC in 1991 and previously served as Assistant to Head of Zhejiang Branch and Head of Shaoxing Branch, Deputy Head of Zhejiang Branch and General Manager of the Banking Department of Zhejiang Branch, Deputy Head (person in charge) and Head of Chongqing Branch and Chief Risk Officer. Mr. Wang graduated from the Party School of the Central Committee of CPC and obtained a Master's degree in Economics. He is a senior economist.

Guan Xueqing, Board Secretary

Mr. Guan has served as Board Secretary of the Bank since July 2016. He joined ICBC in 1984 and served as Head of Suining Branch in Sichuan, Representative of Frankfurt Representative Office and Deputy General Manager of Frankfurt Branch, Deputy Head of Sichuan Branch, Deputy Head of Sichuan Branch and General Manager of Banking Department of Sichuan Branch, and Head of Hubei Branch and Sichuan Branch. Previously Mr. Guan was also General Manager of Corporate Strategy and Investor Relations Department of the Bank. He graduated from the Southwestern University of Finance and Economics and obtained a Doctorate degree in Economics. He is a senior economist.

Xiong Yan, Chief Business Officer

Ms. Xiong has served as Chief Business Officer of the Bank since April 2020. She joined ICBC in 1984, and served as Deputy Director-General of Kunming Sub-bureau of the Internal Audit Bureau, Deputy General Manager of Yunnan Branch, Deputy Director-General of the Sub-bureau directly managed by the Internal Audit Bureau, Deputy General Manager of the Corporate Banking Department I (Corporate Banking Department) and General Manager of the Institutional Banking Department of the Head Office. Ms. Xiong graduated from Hunan University, and obtained a degree of International Master of Business Administration (IMBA) from Fudan University and The University of Hong Kong. She is a senior economist.

Song Jianhua, Chief Business Officer

Mr. Song has served as Chief Business Officer of the Bank since April 2020. He joined ICBC in 1987. He was appointed as Deputy General Manager of Jiangsu Branch and General Manager of the Personal Banking Department of the Head Office. Mr. Song graduated from Peking University and obtained a Doctorate degree in management science and engineering from Nanjing University. He is a senior economist.

Mr. Lu Yongzhen, Mr. Zheng Fuqing, Mr. Feng Weidong and Ms. Cao Liqun were recommended by Huijin to serve as Non-executive Directors of the Bank. Huijin holds interests in shares of the Bank. Please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Interests and Short Positions Held by Substantial Shareholders and Other Persons" for further details.

None of the Directors, Supervisors and Senior Management members of the Bank, whether they are incumbent or have left office during the reporting period, have been punished by the securities regulator in the past three years.

Appointment and Removal

Directors

At the Second Extraordinary General Meeting of 2019 held on 22 November 2019, Mr. Feng Weidong and Ms. Cao Liqun were elected as Non-executive Director of the Bank, and their qualifications were approved by CBIRC respectively in January 2020. At the Annual General Meeting for the Year 2019 held on 12 June 2020, Mr. Liao Lin was elected as Executive Director of the Bank, and his qualification was approved by CBIRC in July 2020; Mr. Shen Si was re-elected as Independent Non-executive Director of the Bank, and his new term of office started from the day of approval at the Annual General Meeting. On 29 January 2021, the Board of Directors of the Bank nominated Ms. Chen Yifang as a candidate for Non-executive Director of the Bank. The appointment of Ms. Chen Yifang as the Bank's non-executive director shall be submitted to the Shareholders' General Meeting of the Bank for deliberation and approval, after which, her qualification will be submitted to CBIRC for approval. Ms. Chen Yifang's term of office as Non-executive Director of the Bank shall start from the day of approval by CBIRC. On 25 February 2021, the Board of Directors of the Bank elected Mr. Liao Lin as Vice Chairman of the Bank, and his qualification was approved by CBIRC in March 2021.

In February 2020, Mr. Hu Hao ceased to act as Executive Director and Senior Executive Vice President of the Bank due to change of job assignments. In February 2020, Mr. Dong Shi ceased to act as Non-executive Director of the Bank due to change of job assignments. In March 2020, Mr. Ye Donghai ceased to act as Non-executive Director of the Bank due to change of job assignments. In March 2020, Ms. Sheila Colleen Bair ceased to act as Independent Non-executive Director of the Bank due to expiration of her term of office. In December 2020, Mr. Gu Shu ceased to act as Vice Chairman, Executive Director and President of the Bank due to change of job assignments. In February 2021, Ms. Mei Yingchun ceased to act as Non-executive Director of the Bank due to expiration of her term of office.

Supervisors

At the First Extraordinary General Meeting of 2020 held on 8 January 2020, Mr. Yang Guozhong was elected as Shareholder Supervisor of the Bank, and his new term of office started from the day of approval by the Shareholders' General Meeting, and his term of office as Chairman of the Board of Supervisors of the Bank took effect simultaneously. At the special meeting of the first session of employee representative assembly of the Bank held on 15 September 2020, Mr. Wu Xiangjiang was elected as Employee Supervisor of the Bank, and his term of office started from the day of approval by the employee representative assembly. In September 2020, Mr. Hui Ping ceased to act as Employee Supervisor of the Bank due to his age. In March 2021, Mr. Yang Guozhong ceased to act as Shareholder Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job assignments.

Senior Management Members

On 18 February 2020, the Board of Directors appointed Ms. Xiong Yan and Mr. Song Jianhua as Chief Business Officers of the Bank, and their qualifications were approved by CBIRC in April 2020. On 27 March 2020, the Board of Directors appointed Mr. Wang Jingwu as Senior Executive Vice President of the Bank, and his qualification was approved by CBIRC in April 2020. On 28 April 2020, the Board of Directors appointed Mr. Liao Lin as Chief Risk Officer of the Bank, and appointed Mr. Wang Bairong as Chief Business Officer of the Bank, who ceased to act as Chief Risk Officer of the Bank. On 12 June 2020, the Board of Directors appointed Mr. Zhang Wenwu as Senior Executive Vice President of the Bank, and his qualification was approved by CBIRC in July 2020. On 28 August 2020, the Board of Directors appointed Mr. Xu Shouben as Senior Executive Vice President of the Bank, and his qualification was approved by CBIRC in October 2020. On 25 February 2021, the Board of Directors appointed Mr. Liao Lin as President of the Bank, and his qualification was approved by CBIRC in March 2021. Mr. Liao Lin ceased to act as Chief Risk Officer of the Bank after he took office as President.

Annual Remuneration

Unit: RMB10,000

Name	Remuneration from the Bank: Remuneration paid (before tax) (1)	Contribution by the employer to social insurance, housing allowance, annuities, and additional medical insurances (2)	Fees (3)	Other monetary income (4)	Total remuneration before tax (5)=(1)+(2)+(3)+(4)	Obtain remuneration from shareholder entities or other related parties or not
Chen Siqing	61.94	15.88	–	–	77.82	No
Liao Lin	55.74	15.43	–	–	71.17	No
Lu Yongzhen	–	–	–	–	–	Yes
Zheng Fuqing	–	–	–	–	–	Yes
Feng Weidong	–	–	–	–	–	Yes
Cao Liqun	–	–	–	–	–	Yes
Anthony Francis Neoh	–	–	52.00	–	52.00	Yes
Yang Siu Shun	–	–	47.00	–	47.00	Yes
Shen Si	–	–	47.00	–	47.00	Yes
Nout Wellink	–	–	47.00	–	47.00	No
Fred Zuliu Hu	–	–	41.00	–	41.00	Yes
Zhang Wei	94.42	23.35	–	–	117.77	No
Huang Li	–	–	5.00	–	5.00	No
Wu Xiangjiang	–	–	1.25	–	1.25	No
Qu Qiang	–	–	25.00	–	25.00	No
Shen Bingxi	–	–	–	–	–	No
Wang Jingwu	41.81	12.04	–	–	53.85	No
Zhang Wenwu	32.52	11.68	–	–	44.20	No
Xu Shouben	23.23	9.97	–	–	33.20	No
Wang Bairong	98.18	22.33	–	–	120.51	No
Guan Xueqing	101.49	23.23	–	–	124.72	No
Xiong Yan	64.29	17.40	–	–	81.69	No
Song Jianhua	64.29	16.85	–	–	81.14	No
Directors, Supervisors and Senior Management Leaving Office						
Gu Shu	61.94	15.88	–	–	77.82	No
Yang Guozhong	61.94	15.88	–	–	77.82	No
Hu Hao	4.65	1.36	–	–	6.01	No
Ye Donghai	–	–	–	–	–	Yes
Mei Yingchun	–	–	–	–	–	Yes
Dong Shi	–	–	–	–	–	Yes
Sheila Colleen Bair	–	–	11.50	–	11.50	Yes
Hui Ping	–	–	3.75	–	3.75	No

Notes: (1) Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises.

(2) During the reporting period, the total remuneration amount paid to Directors, Supervisors and Senior Management members was RMB12,482.2 thousand. According to the requirements of relevant government authorities, the total final remuneration payable to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors, Shareholder Supervisors and other Senior Management members is still subject to final confirmation by relevant government authorities. Additional details of remuneration will be disclosed when they have been determined.

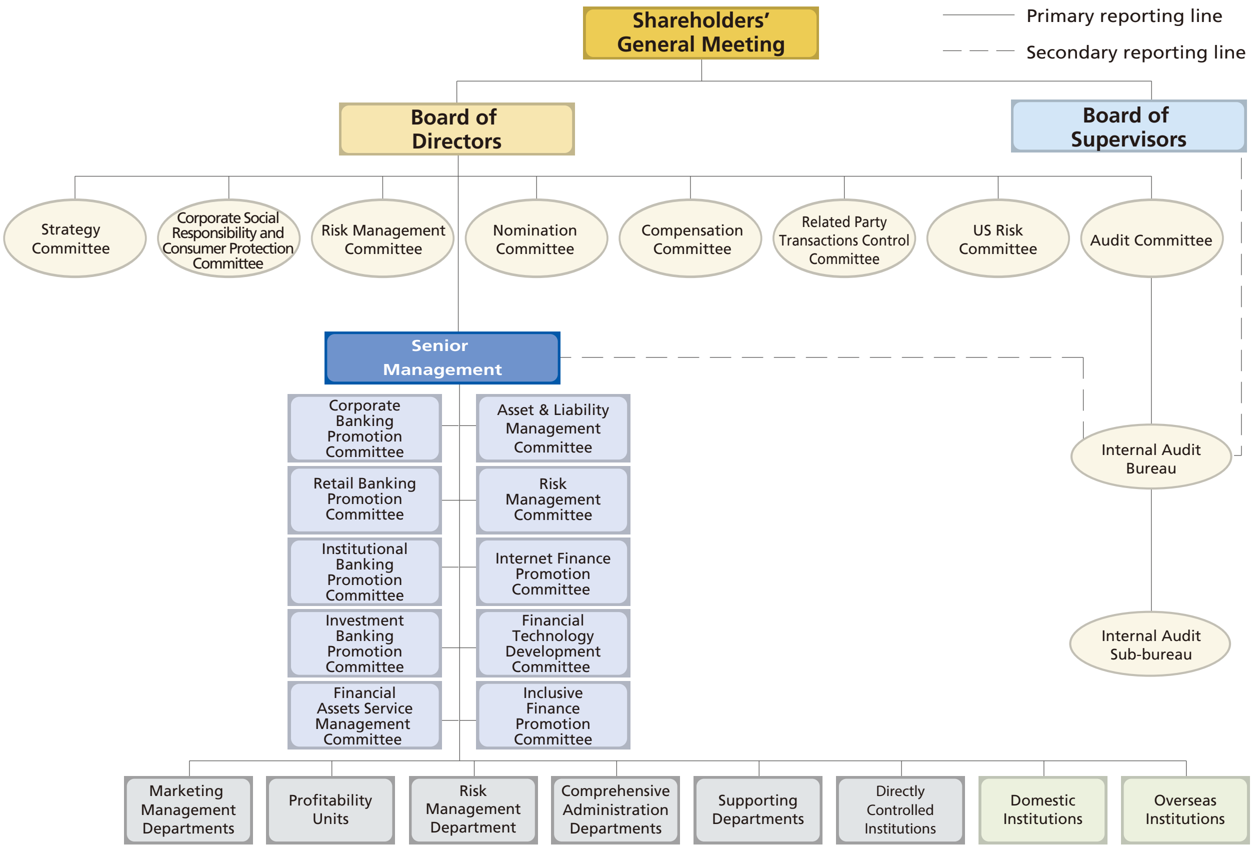
(3) During the reporting period, Mr. Lu Yongzhen, Mr. Zheng Fuqing, Mr. Feng Weidong, Ms. Cao Liqun, Mr. Ye Donghai, Ms. Mei Yingchun and Mr. Dong Shi did not obtain remuneration from the Bank.

(4) Fees of Mr. Huang Li, Mr. Wu Xiangjiang and Mr. Hui Ping are their allowances obtained as Employee Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

(5) As the Bank's Independent Non-executive Directors and some Non-executive Directors served as directors or senior management of other legal persons or organizations other than the Bank or the controlled subsidiaries of the Bank, such legal persons or organizations became related parties of the Bank. During the reporting period, some of the above-mentioned Directors obtained remuneration from such related parties. Except to the extent of the afore-mentioned circumstances, none of the Bank's Directors, Supervisors and Senior Management was paid by the Bank's related parties during the reporting period.

(6) For the change of the Bank's Directors, Supervisors and Senior Management, please refer to the section headed "Appointment and Removal".

Corporate Governance Framework



Note: The above is the corporate governance framework chart as of the end of 2020.

The Bank has made constant efforts to improve the corporate governance and checks and balances mechanism comprising the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management featuring clearly-defined responsibilities and accountability, coordination and effective checks and balances, and to optimize responsibilities of the authority organ, decision-making organ, supervisory organ and executive organ. As a result, the corporate governance operation mechanism with scientific decision-making process, effective supervision and steady operation has been in place.

Responsibilities of the Shareholders' General Meeting

As the organ of power of the Bank, the Shareholders' General Meeting involves all shareholders. The Shareholders' General Meeting is responsible for, among others, deciding on business policies and significant investment plans of the Bank; examining and approving the Bank's annual financial budget, final account proposals, plans for profit distribution and loss make-up; electing and replacing directors, supervisors appointed from the shareholder representatives and external supervisors; examining and approving work report of the Board of Directors and work report of the Board of Supervisors; adopting resolutions on merger, division, dissolution, liquidation, change of corporate form, increase or decrease of the Bank's registered capital, issuance of corporate bonds or other securities and public listing, repurchase of the shares and issuance of preference shares; and amending the Articles of Association of the Bank.

Responsibilities of the Board of Directors

As the decision-making organ of the Bank, the Board of Directors of the Bank is accountable to, and shall report its work to, the Shareholders' General Meeting. The Board of Directors is responsible for, among others, convening the Shareholders' General Meeting; implementing the resolutions of the Shareholders' General Meeting; deciding on the business plans, investment proposals and development strategies of the Bank; formulating annual financial budget and final accounts of the Bank; formulating plans for profit distribution and loss recovery of the Bank; formulating plans for the increase or decrease of the Bank's registered capital, capital replenishment and financial restructuring of the Bank; formulating basic management systems of the Bank such as risk management system and internal control system, and supervising the implementation of such systems; appointing or removing President and the Board Secretary, and appointing or removing Senior Executive Vice Presidents and other senior management members (except the Board Secretary) who shall be appointed or removed by the Board of Directors under relevant laws according to the nomination of the President and deciding on their compensation, bonus and penalty matters; deciding on or authorizing the President to decide on the establishment of relevant offices of the Bank; regularly evaluating and improving corporate governance of the Bank; managing information disclosure of the Bank; and supervising and ensuring the President and other Senior Management members to perform their management duties effectively.

Responsibilities of the Board of Supervisors

As the supervisory organ of the Bank, the Board of Supervisors is accountable to, and shall report its work to, the Shareholders' General Meeting. The Board of Supervisors is responsible for, among others, supervising the performance and due diligence of Directors and Senior Management members; supervising the performance of duties by the Board of Directors and the Senior Management; conducting exit audits on Directors and Senior Management members when necessary; inspecting and supervising financial activities of the Bank; examining financial information such as financial report, business report and profit distribution plan to be submitted to the Shareholders' General Meeting by the Board of Directors; inspecting and supervising the business decision-making, risk management and internal control of the Bank and guiding the internal audit department of the Bank; supervising the engagement, dismissal, reengagement and audit of the external auditor as well as the audit work progress of the Bank; formulating the remuneration plans and performance evaluation measures of supervisors, conducting the performance evaluation on supervisors, and reporting to the Shareholders' General Meeting for approval; presenting proposals to the Shareholders' General Meeting; proposing to convene an extraordinary general meeting, and convening and presiding over the extraordinary general meeting in case the Board of Directors fails to perform its duty of convening Shareholders' General Meeting; proposing to convene an interim meeting of the Board of Directors.

Responsibilities of the Senior Management

As the executive organ of the Bank, the Senior Management is accountable to the Board of Directors. The Senior Management is responsible for, among others, the operation and management of the Bank; organizing the implementation of operation and investment plans approved by the Board of Directors; formulating specific rules and regulations of the Bank; determining plans for compensation distribution and performances evaluation of persons in charge of internal departments and branches of the Bank (except the internal audit department); truthfully reporting to the Board of Directors or the Board of Supervisors on the business performance; drafting the annual financial budget plan, final account plan, profit distribution plan and loss make-up plan, plans for increase or reduction of the registered capital, the issuance of bonds or other securities and listing, and making suggestions in that respect to the Board of Directors.

Overview of Corporate Governance

During the reporting period, the Bank took improving corporate governance as a primary measure to enhance its core competitiveness, and continued to develop its modern corporate governance framework, mechanism and culture with reference to regulatory requirements and best practices of the industry. It continuously strengthened enterprise risk management, improved the Group's governance system in which all departments perform their duties respectively, have their responsibilities clearly defined, coordinate with one another and implement effective management and control, and advanced the modernization of governance system and capacity, in a bid to become the governance benchmark of global large financial groups. There is no material divergence between actual corporate governance of the Bank and applicable regulatory documents regarding corporate governance issued by CSRC.

During the reporting period, the Bank was widely recognized by the industry for its corporate governance level, received the "Hong Kong Corporate Governance Excellence Awards 2020" from the Chamber of Hong Kong Listed Companies and the "China's Top 100 Companies Award" from the Forum of China Business Top 100, and ranked first in the "Ranking of China's Top 100 Listed Companies" for another year.

Construction of the Organizational Framework of Corporate Governance

During the reporting period, the Bank continued to improve the framework of the Board of Directors. The Bank appointed and re-appointed some directors and changed the members of some special committees of the Board of Directors to further promote the role of the special committees of the Board of Directors in supporting decision-making, actively build an independent and diversified Board of Directors that can make decisions scientifically with an international vision, and advocate the cultivation of a harmonious and inclusive governance culture. Besides, the Bank stepped up efforts in the Group's corporate governance, and kept refining the management and control and collaboration mechanism of the Group as well as the corporate governance framework, institutional system and working mechanism of its subsidiaries. The Bank built a comprehensive management framework for Group subsidiaries, which takes Party building and corporate governance, equity management, cadre management and collaborative management as the "four beams" and strategy, risk, customer, capital, authorization, science and technology, finance and culture as the "eight pillars".

Construction of the Corporate Governance Mechanism

The Bank promoted the organic integration of the Party's leadership and corporate governance. It strengthened the organic connection between the rules of procedure of the Party committee and the decision-making mechanism for corporate governance, deeply applied its institutional advantages to the construction of modern governance system, and constantly improved the governance efficiency and high-quality development capability.

The Bank put into good use the key role of the Board of Directors in strategic decision-making and corporate governance. The Board of Directors closely followed China's 14th Five-Year Plan and supply-side structural reform to serve the new development paradigm with domestic circulation as the mainstay and domestic and international circulations reinforcing each other. Centering on the objectives of driving sustainable growth in corporate value and creating value for customers and shareholders, the Board of Directors forged ahead as guided by the strategies, sought progress without compromising stability, inherited and innovated in development philosophy, strengthened the enterprise risk management and internal control, actively promoted the operational transformation and structural adjustment, and kept track of how the strategies, plans and decisions were implemented continuously, to ensure the robust operation and healthy development of the Group. It strengthened the construction of supporting rules and regulations for performance standards of the Board of Directors, continuously enhanced the all-round and personalized supporting services for performance of directors, and improved the mechanism for daily communication and communication prior to the meetings of the Board of Directors, to ensure the Board of Directors fulfill its duties in accordance with relevant laws and regulations.

The Bank actively put the supervisory function of the Board of Supervisors into good use, continuously improved its working mechanism, and strengthened its supervision over performance of the Board of Directors and the Senior Management. The Board of Supervisors focused on the implementation of national economic and financial policies as well as regulatory requirements by the Board of Directors and the Senior Management and their efforts in serving China's major policies, responding to the COVID-19 pandemic, supporting the real economy, preventing and mitigating financial risks, and supervised the formulation and implementation of the Bank's development strategy. Onsite survey, offsite monitoring and analysis and other various methods were adopted in supervising financial activities, risk management and internal control. The Board of Supervisors effectively fulfilled its important role to corporate governance and promoted the legal and compliant operation and development of the Bank.

The Bank strengthened enterprise risk management and capital management, and intensified internal control, audit and supervision. It continued to improve the enterprise risk management policies, paid equal attention to risks on and off the balance sheet and risks at home and abroad, constantly improve the global, comprehensive and brand-new risk management system involving all personnel, spanning all processes and covering all risk exposures, and deepen the risk management of "Three Gates" and "Seven-color Pools" based on the principle of "active prevention, smart control and comprehensive management", to ensure that each risk is identifiable, controllable and well managed; stepped up the capital management, liquidity management and interest rate management, with the capital adequacy ratio (CAR) remained stabilized overall; and reinforced the group-wide compliance management, kept optimizing the internal control environment, and continued enhancing the auditing service capacity and the related supervision and inspection standards.

Development of Corporate Governance Regulations

During the reporting period, the Bank formulated the Occupation Disciplines and Value Code for the Board of Directors to further standardize the performance of the Board of Directors and directors, promote the values of the Board of Directors, and advocate a sound corporate governance culture, so as to lay an institutional foundation for cultivating corporate governance culture of the Board of Directors.

Compliance with the 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.

Shareholders' Rights

Proposing the convening of an extraordinary general meeting

An extraordinary general meeting should be convened within two (2) months from the date when shareholders holding more than ten percent (10%) of the voting shares of the Bank, either individually or jointly, request to convene in writing. Proposing shareholders shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall make a written response as to whether or not it agrees to convene such a meeting within ten (10) days upon receipt of the request in accordance with laws, administrative regulations, rules and the Articles of Association of the Bank. Reasonable expenses incurred from the case where shareholders convene the meeting by themselves due to the failure of the Board of Directors to convene the meeting shall be borne by the Bank, and deducted from the payment to those negligent directors.

Submitting interim proposals for the Shareholders' General Meeting

Shareholders who hold more than three percent (3%) of shares of the Bank, either individually or jointly, may prepare an interim proposal and submit it in writing to the Board of Directors ten (10) days before the Shareholders' General Meetings convened. The Board of Directors shall issue a supplementary notice for the Shareholders' General Meeting within two (2) days upon receipt of the proposal and submit such proposal to the Shareholders' General Meeting for approval.

Putting forward suggestions and reviewing documents

Shareholders are entitled to supervise business operation of the Bank and put forward suggestions or inquiries accordingly. Shareholders are entitled to review the information of the Bank such as the Articles of Association, the register of shareholders, documents on status of share capital and minutes of Shareholders' General Meetings, etc.

Special provisions on rights of preference shareholders

In the following circumstances, preference shareholders of the Bank have the right to attend the Shareholders' General Meeting and exercise voting rights: (1) amendments to the Articles of Association which relate to preference shares; (2) the reduction of the registered capital of the Bank by more than 10% (either separately or in aggregate); (3) merger, division and dissolution or change of corporate form of the Bank; (4) issuance of preference shares; and (5) other events specified in the Articles of Association that will change or abrogate the rights of preference shareholders. If any of the above circumstances occurs, the notice of a Shareholders' General Meeting shall be given to preference shareholders in accordance with the notification procedures applicable to ordinary shareholders as specified in the Articles of Association.

In the event that the Bank failed to pay the agreed dividend to preference shareholders for three years in aggregate or for two consecutive years, from the next day following the date of approval of the proposal not paying the agreed dividend for the current year by the Shareholders' General Meeting, preference shareholders shall be entitled to attend and vote (together with ordinary shareholders) at the Shareholders' General Meeting. For preference shares the dividend of which is non-cumulative, the voting rights shall be temporarily restored until the full payment of the agreed dividend for the current year by the Bank.

Other rights

Ordinary shareholders of the Bank have the right to collect dividends and other forms of benefits distributed on the basis of the number of shares held by them; preference shareholders shall be entitled to rights to dividends in priority to payment of dividends to ordinary shareholders. Shareholders have other rights conferred by laws, administrative regulations, rules and the Articles of Association of the Bank.

Effective Communication with Shareholders

The Bank has strictly complied with regulatory rules and fundamental regulations of corporate governance, and has taken various measures such as improving information disclosure management, strengthening investor relations management and optimizing the operations mechanism of the Shareholders' General Meeting, with a view to safeguarding the rights of all shareholders, especially minority investors, and increasing communication and exchange among shareholders.

During the reporting period, the Bank strictly complied with information disclosure regulations, continued to improve the group-wide information transmission mechanism, and actively fulfilled the information disclosure obligations. On the basis of well-performance in compulsory information disclosure, the Bank actively promoted the voluntary information disclosure, and continuously expanded the width and depth of information disclosure. It took the initiative in disclosing major concerns of domestic and overseas investors and capital markets, including the formulation of corporate strategy, business development plan, risk management, internationalized and integrated operation and green finance, in an effort to provide timely, effective and diversified information for investors and other stakeholders and proactively create good conditions for them to understand the Bank's strategy implementation, corporate governance as well as operation and management.

The Bank has developed comprehensive and complete information disclosure system, which specifies the scope, standard, division of responsibility and process of information disclosure, management of inside information and insiders, etc. During the reporting period, the Bank continued to strengthen the implementation of rules and regulations of information disclosure. It constantly consolidated the compliance awareness of the Bank's responsible party for information disclosure to effectively improve the initiative and effectiveness of the Group's information disclosure management, by increasing compliance publicity and conducting regular self-inspection. The Bank was widely praised for its constant improvement in information disclosure and corporate transparency, and rated as A (Excellent) for successive years in the annual information disclosure evaluation of listed companies on SSE.

The Bank improved various communication channels for investors, coordinated pandemic containment and investor relation management, and organized a series of activities such as press conferences in relation to periodic results, reverse road shows, and domestic and overseas non-trading telephone road shows during the reporting period. Besides, the Bank took full advantage of multiple communication platforms including the investor interactive platform of SSE, investor relations column on the website of the Group, investor hotline and investor email of the Bank, to understand investors' needs and provide sufficient information feedback in a timely manner.

During the reporting period, convening, holding, notices, announcements, proposals, voting and other procedures of the shareholders' general meetings of the Bank strictly complied with relevant laws and regulations such as the Company Law, ensuring that shareholders could exercise their right of participation in the Shareholders' General Meetings smoothly.

Contacts

Pursuant to relevant laws and regulations as well as the Articles of Association of the Bank, shareholders can put forward suggestions and inquiries through participating in activities including the Shareholders' General Meetings, press conferences in relation to periodic results and road shows of the Bank or by means of platforms including investor interactive platform of SSE, investor relations column on the website of the Group, investor hotline and investor email and hotline, fax and email of the Shareholders' General Meetings of the Bank as well. For contact details, please refer to the section headed "Corporate Governance Report — Investor Relations".

If an ordinary shareholder wishes to enquire about share transfer, changes in name or address, reporting loss of share certificates and dividend notes or any other information relating to his/her shares, please contact the Share Registrars of the Bank. For contact details, please refer to the section headed "Corporate Information".

Shareholders' General Meeting

During the reporting period, the Bank convened the First Extraordinary General Meeting of 2020 on 8 January 2020, the Annual General Meeting for the Year 2019 on 12 June 2020, and the Second Extraordinary General Meeting of 2020 on 26 November 2020. The afore-mentioned Shareholders' General Meetings were convened and held in strict compliance with relevant laws and regulations and the Articles of Association of the Bank. The Bank made announcements on the resolutions and disclosed legal opinions in a timely manner in accordance with regulatory requirements. For details of the above meetings, please refer to the announcements of the Bank dated 8 January 2020, 12 June 2020 and 26 November 2020 respectively on the websites of SSE, the "HKEXnews" of HKEX and the Bank.

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

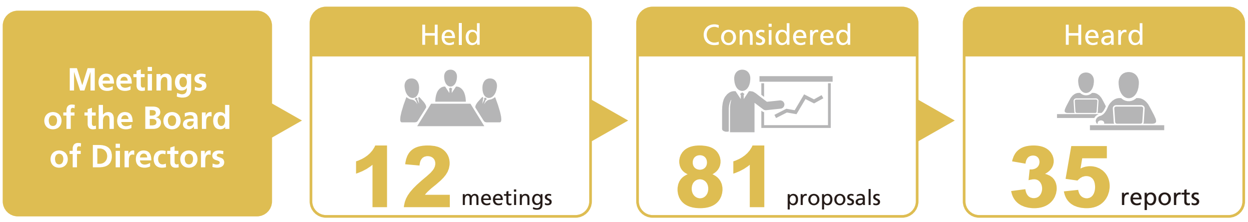
The Board of Directors of the Bank earnestly and fully implemented the resolutions adopted by the Shareholders' General Meeting during the reporting period.

Board of Directors and Special Committees

Composition of the Board of Directors

The Bank formulated relatively complete procedures for nominating and electing Directors. With diversified backgrounds, the Directors complemented each other on one hand with regard to their expertise, professional competence and experience and expressed professional and diversified perspectives and views, which ensured scientific decision-making of the Board of Directors. As at the disclosure date of the results, the Board of Directors of the Bank consisted of 11 directors, including two Executive Directors: Mr. Chen Siqing and Mr. Liao Lin; four Non-executive Directors: Mr. Lu Yongzhen, Mr. Zheng Fuqing, Mr. Feng Weidong and Ms. Cao Liqun; and five Independent Non-executive Directors: Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Mr. Shen Si, Mr. Nout Wellink and Mr. Fred Zuliu Hu. Mr. Chen Siqing was Chairman of the Board of Directors. Mr. Liao Lin was Vice Chairman of the Board of Directors. The Executive Directors have worked in the areas of banking and management for a long time, possesses extensive professional expertise and experience in those areas and are familiar with operation and management of the Bank. Non-executive Directors have worked in the fiscal, economic, financial and governing sectors for many years, and they have rich practical experience and relatively high level of understanding of policies and theories. All of the Independent Non-executive Directors are prestigious Chinese or foreign experts in their respective areas, e.g. economy, financial supervision, finance, audit and law, and they are familiar with Chinese and foreign regulatory rules and have a good knowledge of corporate governance, finance and bank management. The number of Independent Non-executive Directors of the Bank accounted for more than one third of the total members of the Board of Directors, complying with relevant regulatory requirements.

Meetings of the Board of Directors



During the reporting period, the Board of Directors of the Bank held 12 meetings, considered 81 proposals, and heard 35 reports.

The Board of Directors made scientific decisions on, and reviewed and approved such proposals as annual operation plan, fixed asset investment budget, and donations for pandemic containment in accordance with economic and financial policies and major objectives, including serving the real economy, combatting the epidemic, preventing and controlling financial risks and deepening financial reform.

The Board of Directors attached great importance to the enterprise risk management, continuously improved risk management system and mechanism, and prevented the systemic risk with all strength. It revised the Rules on Enterprise Risk Management and the Measures for the Strategic Risk Management, reviewed and approved proposals including the 2019 and 2020 Interim Risk Management Reports, the Liquidity Risk Management Strategy for 2020, the Management Strategy of Interest Rate Risk in the Banking Book for 2020, and heard reports such as Report on Technology Risk Management in 2019.

The Board of Directors improved asset management and continued to meet the capital needs of supporting the real economy and the regulatory requirements on capital management. It reviewed and approved proposals on the 2021–2023 Capital Planning, the 2019 Risk and Capital Adequacy Assessment Report, the 2019 Capital Adequacy Ratio Report, issuing undated additional tier 1 capital bonds, and capital increase to ICBC Investment, etc.

The Board of Directors highly valued the fulfillment of social responsibility and endeavored to maximize the comprehensive value of economy, environment and society. It reviewed and approved proposals on the Donations for Combatting COVID-19 in Wuhan, Hubei Province, the Application for Special Authorization Limit for Poverty Alleviation Donations, the Corporate Social Responsibility Report 2019, 2020 Business Plan for Inclusive Finance, and the Report on the Implementation of Green Finance, etc., and heard the Report on the Progress of COVID-19 Prevention and Control of the Bank and the Report on Consumer Protection in 2019.

For major proposals reviewed by the Board of Directors, please refer to the announcements of the Bank on the website of SSE, the "HKEXnews" website of HKEX or the website of the Bank.

The attendance of each of the Directors in Shareholders' General Meetings and meetings of the Board of Directors and the special committees of the Board of Directors during the reporting period is set out below:

Attendances in person/Number of meetings that should be attended

			Special Committees of the Board of Directors:							
Directors	Shareholders' General Meeting	Board of Directors	Strategy Committee	Corporate Social Responsibility and Consumer Protection Committee	Audit Committee	Risk Management Committee	Nomination Committee	Compensation Committee	Related Party Transactions Control Committee	US Risk Committee
Executive Directors										
Chen Siqing	3/3	8/12	4/8	—	—	—	—	—	—	—
Liao Lin	1/1	5/5	—	1/1	—	—	—	—	1/1	—
Non-executive Directors										
Lu Yongzhen	3/3	12/12	8/8	—	—	6/6	—	4/4	—	4/4
Zheng Fuqing	3/3	12/12	8/8	—	—	6/6	—	—	—	4/4
Feng Weidong	2/2	10/10	—	—	6/6	6/6	7/7	—	—	4/4
Cao Liqun	2/2	10/10	—	4/4	6/6	6/6	—	—	—	4/4
Independent Non-executive Directors										
Anthony Francis Neoh	3/3	12/12	8/8	—	7/7	6/6	8/8	4/4	—	4/4
Yang Siu Shun	3/3	11/12	—	—	7/7	6/6	8/8	—	3/3	4/4
Shen Si	3/3	12/12	—	—	7/7	6/6	—	4/4	3/3	4/4
Nout Wellink	3/3	11/12	8/8	5/5	7/7	—	—	4/4	3/3	—
Fred Zuliu Hu	3/3	11/12	7/8	—	6/7	—	7/8	—	—	—
Directors Leaving Office										
Gu Shu	3/3	10/11	7/8	3/5	—	—	7/8	4/4	—	—
Hu Hao	1/1	2/2	—	1/1	—	—	—	—	—	—
Ye Donghai	1/1	3/3	1/1	—	1/1	—	2/2	—	—	—
Mei Yingchun	3/3	12/12	8/8	5/5	—	—	—	4/4	—	—
Dong Shi	1/1	2/2	1/1	—	—	—	—	—	—	—
Sheila Colleen Bair	1/1	4/4	2/2	—	—	1/1	1/3	0/1	—	1/1

Notes: (1) "Attendances in person" refers to attending meetings in person or on telephone or by video conference.

(2) Directors who did not attend the meetings of the Board of Directors and its special committees in person appointed other directors to attend the meetings and exercise the voting right on their behalf.

(3) For the change of directors, please refer to the section headed "Directors, Supervisors and Senior Management — Appointment and Removal".

Special Committees of the Board of Directors

The Board of Directors of the Bank has established eight special committees, namely, the Strategy Committee, the Corporate Social Responsibility and Consumer Protection Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Compensation Committee, the Related Party Transactions Control Committee and the US Risk Committee. Except the Strategy Committee and the Corporate Social Responsibility and Consumer Protection Committee, chairmen of all the other committees were assumed by Independent Non-executive Directors. More than half of the members of the Audit Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee were Independent Non-executive Directors.

As at the disclosure date of the results, the composition of special committees of the Board of Directors of the Bank is as follows:

	Special Committees under the Board of Directors							
Directors	Strategy Committee	Corporate Social Responsibility and Consumer Protection Committee	Audit Committee	Risk Management Committee	Nomination Committee	Compensation Committee	Related Party Transactions Control Committee	US Risk Committee
Chen Siqing	Chairman							
Liao Lin	Committee Member	Chairman			Committee Member			
Lu Yongzhen	Committee Member			Committee Member		Committee Member		Committee Member
Zheng Fuqing	Committee Member			Committee Member				Committee Member
Feng Weidong			Committee Member	Committee Member	Committee Member			Committee Member
Cao Liqun		Committee Member	Committee Member	Committee Member				Committee Member
Anthony Francis Neoh	Committee Member		Committee Member	Chairman	Committee Member	Committee Member		Chairman
Yang Siu Shun			Committee Member	Committee Member	Committee Member		Chairman	Committee Member
Shen Si			Chairman	Committee Member		Committee Member	Committee Member	Committee Member
Nout Wellink	Committee Member	Committee Member	Committee Member			Chairman	Committee Member	
Fred Zuliu Hu	Committee Member		Committee Member		Chairman			

During the reporting period, the performance of duties by the special committees of the Board of Directors is set out below:

Strategy Committee	**Primary Responsibilities of the Strategy Committee** The Strategy Committee is mainly responsible for considering the Bank's strategic development plan, risk events that bear material influence on the overall situation, business and institutional development plan, major investment and financing plan, annual social responsibility report and other major matters critical to the Bank's development, making recommendations to the Board of Directors, and examining and assessing the soundness of the corporate governance framework to ensure financial reporting, risk management and internal control are compliant with corporate governance criteria of the Bank. **Performance of the Strategy Committee** During the reporting period, the Strategy Committee of the Board of Directors held eight meetings, considered and approved 18 proposals, and heard four reports. Focusing on the Bank's strategic planning, the Strategy Committee considered and approved proposals including the 2021–2023 Capital Planning, heard reports on the implementation of the No.1 Personal Bank Strategy, the implementation of the Preferred Bank Strategy for Domestic Foreign Exchange Business and the implementation of the Strategy for Sharpening Competitive Edge in Key Regions, assisted the Board of Directors in guiding and promoting the Bank's reform and innovation, and enhanced key business and regional competitiveness to provide strong guarantee for supporting the development of the real economy and business transformation. The Strategy Committee also paid close attention to strategic capital allocation, and reviewed and approved several proposals including the proposals on issuing perpetual capital bonds, the general mandate for shares issued by the Bank, and the 2019 capital adequacy ratio management report, providing a driving force for the Bank to promote sustainable development, enhance capital strength, and strengthen risk resistance capacity on all fronts.
Corporate Social Responsibility and Consumer Protection Committee	**Primary Responsibilities of the Corporate Social Responsibility and Consumer Protection Committee** The Corporate Social Responsibility and Consumer Protection Committee is mainly responsible for considering the Bank's fulfillment of social responsibilities with respect to environment, society, corporate governance, precision poverty alleviation, and corporate culture, the strategy, policy and target of consumer protection, green finance strategy, the development plan, basic policy, annual operating plan and assessment method of inclusive finance, and making recommendations to the Board of Directors. **Performance of the Corporate Social Responsibility and Consumer Protection Committee** The Corporate Social Responsibility and Consumer Protection Committee held five meetings, and considered and approved six proposals during the reporting period. It attached great importance to the epidemic prevention and control, actively performed its social responsibilities, considered and approved the proposals on the special donation authorization limit for epidemic prevention and control and the application for special authorization limit for poverty alleviation donations, and shouldered the responsibilities of a large bank in supporting the epidemic prevention and control and poverty alleviation. The committee focused on the development of green finance and inclusive finance, considered and approved the proposals on the implementation of green finance and the 2020 annual business plan for inclusive finance, and actively practiced China's green development concept and sustainable development strategy.

Audit Committee

Primary Responsibilities of the Audit Committee The Audit Committee is mainly responsible for constantly overseeing the Bank's internal control system, and supervising, inspecting and evaluating financial information and internal audit of the Bank and assessing mechanisms for the Bank's staff to report misconducts in financial statements, internal control, etc., and assessing the mechanism for the Bank to conduct independent and fair investigations and take appropriate actions in relation to the reported matters.

Performance of the Audit Committee During the reporting period, the Audit Committee held seven meetings, considered and approved 10 proposals, and heard 16 reports. The Audit Committee continued to oversee the Bank's internal control system, reviewed and approved the Bank's annual internal control assessment report, and heard reports on internal control audit results to improve the Group's compliant operation. It supervised the implementation of internal and external audits, considered and approved proposals on the internal audit plan and the engagement of external auditors, heard reports on the implementation of internal audits, the summary of external audit and performance appraisal for KPMG in 2019 to promote the formation of an effective communication mechanism between internal and external audits.

- Reviewing periodic reports

The Audit Committee periodically reviewed the financial reports of the Bank. It had reviewed and submitted to the Board of Directors to approve the annual report, interim report and quarterly reports of the Bank. It also organized and conducted an internal control assessment of the Group for 2019 and engaged external auditors to audit the assessment report and procedures of the Bank in accordance with the relevant regulatory requirements. Additionally, it enhanced communication with external auditors, attached importance to the supervision of external auditors and heard several reports of external auditors concerning audit plan, audit results, and management proposals. The Audit Committee also concerned with the compliant development of overseas institutions and heard related branches' reports on internal audit work.

During the preparation and audit of the 2020 financial statements, the Audit Committee discussed and agreed with the external auditors on matters such as audit schedule and progress arrangement, followed the status of external audit and conducted supervision over relevant work at appropriate time by means of hearing reports and holding informal discussions, and reviewed the unaudited and preliminarily audited annual financial statements respectively. The Audit Committee held a meeting on 25 March 2021, and considered that the 2020 financial statements truly, accurately and completely reflected the financial position of the Bank. The Audit Committee reviewed the summary of audit work for 2020 performed by KPMG Huazhen LLP and KPMG, and made an overall and objective assessment on its performance and quality of practice in 2020. According to relevant rules, the Audit Committee held a meeting on 23 December 2020, approving the proposal on engaging Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the domestic auditor and international auditor of the Bank for 2021 respectively, and engaging Deloitte Touche Tohmatsu Certified Public Accountants LLP as the internal control auditor of the Bank for 2021, and presented the proposals to the Board of Directors for consideration.

- Examining internal control system

The Audit Committee is responsible for constantly monitoring and examining the internal control system of the Bank, and examining the effectiveness of the system at least on an annual basis. The Audit Committee performed its function of examining the Bank's internal control system through reviewing the administrative rules and regulations and their implementation, and examined and assessed the compliance and effectiveness of major operating activities of the Bank.

The Board of Directors of the Bank is responsible for establishing, improving and effectively implementing internal control, assessing its effectiveness and truthfully disclosing internal control assessment reports according to the standard system for enterprise internal control. The objective of the internal control of the Bank is to reasonably assure the compliance of its operation and management with relevant laws, safety of its assets, as well as the authenticity and completeness of its financial reports and relevant information, in order to enhance operation efficiency and results, and to facilitate the realization of its development strategy. Due to inherent limitation of internal control, only reasonable assurance can be provided for the afore-mentioned objectives. The Board of Directors and the Audit Committee have reviewed and approved the 2020 Internal Control Assessment Report of the Bank. For details of the Bank's internal control, please refer to the section headed "Corporate Governance Report — Internal Control".

- Effectiveness of the internal audit function

The Bank has established a vertical and independent internal audit management system responsible and reporting to the Board of Directors. The Board of Directors regularly reviews the internal audit plan and hears internal audit reports on internal audit activities, audit supporting measures, internal audit team building, etc., thus effectively performing the function of risk management. The Audit Committee examines, monitors and assesses the internal audit work of the Bank, supervises the internal audit rules and their implementation, and makes assessment of audit procedures and results of the internal audit department. It is also responsible for urging the Bank to ensure adequate resources for the internal audit department and coordinating the communication between the internal audit department and external auditors. The internal audit department is accountable to and reports to the Board of Directors, is guided by the Board of Supervisors and is under the examination, supervision and assessment of the Audit Committee. For details of the internal audit, please refer to the section headed "Corporate Governance Report — Internal Audit".

Risk Management Committee

Primary Responsibilities of the Risk Management Committee The Risk Management Committee is primarily responsible for constantly overseeing the Bank's risk management system, reviewing and revising the strategy, policy and procedures of risk management and internal control process of the Bank, and supervising and evaluating the performance of Senior Management members and risk management departments in respect of risk management.

Performance of the Risk Management Committee During the reporting period, the Risk Management Committee held six meetings, considered and approved 21 proposals, and heard five reports. The Risk Management Committee continuously supervised enterprise risk management. It considered and approved proposals on the 2019 and 2020 Interim Risk Management Report, the 2019 Report on Management of Interest Rate Risk in the Banking Book, the 2019 Report on the Risk Appetite Implementation and Assessment, the 2019 Compliance Risk Management Report of the Group and the 2019 Case Prevention Report and heard reports on technology risk management and the Group's anti-money laundering in 2019. It has become more foresighted in preventing and controlling financial risks and enhancing the risk management mechanism, in a bid to assist the Board of Directors in improving its risk management, prevention and control capabilities.

- Examining the risk management system

The Risk Management Committee is responsible for constantly monitoring and examining the risk management system of the Bank, and examining the effectiveness of the system at least on an annual basis. Under the enterprise risk management system structure of the Bank, the Risk Management Committee performed its function of examining the Bank's risk management system through reviewing and revising the risk strategy, risk management policy, risk appetite and the enterprise risk management structure, monitoring and evaluating the setup, mode of organization, work procedures and results of risk management departments, regularly assessing the risk policy, risk appetite and enterprise risk management status, supervising and assessing risk control activities conducted by the Senior Management members in terms of credit risk, market risk, operational risk, liquidity risk, compliance risk, reputational risk and interest rate risk in the banking book. For details of the risk management, please refer to the section headed "Discussion and Analysis — Risk Management".

Nomination Committee	**Primary Responsibilities of the Nomination Committee** The Nomination Committee is mainly responsible for making recommendations to the Board of Directors on candidates for Directors and Senior Management members, nominating candidates for chairmen and members of special committees of the Board of Directors, and formulating the standards and procedures for selection and appointment of Directors and Senior Management members as well as the training and development plans for Senior Management members and key reserved talents. The Nomination Committee is also responsible for assessing the structure, size and composition of the Board of Directors on a yearly basis and making recommendations to the Board of Directors based on the Bank's development strategy. The Articles of Association of the Bank specifies methods and procedures to nominate Directors. Please refer to Article 118 of the Articles of Association. During the reporting period, the Bank appointed and renewed the appointments of Directors of the Bank in strict accordance with the Articles of Association of the Bank. The Nomination Committee reviews the qualifications of candidates for Directors based on whether the candidate complies with applicable laws, administrative rules, regulations and the Articles of Association of the Bank. According to the requirement on diversified composition of the Board of Directors in the Rules for Recommendation and Nomination of Board Candidates of the Bank, the Nomination Committee shall pay attention to the complementarity of the candidates in terms of expertise, professional competence and experience, cultural and educational background, gender, etc., to ensure the members of the Board of Directors are well equipped, experienced and have diversified perspectives and views. In order to implement the diversity policy, the Nomination Committee assesses the improvement of diversified composition of the Board of Directors during the course of its yearly assessment on the framework, number of Directors and composition of the Board of the Directors, and discusses and designs measurable goals according to actual conditions. As at the disclosure date of the results, there were five Independent Non-executive Directors, accounting for more than one third of the total members of the Board of Directors. The Bank attached importance to diversified sources and backgrounds of Directors and continued the efforts to enhance the professionalism of the Board of Directors, thus laying the foundation for the effective operation and scientific decision-making of the Board of the Directors. **Performance of the Nomination Committee** During the reporting period, the Nomination Committee held eight meetings, considered and approved the proposals including the proposals on the nomination of Mr. Liao Lin and Mr. Shen Si as candidates for Directors of the Bank, Mr. Wang Jingwu, Mr. Zhang Wenwu and Mr. Xu Shouben as Senior Executive Vice Presidents of the Bank, and Mr. Wang Bairong, Ms. Xiong Yan and Mr. Song Jianhua as Chief Business Officers, and heard the report on the framework of the Board of Directors in 2019. The Nomination Committee prudently assessed the organizational structure of the Bank's Board of Directors and its special committees, promoted the change of directors in an orderly manner and continuously improved and adjusted the composition of special committees of the Board of Directors. In order to consolidate the Bank's operation management force, the Nomination Committee reviewed and approved the proposal on appointing Chief Business Officers of ICBC to promote the sustainable and healthy business development.
Compensation Committee	**Primary Responsibilities of the Compensation Committee** The Compensation Committee is mainly responsible for formulating assessment measures on the performance of duties and compensation plans for Directors, organizing the assessment on the performance of duties of Directors, putting forth proposal on remuneration distribution for Directors, formulating and reviewing the assessment measures and compensation plans for Senior Management members of the Bank and evaluating the performance and behaviors of Senior Management members. **Performance of the Compensation Committee** During the reporting period, the Compensation Committee held four meetings, considered and approved five proposals including the proposals on the payment of remuneration to Directors and Senior Management members for 2019, the Senior Management performance evaluation plan for 2020, the renewal of directors, supervisors and officers liability insurance for 2020–2021 and the Employment Plan of the Group for 2021, and heard the 2019 assessment report on the performance of duties of Directors by the Board of Directors. The Compensation Committee, in accordance with regulatory requirements, drafted the remuneration of directors, and improved the performance evaluation indicators and the incentive and constraint mechanism.

Related Party Transactions Control Committee	**Primary Responsibilities of the Related Party Transactions Control Committee** The Related Party Transactions Control Committee is mainly responsible for developing the basic policies governing the management of related party transactions, identifying the Bank's related parties, approving related party transactions and other related matters within the authority granted by the Board, receiving related party transaction statistics for filing purpose, reviewing the related party transactions that are subject to the approval of the Board of Directors or the Shareholders' General Meeting, and reporting to the Board of Directors on the implementation of the related party transaction management policies as well as the conditions on these transactions. **Performance of the Related Party Transactions Control Committee** During the reporting period, the Related Party Transactions Control Committee held three meetings, considered three proposals including the proposal on identification of related parties of the Bank, and heard two reports including the report on related party transactions in 2019 and the identification of related parties of the Bank in 2019. The Related Party Transactions Control Committee focused on reviewing the fairness and objectivity of related party transactions, urged the Bank to strengthen the management of related party transactions and inside transactions, and assisted the Board of Directors in ensuring the Bank's related party transactions are carried out in compliance with laws and regulations.
US Risk Committee	**Primary Responsibilities of the US Risk Committee** In accordance with the relevant requirements in the Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations established by the Federal Reserve Board, the US Risk Committee supervised the implementation of the US business-related risk management framework and relevant policies. **Performance of the US Risk Committee** During the reporting period, the US Risk Committee held four meetings, considered and approved four proposals, and heard 12 reports. It attached importance to and strengthened the compliance management of overseas institutions, revised the Bank's risk appetite in the US, reviewed the proposals including the amendments to the Bank's risk management framework and risk appetite implementation in the US in 2019, and the US liquidity risk management in the first half of 2020, heard the reports on the Bank's risk management, implementation of liquidity risk appetite and liquidity risk stress testing in the US, and assisted the Board of Directors in urging the Management to well perform in compliance and risk prevention and control in international operation.

Responsibilities of Directors in Respect of Financial Statements

The Directors of the Bank acknowledged that they are responsible for the preparation of the financial statements of the Bank. During the reporting period, in strict compliance with relevant provisions, the Bank published the 2019 Annual Report, the First Quarterly Report of 2020, the 2020 Interim Report and the Third Quarterly Report of 2020 as scheduled.

Term of Directors

The Bank has strictly complied with the requirements of the exchanges on which the Bank is listed and the Articles of Association of the Bank that Directors are elected by the Shareholders' General Meeting with a term of three years, and the appointment shall take effect from the date of approval by CBIRC or upon completion of relevant procedures according to the requirements of CBIRC. Directors may be re-appointed through re-election at the Shareholders' General Meeting after expiry of their term.

Investigation and Training of Directors

During the reporting period, Directors of the Bank proactively conducted surveys on departments of the Bank, and domestic and overseas branches concerning such topics as large banks supporting the development of advanced manufacturing, commercial banks' supply chain-related financial services, fixed asset management of state-owned financial institutions, commercial banks' support for pandemic containment and resumption of production and work. In the form of survey reports and briefs, such investigations provide the Bank with development ideas and help it promote the implementation of the work.

During the reporting period, the Bank developed an overall training plan for the Board of Directors, increased training resources, and encouraged and actively organized the Directors to attend trainings in many ways, with the aim of assisting the Directors in continuing to improve their ability to perform their duties. Directors of the Bank attended relevant trainings according to work needs.

Subject matters of the trainings attended by the Directors of the Bank during the reporting period were mainly as follows:

Trainings held by the regulatory authorities	Beijing Office of CSRC: Securities Law Opinions of the State Council on Further Improving the Quality of Listed Companies Corporate Governance Capital Market Reform Capital Operation SSE: Independent Directors Qualifications
Special business trainings of the Bank	Securities Law The Bank's Important Information Systems Compliance of Overseas Institutions Analysis of Important Financial Indicators
Introduction trainings for newly-appointed directors of the Bank	Corporate Governance and Operation of the Board of Directors

Training of Board Secretary

During the reporting period, the Board Secretary of the Bank attended the relevant specialized trainings, with the training hours over 15 hours, which meets relevant regulatory requirements.

Independence and Performance of Duties of Independent Non-executive Directors

The qualifications, number and proportion of the Bank's Independent Non-executive Directors comply with regulatory requirements. The Bank's Independent Non-executive Directors do not have any business or financial interests in the Bank or its subsidiaries, and they have not assumed any managerial position in the Bank. The Bank has received the annual confirmation on independence from all Independent Non-executive Directors and considered that they were independent.

During the reporting period, Chairman Chen Siqing held discussions with the Bank's Independent Non-executive Directors, who provided suggestions with respect to the Bank's development strategies, business transformation, risk control and corporate governance. The Bank's Independent Non-executive Directors earnestly attended the meetings of the Board of Directors and special committees, and gave independent opinions during consideration of issues. They also held discussions with the Management to exchange opinions on the Bank's development strategy, and put forward comments and suggestions. The Bank paid close attention to the relevant comments and suggestions, and organized the implementation thereof according to the actual conditions.

During the reporting period, the Bank's Independent Non-executive Directors did not raise any objection on proposals of the Board of Directors and special committees of the Board of Directors.

For information of performance of duties of Independent Non-executive Directors of the Bank during the reporting period, please refer to the Work Report of Independent Directors for 2020 issued by the Bank on 26 March 2021.

Board of Supervisors

Composition of the Board of Supervisors

As at the disclosure date of the results, the Board of Supervisors of the Bank consisted of five members, including one Shareholder Supervisor, namely Mr. Zhang Wei; two Employee Supervisors, namely Mr. Huang Li and Mr. Wu Xiangjiang; and two External Supervisors, namely Mr. Qu Qiang and Mr. Shen Bingxi.

Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors held nine meetings, reviewed 18 proposals including the Report on the Work of the Board of Supervisors for 2019 and the Report on Development Strategy Assessment Opinions, heard eight reports on the business operation, internal control and risk management, and reviewed 49 documents including the documents on the supervision in each quarter of 2020 and the remediation progress of issues indicated in the survey reports of the Board of Supervisors.

Attendance of supervisors of the Bank in meetings during the reporting period is as follows:

Attendances in person/Number of meetings that should be attended

Supervisor	Shareholders' General Meeting	Board of Supervisors
Zhang Wei	3/3	9/9
Huang Li	3/3	9/9
Wu Xiangjiang	1/1	4/4
Qu Qiang	3/3	9/9
Shen Bingxi	3/3	9/9
Supervisor Leaving Office		
Yang Guozhong	3/3	8/9
Hui Ping	2/2	5/5

Note: For the change of supervisors, please refer to the section headed "Directors, Supervisors and Senior Management — Appointment and Removal".

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 afore-said codes of conduct during the reporting period.

Chairman and President

Pursuant to Code Provision A.2.1 of the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules) and the Articles of Association of the Bank, the roles of Chairman and President should be held by two persons, and the Chairman shall not concurrently hold the position of legal representative or chief responsible officer of the controlling shareholder.

Chairman Mr. Chen Siqing is the legal representative of the Bank, and is responsible for leading the Board of Directors in considering and formulating business development strategies, risk management, internal control and other significant matters of the Bank.

The President of the Bank is responsible for the daily management of the business operations of the Bank. The President is appointed by and accountable to the Board of Directors, and performs his responsibilities as stipulated in the Articles of Association of the Bank and as authorized by the Board of Directors.

Mr. Gu Shu resigned from his position as the 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.

Powers and Functions of the Senior Management

The powers of the Board of Directors and the Senior Management are separated in strict compliance with the Articles of Association and other corporate governance documents of the Bank. During the reporting period, the Bank made an inspection on the implementation of the plan on authorization of the Board of Directors to the President, and no matter was found to be beyond the approval authority of the President.

Inside Information Management

The Bank manages inside information and insiders in strict accordance with regulatory requirements of the exchanges on which the Bank is listed and the Bank's rules, and ensures collection, delivery, sorting, preparation and disclosure of relevant information in compliance with applicable laws and regulations. During the reporting period, the Bank continued to strengthen inside information management, timely organized the completion of insider lists and regularly conducted insider transaction self-inspections. After self-inspections, none of the insiders of the Bank were found to be involved in dealings in shares of the Bank who have taken advantage of inside information during the reporting period.

Internal Control

The Board of Directors is responsible for formulating the basic regulations for internal control and supervising the implementation of such regulations. The Audit Committee and the Related Party Transactions Control Committee of the Board of Directors perform the responsibilities of internal control management and review the effectiveness of internal control. The Bank has set up the Internal Audit Bureau and the Internal Audit Sub-bureau, which adopt a hierarchical management system and are responsible to and report to the Board of Directors. The Head Office and branches have internal control and compliance departments which are responsible for the organization, promotion and coordination of internal control.

The internal control environment has been optimized continuously. The Bank continued to improve the operational mechanism featuring "scientific decision-making, effective supervision and stable operation", promoted the epidemic prevention and control and the Bank's high-quality innovative development, and pushed forward the implementation of major strategies such as the No.1 Personal Bank Strategy, the Preferred Bank Strategy for Domestic Foreign Exchange Business, and the Strategy for Sharpening Competitive Edge in Key Regions. The Bank practiced the responsibilities of a large bank, and continued to promote green credit, inclusive finance and targeted poverty alleviation, and provided credit support for epidemic prevention and control and enterprises' resumption of work and production. The Bank carried out the campaign of "Year of Policy Governance" to cultivate compliance culture.

The risk governance ability has been enhanced in an all-round way. The Bank enriched enterprise risk management in the new era, clarified the global, comprehensive and brand-new risk management requirements involving all personnel, spanning all processes and covering all risk exposures and the risk governance path of "active prevention, smart control and comprehensive management". It built an intelligent credit risk prevention and control system by pool, region and segment, and improved the credit risk mitigation measures. The Bank kept a close eye on the business exposures and trading risks of global markets and each institution, and made overall planning for market risk management. It comprehensively optimized the operational risk management system, and continued to conduct governance and prevention of major operational risks. It paid close attention to the impact of the epidemic, external political, economic and other environmental changes, and kept tracking and monitoring country risk. It implemented the reporting mechanism composed of monthly report on public opinions, daily express and real-time reporting, and consolidated the primary responsibility for reputational risk.

The business control measures have been intensified continuously. The Bank promoted the application of intelligent risk control system to realize the risk monitoring of the whole spectrum of corporate customers and the whole life cycle of accounts. It accelerated the establishment of a new internal accounting management system, and strengthened the risk control of internal accounts. The Bank optimized the system governance mechanism, and enhanced its system governance capability. The Bank pushed forward the implementation of Internal Control Manual by tier and line to improve internal control. It issued the Anti-money Laundering Rules (Version 2020) to further improve the anti-money laundering governance system. The Bank improved the "authenticity" review mechanism in the credit field, optimized the underlying asset penetration management and transaction management and control system for wealth management business, and established the foreign exchange business competitiveness assessment index system and foreign exchange deposit and loan pricing authorization mechanism. It continuously optimized the credit card anti-fraud strategy and system function, and constantly improved the supervision of key links in the process of and after the event.

The information sharing quality has been constantly improved. The Bank expanded the breadth and depth of information disclosure to comprehensively improve the quality of information disclosure. It advanced the construction of smart banking ECOS project and new-generation cloud platform to ensure the safe and stable operation of information system. The Bank adhered to place equal emphasis on the establishment of a long-acting mechanism of "solid foundation by risk control" and the strict punishment of areas with a high incidence of cases, established a grid-based intelligent management and control system for abnormal behavior, and strengthened the basic management of case prevention.

The internal supervision has been significantly enhanced. The three lines of defense for risk prevention and control worked together to give play to the big supervision system. The Bank optimized the internal control assessment mechanism, and enhanced the ability of "promoting management by assessment". It carried out review of the crackdown on market chaos, and strengthened internal audit supervision. The Bank promoted the remediation of problems found in internal and external inspections, and clarified that the Responsibility Identification Committee and the Accountability Committee should be responsible for investigating responsibility for various risks. The Bank consolidated the closed-loop management of supervision and inspection, and improved the accuracy and deterrence of accountability.

Internal Control Assessment Report and Internal Control Audit

While disclosing the annual report, the Bank also disclosed the 2020 Internal Control Assessment Report of Industrial and Commercial Bank of China Limited in accordance with the requirements of MOF, CSRC and SSE. The report stated that the Bank had maintained effective internal control over financial reporting in all material aspects in accordance with the standard system for enterprise internal control and relevant rules as at 31 December 2020 (benchmark date). KPMG Huazhen (Special General Partnership) has audited the effectiveness of the Bank's internal control over financial reporting as at 31 December 2020 and issued the standardized audit report on internal control. For details, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

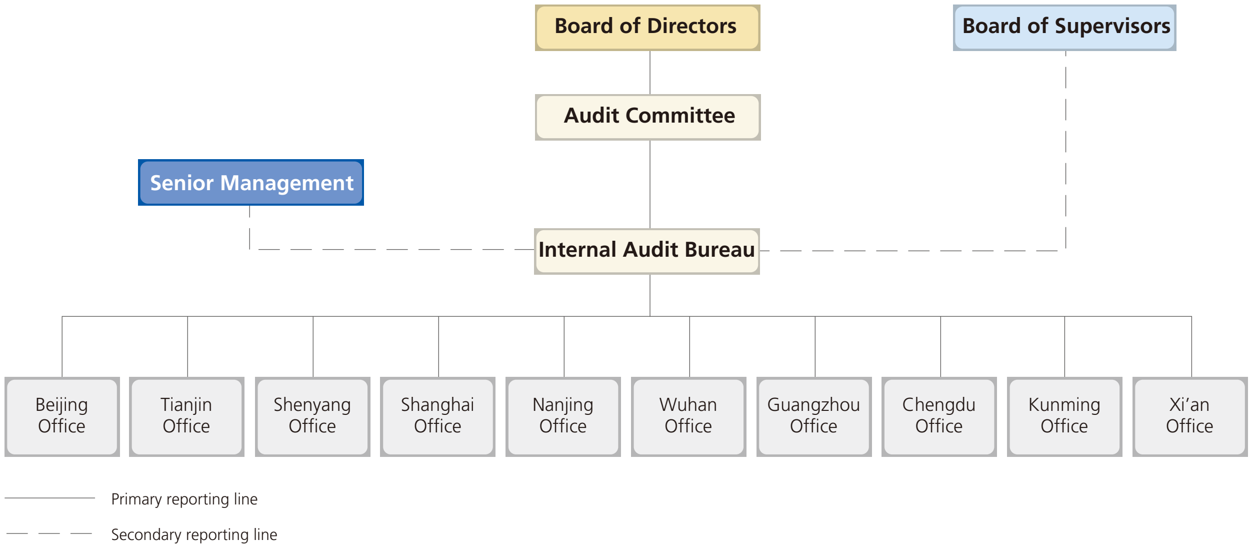
Internal Control Evaluation and Defects

The Board of Directors of the Bank conducted an assessment on the effectiveness of the Group's internal control during the reporting period in accordance with the Basic Standard for Enterprise Internal Control and its supporting guidelines issued by five ministries and commissions including MOF, the Guidelines for Internal Control of Listed Companies issued by SSE and relevant regulatory requirements of CBIRC. No significant or material deficiencies were detected in the Bank's internal control system during the assessment. Risks that may arise from ordinary deficiencies are controllable and corrective actions have been or are being taken, which have no material impact on the fulfillment of internal control objectives of the Bank. The Bank had maintained effective internal control in all material aspects in accordance with the standard system for enterprise internal control and relevant rules.

There was no factor that affected the assessment conclusion of internal control effectiveness from the benchmark date to the issuance date of the internal control assessment report.

Internal Audit

The Bank established a vertical and independent internal audit management system responsible and reporting to the Board of Directors. The chart below illustrates the internal audit management and reporting framework of the Bank:



During the reporting period, the Bank acted on the regulatory requirements on the industry, implemented risk-oriented audit activities and fully accomplished the annual audit plan according to the development strategies and central tasks of the Bank. The audit activities covered domestic and overseas key institutions of the Group, major risks, key links and economic responsibilities of Senior Management members. The audit activities covered such key areas as financial benefit, credit business, emerging business, FinTech, operation management, capital management and internal control. The audit activities focused on the cross-conduction between the overseas and the domestic, the macro and the micro, and the real and the potential hidden risks, with an emphasis on the Bank supporting the national policies, meeting regulatory requirements, advancing business development strategies, etc. The Bank also paid close heed to and made full use of audit findings and recommendations, with the aim of continuously enhancing risk management, internal control and corporate governance level.

During the reporting period, internal audit of the Bank actively adapted to the changes in the risk management conditions, properly responded to the COVID-19 pandemic, refined the audit management mechanism, optimized the audit mode, accelerated the digital transformation of internal audit, actively explored the application of smart audit, enhanced professional capability, intensified efforts in organizing personnel trainings, and constantly enhanced the audit service capacity and professionalism.

Engagement of Auditors

KPMG Huazhen LLP[1] was the domestic auditors of the Bank for the financial statements audit in 2020, and KPMG[1] was the international auditors of the Bank for the financial statements audit in 2020. KPMG Huazhen LLP was also the auditors of internal control of the Bank in 2020.

1 KPMG Huazhen LLP and Deloitte Touche Tohmatsu Certified Public Accountants LLP are Recognized Public Interest Equity Auditor under Hong Kong's Financial Reporting Council Ordinance. KPMG and Deloitte Touche Tohmatsu are Registered Public Interest Equity Auditor under Hong Kong's Financial Reporting Council Ordinance.

KPMG Huazhen LLP and KPMG have been providers of audit services for the Bank for eight consecutive years (2013–2020).

During the reporting period, the Group paid KPMG and its member institutions a total fee of RMB211 million for the audit of financial statements (including the audit of financial statements of subsidiaries and overseas branches). Of which, RMB130 million (including fee for internal control audit of RMB11.00 million) was paid by the Bank.

During the reporting period, KPMG and its member institutions provided the Group with non-audit services including professional services for the assets securitization and bonds issuance etc., and received RMB13 million for such professional non-audit services.

On 23 December 2020, the Board of Directors of the Bank reviewed and approved a proposal on engaging Deloitte Touche Tohmatsu Certified Public Accountants LLP[1] as the Bank's domestic auditor for 2021 and Deloitte Touche Tohmatsu[1] as the Bank's international auditor for 2021. This proposal still needs to be subject to the approval by the Shareholders' General Meeting for deliberation.

Investor Relations

Overview of Investor Relations Activities in 2020

The Bank strove to improve the quality of investor relations services and generate stable return to shareholders following the principle of serving investors in a comprehensive, proactive, precise, coordinated and efficient manner.

In 2020, the Board of Directors stepped up guidance for investor relations work, and the members of the Board of Directors participated in investor communication activities for many times. The Bank coordinated epidemic prevention and control and investor relations management. The Bank made constant and extensive communication with institutional investors and minority investors through online and offline channels like press conferences in relation to periodic results announcements, reverse roadshows, domestic and overseas non-deal roadshows, investor hotline, investor relations mailbox, investor relations website and the online platform of sseinfo.com, which enhanced investors' confidence in economic development of China and the operational transformation of the Bank and helped bring the market value in line with the long-term intrinsic value of the Bank. The Bank improved investor relations information collection and market information feedback mechanism, strengthened dynamic monitoring of share price valuation, analyst reports and media and public opinions, followed and analyzed spotlight issues of the capital market, and effectively enhanced the quality of communication with the investors. The Bank actively understood and solicited the comments and suggestions of the capital market on the Bank, and assisted the Management in making timely reaction with the help of many operation and communication strategies, so as to continuously strengthen the level of corporate governance and core values of the Bank.

In 2021, the Bank will further and proactively deepen the communication and exchange with investors to enhance investors' understanding and recognition of the Bank and continue to protect legitimate interests of the investors, and at the same time hope to receive more support from, and attention of the investors.

Investor Enquiries

If an investor wishes to enquire any questions related to operation performance of the Bank, please contact:

Telephone: 86-10-66108608

Facsimile: 86-10-66107571

E-mail: ir@icbc.com.cn

Address: Corporate Strategy and Investor Relations Department, Industrial and Commercial Bank of China Limited, 55 Fuxingmennei Avenue, Xicheng District, Beijing, China

Postal code: 100140

Principal Business The principal business of the Bank and its subsidiaries is the provision of banking and related financial services. Please refer to the section headed "Discussion and Analysis" for the business review of the Bank.

Profits and Dividends Distribution

The profit and financial status of the Bank during the reporting period are presented in the Auditor's Report and Financial Statements of the Annual Report.

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".

Formulation and Implementation of Cash Dividend Policy

The Articles of Association of the Bank explicitly stipulates that the Bank's profit distribution policy shall maintain its continuity and stability and meanwhile have regard to the long-term interest of the Bank, the overall interests of all shareholders and the sustainable development of the Bank. It emphasizes the priority to adopt cash dividend as the profit distribution method and provides that the Bank's adjustment to the profit distribution policy shall be discussed by the Board of Directors as a special proposal and the grounds for adjustment shall be substantiated and proved in detail and presented in a written substantiating report for Independent Non-executive Directors to issue their opinions, and then the report will be submitted to the Shareholders' General Meeting for approval as a special resolution.

The formulation and implementation of the Bank's cash dividend policy accords with the provisions stipulated in the Articles of Association and the requirements provided in the resolutions of the Shareholders' General Meeting, the dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Moreover, Independent Non-executive Directors had issued their opinions for it. Minority shareholders can fully express their opinions and appeals, to completely safeguard their legitimate rights.

Distributable Reserves Details of the distributable reserves of the Bank as at 31 December 2020 are set out in "Note 39. to the Financial Statements: Reserves" of this annual report.

Financial Summary The summary of results, assets and liabilities for the five years ended 31 December 2020 is set out in the section headed "Financial Highlights" of this annual report.

Donations During the reporting period, the Group made external donations of RMB358.15 million equivalent.

Subsidiaries Particulars of the Bank's major subsidiaries as at 31 December 2020 are set out in the sections headed "Discussion and Analysis — Business Overview" and "Note 25. to the Financial Statements: Investments in Subsidiaries" in this annual report.

Share Capital and Public Float

Changes in the share capital of the Bank for the year ended 31 December 2020 are set out in "Note 37. to the Financial Statements: Share Capital".

As at the latest practicable date before the disclosure date of the results, the Bank has maintained the minimum public float of 23.45%, based on the publicly available information and to the best knowledge of the Board of Directors of the Bank.

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.

Pre-emptive Rights The Articles of Association of the Bank does not have any mandatory provision regarding pre-emptive rights. Pursuant to the Articles of Association, the Bank may increase its registered capital after obtaining approval of the Shareholders' General Meeting and of relevant authorities, by issuing shares through public or non-public offering, issuing bonus shares to the existing shareholders, converting capital reserve to share capital or using other methods as allowed by applicable laws and administrative regulations or approved by relevant authorities.

Major Customers In 2020, the aggregate interest income and other operating income from top five customers of the Bank did not exceed 30% of the interest income and other operating income of the Bank for the year.

Use of Proceeds from Fundraising Activities

The funds raised from the Bank's fundraising activities were used for the purposes as disclosed in the prospectuses, namely, strengthening the capital base to support the ongoing business growth of the Bank.

For future planning disclosed in the public disclosure documents such as previous offering prospectuses and fund raising prospectuses issued by the Bank which has continued during the reporting period, its implementation progress conformed to the planning as described after verification and analysis.

Equity-linked Agreement The Bank had no equity-linked agreements required to be disclosed by the Hong Kong Listing Rules.

Management Contracts During the reporting period, the Bank did not enter into or have any contract regarding the management and administration of the whole or any important business.

Directors' and Supervisors' Interests in Transactions, Agreements or Contracts of Significance During the reporting period, none of the Directors or Supervisors of the Bank had any material interests, whether directly or indirectly, in any transaction, arrangement or contract of significance regarding the Bank's business to which the Bank, its subsidiaries, its controlling shareholders or subsidiaries of its controlling shareholders was a party. None of the Directors or Supervisors of the Bank have entered into any service contract with the Bank, which is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Competing Business None of the Bank's Directors held any interests in any business competes or competed or is or was likely to compete, either directly or indirectly, with the Bank.

Directors' and Supervisors' Rights to Acquire Shares or Debentures None of the Bank, its subsidiaries, its controlling shareholders or subsidiaries of its controlling shareholders entered into any agreement or arrangement enabling the Directors and Supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors As at 31 December 2020, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Connected Transactions

In 2020, the Bank carried out standardized management of the Group's connected transactions in strict accordance with the regulations of CBIRC and CSRC as well as listing rules in Shanghai and Hong Kong, and had no connected transaction to be submitted to the Board of Directors or the Shareholders' General Meeting for review. All connected transactions occurred complied with the disclosure exemptions under the Listing Rules of the Shanghai Stock Exchange and the Hong Kong Listing Rules. The disclosure exemptions abided by the provisions of SSE for disclosure of connected transactions as well as the provisions of SEHK for reporting and announcement of connected transactions.

Please refer to "Note 49. to the Financial Statements: Related Party Disclosures" for details of the related party transactions defined under the laws, regulations and accounting standards of China.

Liability Insurance of Directors, Supervisors and Senior Management Members Pursuant to the Articles of Association of the Bank, where conditions permit, the Bank may establish the professional liability insurance system of Directors, Supervisors and Senior Management members upon approval of the Shareholders' General Meeting. The Bank will use its own assets to compensate each Director, Supervisor and Senior Management member for any liability arising during their performance period to the maximum extent permitted by laws and administrative regulations or within the scope not prohibited by laws and administrative regulations, unless the Directors, Supervisors and Senior Management members are otherwise proved to have failed to act honestly or in good faith during their duty performance. During the reporting period, the Bank renewed liability insurance for Directors, Supervisors and Senior Management members.

Relations among Directors, Supervisors and Senior Management Directors, Supervisors and Senior Management members of the Bank are not related to one another with respect to finance, business, family, or other material relationships which are required to be disclosed.

Remuneration Policy for Directors, Supervisors and Senior Management The Bank has clearly documented the remuneration policy for Directors, Supervisors and Senior Management members, and has continuously improved its performance assessment system and incentive restriction mechanism. From the perspectives of economic benefit, prevention and control of financial risks and support for the real economy and social responsibilities, the Bank adopted a system composed of the Bank's overall operation and management based indicators for the Management and duties allocation based indicators for individuals. The remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises, which consists of basic annual remuneration, performance-based remuneration and incentive income linked to term appraisal. The remuneration to other Senior Management members and Shareholder Supervisors consists of basic annual remuneration and performance-based remuneration, and part of performance-based remuneration is paid in a deferred manner. The Bank has contributed to statutory retirement programs organized by Chinese governmental organizations at different levels for Directors, Supervisors and Senior Management members concurrently as the employees of the Bank. Upon obtaining all applicable approvals, the Bank will implement a long-term incentive program. As at 31 December 2020, the Bank had not granted any share appreciation rights to any Director, Supervisor, Senior Management member, or other core business personnel designated by the Board of Directors.

Members of the Board of Directors

As at the disclosure date of the results, the composition of the Board of Directors of the Bank is as follows:

Executive Directors: Mr. Chen Siqing and Mr. Liao Lin;

Non-executive Directors: Mr. Lu Yongzhen, Mr. Zheng Fuqing, Mr. Feng Weidong and Ms. Cao Liqun;

Independent Non-executive Directors: Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Mr. Shen Si, Mr. Nout Wellink and Mr. Fred Zuliu Hu.

Industrial and Commercial Bank of China Limited
Board of Directors

Report of the Board of Supervisors

Work of the Board of Supervisors

During the reporting period, the Board of Supervisors, pursuant to relevant laws and regulations, regulatory requirements and the Articles of Association, performed supervision duties earnestly. Relying on a variety of methods such as onsite surveying and offsite monitoring, it carried out supervision of duty performance and due diligence, financial activities, risk management and internal control, etc. in a down-to-earth way. With its important role in corporate governance exploited adequately, it promoted the legal, compliant operation and development across the Bank.

Performance of the Board of Supervisors. In 2020, the Board of Supervisors held nine meetings, considered 18 proposals including proposals on the Annual Report of the Bank, quarterly reports, final accounts and profit distribution plan, assessment report on the performance of duties by the Board of Supervisors, and development strategy assessment report, heard eight special reports on the topics including the operation, external audit report, and internal control and case prevention management of the Bank, and reviewed 49 special reports including the reports on the implementation of the Bank's strategies and plans, the Group's AML work, and the annual risk management. It issued opinions in an objective and fair manner and appropriately exercised voting rights. The members of the Board of Supervisors diligently and faithfully fulfilled their duties, attended three Shareholders' General Meetings, and attended 10 meetings of the Board of Directors and 41 meetings of special committees as non-voting attendees. They input adequate time and effort in supervisory inspections, attached equal importance to theoretical learning and experience summary from practice, with an aim to further build up their duty performance ability. External supervisors of the Bank worked for more than 15 working days in the Bank, complying with the relevant requirements.

Supervision on the performance of duties. The Board of Supervisors supervised the Board of Directors, Senior Management and their members on their compliance with the laws and regulations, the Articles of Association of the Bank, and the implementation of the resolutions of the Shareholders' General Meeting and the Board of Directors and the regulatory opinions. It paid close attention to how the Board of Directors and the Senior Management upheld the economic and financial policies of the state and regulatory requirements, served the implementation of major national strategies, responded to the COVID-19 pandemic, supported the real economy, and prevented and defused financial risks. It carried out duty performance assessment, talked with members of the Board of Directors and the Senior Management, and general managers of the related Head Office departments for comments and suggestions, and then formulated its assessment opinions on the duty performance of the Board of Directors, the Senior Management and their members in combination with their day-to-day duty performance supervision to promote the legitimate and compliant duty performance. It earnestly performed strategic assessment, assessed how scientific, reasonable and effective the Bank's development strategies were and the implementation of those strategies to strengthen strategy management.

Financial supervision. The Board of Supervisors supervised the Bank's financial activities as well as decisions on and implementation of material financial issues. It paid close attention to the major accounting issues, financial approval issues, and relevant accounting items of the Bank. It carefully reviewed periodic reports, final accounts and profit distribution plan, regularly heard reports on audit findings and business conditions, conducted spot checks on major accounting issues, verified the authenticity of financial information, and issued independent opinions in an objective and fair manner. It oversaw the independence and effectiveness of external audit work, reminded auditors of the areas of focus in audit and evaluated the duty performance of external auditors. It conducted a series of survey and research programs on the allocation and utilization of financial resources during the pandemic response, the enhanced coordination between the Group and integrated subsidiaries, the internal account management, and other topics. These programs were aimed to analyze the operation of the Head Office-branch financial resources allocation mechanism, the strategic coordination between the Group and domestic subsidiaries, and internal account management during the pandemic response. Thanks to these efforts, the Board of Supervisors put forth suggestions to further optimize the allocation of financial resources, enhance the consistency between integrated subsidiaries and the Group in major strategies, and set out explicit duties for internal account management.

Risk supervision. The Board of Supervisors supervised the effectiveness and soundness of the risk management system and mechanism. It paid close attention to the enterprise risk management, capital management, consolidated management, and compliance of major regulatory indicators. It stepped up efforts to supervise the management of risks arising from financial businesses that crossed different markets, industries, and sectors, with close attention paid to analyzing and exposing the potential major risks and hazards as early as possible. It conducted a host of survey and research programs on the credit risk management amid the COVID-19, the disposal of risks arising from private banking services and personal wealth management business, and the business development and risk management of debt-for-equity swaps carried out by ICBC Investment, among other topics. These programs were tasked to analyze and study the Bank's emergency response mechanism for credit risks, trusteeship management and disposal of existing wealth management businesses, and control of risks arising from debt-for-equity swap business. Thanks to them, the Board of Supervisors put forth suggestions to do better in credit risk emergency forewarning and disposal, improve the risk control system, and fully leverage the Group's advantages in overall coordination.

Supervision on internal control. The Board of Supervisors supervised the effectiveness of the internal control system, the performance of internal control duties and the business compliance with laws and regulations. It paid close attention to the material risk events, accountability of business losses, internal control system operation, and improvement of policies and rules, among other aspects. It strengthened the supervision of compliance management and case prevention efforts, and monitored the compliance of important internal control indicators. Close attention was paid to the compliance infrastructure construction by overseas institutions, the operation of the Group's supervision system, and the remediation of the problems discovered by regulators. The Board of Supervisors resolutely safeguarded the bottom line of incurring no systemic risks, and ensured the sound and compliant operation across the Bank. It conducted an array of survey and research programs on the administration and development of asset management business amid the COVID-19, AML management by domestic institutions, and other topics. These programs were aimed to analyze the investment made under asset management business and the operation of the AML management system and mechanism by domestic institutions. Thanks to these efforts, the Board of Supervisors put forth suggestions to further intensify the risk management of asset management business and optimize the AML management system.

Independent Opinions of the Board of Supervisors on Relevant Issues

Compliant Operation During the reporting period, the Board of Directors and the Senior Management of the Bank continued to operate in compliance with applicable laws and regulations, and the decision-making procedures complied with applicable laws and regulations and the Articles of Association of the Bank. Members of the Board of Directors and the Senior Management diligently and faithfully performed their duties, and the Board of Supervisors did not find any violation of laws and regulations, or any circumstance that contravened the interests of the Bank in their performance of duties during the reporting period.

Preparation of Annual Report Preparation and review procedures of the Bank's Annual Report were in compliance with laws, regulations and regulatory rules. Contents of this report reflected the actual conditions of the Bank truly, accurately and completely.

Use of Proceeds from Fundraising Activities During the reporting period, the use of proceeds from the Bank's fundraising activities was consistent with the purpose stated in the prospectuses.

Purchase and Sale of Assets During the reporting period, the Board of Supervisors did not find any insider trading or any circumstance that contravened the shareholders' interests or caused the loss of the Bank's assets in the process of the Bank's purchase or sale of assets.

Connected Transactions During the reporting period, the connected transactions of the Bank were conducted on normal commercial terms. The Board of Supervisors did not find any circumstance that infringed upon the interests of the Bank. The approval, voting, disclosure and implementation of connected transactions complied with applicable laws and regulations and the Articles of Association of the Bank.

Implementation of Resolutions Passed at the Shareholders' General Meeting During the reporting period, the Board of Supervisors had no objection to the reports or proposals presented by the Board of Directors to the Shareholders' General Meeting for consideration. The Board of Directors earnestly implemented the resolutions approved at the Shareholders' General Meetings.

Review of the Internal Control Assessment Report The Board of Supervisors reviewed the 2020 Internal Control Assessment Report of the Bank and had no objection to the report.

Implementation of Information Disclosure Rules During the reporting period, the Bank performed its duty of information disclosure in compliance with the regulatory requirements, implemented the information disclosure management rules in earnest, and disclosed information in a timely and fair manner. Information disclosed was authentic, accurate and complete.

Save as disclosed above, the Board of Supervisors had no objection to any other matters during the reporting period.

Material Lawsuits or Arbitration Cases During the reporting period, the Bank incurred no material lawsuits or arbitration cases. It was involved in several legal disputes in the ordinary course of business. Most of these cases were initiated by the Bank to recover non-performing loans, while some were related to disputes with clients. As of 31 December 2020, the amount of cases pending judgements or arbitrations awards in which the Bank and/or its subsidiaries are defendants totaled RMB4,928 million, and the Bank does not expect any material adverse effect from the above-mentioned cases on the Bank's business, financial position or operating results.

Material Assets Acquisition, Sale and Merger During the reporting period, the Bank had no material assets acquisition, sale and merger.

Credit Standing During the reporting period, there had not been any significant court judgment with which the Bank and its controlling shareholders have not complied, nor had there been any outstanding debt of significant amount.

Implementation of Share Incentive Plan and Employee Stock Ownership Plan during the Reporting Period During the reporting period, the Bank did not implement any share incentive plan or any employee stock ownership plan.

Performance of the Poverty Alleviation Social Responsibility Please refer to the section headed "Discussion and Analysis — ICBC Is in Action to Support Poverty Alleviation" for details.

Environmental Information

The Bank resolutely implemented the arrangements for advancing ecological civilization and responding to climate change, fully leveraged the important role of green finance in transitioning to the green and low-carbon production and lifestyle, and regarded green finance strengthening as a key strategy for long-term pursuit. With strategic guidance, policy support, reform & innovation, and global service comprising a four-wheel drive, it comprehensively promoted the formation of a green finance system, to improve economic, social, and ecological benefits simultaneously.

The Bank comprehensively used an investment and financing instrument kit with six focuses of "loan, bond, stock, agency, lease and consultant" to continuously increase investment and financing support for green industries. It continued to improve a set of green finance policies, regularly updated green finance development plans, strengthened the management of industry (green) credit policies, intensified special policy support for green finance, and made all-around green adjustments to the investment and financing structure. It improved the green finance working mechanism, and rolled out more supporting measures for the implementation of green finance. It reinforced the environmental (climate) and social risk management, brought all investment and financing activities under green, classified management, and promoted the environment (climate) and social risks arising from investment and financing towards systemic management and control. As at the end of the reporting period, the balance of green loans for green industries such as energy conservation and environmental protection, clean production, clean energy, ecological environment, green infrastructure upgrading, and green services reached RMB1,845,719 million.

The extensive use of the office information system at the Bank greatly promoted the advances towards green office operation. Priority was given to the promotion of paperless meetings and training sessions. According to the energy management policy of "developing a thrift lifestyle, creating a beautiful environment, and minimizing energy consumption", the Bank implemented energy conservation management measures, pushed forward with energy-saving technological transformation, and accelerated the construction of the smart park project, with the unit energy consumption decreased steadily. At the same time, it continued to strengthen the scheduling and use of official vehicles, improved the efficiency of vehicle use, established a diversified business vehicle pattern, and guided employees to choose safe, healthy, eco-friendly transportation means. The Bank actively participated in voluntary tree planting activities, as a move to strengthen employees' awareness of environmental protection and promote the advance of ecological civilization.

Key Audit Matters The Audit Committee has reviewed the key audit matters in the audit report and concluded that it is unnecessary to provide a supplementary explanation.

Material Related Party Transactions

During the reporting period, the Bank did not enter into any material related party transactions.

Please refer to "Note 49. to the Financial Statements: Related Party Disclosures" for details of the related party transactions defined under the laws and regulations of China and the relevant accounting standards.

Material Contracts and Performance of Obligations thereunder

Material Trust, Sub-contract and Lease During the reporting period, the Bank had not held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, which were subject to disclosure, and no other corporation had held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets, which were subject to disclosure.

Material Guarantees The provision of guarantees is in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantee that needs to be disclosed except for the financial guarantee services within the business scope as approved by PBC and the CBIRC.

Independent Non-executive Directors' Special Explanation and Independent Opinions on External Guarantees of the Bank

In accordance with the Circular Concerning Several Issues on Regulating Fund Transfers between Listed Companies and Their Related Parties and External Guarantee of Listed Companies issued by CSRC and the State-owned Assets Supervision and Administration Commission of the State Council and relevant provisions of SSE, we, in the capacity of Independent Non-executive Directors of the Bank, reviewed external guarantees of the Bank on the principles of fairness, impartiality and objectivity, and hereby give our specific explanation and opinions as follows: upon review, external guarantees provided by the Bank mainly focus on issuance of letters of guarantee, which is part of the ordinary banking services within the business scope of the Bank as approved by relevant regulatory authorities. As at 31 December 2020, the balance of letters of guarantee issued by the Bank totaled RMB500,821 million.

The Bank has attached great importance to the management of risks arising from such business, formulated strict rules on the credit ratings of the entities to which the guarantee was provided and on the operation process and review procedures of provision of guarantee services, and carried out relevant business on such basis.

Independent Non-executive Directors of Industrial and Commercial Bank of China Limited

Anthony Francis Neoh, Yang Siu Shun, Shen Si, Nout Wellink and Fred Zuliu Hu

Occupation of Fund by Controlling Shareholders and Other Related Parties During the reporting period, none of the controlling shareholders and other related parties of the Bank occupied any fund of the Bank. The auditors have issued the Special Explanation on the Occupation of Fund by Controlling Shareholders and Other Related Parties of Industrial and Commercial Bank of China Limited in 2020.

Commitments

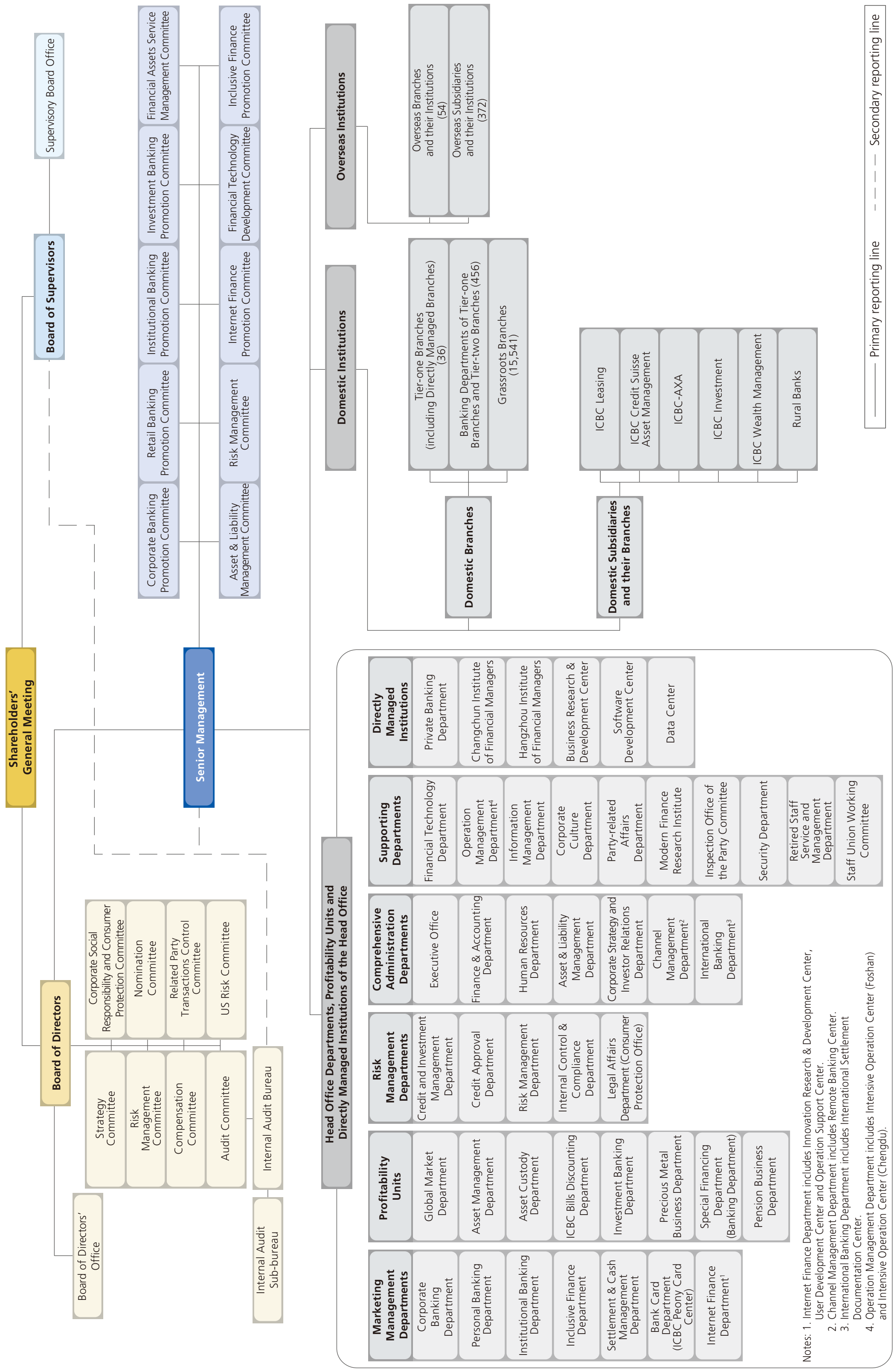
As at 31 December 2020, all of the continuing commitments made by the shareholders were properly fulfilled, and were listed as follows:

<table>
<tr><th>Shareholder</th><th>Type of commitment</th><th>Time and term of commitment</th><th>Legal document under which the commitment is made</th><th>Commitment</th><th>Fulfillment of commitment</th></tr>
<tr><td rowspan="2">Huijin</td><td rowspan="2">Commitment of non-competition</td><td>October 2006/ No specific term</td><td>Prospectus of Industrial and Commercial Bank of China Limited on Initial Public Offering (A Share)</td><td rowspan="2">Provided that Huijin continues to hold any share of the Bank or is deemed as the controlling shareholder of the Bank or the related party of the controlling shareholder of the Bank according to the laws or listing rules of China or the listing place of the Bank, Huijin will not engage in or participate in any competitive commercial banking business including but not limited to granting loans, attracting deposits and providing settlement, fund custody, bank card and money exchange services. However, Huijin can engage in or participate in some competitive businesses by investing in other commercial banks. In this regard, Huijin has committed that it will: (1) fairly treat the investments in commercial banks and will not make any decision or judgment that will have adverse impact on the Bank or be beneficial to other commercial banks by taking advantage of the status of being a shareholder of the Bank or information obtained by taking advantage of the status of being a shareholder of the Bank; and (2) perform the shareholders' rights for the maximum interests of the Bank.</td><td rowspan="2">As at 31 December 2020, Huijin strictly fulfilled the above commitment and did not do anything in violation of the commitment.</td></tr>
<tr><td>November 2010/ No specific term</td><td>Prospectus on A Share Rights Issue of Industrial and Commercial Bank of China Limited</td></tr>
<tr><td>SSF</td><td>Commitment of performing the obligation of lock-up period for A shares</td><td>Taking effect from December 2019/ Above three years</td><td>Simplified Report of Changes in Equity of National Council for Social Security Fund</td><td>According to 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), SSF shall perform the obligation of more than 3-year lock-up period as of the date of the receipt of transferred shares.</td><td>As at 31 December 2020, SSF strictly fulfilled the above commitment and did not do anything in violation of the commitment.</td></tr>
</table>

On 21 November 2018, the First Extraordinary General Meeting of 2018 reviewed and approved the Proposal on the Impact of Spot Return Diluted by Issuing Preference Shares and Corresponding Supplementary Measures of ICBC, and formulated supplementary measures for dilution of ordinary shareholders' spot return by issuing preference shares. In accordance with the relevant regulations of CSRC, the Directors and Senior Management members of the Bank have made a commitment that the measures to fill up the return can be effectively performed. For more details of the commitment, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of ICBC. As at the end of the reporting period, the Bank has strictly implemented the return filling up measures, and there was no violation of the above-mentioned commitments by the Bank and its Directors and Senior Management members.

Disciplinary Actions During the reporting period, neither the Bank nor any of its Directors, Supervisors, Senior Management members and controlling shareholders was subject to any investigation by competent authorities, coercive measures taken by judicial authorities or disciplinary inspection departments, transferred to judicial authorities or charged for criminal responsibility, case filing investigation or administrative penalty by CSRC, restricted access to market, identification as unqualified, major penalty by other administrative authorities of environmental protection, safety supervision, taxation, etc. or public reprimand by the stock exchanges.

Organizational Chart



Notes: 1. Internet Finance Department includes Innovation Research & Development Center, User Development Center and Operation Support Center.
2. Channel Management Department includes Remote Banking Center.
3. International Banking Department includes International Settlement Documentation Center.
4. Operation Management Department includes Intensive Operation Center (Foshan) and Intensive Operation Center (Chengdu).

Auditor's Report and Financial Statements

CONTENTS

KPMG

TO THE SHAREHOLDERS OF INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 152 to 281, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters (continued)

<table>
<tr><th colspan="2">Expected credit loss allowance of loans and advances to customers</th></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 3.(6) to the Financial Statements: Impairment of the Financial Assets", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 23. to the Financial Statements: Loans and Advances to Customers".</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group uses an expected credit loss ("ECL") model to measure the loss allowance in accordance with International Financial Reporting Standard 9 Financial instruments ("IFRS 9").

Impairment of loans and advances to customers is a subjective area due to the degree of judgment applied by management in determining impairment allowances. From the Group's perspective, the determination of the loss allowances for loans and advances to customers is heavily dependent on the external macro environment and the Group's internal credit risk management strategy, and the judgments in determining the loss given default or the assessment of recoverable cash flows relating to individual loans and advances to customers, where loans and advances to customers were unsecured or were subject to potential collateral shortfalls. The economic impact of the Covid-19 pandemic has increased the degree of estimation uncertainty relating to the accounting estimates.</td><td>Our audit procedures to assess loss allowance for expected credit losses included the following:

• evaluating the effectiveness of internal control operations related to provision for expected credit losses:

— assessing the key design and operational effectiveness of internal controls of the financial reporting process, including credit approval, recording, monitoring, re-evaluation of periodic credit grading, and the accrual of loss allowance; In particular, we assessed the design, implementation and operating effectiveness of the key internal controls over the classification of loans by credit quality across all stages;

— assessing the information system controls, including general information technology control, completeness of key internal historical data, data transmission between systems, mapping of parameters of expected credit loss model, and system calculation of loss allowance for expected credit loss.

• involving KPMG's financial risk specialists, assessing the reliability of expected credit loss models and parameters used, including evaluating probability of default, loss given default, exposure at default, discount rate, forward-looking adjustment and other adjustment factors, and evaluating the reasonableness of key management judgments involved.</td></tr>
</table>

Key audit matters (continued)

Expected credit loss allowance of loans and advances to customers (continued)	
Refer to the accounting policies in "Note 3. (6) to the Financial Statements: Impairment of the Financial Assets", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 23. to the Financial Statements: Loans and Advances to Customers".	
The key audit matter	**How the matter was addressed in our audit**
The Group classifies financial instruments into three stages and recognises an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset, depending on whether credit risk on that financial instrument has increased significantly since initial recognition and whether an asset is considered to be credit-impaired respectively. The loss allowance for loans and advances to customers, other than those corporate loans and advances which are credit-impaired, is measured using the risk parameters method. The key parameters include probability of default (PD), loss given default (LGD) and exposure at default (EAD), which are derived from considerations including the historical overdue data, historical loss ratio, internal credit grading and other adjustment factors.	• assessing key parameters involving judgments by seeking evidence from external sources and comparing it with internal records including historical loss experience and type of collaterals. As part of these procedures, we inquired management for the reasons of modifications of estimates and model parameters, considered the consistency of management judgments, and assessed key internal controls over the input of underlying data into the models. • comparing the forward-looking economic factors used in the models with market information to assess whether they were aligned to market and economic development, with a particular focus on the economic impact of COVID-19 pandemic. • performing back-testing, and verify the results of the model and its changes during the period with actual observation data, to assess whether there is any indication of management bias.

Key audit matters (continued)

Expected credit loss allowance of loans and advances to customers (continued)	
Refer to the accounting policies in "Note 3. (6) to the Financial Statements: Impairment of the Financial Assets", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 23. to the Financial Statements: Loans and Advances to Customers".	
The key audit matter	**How the matter was addressed in our audit**
Loss allowances for the credit-impaired corporate loans and advances are measured using the discounted cash flow method. Management exercises judgment in determining recoverable cash flow based on a range of factors. These factors include available remedies for recovery, the financial situation of the borrowers, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors. Whilst the Group appoints an external appraiser for the valuation of certain property and other illiquid collateral, enforceability, timing and means of realisation also affect the ultimate collectability and thereby the amount of expected credit loss allowances at the end of the reporting period. We identified the loss allowance for expected credit losses as a key audit matter because of the inherent uncertainty and management judgments involved, and because the loss allowance is significant to the financial results and capital of the Group.	• selecting samples to assess the reasonableness of management judgments on whether the credit risk has increased significantly since initial recognition and whether credit impairment has occurred. We analysed the loan portfolio by industry sector to select samples in industries vulnerable to the current economic situation and regulation measures. We also focused on loans with perceived higher risk and selected samples from non-performing loans, overdue but performing loans and borrowers with negative warning signs or adverse press coverage. • performing credit assessments for the selected credit impaired corporate loans and advances by assessing the forecast of recoverable cash flows through inquiry, applying judgment and our own research. We evaluated the timing and means of realisation of collateral and considered other sources of repayment asserted by management. We also evaluated the consistency of management's application of key assumptions and compared them with our own data sources. • evaluating the experience, independence, competence and integrity of the external appraiser engaged by the Group to value certain property and illiquid collateral, including comparing the valuations with externally derived data; and • assessing the reasonableness of the disclosures relating to loss allowance for expected credit losses against prevailing accounting standards.

Key audit matters (continued)

<table>
<tr><th colspan="2">Recognition of interests in and consolidation of structured entities</th></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 3. (1) to the Financial Statements: Subsidiaries", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 41. to the Financial Statements: Involvement with Unconsolidated Structured Entities".</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities which include providing investment services and products to customers and managing the Group's assets and liabilities.

The Group may acquire an ownership interest in, or act as a sponsor to, a structured entity, through initiating, investing or retaining shares in a wealth management product, an investment fund, an asset management plan, a trust plan, a structured lease or an asset-backed security. The Group may also retain partial interests in derecognised assets due to guarantees or securitisation structures.</td><td>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:

• making enquiries of management and inspecting documents relating to the judgment process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard.

• selecting significant structured entities of each key product type and performing the following procedures:

— inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgment over whether the Group has the ability to exercise power over the structured entity;</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><th colspan="2">Recognition of interests in and consolidation of structured entities (continued)</th></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 3. (1) to the Financial Statements: Subsidiaries", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 41. to the Financial Statements: Involvement with Unconsolidated Structured Entities".</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.

We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgment exercised by management in the qualitative assessment of the terms and the nature of each entity.</td><td>— inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgment as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;

— evaluating management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgment over the Group's ability to influence its own returns from the structured entity;

— assessing management's judgment over whether the structured entity should be consolidated or not; and

• assessing the reasonableness of the disclosures in the financial statements in relation to the recognition of interests in and consolidation of structured entities against prevailing accounting standards.</td></tr>
</table>

Key audit matters (continued)

Fair value of financial instruments	
Refer to the accounting policies on "Note 3. (5) to the Financial Statements: Financial Instruments", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 52. to the Financial Statements: Fair Value of Financial Instruments".	
The key audit matter	**How the matter was addressed in our audit**
Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgment. The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgment. Global economic uncertainty influenced movements in market rates including interest rates, foreign exchange rates and commodity prices. Increased market volatility resulted in greater ranges of values in management's assessment of the valuation of financial instruments held. We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgment exercised by management in determining the inputs used in the valuation models.	Our audit procedures to assess the fair value of financial instruments included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments. • assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data. • involving KPMG's valuation specialists to assess whether the valuation method selected is appropriate, and assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Group's valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs. • engaging KPMG's valuation specialists to conduct model validation, on a sample basis, for the valuation of complex financial instruments. • assessing the appropriate application of fair value adjustment that form an integral part of fair values, inquiring of management about any changes in the fair value adjustment methodologies and assessing the appropriateness of the inputs applied; and • assessing the reasonableness of the disclosures in the consolidated financial statements in relation to fair value of financial instruments against prevailing accounting standards, including fair value hierarchy information and sensitivity to key inputs.

Key audit matters (continued)

IT systems and controls over financial reporting	
The key audit matter	**How the matter was addressed in our audit**
As one of the largest banking groups in the world, the Group's IT systems are necessarily large and complex. Automated accounting procedures and IT environment controls, which include IT governance, controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting. Of particular importance are system calculations and data logic regarding significant accounts, including interest calculations, as well as interfaces between business management systems and accounting systems. With the continuous and rapid increase of the volume of on-line transactions of the Group, as well as the continuous development and application of new technologies, the Group is facing increasing challenges on cyber security and data protection. We identified IT systems and controls over financial reporting as a key audit matter because the Group's financial accounting and reporting systems are fundamentally reliant on complex IT systems and control processes which are driven by significant transaction volumes caused by the size of the customer base both in the corporate and the retail banking businesses in China and globally.	We involved KPMG's IT specialists in our assessment of the IT systems and controls over financial reporting, which included carrying out the following audit procedures: • assessing the design, implementation and operating effectiveness of key internal controls over the continued integrity of all major IT systems fundamental to dealing with the financial data, particularly financial reporting. • evaluating the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission, covering business in corporate loans, financial asset service, interbank business, bills, retail business and others, as well as key accounting procedures; and • evaluating the design, implementation and operating effectiveness of the cybersecurity management mechanism, the operational security of key information infrastructure, data and client information management, and monitoring and emergency management.

Other information

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Yuen Shan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020
(In RMB millions, unless otherwise stated)

	Notes	2020	2019
Interest income	6	1,092,521	1,063,445
Interest expense	6	(445,756)	(431,228)
NET INTEREST INCOME	6	646,765	632,217
Fee and commission income	7	146,668	146,350
Fee and commission expense	7	(15,453)	(15,777)
NET FEE AND COMMISSION INCOME	7	131,215	130,573
Net trading income	8	2,222	8,447
Net gain/(loss) on financial investments	9	11,829	(3,682)
Other operating income, net	10	8,044	8,447
OPERATING INCOME		800,075	776,002
Operating expenses	11	(206,585)	(207,776)
Impairment losses on assets	14	(202,668)	(178,957)
OPERATING PROFIT		390,822	389,269
Share of profits of associates and joint ventures		1,304	2,520
PROFIT BEFORE TAXATION		392,126	391,789
Income tax expense	15	(74,441)	(78,428)
PROFIT FOR THE YEAR		317,685	313,361
Attributable to:			
Equity holders of the parent company		315,906	312,224
Non-controlling interests		1,779	1,137
Profit for the year		317,685	313,361
EARNINGS PER SHARE			
— Basic (RMB yuan)	18	0.86	0.86
— Diluted (RMB yuan)	18	0.86	0.86

Details of the dividends declared and paid or proposed are disclosed in Note 17 to the financial statements.

The notes on pages 160 to 281 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020
(In RMB millions, unless otherwise stated)

	Notes	2020	2019
Profit for the year		317,685	313,361
Other comprehensive income (after tax, net):	40		
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

The notes on pages 160 to 281 form part of these financial statements.

Consolidated Statement of Financial Position

31 December 2020
(In RMB millions, unless otherwise stated)

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and balances with central banks	19	3,537,795	3,317,916
Due from banks and other financial institutions	20	1,081,897	1,042,368
Derivative financial assets	21	134,155	68,311
Reverse repurchase agreements	22	739,288	845,186
Loans and advances to customers	23	18,136,328	16,326,552
Financial investments	24	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	26	41,206	32,490
Property and equipment	27	286,279	286,561
Deferred income tax assets	28	67,713	62,536
Other assets	29	729,258	480,399
TOTAL ASSETS		**33,345,058**	**30,109,436**

The notes on pages 160 to 281 form part of these financial statements.

(In RMB millions, unless otherwise stated)

	Notes	31 December 2020	31 December 2019
LIABILITIES			
Due to central banks		54,974	1,017
Financial liabilities designated as at fair value through profit or loss	30	87,938	102,242
Derivative financial liabilities	21	140,973	85,180
Due to banks and other financial institutions	31	2,784,259	2,266,573
Repurchase agreements	32	293,434	263,273
Certificates of deposit	33	335,676	355,428
Due to customers	34	25,134,726	22,977,655
Income tax payable		89,785	96,192
Deferred income tax liabilities	28	2,881	1,873
Debt securities issued	35	798,127	742,875
Other liabilities	36	712,770	525,125
TOTAL LIABILITIES		**30,435,543**	**27,417,433**
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	37	356,407	356,407
Other equity instruments	38	225,819	206,132
Reserves	39	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**

Chen Siqing
Chairman

Liao Lin
Vice Chairman
and President

Liu Yagan
General Manager of Finance
and Accounting Department

The notes on pages 160 to 281 form part of these financial statements.

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													
			Reserves											
	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	Non-controlling interests	Total equity
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 (note 40)	–	–	–	–	–	(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 (note 17)	–	–	–	–	–	–	–	–	–	–	(93,664)	(93,664)	–	(93,664)
Dividends to other equity instruments holders (note 17)	–	–	–	–	–	–	–	–	–	–	(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	**356,407**	**225,819**	**148,640**	**322,911**	**339,701**	**22,377**	**(27,882)**	**(4,725)**	**(304)**	**800,718**	**1,510,558**	**2,893,502**	**16,013**	**2,909,515**

(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.

The notes on pages 160 to 281 form part of these financial statements.

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
			Reserves											
	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	Non-controlling interests	Total equity
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 (note 40)	–	–	–	–	–	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 (note 17)	–	–	–	–	–	–	–	–	–	–	(89,315)	(89,315)	–	(89,315)
Dividends — preference shares (note 17)	–	–	–	–	–	–	–	–	–	–	(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.

The notes on pages 160 to 281 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2020
(In RMB millions, unless otherwise stated)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		392,126	391,789
Adjustments for:			
Share of profits of associates and joint ventures		(1,304)	(2,520)
Depreciation		27,046	26,229
Amortisation	11	2,607	2,315
Amortisation of financial investments		(1,675)	(1,360)
Impairment losses on assets	14	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	9	(2,355)	(978)
		362,842	405,302
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)
		(1,662,922)	(1,777,326)
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
		2,942,248	1,926,103
Net cash flows from operating activities before tax		1,642,168	554,079
Income tax paid		(84,552)	(72,839)
Net cash flows from operating activities		1,557,616	481,240

The notes on pages 160 to 281 form part of these financial statements.

(In RMB millions, unless otherwise stated)

	Notes	2020	2019
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		250,962	217,120
Net cash flows from investing activities		(1,135,097)	(662,686)
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		(6,310)	(4,950)
Net cash flows from financing activities		(46,949)	112,874
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		375,570	(68,572)
Cash and cash equivalents at beginning of the year		1,450,413	1,509,523
Effect of exchange rate changes on cash and cash equivalents		(34,861)	9,462
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	42	1,791,122	1,450,413
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		902,804	861,270
Interest paid		(393,080)	(393,469)

The notes on pages 160 to 281 form part of these financial statements.

1. CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (the "Bank"), which was previously known as Industrial and Commercial Bank of China ("ICBC"), used to be a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People's Bank of China (the "PBOC") of the People's Republic of China (the "PRC"). On 28 October 2005, with the approval of the State Council, ICBC was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertook all the assets and liabilities of ICBC upon the restructuring. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

The Bank obtained its finance permit No. B0001H111000001 from the China Banking and Insurance Regulatory Commission (the "CBIRC") of the PRC. The Bank obtained its business license with unified social credit code 91100000100003962T from the State Administration for Industry and Commerce of the PRC. The legal representative is Chen Siqing and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank's stock codes of A Shares and H Shares listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited are 601398 and 1398, respectively. The Bank's offshore preference share is listed on the Stock Exchange of Hong Kong Limited and the stock code is 4604 and 4620. The Bank's domestic preference shares are listed on the Shanghai Stock Exchange and the stock codes are 360011 and 360036.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing, insurance and other financial services. Domestic establishments refer to the Head Office of the Bank, branches and subsidiaries established inside Chinese mainland. Overseas establishments refer to branches and subsidiaries established under local jurisdictions outside Chinese mainland.

2. BASIS OF PREPARATION

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance.

(2) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL") and financial assets measured at fair value through other comprehensive income ("FVOCI"), as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

(In RMB millions, unless otherwise stated)

(3) Change in 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.

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity if it is exposed, or has rights, to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and any unrealised profit or loss arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost less impairment losses (see Note 3(21)).

(2) Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to a parent.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(3) Associates and Joint ventures

An associate is an entity in which the Group or Bank has significant influence.

A joint venture is an arrangement whereby the Group or Bank and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group's investments in associates or joint ventures are accounted for under the equity method of accounting. Under the equity method, an investment in an associate or joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment losses. The consolidated statement of profit or loss reflects the share of the results of operations of the associate or joint venture. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Under the equity method, unrealised profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In the Bank's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see Note 3(21)).

(4) Foreign currency translation

The consolidated financial statements are presented in RMB, being the functional and presentation currency of the Bank's operations in Chinese Mainland. Each entity in the Group determines its own functional currency and the financial statements of each entity are presented using that functional currency.

Foreign currency transactions are initially recorded in the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in profit or loss, with the exception that they are taken directly to other comprehensive income when the monetary items are designated as part of the hedge of the Bank's net investment of a foreign entity, and the aggregate exchange differences are not recognised in profit or loss until the disposal of such net investment. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rates ruling at the end of the reporting period. The exchange differences are recognised in profit or loss or in other comprehensive income, depending on the nature of non-monetary items.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the reporting period. In addition to the overseas business operations in a hyperinflationary economy, all items within equity except for retained profits are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Cash flows arising from transactions in foreign currencies and cash flows of overseas subsidiaries are translated using the weighted average exchange rates for the year. The effect of exchange rate movements on cash is presented separately in the statement of cash flows as a reconciling item.

(5) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Initial recognition of financial instruments

At initial recognition, financial assets are classified into three categories: financial assets measured at amortised cost, financial assets measured at FVOCI and financial assets measured at FVTPL.

At initial recognition, financial liabilities are classified into two categories: financial liabilities measured at FVTPL and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities measured at FVTPL, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Measurement of fair value

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

When measuring fair value, the Group shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date (including the condition and location of the asset; and restrictions, if any, on the sale or use of the asset, etc.), and use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The adopted valuation techniques mainly include market approach, income approach and cost approach.

(ii) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at FVOCI, or at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Subsequent measurement of financial assets

Financial assets measured at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

Debt instruments measured at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity instruments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(iii) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL and other financial liabilities.

Financial liabilities measured at FVTPL

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities measured at FVTPL are subsequently measured at fair value and net gains and losses (including any interest expense) are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

For the financial liabilities designated as at FVTPL, the gains and losses arose are accounted for in accordance with the following requirements: (i) the amount of changes in the fair value of the financial liability arising from changes in the Group's own credit risk should be included in other comprehensive income; (ii) other changes in fair value of the financial liabilities are recognised in current profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss in accordance with (i), the Group shall recognise the entire gain or loss of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit and loss. When these liabilities are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to retained earnings.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(6) Impairment of the financial assets

The Group recognises loss allowances for ECL on:

- Financial assets measured at amortised cost;
- Debt instruments measured at FVOCI; and
- Loan commitments and financial guarantee contracts.

Financial assets measured at fair value, including debt investments or equity securities measured at FVTPL, equity securities designated as at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months).

The Group classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three risk stages are defined as follows:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognised as loss allowance. Refer to Note 51(a) credit risk for the description of how the Group determines when a significant increase in credit risk has occurred.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime expected credit losses is recognised as loss allowance. Refer to Note 51(a) credit risk for the definition of credit-impaired financial assets.

Presentation of allowance for ECL

ECLs are remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt instruments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income. The Group recognises loss allowances for loan commitments and financial guarantee contracts through other liabilities (allowance for impairment losses on credit commitments).

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(7) Modification of loan contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess whether or not the new contractual terms are substantially different to the original terms. If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset under the revised terms. If the renegotiation or modification does not result in derecognition, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, based on comparing the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

(8) Derecognition of financial assets and liabilities

Financial assets

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but assumed the obligation to pay those cash flows to the eventual recipients and meanwhile meet the conditions of the transfer of financial assets, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets partially qualifies for derecognition, the Group continue to recognise the transferred assets to the extent of its continuing involvement, derecognise the remaining. The carrying amount of the transferred assets is apportioned between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the carrying amount of the derecognised portion and the total consideration paid for the derecognised portion is recorded in profit or loss.

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

Financial liabilities

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(9) Convertible instruments

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the value of any embedded derivatives other than the equity component). Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at FVTPL. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or directly recognised in equity if it relates to the equity component.

(10) Preference shares and perpetual bonds

At initial recognition, the Group classifies the preference shares, perpetual bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Preference shares and perpetual bonds issued containing both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component. Preference shares and perpetual bonds issued not containing an equity component are accounted for using the accounting policy for other convertible instruments not containing an equity component.

Preference shares and perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

(11) Derivatives and hedge accounting

Derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the main contract included in the hybrid contract is an asset within the scope of a new financial instrument standard, the embedded derivative is no longer split from the main contract of the financial asset, but the hybrid financial instrument as a whole is related to the classification of the financial asset provision. If the main contract included in the hybrid contract is not an asset within the scope of the new financial instrument standard, when their economic characteristics and risks are not closely related to those of the hybrid contract, those separate instruments with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid instrument is not carried at FVTPL, certain derivatives embedded in other financial instruments should be split from the hybrid contract and treated as separate derivatives. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

Hedge accounting

At the inception of a hedging relationship, the Group formally designates the hedge instruments and the hedged items, and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to meet the hedge effectiveness in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to analyse the sources of hedge ineffectiveness which are expected to affect the hedging relationship in remaining hedging period. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group would rebalance the hedging relationship.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss or other comprehensive income. Among them, the circumstances affecting other comprehensive income are limited to the hedging for the risk exposure from fair value change of non-trading equity investment designated as at FVOCI. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss or other comprehensive income.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction or a component of any such item, and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the statement of profit or loss. When the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

Net investment hedges

Net investment hedge is a hedge of the currency risk of a net investment in a foreign institution operation.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised in profit or loss immediately. Gains and losses accumulated in other comprehensive income are included in profit or loss when the foreign operation is disposed of as part of the gain or loss on the disposal.

(12) Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(13) Presentation of financial instruments

Financial assets and financial liabilities are generally presented separately in the statement of financial position and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the statement of financial position when both the following conditions are satisfied:

– the Group currently has a legally enforceable right to set off the recognised amounts; and

– the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(14) Repurchase and reverse repurchase transactions (including securities borrowing and lending)

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement", reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement". The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

According to the policy of classification of financial assets (refer to Note 3(5)), the reverse repurchase agreements held by the Group were divided into different classification according to the entity's business model for managing the financial instruments and the contractual cash flow characteristics of the assets: financial assets measured at amortised cost and financial assets measured at FVTPL.

Securities borrowing and lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading and measured at fair value with any gains or losses included in profit or loss.

(15) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. The precious metals deposited in the Group are measured at fair value both on initial recognition and in subsequent measurement.

(16) Property and equipment

Property and equipment, other than construction in progress are stated at costs less accumulated depreciation and any impairment loss. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the direct costs of construction during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and the annual depreciation rate of each item of property and equipment (excluding aircraft and vessels) are as follows:

	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Properties and buildings	5–50 years	0%–3%	1.94%–20%
Office equipment and motor vehicles (excluding aircraft and vessels)	2–7 years	–	14.29%–50%
Leasehold improvements		Over the shorter of the economic useful lives and remaining lease terms	

Equipment under operating leases where the Group is the lessor contains aircraft, aircraft engines and vessels. The estimated useful lives and depreciation methods are determined according to the real conditions of individual aircraft and vessels. The residual values are assessed by an independent valuer based on historical data. The estimated useful lives range from 15 to 25 years.

For an item of impaired fixed assets, the depreciation is calculated based on the carrying value less the cumulative impairment loss.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment or any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

(17) Land use rights

Land use rights are recognised at cost, being the fair value at the time of injection from the central government of the PRC (the "Government") or the consideration paid. The rights are amortised using the straight-line basis over the periods of the leases. When the prepaid land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the costs of properties and buildings as finance leases in property and equipment.

(18) Repossessed assets

Repossessed assets are initially recognised at fair value of assets not retained plus related costs, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(19) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU (group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

(20) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. When the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflows. When determining the best estimate, the Group considers factors pertaining to a contingency such as risks, uncertainties and time of value of money. Where there is a continuous range of the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate shall be the mid-point of that range. In other cases, the best estimate shall be determined according to the following circumstances:

– Where the contingency involves a single item, the best estimate shall be the most likely outcome.

– Where the contingency involves a large population of items, the best estimate shall be determined by weighting all possible outcomes by their associated probabilities.

The Group shall review the carrying amount of a provision at the end of reporting period. The carrying amount shall be adjusted to the current best estimate.

(21) Asset impairment

Impairment losses on assets except for deferred tax assets, financial assets and goodwill are determined based on the following:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. Where the gross carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Any such reversal is recognised in profit or loss. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(22) Cash and cash equivalents

Cash and cash equivalents refer to short-term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with central banks, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

(23) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

All eligible employees outside Chinese mainland participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

Post-employment benefits-defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of the assets or charged to profit or loss as the related services are rendered by the employees.

In addition, employees in Chinese mainland also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to profit or loss when it is incurred. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Termination benefits

Termination benefits are payable as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognise termination benefits in profit or loss at the earlier of:

– When the Group can no longer withdraw an offer of those benefits;

– When the Group has a specific, formal restructure plan involving payment of termination benefits, and the plan has started or informed each affected party about the influence of the plan, therefore each party formed reasonable expectations.

Early retirement benefits

According to the Bank's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when they are incurred.

(24) Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreement with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

The Group grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised ratably over the period in which the service is provided. The risk of loss is borne by those trustors.

(25) Insurance contracts

Insurance contracts classification

The Group's insurance subsidiary executes the contract with the policyholder. Where the Group undertakes insurance risk, which means a risk, rather than a financial risk, transferred from the holder of a contract to the insurance provider and over time, the combined cost of claims, administration and acquisition of the contract may exceed the aggregate amount of premiums received and investment income, the contract is classified as an insurance contract; where the Group undertakes the risks other than insurance risk. The contract is classified as non-insurance contract; and where the Group undertakes both insurance risk and other risks, forming a contract with mixed risks, the following stipulations are applied:

(i) Where the insurance risk and other risks can be distinguished from each other and separately measured, the insurance risk is separated from other risks. The insurance risk is accounted for as an insurance contract and other risks are accounted for according to the relevant accounting standards;

(ii) Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, an umbrella contract applies and significant insurance risk test shall be performed based on it. If the insurance risk is significant, the contract is accounted for as an insurance contract; otherwise, it is accounted for as a non-insurance contract.

Insurance income recognition

Insurance premium income is recognised when:

(i) The insurance contract is issued, and related insurance risk is undertaken by the Group;

(ii) The related economic benefits are likely to flow to the Group;

(iii) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payment that the Group is obliged to pay to fulfill relevant obligations under the insurance contract. At the end of each reporting period, liability adequacy tests are performed. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made to the respective insurance contract liabilities.

(26) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the gross carrying amount of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in interest income, except for:

(i) For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost; and

(ii) Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

(i) The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

   – The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

   – The customer controls the service provided by the Group in the course of performance; or

   – The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

(ii) In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities that are held for trading. This includes gains and losses from changes in fair value relating to the ineffective portion of the hedging arrangements.

(27) Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in profit or loss except that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(i) Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(28) Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

– the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

– the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

– the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. However, for the leases in which it is a lessee, the Group has selected not to separate lease components from non-lease components and account for the lease and non-lease components as a single lease component.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note 3 (21).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Each institution of the Group uses interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment as incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

– there is a change in the amounts expected to be payable under a residual value guarantee;

– there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;

– there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note 3(5) and 3(6). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

(29) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

(30) Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised ratably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments (refer to Note 3(6)) and the amount initially recognised less the cumulative amount of income. Any increase in the liability relating to a financial guarantee is taken to the statement of profit or loss.

(31) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

(32) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Refer to Note 51(a) credit risk for the explanation of the inputs, assumptions and estimation techniques used in measuring ECL.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or groups of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the CGU or groups of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 3(1) indicate that the Group controls securitisation vehicles, investment funds, wealth management products, asset management plans, trust plans or asset-backed securities.

Securitisation vehicles

Certain securitisation vehicles sponsored by the Group under its securitisation programme are run according to predetermined criteria that are part of the initial design of the vehicles. In addition, the Group is exposed to variability of returns from the vehicles through its holding of debt securities in the vehicles and outside the day-to-day servicing of the receivables (which is carried out by the Group under a servicing contract). Key decisions are usually required only when receivables in the vehicles go into default. Therefore, in considering whether it has control, the Group considers whether it manages these key decisions that most significantly affect these vehicles' returns.

Investment funds, wealth management products, asset management plans, trust plans and asset-backed securities

The Group acts as manager to a number of investment funds, wealth management products, asset management plans, trust plans and assets-backed securities. When assessing whether controls such a structured entity, the Group would determine whether it exercises the decision-making rights as a principal or an agent and usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. The Group would also determine whether another entity with decision-making rights is acting as an agent for it.

For further disclosure in respect of unconsolidated investment funds, wealth management products, asset management plans, trust plans and assets-backed securities in which the Group has an interest or for which it is a sponsor, see Note 41.

(In RMB millions, unless otherwise stated)

5. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs and IASs that have been issued but are not yet effective, in these financial statements.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	*Interest Rate Benchmark Reform — Phase 2*[1]
IFRS 3 Amendments	*Reference to the Conceptual Framework*[2]
IAS 16 Amendments	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
IAS 37 Amendments	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018–2020[2]	
IFRS 17 and IFRS 17 Amendments	*Insurance Contracts*[3]
IAS 1 Amendments	*Classification of Liabilities as Current or Non-current*[4]
IFRS 10 and IAS 28 Amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]

1 Effective for annual periods beginning on or after 1 January 2021, earlier adoption is permitted.

2 Effective for annual periods beginning on or after 1 January 2022, earlier adoption is permitted.

3 Effective date has been deferred by two years — from 2021 to 2023, effective for annual periods beginning on or after 1 January 2023, early adoption is permitted only for entities that also apply IFRS 9.

4 Effective date has been deferred by one year — from 2022 to 2023 — in response to the COVID-19 pandemic, applying retrospectively for annual periods beginning on or after 1 January 2023, early adoption is permitted.

5 Effective for annual periods is to be determined, early adoption is permitted.

Further information about those changes that are expected to affect the Group is as follows:

Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, IFRS 4, Insurance Contracts, and IFRS 16, Leases,"Interest Rate Benchmark Reform — Phase 2"

The IASB finalised its response to the ongoing reform of inter-bank offered rates ("IBOR") and other interest rate benchmarks by issuing a package of amendments to IFRS Standards. The amendments complement those issued in 2019 and focus on the effects on financial statements when an entity replaces the old interest rate benchmark with an alternative benchmark rate as a result of the reform.

The amendments in this final phase relate to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and
- disclosures.

The amendments are expected to have no material impact on financial position and financial performance.

Amendments to IFRS 3, Business Combinations,"Reference to the Conceptual Framework"

The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting, and add an exception to the requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability.

The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21, *Levies*, if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should apply the criteria in IAS 37 or IFRIC 21 respectively (instead of the Conceptual Framework) to determine whether a present obligation exists at the acquisition date.

The Group is currently assessing the impact of the amendments on its financial position and financial performance.

Amendments to IAS 16, Property, Plant and Equipment, "Property, Plant and Equipment: Proceeds before Intended Use"

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

The Group is currently assessing the impact of the amendments on its financial position and financial performance.

Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, "Onerous Contracts — Cost of Fulfilling a Contract"

The amendments specify that the "costs of fulfilling a contract" when assessing whether a contract is onerous comprise both the incremental costs and an allocation of other direct costs.

The Group is currently assessing the impact of the amendments on its financial position and financial performance.

Annual Improvements to IFRS Standards 2018–2020

The 2018–2020 cycle of annual improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the illustrative examples accompanying IFRS 16 Leases.

The Group is currently assessing the impact of the annual improvements on its financial position and financial performance.

IFRS 17 and Amendments to IFRS 17, "Insurance Contracts"

IFRS 17 is issued to resolve the comparison problems created by IFRS 4 by setting out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

The IASB issued the amendments to IFRS 17 in 2020, which respond to feedback from stakeholders and are designed to:

- reduce costs by simplifying some requirements in the IFRS 17;
- make financial performance easier to explain; and
- ease transition by deferring the effective date of IFRS 17 to 2023 and by providing additional relief to reduce the effort required when applying IFRS 17 for the first time

The Group is currently assessing the impact of the standard and amendments on its financial position and financial performance.

Amendments to IAS 1, Presentation of Financial Statements, "Classification of Liabilities as Current or Non-current"

The IASB issued narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

The amendments mainly aim to clarify:

- that the classification of liabilities as current or non-current is based on the rights existing at the end of the reporting period; and
- that the meaning of "settlement" is broad and includes "the transfer to the counterparty of cash, equity instruments, other assets or service".

The Group is currently assessing the impact of the amendments on its financial position and financial performance.

(In RMB millions, unless otherwise stated)

Amendments to IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Associates and Joint Ventures, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The amendments introduce new requirements on loss of control over assets in a transaction with an associate or joint venture. These requirements require the full gain to be recognised when the assets transferred meet the definition of a "business" under IFRS 3, *Business Combinations*.

The Group is currently assessing the impact of the amendments on its financial position and financial performance.

6. 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
	1,092,521	1,063,445
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)
	(445,756)	(431,228)
Net interest income	646,765	632,217

The above interest income and expense are related to financial instruments which are not measured at FVTPL.

(In RMB millions, unless otherwise stated)

7. NET FEE AND COMMISSION INCOME

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

(i) Included in personal wealth management and private banking services, corporate wealth management services, asset custody business and trust and agency services above is an amount of RMB16,584 million (2019: RMB14,855 million) with respect to trust and other fiduciary activities.

(ii) In accordance with the requirements of the Notice on Strictly Implementing Accounting Standards for Enterprises and Effectively Strengthening the Work of Enterprises' 2020 Annual Reports issued by the Ministry of Finance of the People's Republic of China, State-owned Assets Supervision and Administration Commission of the State Council, the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission, the Bank reclassified credit card instalment fee income and related expenses from fees and commission income and related expenses to interest income and other operating income (net), and adjusted the comparative figures for the same period accordingly.

8. NET TRADING INCOME

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

The above amounts mainly include gains and losses arising from the buying and selling of, interest income and expense on, and changes in the fair value of financial assets and liabilities held for trading.

9. 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
	11,829	(3,682)

(In RMB millions, unless otherwise stated)

10. 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
	8,044	8,447

11. 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 (i)	14,241	16,789
	126,572	126,950
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
	27,960	27,713
Amortisation	2,607	2,315
Other administrative expenses (ii)	25,686	29,308
Taxes and surcharges	8,524	7,677
Others	15,236	13,813
	206,585	207,776

(i) The defined contribution plans mainly include contributions to the state pension and the Bank's Annuity Plan.

(ii) The principal auditor's remuneration of RMB224 million for the year (2019: RMB222 million) is included in other administrative expenses.

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the directors' and supervisors' emoluments before tax, as disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Chapter 622 Section 383 of the Hong Kong Companies Ordinance, are as follows:

		Year ended 31 December 2020			
Name	Position	Remuneration paid before tax RMB'000 (1)	Defined contribution plans RMB'000 (2)	Fees RMB'000 (3)	Total emoluments before tax RMB'000 (4)=(1)+(2)+(3)
Chen Siqing	Chairman of the Board of Directors, Executive Director	619	159	–	778
Liao Lin (i)	Vice Chairman of the Board of Directors, Executive Director, President	557	155	–	712
Lu Yongzhen	Non-executive Director	–	–	–	–
Zheng Fuqing	Non-executive Director	–	–	–	–
Feng Weidong	Non-executive Director	–	–	–	–
Cao Liqun	Non-executive Director	–	–	–	–
Anthony Francis Neoh	Independent Non-executive Director	–	–	520	520
Yang Siu Shun	Independent Non-executive Director	–	–	470	470
Shen Si (ii)	Independent Non-executive Director	–	–	470	470
Nout Wellink	Independent Non-executive Director	–	–	470	470
Fred Zuliu Hu	Independent Non-executive Director	–	–	410	410
Zhang Wei	Shareholder Representative Supervisor	944	233	–	1,177
Huang Li	Employee Representative Supervisor	–	–	50	50
Wu Xiangjiang (iii)	Employee Representative Supervisor	–	–	13	13
Qu Qiang	External Supervisor	–	–	250	250
Shen Bingxi	External Supervisor	–	–	–	–
Gu shu (iv)	Former Vice Chairman of the Board of Directors, Executive Director, President	619	159	–	778
Hu Hao	Former Executive Director, Vice President	46	14	–	60
Yang Guozhong (v)	Former Chairman of the Board of Supervisors	619	159	–	778
Mei Yingchun (vi)	Former Non-executive Director	–	–	–	–
Ye Donghai	Former Non-executive Director	–	–	–	–
Dong Shi	Former Non-executive Director	–	–	–	–
Sheila Colleen Bair (vii)	Former Independent Non-executive Director	–	–	115	115
Hui Ping (viii)	Former Employee Representative Supervisor	–	–	38	38
Total		3,404	879	2,806	7,089

Note: Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank have followed the PRC authorities' policies relating to the remuneration reform on executives of central enterprises.

The total compensation packages for the Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, Executive Directors, and Shareholder Representative Supervisors of the Bank have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's 2020 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

Fees of Mr. Huang Li, Mr. Wu Xiangjiang and Mr. Hui Ping were their allowances obtained as Employee Representative Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

As at the approval date of these financial statements, changes of directors and supervisors of the Bank are as follows:

(i) At the Annual Meeting of 2019 held on 12 June 2020, Mr. Liao Lin was elected as Executive Director of the Bank, and his qualification will take effect on the date when the approval of the CBIRC is obtained. At the Board of Directors held on 25 February 2021, Mr. Liao Lin was elected as Vice Chairman of the Board of Directors of the Bank and appointed as President of the Bank. Mr. Liao Lin will no longer concurrently serve as Chief Risk Officer of the Bank. His term of Vice Chairman of the Board of Directors and President of the Bank took effect from the date of review and approval by the CBIRC.

(ii) At the Annual Meeting of 2019 held on 12 June 2020, Mr. Shen Si was re-elected as Independent Non-executive Director of the Bank, and his new term of office commences on the date when the approval from the general meeting of shareholders of the Bank is obtained.

(iii) On 15 September 2020, Mr. Wu Xiangjiang was elected as the Employee Representative Supervisor of the bank at the special meeting of the first session of employee representative assembly of the Bank, and his term of office as the Employee Representative Supervisor commences on 15 September 2020.

(iv) In December 2020, Mr. Gu Shu ceased to act as Vice Chairman of the Board of Directors, Executive Director and President of the Bank due to change of job assignments.

(v) In March 2021, Mr. Yang Guozhong ceased to act as chairman of the Board of Supervisors of the Bank due to change of job assignments.

(vi) In February 2021, Ms. Mei Yingchun ceased to act as Non-executive Director due to the expiration of the term.

(vii) In March 2020, Ms. Sheila Colleen Bair ceased to act as Independent Non-executive Director due to the expiration of the term.

(viii) In September 2020, Mr. Hui Ping ceased to act as Employee Representative Supervisor of the Bank citing his age.

		Year ended 31 December 2019						
Name	Position	Fees RMB'000 (1)	Remuneration paid RMB'000 (2)	Discretionary bonuses RMB'000 (3)	Contribution by the employer to social insurance and welfare plans, housing allowance, etc. RMB'000 (4)	Total emoluments before tax RMB'000 (5)=(1)+(2)+(3)+(4)	Of which: deferred payment RMB'000 (6)	Actual amount of remuneration paid before tax RMB'000 (7)=(5)-(6)
Chen Siqing (i)	Chairman of the Board of Directors, Executive Director	–	236	333	109	678	–	678
Gu Shu (ii)	Vice Chairman of the Board of Directors, Executive Director, President	–	354	499	166	1,019	–	1,019
Yang Guozhong (iii)	Chairman of the Board of Supervisors	–	–	–	–	–	–	–
Zheng Fuqing	Non-executive Director	–	–	–	–	–	–	–
Mei Yingchun	Non-executive Director	–	–	–	–	–	–	–
Lu Yongzhen (iv)	Non-executive Director	–	–	–	–	–	–	–
Feng Weidong (v)	Non-executive Director	–	–	–	–	–	–	–
Cao Liqun (v)	Non-executive Director	–	–	–	–	–	–	–
Anthony Francis Neoh	Independent Non-executive Director	475	–	–	–	475	–	475
Yang Siu Shun (vi)	Independent Non-executive Director	446	–	–	–	446	–	446
Sheila Colleen Bair	Independent Non-executive Director	430	–	–	–	430	–	430
Shen Si	Independent Non-executive Director	445	–	–	–	445	–	445
Nout Wellink	Independent Non-executive Director	423	–	–	–	423	–	423
Fred Zuliu Hu (vii)	Independent Non-executive Director	308	–	–	–	308	–	308
Zhang Wei (viii)	Shareholder Representative Supervisor	–	581	1,285	229	2,095	515	1,580
Hui Ping	Employee Representative Supervisor	50	–	–	–	50	–	50
Huang Li (ix)	Employee Representative Supervisor	50	–	–	–	50	–	50
Qu Qiang	External Supervisor	250	–	–	–	250	–	250
Shen Bingxi (viii)	External Supervisor	–	–	–	–	–	–	–
Yi Huiman (x)	Former Chairman of the Board of Directors, Executive Director	–	59	83	29	171	–	171
Hu Hao (xi)(xii)	Former Executive Director, Vice President	–	319	449	162	930	–	930
Tan Jiong (xi)(xiii)	Former Executive Director, Vice President	–	239	337	122	698	–	698
Cheng Fengchao (xiv)	Former Non-executive Director	–	–	–	–	–	–	–
Ye Donghai (xv)	Former Non-executive Director	–	–	–	–	–	–	–
Dong Shi (xvi)	Former Non-executive Director	–	–	–	–	–	–	–
Hong Yongmiao (xvii)	Former Independent Non-executive Director	125	–	–	–	125	–	125
		3,002	1,788	2,986	817	8,593	515	8,078

Note: Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank have followed the PRC authorities' policies relating to the remuneration reform on executives of central enterprises.

The remuneration before tax payable to Directors and Supervisors for 2019 set out in the table above represents the total amount of annual remuneration for each of these individuals, which includes the amount disclosed in the 2019 Annual Report.

Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred based on the future performance.

Fees of Mr. Hui Ping and Mr. Huang Li were their allowances obtained as Employee Representative Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

As at the approval date of financial statements of 2019, changes of directors and supervisors of the Bank are as follows:

(i) At the Board of Directors held on 29 April 2019, Mr. Chen Siqing was nominated as Executive Director and elected as Chairman of the Board of Directors of the Bank. At the First Extraordinary General Meeting of 2019 held on 20 May 2019, Mr. Chen Siqing was elected as Executive Director and his term of Chairman of the Board of Directors of the Bank and Executive Director took effect from the date of approval by the meeting.

(ii) At the Second Extraordinary General Meeting of 2019 held on 22 November 2019, Mr. Gu Shu was re-elected as Executive Director of the Bank, and his new term of office took effect from the date of review and approval by the meeting.

(iii) At the First Extraordinary General Meeting of 2020 held on 8 January 2020, Mr. Yang Guozhong was elected as shareholder supervisor and Chairman of the Board of Supervisors of the Bank, and his term of office took effect from the date of review and approval by the meeting.

(iv) At the Annual Meeting of 2018 held on 20 June 2019, Mr. Lu Yongzhen was elected as Non-executive Director of the Bank, and his term of office took effect from the date of review and approval by the CBIRC.

(v) At the Second Extraordinary General Meeting of 2019 held on 22 November 2019, Mr. Feng Weidong and Mrs. Cao Liqun were elected as Non-executive Director of the Bank, and their terms of office took effect from the date of review and approval by the CBIRC.

(vi) At the shareholders' general meeting of 2018 held on 20 June 2019, Mr. Yang Siu Shun has been re-elected as Independent Non-executive Director of the Bank, and his new term of office took effect from the date of review and approval by the meeting.

(vii) At the First Extraordinary General Meeting of 2018 held on 21 November 2018, Mr. Fred Zuliu Hu was elected as Independent Non-executive Director of the Bank, and his term of office took effect from the date of review and approval by the CBIRC.

(viii) At the shareholders' general meeting of 2018 held on 20 June 2019, Mr. Zhang Wei and Mr. Shen Bingxi have been elected as shareholder supervisor and external supervisor of the Bank respectively, their terms of office took effect from the expiry date of their current terms of office.

(ix) On 21 June 2019, Mr. Huang Li was elected as the employee supervisor of the bank at the special meeting of the first session of employee representative assembly of the Bank, and his new term of office took effect from the date of review and approval by the meeting.

(x) In January 2019, Mr. Yi Huiman ceased to act as Chairman of the Board of Directors and Executive Director of the Bank due to change of job assignments.

(xi) At the First Extraordinary General Meeting of 2019 held on 20 May 2019, Mr. Hu Hao and Mr. Tan Jiong were elected as Executive Director of the Bank, and their terms of office took effect from the date of review and approval by the CBIRC.

(xii) In February 2020, Mr. Hu Hao ceased to act as Executive Director and Vice President of the Bank due to change of job assignments.

(xiii) In September 2019, Mr. Tan Jiong ceased to act as Executive Director and Vice President of the Bank due to change of job assignments.

(xiv) In April 2019, Mr. Cheng Fengchao ceased to act as Non-executive Director of the Bank citing his age.

(xv) In March 2020, Mr. Ye Donghai ceased to act as Non-executive Director of the Bank due to change of job assignments.

(xvi) In February 2020, Mr. Dong Shi ceased to act as Non-executive Director of the Bank due to change of job assignments.

(xvii) In April 2019, Mr. Hong Yongmiao ceased to act as Independent Non-executive Director due to the expiration of the term.

The Non-executive Directors of the Bank who were recommended by Huijin received emoluments from Huijin in respect of their services during the year.

During the year, there was no arrangement under which a Director or a Supervisor waived or agreed to waive any remuneration (2019: Nil).

During the year, no emolument was paid by the Group to any of the Directors or Supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office (2019: Nil).

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank's subsidiaries. Their emoluments were determined based on the prevailing market rates in the respective countries/regions where the subsidiaries are operating. None of them are directors, supervisors or key management personnel of the Bank whose emoluments are disclosed in notes 12 and 49(e) to the financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and allowances	15,889	19,598
Discretionary bonuses	39,256	67,192
Defined contribution plans	252	71
Compensation for terminating contract	–	11,273
Others	8,520	4,933
	63,917	103,067

The number of these individuals whose emoluments fell within the following bands is set out below:

	Number of employees	
	2020	2019
RMB10,500,001 Yuan to RMB11,000,000 Yuan	2	–
RMB12,000,001 Yuan to RMB12,500,000 Yuan	–	1
RMB13,500,001 Yuan to RMB14,000,000 Yuan	1	1
RMB14,000,001 Yuan to RMB14,500,000 Yuan	1	–
RMB14,500,001 Yuan to RMB15,000,000 Yuan	1	1
RMB23,500,001 Yuan to RMB24,000,000 Yuan	–	1
RMB38,500,001 Yuan to RMB39,000,000 Yuan	–	1
	5	5

During the year, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or upon joining the Group (2019: Nil).

14. IMPAIRMENT LOSSES ON ASSETS

	Notes	2020	2019
Loans and advances to customers	23	171,830	162,108
Others		30,838	16,849
		202,668	178,957

(In RMB millions, unless otherwise stated)

15. 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
	78,145	84,290
Deferred income tax expense	(3,704)	(5,862)
	74,441	78,428

(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	392,126	391,789
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 (i)	20,478	16,585
Effects of non-taxable income (ii)	(42,803)	(34,180)
Effects of profits attributable to associates and joint ventures	(326)	(630)
Effects of others	581	400
Income tax expense	74,441	78,428

(i) The non-deductible expenses mainly represent non-deductible impairment provision, write-offs and others.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bonds and municipal debts, which is exempted from income tax.

16. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The consolidated profit attributable to equity holders of the parent company for the year ended 31 December 2020 includes a profit of RMB304,267 million (2019: RMB296,338 million) which has been dealt with in the financial statements of the Bank (Note 39).

17. 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)	93,664	89,315
Dividends or interests declared and paid to other equity instruments holders:		
Dividends on preference shares	5,279	4,525
Interests on perpetual bond	3,560	–
	8,839	4,525

	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)	94,804	93,664

18. 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	(8,839)	(4,525)
Profit for the year attributable to ordinary equity holders of the parent company	307,067	307,699
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	356,407	356,407
Basic and diluted earnings per share (RMB yuan)	0.86	0.86

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.

(In RMB millions, unless otherwise stated)

19. CASH AND BALANCES WITH CENTRAL BANKS

	31 December 2020	31 December 2019
Cash on hand	64,833	66,035
Balances with central banks		
Mandatory reserves (i)	2,601,657	2,676,279
Surplus reserves (ii)	619,968	322,892
Fiscal deposits and others	249,836	250,976
Accrued interest	1,501	1,734
	3,537,795	3,317,916

(i) The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations. Mandatory reserve deposits mainly consist of deposits placed with the PBOC and central banks of overseas countries or regions. As at 31 December 2020, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Chinese mainland are determined by local jurisdictions.

(ii) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

20. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2020	31 December 2019
Due from banks and other financial institutions:		
Banks operating in Chinese mainland	433,575	373,868
Other financial institutions operating in Chinese mainland	2,728	11,449
Banks and other financial institutions operating outside Chinese mainland	82,807	86,655
Accrued interest	4,294	3,914
	523,404	475,886
Less: Allowance for impairment losses	(491)	(561)
	522,913	475,325
Placements with banks and other financial institutions:		
Banks operating in Chinese mainland	88,934	94,159
Other financial institutions operating in Chinese mainland	204,585	218,315
Banks and other financial institutions operating outside Chinese mainland	262,922	249,018
Accrued interest	3,279	6,235
	559,720	567,727
Less: Allowance for impairment losses	(736)	(684)
	558,984	567,043
	1,081,897	1,042,368

(In RMB millions, unless otherwise stated)

Movements of the allowance for impairment losses during the year are as follows:

	Due from banks and other financial institutions	Placements with banks and other financial institutions	Total
At 1 January 2019	401	614	1,015
Charge for the year	160	70	230
At 31 December 2019 and 1 January 2020	561	684	1,245
Charge/(reverse) for the year	(70)	52	(18)
At 31 December 2020	491	736	1,227

21. 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 market 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	Fair values		Notional	Fair values	
	amounts	Assets	Liabilities	amounts	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)
	8,784,445	134,155	(140,973)	7,887,725	68,311	(85,180)

(In RMB millions, unless otherwise stated)

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						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
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)
	71,728	93,691	9,974	242	175,635	4,211	(1,804)

	31 December 2019						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
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)
	52,734	62,598	24,779	1,052	141,163	1,201	(1,041)

(In RMB millions, unless otherwise stated)

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 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
	119,466	(323,077)	(146)	(4,637)	

	31 December 2019				
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the 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
	32,321	(111,876)	(697)	(4,491)	

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

(In RMB millions, unless otherwise stated)

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	1,437	218
	(49)	14

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

	31 December 2020						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	3,074	31,267	38,119	24,984	97,444	277	(3,119)
	3,074	31,267	38,119	24,984	97,444	277	(3,119)

	31 December 2019						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	697	1,409	47,346	14,841	64,293	199	(1,383)
	697	1,409	47,346	14,841	64,293	199	(1,383)

(In RMB millions, unless otherwise stated)

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

	31 December 2020				
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items		Line items in the statement of financial position
	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
	77,551	(15,090)	8,536	(169)	

	31 December 2019				
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items		Line items in the statement of financial position
	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
	61,933	(3,601)	965	(11)	

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).

(In RMB millions, unless otherwise stated)

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
	198,464	168,955

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.

22. REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements comprise reverse repurchases of bills, securities and cash advanced as collateral on securities borrowing.

	31 December 2020	31 December 2019
Measured at amortised cost:		
Reverse repurchase agreements-bills	186,189	309,249
Reverse repurchase agreements-securities	398,535	376,237
Accrued interest	69	137
Less: Allowance for impairment losses	(117)	(94)
	584,676	685,529
Measured at FVTPL:		
Reverse repurchase agreements-securities	126,192	120,357
Cash advanced as collateral on securities borrowing	28,420	39,300
	154,612	159,657
	739,288	845,186

(i) In accordance with master repurchase agreements and related supplementary agreements, the Group offsets reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting (note 3(13)), and presents net positive (or negative) amounts as reverse repurchase agreements (or repurchase agreements) in the financial statement. As at 31 December 2020, reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting were RMB203,791 million and RMB218,583 million respectively (31 December 2019: RMB317,212 million and RMB345,191 million respectively), and the net reverse repurchase agreements and net repurchase agreements were RMB116,390 million and RMB131,182 million respectively (31 December 2019: RMB119,860 million and RMB147,839 million respectively).

(ii) As part of the reverse repurchase agreements, the Group has received securities that is allowed to sell or repledge in the absence of default by their owners. As at 31 December 2020, the Group had received securities with a fair value of approximately RMB184,324 million on such terms (31 December 2019: RMB156,529 million). Of these, securities with a fair value of approximately RMB119,984 million have been repledged under repurchase agreements (31 December 2019: RMB125,320 million). The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

(In RMB millions, unless otherwise stated)

23. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2020	31 December 2019
Measured at amortised cost:		
Corporate loans and advances	11,087,741	9,943,082
— Loans	10,913,984	9,788,069
— Finance lease	173,757	155,013
Personal loans	7,115,279	6,383,624
Discounted bills	3,091	4,206
Accrued interest	42,311	43,720
	18,248,422	16,374,632
Less: Allowance for impairment losses of loans and advances to customers measured at amortised cost (note 23(a))	(530,300)	(478,498)
	17,718,122	15,896,134
Measured at FVOCI:		
Corporate loans and advances		
— Loans	11,078	6,314
Discounted bills	403,205	417,668
Accrued interest	9	11
	414,292	423,993
Measured at FVTPL:		
Corporate loans and advances		
— Loans	3,914	6,425
	3,914	6,425
	18,136,328	16,326,552

As at 31 December 2020, the Group's allowance for impairment losses on loans and advances to customers measured at FVOCI was RMB861 million, see Note 23(b) (31 December 2019: RMB232 million).

(In RMB millions, unless otherwise stated)

Movements of the allowance for impairment losses on loans and advances to customers are as follows:

(a) Movements of allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	215,316	78,494	184,688	478,498
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	–
(Reverse)/charge	(2,984)	78,244	95,941	171,201
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)
Balance at 31 December 2020	223,703	89,151	217,446	530,300

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	158,084	81,406	173,241	412,731
Transfer:				
— to stage 1	17,451	(14,987)	(2,464)	–
— to stage 2	(6,868)	12,775	(5,907)	–
— to stage 3	(959)	(28,755)	29,714	–
Charge	47,364	28,014	86,944	162,322
Write-offs and transfer out	–	(91)	(97,562)	(97,653)
Recoveries of loans and advances previously written off	–	–	3,302	3,302
Other movements	244	132	(2,580)	(2,204)
Balance at 31 December 2019	215,316	78,494	184,688	478,498

(b) Movements of the allowance for impairment losses on loans and advances to customers measured at FVOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	227	–	5	232
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
(Reverse)/charge	(16)	–	645	629
Other movements	(0)	–	–	(0)
Balance at 31 December 2020	211	–	650	861

(In RMB millions, unless otherwise stated)

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	198	0	248	446
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	(5)	5	–	–
— to stage 3	–	(5)	5	–
Charge/(reverse)	34	(0)	(248)	(214)
Other movements	(0)	–	–	(0)
Balance at 31 December 2019	227	–	5	232

24. FINANCIAL INVESTMENTS

		31 December 2020	31 December 2019
Financial investments measured at FVTPL	(a)	784,483	962,078
Financial investments measured at FVOCI	(b)	1,540,988	1,476,872
Financial investments measured at amortised cost	(c)	6,265,668	5,208,167
		8,591,139	7,647,117

(a) Financial investments measured at FVTPL

	31 December 2020	31 December 2019
Financial investments held for trading		
Debt securities (analysed by type of issuers):		
Governments and central banks	73,219	52,016
Policy banks	14,794	5,157
Banks and other financial institutions	56,114	28,578
Corporate entities	102,630	67,886
	246,757	153,637
Equity investments	10,497	10,121
	257,254	163,758
Financial investments designated as at FVTPL		
Debt securities (analysed by type of issuers):		
Governments and central banks	12,858	8,493
Policy banks	1,755	29,267
Banks and other financial institutions	3,370	34,585
Corporate entities	19	4,152
	18,002	76,497
Funds and other investments	154,776	463,035
	172,778	539,532

(In RMB millions, unless otherwise stated)

	31 December 2020	31 December 2019
Financial investments measured at FVTPL (mandatory)		
Debt securities (analysed by type of issuers):		
Policy banks	11,082	7,020
Banks and other financial institutions	188,144	115,943
Corporate entities	1,827	5,160
	201,053	128,123
Equity investments	83,231	70,498
Funds and other investments	70,167	60,167
	354,451	258,788
	784,483	962,078
Analysed into:		
Debt securities:		
Listed in Hong Kong	2,802	4,387
Listed outside Hong Kong	30,847	12,373
Unlisted	432,163	341,497
	465,812	358,257
Equity investments:		
Listed in Hong Kong	2,493	6,577
Listed outside Hong Kong	20,122	8,481
Unlisted	71,113	65,561
	93,728	80,619
Funds and other investments:		
Listed in Hong Kong	3,349	–
Listed outside Hong Kong	1,226	472
Unlisted	220,368	522,730
	224,943	523,202
	784,483	962,078

(In RMB millions, unless otherwise stated)

(b) Financial investments measured at FVOCI

	31 December 2020	31 December 2019
Debt securities (analysed by type of issuers):		
Governments and central banks	479,505	421,919
Policy banks	169,478	198,839
Banks and other financial institutions	281,215	306,242
Corporate entities	509,422	474,271
Accrued interest	19,398	20,338
	1,459,018	1,421,609
Equity investments (i)	81,970	55,263
	1,540,988	1,476,872
Analysed into:		
Debt securities:		
Listed in Hong Kong	172,667	163,525
Listed outside Hong Kong	219,291	246,091
Unlisted	1,067,060	1,011,993
	1,459,018	1,421,609
Equity investments:		
Listed in Hong Kong	2,385	–
Listed outside Hong Kong	8,569	831
Unlisted	71,016	54,432
	81,970	55,263
	1,540,988	1,476,872

(i) The Group designates part of non-trading equity investments as financial investments measured at FVOCI. During the year, dividend income recognised for such equity investments was RMB2,355 million (2019: RMB978 million) and the dividend income for the termination of such equity investments during the year was RMB133 million (2019: Nil). The value of the Group disposal of such equity investments was RMB2,247 million (2019: RMB112 million) and the cumulative gain of transferring into retained earnings from other comprehensive income after disposal was RMB221 million during the year (2019: the cumulative gain was RMB20 million).

Movements of the allowance for impairment losses on financial investments measured at FVOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	1,778	80	198	2,056
Transfer:				
— to stage 1	78	(78)	–	–
— to stage 2	(2)	2	–	–
— to stage 3	–	–	–	–
Charge	406	18	48	472
Other movements	(54)	–	(6)	(60)
Balance at 31 December 2020	2,206	22	240	2,468

(In RMB millions, unless otherwise stated)

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	1,622	92	196	1,910
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	(1)	1	–	–
— to stage 3	–	–	–	–
Charge/(reverse)	151	(13)	–	138
Other movements	6	–	2	8
Balance at 31 December 2019	1,778	80	198	2,056

Allowance for impairment losses on financial investments measured at FVOCI is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statement of financial position, and any impairment loss or gain is recognised in the profit or loss. The allowance for impairment losses of credit-impaired financial investments measured at FVOCI as at 31 December 2020 was RMB240 million (31 December 2019: RMB198 million).

(c) Financial investments measured at amortised cost

	31 December 2020	31 December 2019
Debt securities (analysed by type of issuers):		
Governments and central banks	5,205,346	4,308,456
Including: Special government bond (i)	85,000	85,000
Policy banks	528,587	412,287
Banks and other financial institutions	370,300	340,708
Including: Huarong bonds (ii)	90,309	90,309
Corporate entities	46,759	44,145
Accrued interest	78,888	69,483
	6,229,880	5,175,079
Other investments (iii)	40,699	36,611
Accrued interest	162	198
	40,861	36,809
	6,270,741	5,211,888
Less: Allowance for impairment losses	(5,073)	(3,721)
	6,265,668	5,208,167
Analysed into:		
Debt securities:		
Listed in Hong Kong	42,226	41,955
Listed outside Hong Kong	79,031	77,062
Unlisted	6,106,393	5,053,788
	6,227,650	5,172,805
Other investments:		
Unlisted	38,018	35,362
	38,018	35,362
	6,265,668	5,208,167
Market value of listed securities	123,820	120,952

(In RMB millions, unless otherwise stated)

Movements of the allowance for impairment losses on financial investments measured at amortised cost are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	2,255	1,339	127	3,721
Transfer:				
— to stage 1	3	(3)	–	–
— to stage 2	(19)	19	–	–
— to stage 3	–	–	–	–
Charge/(reverse)	16	1,572	(1)	1,587
Other movements	(21)	(209)	(5)	(235)
Balance at 31 December 2020	2,234	2,718	121	5,073

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	1,504	854	125	2,483
Transfer:				
— to stage 1	1	(1)	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
Charge	695	486	–	1,181
Other movements	55	–	2	57
Balance at 31 December 2019	2,255	1,339	127	3,721

(i) The special government bond represents a non-negotiable bond with a nominal value of RMB85,000 million issued by the Ministry of Finance of the People's Republic of China (the "MOF") to the Bank in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.

(ii) The Huarong bonds are a series of long-term bonds issued by China Huarong Asset Management Co., Ltd. ("Huarong") in the year of 2000 and 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-negotiable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. In 2010, the Bank received a notice from the MOF that the maturity dates of the Huarong bonds were extended for ten years. After the extension expired, the Bank received another ten-year-extension notice to 12 December 2031. The MOF will continue providing funding in support of the repayment of the principal and interest of the bonds. In 2020, the Bank received a notice from the MOF to adjust the interest rate of the Huarong bonds from 1 January 2020, which will be determined on yearly basis with reference to the average level of five-year government bond yield in the previous year. As at 31 December 2020, the Bank received accumulated early repayments amounting to RMB222,687 million.

(iii) Other investments include debt investment plans, asset management plans and trust plans with fixed or determinable payments. They will mature from January 2021 to November 2032 and bear interest rates ranging from 4.32% to 6.73% per annum.

25. INVESTMENTS IN SUBSIDIARIES

	31 December 2020	31 December 2019
Listed investments, at cost	2,712	2,712
Unlisted investments, at cost	144,671	142,608
	147,383	145,320

(In RMB millions, unless otherwise stated)

Particulars of the Group's principal subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest % 31 December 2020	Percentage of equity interest % 31 December 2019	Voting rights % 31 December 2020	Nominal value of issued share/ paid-in capital 31 December 2020	Amount invested by the Bank	Place of incorporation/ registration and operations	Principal activities
Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia")	100	100	100	HKD44,188 million	HKD54,738 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	100	HKD4,882 million	HKD4,882 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	100	KZT8,933 million	KZT8,933 million	Almaty, Kazakhstan	Commercial banking
ICBC (London) PLC ("ICBC London")	100	100	100	USD200 million	USD200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. *	80	80	80	RMB200 million	RMB433 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China (Europe) S.A.	100	100	100	EUR437 million	EUR437 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia ("ICBC Indonesia")	98.61	98.61	98.61	IDR3,706,100 million	USD361 million	Jakarta, Indonesia	Commercial banking
Bank ICBC (Joint stock company)	100	100	100	RUB10,810 million	RUB10,810 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd. * ("ICBC Leasing")	100	100	100	RMB18,000 million	RMB11,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau")	89.33	89.33	89.33	MOP589 million	MOP12,064 million	Macau, the PRC	Commercial banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd. *	60	60	60	RMB200 million	RMB120 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd. *	100	100	100	RMB100 million	RMB100 million	Chongqing, the PRC	Commercial banking
Industrial and Commercial Bank of China (Canada)	80	80	80	CAD208 million	CAD218.66 million	Toronto, Canada	Commercial banking
Industrial and Commercial Bank of China (Malaysia) Berhad	100	100	100	MYR833 million	MYR833 million	Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai")	97.86	97.86	97.98	THB20,132 million	THB23,711 million	Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC	100	100	100	USD50 million	USD50.25 million	Delaware and New York, United States	Broker dealer
ICBC-AXA Assurance Co., Ltd. *	60	60	60	RMB12,505 million	RMB7,980 million	Shanghai, the PRC	Insurance
Industrial and Commercial Bank of China (USA) NA	80	80	80	USD369 million	USD306 million	New York, United States	Commercial banking
Industrial and Commercial Bank of China (Argentina) S.A.("ICBC Argentina")	100	80	100	ARS18,800 million	USD904 million	Buenos Aires, Argentina	Commercial banking
ICBC PERU BANK	100	100	100	USD120 million	USD120 million	Lima, Peru	Commercial banking
Industrial and Commercial Bank of China (Brasil) S.A.	100	100	100	Real202 million	Real202 million	Sao Paulo, Brazil	Commercial and investment banking
Industrial and Commercial Bank of China (New Zealand) Limited ("ICBC New Zealand")	100	100	100	NZD234 million	NZD234 million	Auckland, New Zealand	Commercial banking
Industrial and Commercial Bank of China Mexico S.A.	100	100	100	MXN1,597 million	MXN1,597 million	Mexico City, Mexico	Commercial banking
ICBC Turkey Bank Anonim Sirketi ("ICBC Turkey")	92.84	92.84	92.84	TRY860 million	USD425 million	Istanbul, Turkey	Commercial banking
ICBC Standard Bank PLC ("ICBC Standard")	60	60	60	USD1,083 million	USD839 million	London, United Kingdom	Banking
ICBC Financial Asset Investment Co., Ltd.* ("ICBC Investment")	100	100	100	RMB12,000 million	RMB12,000 million	Nanjing, the PRC	Financial asset investment
ICBC Austria Bank GmbH	100	100	100	EUR200 million	EUR200 million	Vienna, Austria	Commercial banking
ICBC Wealth Management Co., Ltd.*	100	100	100	RMB16,000 million	RMB16,000 million	Beijing, the PRC	Wealth Management

* These subsidiaries incorporated in Chinese mainland are all limited liability companies.

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

There is no subsidiary of the Group which has material non-controlling interests during the reporting period.

(In RMB millions, unless otherwise stated)

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures comprise the following:

	31 December 2020	31 December 2019
Interest in associates	39,776	30,603
Interest in joint ventures	1,430	1,887
	41,206	32,490

	31 December 2020	31 December 2019
Share of net assets	32,110	22,345
Goodwill	9,444	10,493
	41,554	32,838
Less: Allowance for impairment losses	(348)	(348)
	41,206	32,490

(a) Particulars of the Group's associates and joint ventures are as follows:

	31 December 2020	31 December 2019
Standard Bank Group Limited ("Standard Bank") (i)	25,415	27,770
Others	15,791	4,720
	41,206	32,490

(i) Financial information of the Group's material associates and joint ventures:

Name	Percentage of equity interest %		Voting rights %			
Associate directly held by the Bank	31 December 2020	31 December 2019	31 December 2020	Place of registration	Principal activities	Issued capital
Standard Bank*	20.06	20.06	20.06	Johannesburg, Republic of South Africa	Commercial banking	ZAR162 million

* Standard Bank, a listed commercial bank in Republic of South Africa and a strategic partner for the Group, enables the Group to widen its customer base in Africa.

(In RMB millions, unless otherwise stated)

(ii) Particulars of the Group's only material associate are as follows:

The summarised financial information of Standard Bank, being consistent with the Group's accounting policies, and reconciled to the carrying amounts using the equity method in the Group's consolidated financial statements is as follows:

	2020	2019
Gross amounts of the associate		
Assets	1,129,310	1,127,659
Liabilities	1,033,331	1,023,850
Net assets	95,979	103,809
Profit from continuing operations	5,459	12,652
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate attribute to the parent company	81,530	88,041
Group's effective interest	20.06%	20.06%
Group's share of net assets of the associate	16,355	17,661
Goodwill	9,408	10,457
Carrying amount of the Group's interest in Standard Bank in the consolidated financial statements	25,763	28,118

(b) Movements of associates and joint ventures investments of the Group are as follows:

		Movements during the year							
Name of investee	Balance at the beginning of the year	Increase in capital	Decrease in capital	Investment income recognised under equity method	Other comprehensive income	Declared distribution of cash dividends or profits	Others	Balance at the end of the year	Balance of provision for impairment at the end of the year
Joint ventures	1,887	126	(627)	150	(0)	(91)	(15)	1,430	–
Associates									
Standard Bank	28,118	–	–	1,034	8	(870)	(2,527)	25,763	(348)
Others	2,833	11,564	(3)	120	1	(20)	(134)	14,361	–
Subtotal	30,951	11,564	(3)	1,154	9	(890)	(2,661)	40,124	(348)
Total	32,838	11,690	(630)	1,304	9	(981)	(2,676)	41,554	(348)

(In RMB millions, unless otherwise stated)

27. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Aircraft and vessels	Total
Cost:						
At 1 January 2019	151,145	35,122	10,954	74,860	160,821	432,902
Additions	2,430	14,997	1,453	6,155	14,837	39,872
CIP transfer in/(out)	8,962	(9,918)	–	116	840	–
Disposals	(1,178)	(449)	(479)	(4,233)	(11,557)	(17,896)
At 31 December 2019 and 1 January 2020	161,359	39,752	11,928	76,898	164,941	454,878
Additions	1,221	12,277	1,108	10,012	11,128	35,746
CIP transfer in/(out)	7,806	(16,517)	–	138	8,573	–
Disposals	(2,077)	(301)	(211)	(7,163)	(15,469)	(25,221)
At 31 December 2020	168,309	35,211	12,825	79,885	169,173	465,403
Accumulated depreciation and impairment:						
At 1 January 2019	60,701	41	9,156	59,360	22,903	152,161
Depreciation charge for the year	5,798	–	874	6,618	6,368	19,658
Impairment charge for the year	–	–	–	–	3,384	3,384
Disposals	(795)	(3)	(47)	(4,187)	(1,854)	(6,886)
At 31 December 2019 and 1 January 2020	65,704	38	9,983	61,791	30,801	168,317
Depreciation charge for the year	6,099	–	907	6,683	5,554	19,243
Impairment charge for the year	–	–	–	–	3,691	3,691
Disposals	(979)	–	(104)	(6,960)	(4,084)	(12,127)
At 31 December 2020	70,824	38	10,786	61,514	35,962	179,124
Carrying amount:						
At 31 December 2019	95,655	39,714	1,945	15,107	134,140	286,561
At 31 December 2020	97,485	35,173	2,039	18,371	133,211	286,279

(In RMB millions, unless otherwise stated)

The carrying value of the Group's properties and buildings is analysed based on the remaining terms of the land leases as follows:

	31 December 2020	31 December 2019
Long-term leases (over 50 years):		
Held in the PRC (other than Hong Kong)	17,671	21,280
Held in Hong Kong	350	231
Held overseas	353	530
	18,374	22,041
Medium-term leases (10 to 50 years):		
Held in the PRC (other than Hong Kong)	75,795	70,906
Held in Hong Kong	158	458
Held overseas	1,380	1,023
	77,333	72,387
Short-term leases (less than 10 years):		
Held in the PRC (other than Hong Kong)	1,691	1,193
Held overseas	87	34
	1,778	1,227
	97,485	95,655

As at 31 December 2020, the process of obtaining the legal titles for the Group's properties and buildings with an aggregate carrying amount of RMB11,203 million (31 December 2019: RMB12,316 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

As at 31 December 2020, the carrying amount of aircraft and vessels leased out by the Group under operating leases was RMB133,211 million (31 December 2019: RMB134,140 million).

As at 31 December 2020, the carrying amount of aircraft and vessels owned by the Group that have been pledged as security for due to banks and other financial institutions was RMB77,858 million (31 December 2019: RMB76,007 million).

(In RMB millions, unless otherwise stated)

28. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

Deferred income tax assets:

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	281,442	70,094	252,387	62,888
Change in fair value of financial instruments measured at FVTPL	(9,858)	(2,470)	(3,437)	(851)
Change in fair value of financial instruments measured at FVOCI	(21,224)	(5,417)	(22,954)	(5,781)
Accrued staff costs	26,512	6,628	25,162	6,290
Others	(5,106)	(1,122)	(209)	(10)
	271,766	67,713	250,949	62,536

Deferred income tax liabilities:

	31 December 2020		31 December 2019	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)
Allowance for impairment losses	(3,273)	(937)	(1,270)	(535)
Change in fair value of financial instruments measured at FVTPL	7,236	1,809	2,544	636
Change in fair value of financial instruments measured at FVOCI	4,823	1,149	5,560	1,357
Others	3,465	860	1,652	415
	12,251	2,881	8,486	1,873

(b) Movements of deferred income tax

Deferred income tax assets:

	1 January 2020	Recognised in profit or loss	Recognised in equity	31 December 2020
Allowance for impairment losses	62,888	7,206	–	70,094
Change in fair value of financial instruments measured at FVTPL	(851)	(1,619)	–	(2,470)
Change in fair value of financial instruments measured at FVOCI	(5,781)	–	364	(5,417)
Accrued staff costs	6,290	338	–	6,628
Others	(10)	(1,005)	(107)	(1,122)
	62,536	4,920	257	67,713

(In RMB millions, unless otherwise stated)

Deferred income tax liabilities:

	1 January 2020	Recognised in profit or loss	Recognised in equity	31 December 2020
Allowance for impairment losses	(535)	(402)	–	(937)
Change in fair value of financial instruments measured at FVTPL	636	1,173	–	1,809
Change in fair value of financial instruments measured at FVOCI	1,357	–	(208)	1,149
Others	415	445	–	860
	1,873	1,216	(208)	2,881

Deferred income tax assets:

	1 January 2019	Recognised in profit or loss	Recognised in equity	31 December 2019
Allowance for impairment losses	52,438	10,450	–	62,888
Change in fair value of financial instruments measured at FVTPL	147	(998)	–	(851)
Change in fair value of financial instruments measured at FVOCI	(3,819)	–	(1,962)	(5,781)
Accrued staff costs	6,508	(218)	–	6,290
Others	3,101	(3,173)	62	(10)
	58,375	6,061	(1,900)	62,536

Deferred income tax liabilities:

	1 January 2019	Recognised in profit or loss	Recognised in equity	31 December 2019
Allowance for impairment losses	(401)	(134)	–	(535)
Change in fair value of financial instruments measured at FVTPL	143	493	–	636
Change in fair value of financial instruments measured at FVOCI	900	–	457	1,357
Others	575	(160)	–	415
	1,217	199	457	1,873

The Group did not have significant unrecognised deferred income tax assets and liabilities at the end of the reporting period.

(In RMB millions, unless otherwise stated)

29. OTHER ASSETS

	31 December 2020	31 December 2019
Precious metals	278,429	239,209
Settlement accounts	349,590	136,788
Right-of-use assets (i)	34,068	33,658
Land use rights	16,225	16,842
Repossessed assets	7,357	10,917
Goodwill (ii)	8,945	9,517
Advance payments	8,878	7,715
Interest receivable	1,985	2,233
Others	28,858	28,514
	734,335	485,393
Less: Allowance for impairment losses	(5,077)	(4,994)
	729,258	480,399

(i) Right-of-use assets

	Leased properties and buildings	Leased aircraft and vessels	Leased office equipment and motor vehicles	Total
Cost:				
At 1 January 2019	16,827	13,986	71	30,884
Additions	6,478	3,289	1,567	11,334
Disposals	(842)	(741)	(10)	(1,593)
At 31 December 2019 and 1 January 2020	22,463	16,534	1,628	40,625
Additions	9,317	1,357	93	10,767
Disposals	(1,251)	(1,341)	(775)	(3,367)
At 31 December 2020	30,529	16,550	946	48,025
Accumulated depreciation:				
At 1 January 2019	–	480	–	480
Depreciation charge for the year	5,775	692	104	6,571
Disposals	(55)	(29)	–	(84)
At 31 December 2019 and 1 January 2020	5,720	1,143	104	6,967
Depreciation charge for the year	7,089	623	91	7,803
Disposals	(714)	(39)	(60)	(813)
At 31 December 2020	12,095	1,727	135	13,957
Impairment:				
At 1 January 2019	–	108	–	108
Impairment charge for the year	24	70	–	94
Disposals	–	(5)	–	(5)
At 31 December 2019 and 1 January 2020	24	173	–	197
Impairment charge for the year	18	101	–	119
At 31 December 2020	42	274	–	316
Carrying amount:				
At 31 December 2019	16,719	15,218	1,524	33,461
At 31 December 2020	18,392	14,549	811	33,752

(In RMB millions, unless otherwise stated)

(ii) Goodwill

Goodwill of the Group are analysed as follows:

	31 December 2020	31 December 2019
At 1 January	9,517	9,299
Adjustment upon exchange rate	(572)	218
Subtotal	8,945	9,517
Less: Allowance for impairment losses	(359)	–
Net carrying amount	8,586	9,517

Goodwill arising from business combinations has been allocated to the Group's CGU, which is not larger than the reportable segment of the Group, for impairment testing.

The recoverable amount of the CGU is determined based on the discounted future cash flows of the CGU. The cash flow projections are based on financial forecasts approved by management of the subsidiaries. The average growth rates are projected based on the similar rates which do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate is the pre-tax rate and reflects the specific risk associated with the CGU.

Due to the impact of the Covid-19 epidemic, the key assumptions used to estimate the present value of expected future cash flows of individual oversea institution business of the Group have changed. As at 31 December 2020, as indicated by the impairment test, the Group charged provision for goodwill whose carrying amount exceeds its recoverable amount.

30. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

		31 December 2020	31 December 2019
Interbank wealth management products	(1)	4,889	19,580
Financial liabilities related to precious metals	(2)	60,704	60,454
Debt securities	(2)	11,574	13,064
Others		10,771	9,144
		87,938	102,242

(1) The principal-guaranteed interbank wealth management products issued by the Group and the financial assets in which the aforesaid products form parts of a group of financial instruments that are managed together on a fair value basis, and are classified as financial liabilities and financial assets designated as at FVTPL, respectively. As at 31 December 2020, the fair value of the interbank wealth management products was approximately the same as the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity (31 December 2019: approximately the same).

(2) Financial liabilities related to precious metals and issued debt securities have been matched with precious metals or derivative as part of a documented risk management strategy to mitigate market risk, such as interest rate risk. An accounting mismatch would arise if these financial liabilities were accounted at amortised cost, whereas the related precious metals or derivative were measured at fair value with movements in the fair value taken through the statement of profit or loss. By designating these financial liabilities at FVTPL, the movement in their fair values is recorded in the statement of profit or loss. As at 31 December 2020, the difference between the fair value of the financial liabilities related to precious metals and issued debt securities and the amount that the Group would be contractually required to pay to the holders of the financial liabilities related to precious metals and issued debt securities upon maturity was not significant.

There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities arising from changes in credit risk were not considered significant during the year of 2020 and the year of 2019. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

(In RMB millions, unless otherwise stated)

31. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2020	31 December 2019
Deposits:		
Banks and other financial institutions operating in Chinese mainland	2,179,522	1,640,846
Banks and other financial institutions operating outside Chinese mainland	134,346	132,600
Accrued interest	1,775	2,874
	2,315,643	1,776,320
Money market takings:		
Banks and other financial institutions operating in Chinese mainland	159,590	153,903
Banks and other financial institutions operating outside Chinese mainland	304,413	329,375
Accrued interest	4,613	6,975
	468,616	490,253
	2,784,259	2,266,573

32. REPURCHASE AGREEMENTS

Repurchase agreements comprise repurchases of bills, securities and cash received as collateral on securities lending.

	31 December 2020	31 December 2019
Repurchase agreements-bills	7,874	24,252
Repurchase agreements-securities	274,446	229,857
Cash received as collateral on securities lending	10,924	8,980
Accrued interest	190	184
	293,434	263,273

33. CERTIFICATES OF DEPOSIT

Certificates of deposit issued by New York Branch, Dubai (DIFC) Branch, Riyadh Branch, London Branch, Macau Branch, Singapore Branch, Tokyo Branch, Seoul Branch, Luxembourg Branch, Doha Branch, Sydney Branch, ICBC Macau, ICBC New Zealand and ICBC Asia were recognised at amortised cost.

(In RMB millions, unless otherwise stated)

34. DUE TO CUSTOMERS

	31 December 2020	31 December 2019
Demand deposits:		
Corporate customers	7,455,160	6,732,558
Personal customers	5,196,607	4,328,090
	12,651,767	11,060,648
Time deposits:		
Corporate customers	5,489,700	5,295,704
Personal customers	6,463,929	6,149,654
	11,953,629	11,445,358
Others	261,389	234,852
Accrued interest	267,941	236,797
	25,134,726	22,977,655

35. DEBT SECURITIES ISSUED

		31 December 2020	31 December 2019
Subordinated bonds and			
Tier 2 Capital Notes issued by	(1)		
The Bank		419,032	336,063
Subsidiaries		4,285	8,082
Accrued interest		6,747	6,059
		430,064	350,204
Other debt securities issued by	(2)		
The Bank		232,356	251,849
Subsidiaries		134,038	138,876
Accrued interest		1,669	1,946
		368,063	392,671
		798,127	742,875

As at 31 December 2020, the amount of debt securities issued due within one year was RMB120,429 million (31 December 2019: RMB117,233 million).

(1) Subordinated bonds and Tier 2 Capital Notes

The Bank:

As approved by the PBOC and the CBIRC, the Bank issued callable subordinated bonds and Tier 2 Capital Notes through open market bidding in 2011, 2012, 2017, 2019 and 2020. Approved by the PBOC, these subordinated bonds and Tier 2 Capital Notes were traded in the bond market among banks. The relevant information is set out below:

Name	Issue date	Issue price (In RMB)	Amount (In RMB)	Ending balance (In RMB)	Coupon rate	Value date	Maturity date	Circulation date	Notes
			(million)	(million)					
11 ICBC 01 Bond	29/06/2011	100 Yuan	38,000	38,000	5.56%	30/06/2011	30/06/2031	30/08/2011	(i)
11 ICBC 02 Bond	29/12/2011	100 Yuan	50,000	50,000	5.50%	30/12/2011	30/12/2026	17/01/2012	(ii)
12 ICBC 01 Bond	11/06/2012	100 Yuan	20,000	20,000	4.99%	13/06/2012	13/06/2027	13/07/2012	(iii)
17 ICBC 01 Bond	06/11/2017	100 Yuan	44,000	44,000	4.45%	08/11/2017	08/11/2027	10/11/2017	(iv)
17 ICBC 02 Bond	20/11/2017	100 Yuan	44,000	44,000	4.45%	22/11/2017	22/11/2027	23/11/2017	(v)
19 ICBC 01 Bond	21/03/2019	100 Yuan	45,000	45,000	4.26%	25/03/2019	25/03/2029	26/03/2019	(vi)
19 ICBC 02 Bond	21/03/2019	100 Yuan	10,000	10,000	4.51%	25/03/2019	25/03/2034	26/03/2019	(vii)
19 ICBC 03 Bond	24/04/2019	100 Yuan	45,000	45,000	4.40%	26/04/2019	26/04/2029	28/04/2019	(viii)
19 ICBC 04 Bond	24/04/2019	100 Yuan	10,000	10,000	4.69%	26/04/2019	26/04/2034	28/04/2019	(ix)
20 ICBC 01 Bond	22/09/2020	100 Yuan	60,000	60,000	4.20%	24/09/2020	24/09/2030	25/09/2020	(x)
20 ICBC 02 Bond	12/11/2020	100 Yuan	30,000	30,000	4.15%	16/11/2020	16/11/2030	17/11/2020	(xi)
20 ICBC 03 Bond	12/11/2020	100 Yuan	10,000	10,000	4.45%	16/11/2020	16/11/2035	17/11/2020	(xii)

(i) The Bank has the option to redeem all of the bonds on 30 June 2026 upon the approval of the relevant regulatory authorities.

(ii) The Bank has the option to redeem all of the bonds on 30 December 2021 upon the approval of the relevant regulatory authorities.

(iii) The Bank has the option to redeem all of the bonds on 13 June 2022 upon the approval of the relevant regulatory authorities.

(iv) The Bank has the option to redeem all of the bonds on 8 November 2022 upon the approval of the relevant regulatory authorities.

(v) The Bank has the option to redeem all of the bonds on 22 November 2022 upon the approval of the relevant regulatory authorities.

(vi) The Bank has the option to redeem all of the bonds on 25 March 2024 upon the approval of the relevant regulatory authorities.

(vii) The Bank has the option to redeem all of the bonds on 25 March 2029 upon the approval of the relevant regulatory authorities.

(viii) The Bank has the option to redeem all of the bonds on 26 April 2024 upon the approval of the relevant regulatory authorities.

(ix) The Bank has the option to redeem all of the bonds on 26 April 2029 upon the approval of the relevant regulatory authorities.

(x) The Bank has the option to redeem all of the bonds on 24 September 2025 upon the approval of the relevant regulatory authorities.

(xi) The Bank has the option to redeem all of the bonds on 16 November 2025 upon the approval of the relevant regulatory authorities.

(xii) The Bank has the option to redeem all of the bonds on 16 November 2030 upon the approval of the relevant regulatory authorities.

In 2015, the Bank issued Tier 2 Capital Notes denominated in USD. Approved by the Stock Exchange of Hong Kong Limited for listing and dealing, the Notes are listed on the Stock Exchange of Hong Kong Limited. The relevant information is set out below:

Name	Issue date	Currency	Issue price	Amount (original currency)	Ending balance (In RMB)	Coupon rate	Value date	Maturity date	Circulation date	Note
				(million)	(million)					
15 USD Tier 2 Capital Notes	15/09/2015	USD	99.189	2,000	13,079	4.875%	21/09/2015	21/09/2025	22/09/2015	(xiii)

(xiii) On 15 September 2015, the Bank issued Tier 2 Capital Notes with an aggregate nominal amount of USD2,000 million, bearing a fixed interest rate of 4.875% per annum. The listing and permission to deal in the Stock Exchange of Hong Kong Limited became effective on 22 September 2015. The Notes were issued at the price fixed at 99.189% of the nominal amount with maturity due on 21 September 2025 and cannot be redeemed before maturity.

The Bank has not had any defaults of principal or interest or other breaches with respect to the subordinated bonds and Tier 2 Capital Notes during the reporting period (2019: Nil).

Subsidiaries:

On 23 March 2018, ICBC Thai issued a Tier 2 Capital Notes with an aggregate nominal amount of THB5,000 million, bearing a fixed interest rate of 3.5%. The bond was issued with maturity due on 23 September 2028.

On 12 September 2019, ICBC Macau issued a Tier 2 Capital Notes with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 2.875% per annum. The bond was issued at the price fixed at 99.226% of the nominal amount with maturity due on 12 September 2029.

The above Tier 2 Capital Notes are separately listed on the Thai bond market association and the Stock Exchange of Hong Kong Limited. ICBC Thai and ICBC Macau have not had any defaults of principal or interest or other breaches with respect to the Tier 2 Capital Notes during the period (2019: Nil).

(2) Other debt securities issued

As at 31 December 2020, the Group's other debt securities issued mainly include:

The Bank:

(i) In 2020, Head Office issued debt securities amounting to RMB10,000 million denominated in RMB with maturity in 2023 at fixed interest rates.

(ii) Sydney Branch issued notes and interbank deposits amounting to RMB24,072 million denominated in AUD, RMB, EUR, HKD and USD with maturities between 2021 and 2026 at fixed or floating interest rates. Of which, in 2020, Sydney Branch issued notes amounting to RMB4,218 million denominated in AUD and USD with maturities between 2023 and 2026 at fixed or floating interest rates; in 2020, Sydney Branch also issued interbank deposits amounting to RMB10,336 million denominated in EUR and USD with maturities between January 2021 and December 2021 at fixed rates.

(iii) Singapore Branch issued notes amounting to RMB51,300 million denominated in RMB, USD and EUR with maturities between 2021 and 2025 at fixed or floating interest rates. Of which, in 2020, Singapore Branch issued notes amounting to RMB13,024 million denominated in USD with maturities between 2023 and 2025 at fixed or floating interest rates.

(iv) In 2020, Tokyo Branch issued notes amounting to RMB1,173 million denominated in JPY with maturities between February 2021 and July 2021 at fixed interest rates.

(v) New York Branch issued notes amounting to RMB36,480 million denominated in USD with maturities between 2021 and 2027 at fixed interest rates. Of which, in 2020, New York Branch issued notes amounting to RMB19,453 million denominated in USD with maturities between January 2021 and July 2021 at fixed interest rates.

(vi) Luxembourg Branch issued notes amounting to RMB14,936 million denominated in USD and EUR with maturities between 2022 and 2024 at fixed or floating interest rates. Of which, in 2020, Luxembourg Branch issued notes amounting to RMB652 million denominated in USD with maturity in 2023 at floating interest rates.

(vii) Dubai (DIFC) Branch issued notes amounting to RMB21,431 million denominated in USD with maturities between 2021 and 2024 at fixed or floating interest rates.

(viii) Hong Kong Branch issued notes amounting to RMB47,170 million denominated in USD and HKD with maturities between 2021 and 2025 at fixed or floating interest rates. Of which, in 2020, Hong Kong Branch issued notes amounting to RMB11,714 million denominated in USD with maturities between 2023 and 2025 at fixed or floating interest rates.

(ix) London Branch issued notes amounting to RMB24,081 million denominated in GBP, USD and EUR with maturities between 2021 and 2023 at floating interest rates. Of which, in 2020, London Branch issued notes amounting to RMB1,306 million denominated in USD with maturity in 2023 at floating interest rates.

(x) In 2020, Macau Branch issued notes amounting to RMB1,713 million denominated in MOP with maturity in 2022 at fixed interest rates.

Subsidiaries:

(i) ICBC Asia issued medium-term debt securities and notes amounting to RMB12,585 million denominated in RMB, USD and HKD with maturities between 2021 and 2023 at fixed or floating interest rates.

(ii) ICBC Financial Leasing issued medium-term debt securities and notes amounting to RMB68,596 million denominated in RMB and USD with maturities between 2021 and 2027 at fixed or floating interest rates.

Of which, Skysea International Capital Management Limited ("Skysea International"), which is controlled by the Group, issued guaranteed notes of USD750 million with a fixed interest rate of 4.875% in 2011. As at 31 December 2020, Skysea International has redeemed USD153 million and the carrying amount of the Notes were RMB3,895 million. The Notes were guaranteed by Hong Kong Branch and were issued at the price fixed at 97.708% of the nominal amount with maturities due on 7 December 2021. By satisfying certain conditions, Skysea International has the option to redeem all of the notes at any time. The Notes were listed on the Stock Exchange of Hong Kong Limited.

ICBCIL Finance Co. Ltd., which is controlled by the Group, issued medium-term notes amounting to RMB50,821 million denominated in USD with maturities between 2021 and 2027 at fixed or floating interest rates. Of which, in 2020, ICBCIL Finance Co. Ltd issued medium-term notes amounting to RMB5,864 million denominated in USD with maturity in 2025 at fixed interest rates. By satisfying certain conditions, ICBCIL Finance Co. Ltd. has the option to redeem all of the notes at any time. Above notes were guaranteed by ICBC Financial Leasing and listed on the Irish Stock Exchange and the Stock Exchange of Hong Kong Limited respectively.

Hai Jiao 1400 limited, which is controlled by the Group, issued a private placement bond amounting to RMB653 million denominated in USD with maturity in 2025 at a fixed interest rate. The bond was guaranteed by The Export-Import Bank of Korea.

ICBC Financial Leasing issued medium-term debt securities and notes inside China amounting to RMB13,227 million denominated in RMB with maturities between 2021 and 2024 at fixed interest rates. Of which, in 2020, ICBC Financial Leasing issued debt securities inside China amounting to RMB4,791 million denominated in RMB with maturity in 2023 at fixed interest rates.

(iii) ICBC Thai issued debt securities amounting to RMB8,670 million denominated in THB with maturities between 2021 and 2026 at fixed interest rates. Of which, in 2020, ICBC Thai issued debt securities amounting to RMB5,002 million denominated in THB with maturities between 2021 and 2024 at fixed interest rates.

(iv) ICBC International issued medium-term debt securities and notes amounting to RMB13,717 million denominated in USD with maturities between 2021 and 2025 at a fixed or floating interest rates. Of which, in 2020, ICBC International issued medium-term debt securities and notes amounting to RMB4,564 million denominated in USD with maturity in 2025 at a fixed interest rates.

(v) ICBC New Zealand issued medium-term debt securities and notes amounting to RMB2,470 million denominated in NZD with maturities between 2021 and 2024 at fixed or floating interest rates. Of which, in 2020, ICBC New Zealand issued medium-term debt securities and notes amounting to RMB569 million denominated in NZD with maturity in 2022 at floating interest rates.

(vi) ICBC Financial Asset Investment issued medium-term debt securities and notes amounting to RMB28,000 million denominated in RMB with maturities between 2022 and 2025 at fixed interest rates. Of which, in 2020, ICBC Financial Asset Investment issued medium-term debt securities amounting to RMB10,000 million denominated in RMB with maturity in 2025 at fixed interest rates.

36. OTHER LIABILITIES

	31 December 2020	31 December 2019
Settlement accounts	394,880	225,055
Lease liabilities (i)	29,825	29,524
Allowance for impairment losses on credit commitments	26,710	28,534
Salaries, bonuses, allowances and subsidies payables (ii)	24,807	24,036
Sundry tax payables	15,595	13,409
Promissory notes	1,193	1,044
Early retirement benefits	490	530
Others	219,270	202,993
	712,770	525,125

(i) Maturity analysis of lease liabilities

	31 December 2020	31 December 2019
Less than one year	8,090	7,402
One to two years	6,515	6,005
Two to three years	5,658	4,705
Three to five years	6,008	6,213
More than five years	6,221	8,048
Contractual undiscounted cash flows of lease liabilities	32,492	32,373
Ending balance of lease liabilities	29,825	29,524

(ii) There was no overdue payment for staff salaries, bonuses, allowances, subsidies payables as at 31 December 2020 (31 December 2019: Nil).

37. SHARE CAPITAL

	31 December 2020		31 December 2019	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Issued and fully paid:				
H shares of RMB1 Yuan each	86,795	86,795	86,795	86,795
A shares of RMB1 Yuan each	269,612	269,612	269,612	269,612
	356,407	356,407	356,407	356,407

Except for the dividends for H shares which are payable in Hong Kong dollars, all of the ordinary A shares and H shares rank pari passu with each other in respect of dividends on ordinary shares.

38. OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) Preference shares outstanding at the end of the year

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
Overseas Preference Shares in:										
EUR	2014-12-10	Equity	6.00%	15EUR/Share	40	600	4,558	None	Mandatory	No
USD	2020-09-23	Equity	3.58%	20USD/Share	145	2,900	19,716	None	Mandatory	No
Domestic Preference Shares in:										
RMB2015	2015-11-18	Equity	4.58%	100RMB/Share	450	45,000	45,000	None	Mandatory	No
RMB2019	2019-09-19	Equity	4.20%	100RMB/Share	700	70,000	70,000	None	Mandatory	No
Total					1,335		139,274			
Less: Issue fees							118			
Carrying amount							139,156			

(b) Main Clauses

(i) Overseas preference shares

a. Dividend

Fixed rate for a certain period (7 years for EUR tranche and 5 years for USD tranche) after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.

b. Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

c. Dividend stopper

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

d. Order of distribution and liquidation method

The EUR and USD Preference Shareholders as well as the Domestic Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors and holders of convertible bonds, holders of subordinated debt, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders of the Group.

e. Mandatory conversion trigger events

EUR Preference Shares:

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into H shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) the CBIRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into H shares. If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

USD Preference Shares:

Upon the occurrence of any Non-Viability Trigger Event, the Group shall have the right to irrevocably and compulsorily convert all or part of the Preference Shares into H shares under the consent of the CBIRC but without the need for the consent of the Preference Shareholders or the Ordinary Shareholders. If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

The initial mandatory conversion price of EUR Preference Shares is 0.4793 Euro; the initial conversion price of USD Preference Shares is HKD5.73 per H Share. In case of stock dividends distribution of H shares of the Bank or other circumstances, the Bank will make cumulative adjustment to the compulsory conversion price in turn.

f. Redemption

Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Group has right to redeem all or some of the Overseas Preference Shares in first call date and subsequent any dividend payment date. Redemption price is equal to liquidation price plus accrued dividend in current period.

EUR Preference Shares: the First Redemption Date is seven years after issuance

USD Preference Shares: the First Redemption Date is five years after issuance

g. Dividend setting mechanism

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group shall distribute dividends for the Preference Shares in cash, based on the liquidation preference of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Group is once a year.

(ii) Domestic preference shares

a. Dividend

Fixed rate for a certain period (5 years) after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.

b. Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. The paying order of domestic preference shares is equal to overseas preference shares. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

c. Dividend stopper

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

d. Order of distribution and liquidation method

The Domestic Preference Shareholders as well as Overseas Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors and holders of convertible bonds, holders of subordinated debt, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders of the Group.

e. Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into A shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) the CBIRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into A shares. If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

Among them, the initial mandatory conversion price of domestic preference shares in 2015 was RMB3.44 and the initial mandatory conversion price of domestic preference shares in 2019 was RMB5.43. In case of stock dividends distribution of A Shares of the bank or other circumstances, the bank will make cumulative adjustment to the compulsory conversion price in turn.

f. Redemption

After five years having elapsed since the date of issuance/the date of issue termination under the premise of obtaining the approval of the CBIRC and compliance with regulatory requirements, the Group has right to redeem all or some of domestic preference shares. The redemption period of preference shares ranges from the start date of redemption to the date of full redemption or conversion. Redemption price is equal to book value plus accrued dividend in current period.

g. Dividend setting mechanism

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Group is once a year.

(c) Changes in preference shares outstanding

Financial instrument outstanding	1 January 2020			Movements during the year			31 December 2020		
	Amount (million shares)	In original currency (million)	In RMB (million)	Amount (million shares)	In original currency (million)	In RMB (million)	Amount (million shares)	In original currency (million)	In RMB (million)
Overseas									
EUR	40	600	4,558	–	–	–	40	600	4,558
USD	–	–	–	145	2,900	19,716	145	2,900	19,716
Domestic									
RMB2015	450	45,000	45,000	–	–	–	450	45,000	45,000
RMB2019	700	70,000	70,000	–	–	–	700	70,000	70,000
Total	1,190	N/A	119,558	145	N/A	19,716	1,335	N/A	139,274

Note: The RMB amounts of offshore preference shares in Euro and U.S. dollar on 31 December 2020 are translated at the spot exchange rate on issuance date.

(2) Perpetual Bond

(a) Perpetual bond outstanding at the end of the year

Financial instrument outstanding	Issue date	Accounting classification	Interest rate	Issue price	Amount (million pieces)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
USD Perpetual bond	2016-07-21	Equity	4.25%	1,000USD/Piece	1	1,000	6,691	None	None	No
RMB Perpetual bond	2019-07-26	Equity	4.45%	100RMB/Piece	800	80,000	80,000	None	None	No
Total					801		86,691			
Less: Issue fees							28			
Carrying amount							86,663			

Note: USD perpetual bond was issued by ICBC Asia, a subsidiary of the Bank.

(b) Main Clauses

(i) USD Perpetual Bond

On 21 July 2016, ICBC Asia issued Basel III-compliant Non-Cumulative Subordinated Additional Tier 1 Capital Securities (hereinafter referred to as "Perpetual Bond") in the aggregate amount of US$1 billion (equivalent to approximately RMB6,676 million net of related issuance costs). Fixed rate for the first 5 years after issuance of the bond is 4.25%. If perpetual bonds are not called, distribution will be reset based on the then prevailing 5-year USA national bonds yield plus a fixed initial spread (3.135 per cent. per annum) every 5 years.

The distribution shall be payable semi-annually, with the first distribution payment date being 21 January 2017. ICBC Asia has the right to cancel distribution payment (subject to the requirement as set out in the terms and conditions of the perpetual bond) and the distribution cancelled shall not be cumulative.

The perpetual bond will be written off up to the amount as directed by the Hong Kong Monetary Authority (hereinafter referred to as "HKMA") if the HKMA notifies ICBC Asia that in the opinion of the HKMA or a relevant government body, ICBC Asia would become non-viable if there is no written off of the principal. The perpetual bond also contains Hong Kong Bail-in Power. Each holder of the perpetual bond shall be subject to the exercise by the Hong Kong Resolution Authority to any or a combination of the following:

(1) reduction or cancellation of all or a part of the principal and/or distribution of the perpetual bond;

(2) the conversion of all or a part of the principal and/or distribution of the perpetual bond into shares of ICBC Asia or another person; and/or

(3) the amendment of the maturity, distribution payment date and/or the distribution amount of the perpetual bond.

ICBC Asia has a call option to redeem all the outstanding perpetual bond from 21 July 2021 or any subsequent distribution payment date thereafter.

(ii) RMB Perpetual Bond

With the approvals by relevant regulatory authorities, the Bank issued RMB80.0 billion undated capital bonds (hereinafter referred to as "Perpetual Bond") in China's national inter-bank bond market on 26 July 2019. Each Perpetual Bond has a par value of RMB100, and the annual coupon rate of the Bonds for the first five years is 4.45%, resetting every 5 years. The rate is determined by a benchmark rate plus a fixed spread. The fixed spread is the difference between the distribution rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined during the duration period.

The duration of the Perpetual Bond is the same as the continuing operation of the Bank. 5 years after the issuance date of the Perpetual Bond, the Bank shall have the right to redeem the Perpetual Bond in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). Upon the issuance of the Perpetual Bond, in the event that the Perpetual Bond is not classified as other tier-one capital bonds due to unpredictable changes in regulations, the Bank shall have the right to redeem the Perpetual Bond fully instead of partly.

The claims in respect of the Perpetual Bond, in the event of a winding-up of the Bank, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that rank senior to the Perpetual Bond; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Bank that rank pari passu with the perpetual bond.

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Perpetual Bond issued and existing at that time in accordance with the total par value, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%. Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down all the above Perpetual Bond issued and existing at that time in accordance with the total par value without the consent of the bondholders.

The Perpetual Bond is paid by non-cumulative interest. The Bank shall have the right to cancel, in whole or in part, distributions on the Perpetual Bond and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full interest payment.

The funds raised by the Bank from the above-mentioned Perpetual Bond will be approved by applicable laws and regulatory agencies to supplement other Tier 1 capital of the Bank.

(c) *Changes in perpetual bond outstanding*

	1 January 2020			Movement during the year			31 December 2020		
Financial instrument outstanding	Amount (million pieces)	In original currency (million)	In RMB (million)	Amount (million pieces)	In original currency (million)	In RMB (million)	Amount (million pieces)	In original currency (million)	In RMB (million)
USD Perpetual bond	1	1,000	6,691	–	–	–	1	1,000	6,691
RMB Perpetual bond	800	80,000	80,000	–	–	–	800	80,000	80,000
Total	801	N/A	86,691	–	N/A	–	801	N/A	86,691

Note: The RMB amount of perpetual bond as at 31 December 2020 is translated at the spot exchange rate on issuance date.

(3) Interests attribute to equity instruments' holders

Items		1 January 2020	31 December 2020
1.	Total equity attribute to equity holders of the parent company	2,676,186	2,893,502
	(1) Equity attribute to ordinary equity holders of the parent company	2,470,054	2,667,683
	(2) Equity attribute to other equity instruments holders of the parent company	206,132	225,819
2.	Total equity attribute to non-controlling interests	15,817	16,013
	(1) Equity attribute to non-controlling interests of ordinary shares	15,817	16,013
	(2) Equity attribute to non-controlling interests of other equity instruments	–	–

39. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) *Statutory surplus reserve*

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

Pursuant to the resolution of the board of directors' meeting held on 26 March 2021, the total appropriation to surplus reserve of the Bank was RMB30,550 million (2019: RMB29,786 million), among which an appropriation of 10% of the profit of the Bank for the year determined under the generally accepted accounting principles of PRC ("PRC GAAP") to the statutory surplus reserve, in the amount of RMB30,449 million (2019: RMB29,733 million) was approved and the total surplus reserve made by some overseas branches was RMB101 million (2019: RMB53 million) pursuant to the requirements of local authorities.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(iii) Other surplus reserve

The Bank's overseas entities appropriate their profits to the surplus reserve in accordance with the relevant regulations promulgated by the local regulatory bodies.

(c) General reserve

From 1 July 2012, the Bank is required by the MOF to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year end balance of its risk assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

The general reserve balance of the Bank as at 31 December 2020 amounted to RMB329,209 million (31 December 2019: RMB295,962 million), which has reached 1.5% of the year end balance of the Bank's risk assets.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes and impairment provision of financial investments measured at FVOCI.

(e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Chinese mainland.

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates and joint ventures other than the items listed above.

(h) Distributable profits

The Bank's distributable profits are based on the retained profits of the Bank as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

(In RMB millions, unless otherwise stated)

The statement of changes in equity of the Bank during the year are set out below.

	Issued share capital	Other equity instruments	Reserves: Capital reserve	Reserves: Surplus reserve	Reserves: General reserve	Reserves: Investment revaluation reserve	Reserves: Foreign currency translation reserve	Reserves: Cash flow hedging reserve	Reserves: Other reserves	Reserves: Subtotal	Retained profits	Total equity
Balance as at 1 January 2019	356,407	79,375	156,204	257,567	271,201	19,926	(294)	(3,913)	(54)	700,637	1,111,446	2,247,865
Profit for the year	–	–	–	–	–	–	–	–	–	–	296,338	296,338
Other comprehensive income	–	–	–	–	–	4,023	218	(326)	(35)	3,880	–	3,880
Total comprehensive income	–	–	–	–	–	4,023	218	(326)	(35)	3,880	296,338	300,218
Capital injection by other equity instruments holders	–	149,967	–	–	–	–	–	–	–	–	–	149,967
Capital deduction by other equity instruments holders	–	(29,886)	(2,901)	–	–	–	–	–	–	(2,901)	–	(32,787)
Dividends — ordinary shares 2018 final (note 17)	–	–	–	–	–	–	–	–	–	–	(89,315)	(89,315)
Dividends — preference shares (note 17)	–	–	–	–	–	–	–	–	–	–	(4,525)	(4,525)
Appropriation to surplus reserve (i)	–	–	–	29,786	–	–	–	–	–	29,786	(29,786)	–
Appropriation to general reserve (ii)	–	–	–	–	24,761	–	–	–	–	24,761	(24,761)	–
Balance as at 31 December 2019 and 1 January 2020	356,407	199,456	153,303	287,353	295,962	23,949	(76)	(4,239)	(89)	756,163	1,259,397	2,571,423
Profit for the year	–	–	–	–	–	–	–	–	–	–	304,267	304,267
Other comprehensive income	–	–	–	–	–	(1,396)	(2,021)	157	152	(3,108)	–	(3,108)
Total comprehensive income	–	–	–	–	–	(1,396)	(2,021)	157	152	(3,108)	304,267	301,159
Capital injection by other equity instruments holders	–	19,687	–	–	–	–	–	–	–	–	–	19,687
Dividends — ordinary shares 2019 final (note 17)	–	–	–	–	–	–	–	–	–	–	(93,664)	(93,664)
Dividends to other equity instruments holders (note 17)	–	–	–	–	–	–	–	–	–	–	(8,839)	(8,839)
Appropriation to surplus reserve (i)	–	–	–	30,550	–	–	–	–	–	30,550	(30,550)	–
Appropriation to general reserve (ii)	–	–	–	–	33,247	–	–	–	–	33,247	(33,247)	–
Other comprehensive income transferred to retained earnings	–	–	–	–	–	(211)	–	–	–	(211)	211	–
Others	–	–	(18)	–	–	–	–	–	–	(18)	–	(18)
Balance as at 31 December 2020	**356,407**	**219,143**	**153,285**	**317,903**	**329,209**	**22,342**	**(2,097)**	**(4,082)**	**63**	**816,623**	**1,397,575**	**2,789,748**

(i) Includes the appropriation made by overseas branches in the amount of RMB101 million (2019: RMB53 million).

(ii) Includes the appropriation made by overseas branches in the amount of RMB11 million (2019: RMB2 million).

(In RMB millions, unless otherwise stated)

40. 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	(350)	15
	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 FVOCI	(5,036)	9,687
Less: Amount transferred to profit or loss from other comprehensive income	1,072	773
Income tax effect	922	(2,434)
	(3,042)	8,026
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	(107)	62
	(253)	(634)
Other comprehensive income recognised under equity method	14	(530)
Foreign currency translation differences	(16,212)	4,271
Others	1,311	(329)
	(15,839)	10,708

(In RMB millions, unless otherwise stated)

41. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the products issued by these structured entities. Such structured entities include investment funds, wealth management products, asset management plans, trust plans and asset-backed securities and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in the structured entities sponsored by third party institutions:

	31 December 2020		31 December 2019	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Investment funds	32,100	32,100	27,225	27,225
Wealth management products	311	311	–	–
Asset management plans	152,927	152,927	422,712	422,712
Trust plans	44,204	44,204	44,556	44,556
Asset-backed securities	105,050	105,050	117,487	117,487
	334,592	334,592	611,980	611,980

The maximum exposures to loss in the above investment funds, wealth management products, asset management plans, trust plans and asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date.

The following table sets out an analysis of the line items in the consolidated statement of financial position in which assets were recognised relating to the Group's interests in structured entities sponsored by third party institutions:

	31 December 2020		
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost
Investment funds	32,100	–	–
Wealth management products	311	–	–
Asset management plans	136,306	–	16,621
Trust plans	22,807	–	21,397
Asset-backed securities	68,038	7,975	29,037
	259,562	7,975	67,055

(In RMB millions, unless otherwise stated)

	31 December 2019		
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost
Investment funds	27,225	–	–
Asset management plans	405,680	–	17,032
Trust plans	26,226	–	18,330
Asset-backed securities	68,233	20,844	28,410
	527,364	20,844	63,772

(b) Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products and investment funds, etc. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2020, the carrying amounts of the investments in the notes issued by these structured entities and fee receivables being recognised were not material in the statement of financial positions.

As at 31 December 2020, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, were RMB2,708,427 million (31 December 2019: RMB2,642,057 million) and RMB1,462,393 million (31 December 2019: RMB1,332,184 million) respectively.

During the year of 2020, the amount of the average exposure of financing transactions through placements and reverse repurchase agreements from the Group with non-principal-guaranteed wealth management products sponsored by the Group was RMB72,587 million (2019: RMB49,142 million). The transactions were conducted in the ordinary course of business under normal terms and conditions.

(c) Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2020

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2020 but matured before 31 December 2020 was RMB143,192 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2019 but matured before 31 December 2019 was RMB404,793 million).

During the year of 2020, the amount of fee and commission income received from non-principal-guaranteed wealth management products above by the Group was RMB549 million (2019: RMB1,610 million).

The aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2020 but matured before 31 December 2020 was RMB1,167 million (The aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2019 but matured before 31 December 2019 was RMB3,000 million).

During the year of 2020, the amount of income received from investment funds above was RMB58 million. (2019: RMB0.72 million).

(In RMB millions, unless otherwise stated)

42. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Analysis of balances of cash and cash equivalents

	Note	31 December 2020	31 December 2019
Cash on hand	19	64,833	66,035
Balances with central banks other than restricted deposits	19	619,968	322,892
Nostro accounts with banks and other financial institutions with original maturity of three months or less		241,109	224,374
Placements with banks and other financial institutions with original maturity of three months or less		239,428	230,140
Reverse repurchase agreements with original maturity of three months or less		625,784	606,972
		1,791,122	1,450,413

43. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral in certain circumstance. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

The following table analyses the carrying amount of the above mentioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	31 December 2020		31 December 2019	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	42,124	40,760	30,375	29,766
Securities lending agreements	255,660	–	286,527	–
	297,784	40,760	316,902	29,766

(In RMB millions, unless otherwise stated)

Securitisation transactions

The Group transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. The amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB521,314 million as at 31 December 2020 (the amount at the time of transfer of the original credit assets was RMB384,156 million as at 31 December 2019) and the carrying amount of assets that the Group continues to recognise on the statement of financial position was RMB63,808 million as at 31 December 2020 (31 December 2019: RMB52,016 million).

With respect to the securitisation of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid are recorded as a financial liability. As at 31 December 2020, the Group does not have carrying amount of transferred assets that did not qualify for derecognition and carrying amount of their associated liabilities (31 December 2019: Nil).

44. SHARE APPRECIATION RIGHTS PLAN

The Bank's share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H shares and will be valid for 10 years. As at the approval date of these financial statements, no share appreciation rights have been granted.

45. 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	42,797	31,915

(In RMB millions, unless otherwise stated)

(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	73,626	94,249
	158,054	202,761

(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
	2,711,454	2,963,071

	31 December 2020	31 December 2019
Credit risk-weighted assets of credit commitments	1,106,377	1,306,831

(In RMB millions, unless otherwise stated)

(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 MOF, 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 MOF 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).

46. DESIGNATED FUNDS AND LOANS

	31 December 2020	31 December 2019
Designated funds	2,361,366	1,916,638
Designated loans	2,361,289	1,916,362

The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group does not bear any risk.

47. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including bills and securities have been pledged as collateral for liabilities or contingent liabilities, mainly the repurchase agreements and derivative contracts. As at 31 December 2020, the carrying value of the financial assets of the Group pledged as collateral amounted to approximately RMB249,499 million (31 December 2019: RMB227,938 million).

48. FIDUCIARY ACTIVITIES

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in "net fee and commission income" set out in note 7 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

(In RMB millions, unless otherwise stated)

49. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Shareholders with significant influence

(i) The MOF

The MOF is a ministry under the State Council of the PRC, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 31 December 2020, the MOF directly owned approximately 31.14% (31 December 2019: approximately 31.14%) of the issued share capital of the Bank. The Group enters into banking transactions with the MOF in its normal course of business, details of the major transactions are as follows:

	31 December 2020	31 December 2019
Balances at end of the year:		
The PRC government bonds and the special government bond	1,495,673	1,215,664

	2020	2019
Transactions during the year:		
Interest income on the PRC government bonds	43,609	38,808

Other related party transactions between the Group and enterprises under the control or joint control of the MOF are disclosed in note 49(g) "transactions with state-owned entities in the PRC".

(ii) Huijin

As at 31 December 2020, Central Huijin Investment Ltd ("Huijin") directly owned approximately 34.71% (31 December 2019: approximately 34.71%) of the issued share capital of the Bank. Huijin is a state-owned investment company established on 16 December 2003 under the Company Law of the PRC. Huijin has total registered and paid-in capital of RMB828,209 million. Huijin is a wholly-owned subsidiary of China Investment Corporation, and in accordance with the authorisation by the State, Huijin makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity. It does not intervene in the day-to-day business operations of the firms in which it invests.

As at 31 December 2020, the Huijin Bonds held by the Group are of an aggregate face value of RMB71.39 billion (31 December 2019: RMB56.23 billion), with terms ranging from 3 to 30 years and coupon rates ranging from 2.15% to 5.00% per annum. The Huijin Bonds are government-backed, short-term financing bills and medium-term notes. The Group's subscription of the Huijin Bonds was conducted in the ordinary course of business, in compliance with relevant regulatory requirements and the corporate governance of the Group.

The Group entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and at the market rates. Details of the major transactions are as follows:

	31 December 2020	31 December 2019
Balances at end of the year:		
Debt securities purchased	72,472	57,436
Loans and advances to customers	4,005	22,022
Due to customers	15,957	1,998

(In RMB millions, unless otherwise stated)

	2020	2019
Transactions during the year:		
Interest income on debt securities purchased	2,360	1,949
Interest income on loans and advances to customers	561	717
Interest expense on amounts due to customers	149	240

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Management considers that these banks and financial institutions are competitors of the Group. Details of major transactions during the year conducted with these banks and financial institutions are as follows:

	31 December 2020	31 December 2019
Balances at end of the year:		
Debt securities purchased	633,728	530,740
Due from banks and other financial institutions	251,578	101,724
Loans and advances to customers	10,610	3,124
Derivative financial assets	20,669	4,972
Due to banks and other financial institutions	299,691	221,015
Derivative financial liabilities	20,007	5,902
Due to customers	1,065	1,003
Credit commitments	12,690	7,172

	2020	2019
Transactions during the year:		
Interest income on debt securities purchased	18,634	18,548
Interest income on amounts due from banks and other financial institutions	582	234
Interest income on loans and advances to customers	110	44
Interest expense on amounts due to banks and other financial institutions	1,068	1,562
Interest expense on amounts due to customers	54	10

(b) Subsidiaries

	31 December 2020	31 December 2019
Balances at end of the year:		
Financial investments	30,425	31,174
Due from banks and other financial institutions	372,441	402,276
Loans and advances to customers	45,958	30,150
Derivative financial assets	4,945	1,810
Due to banks and other financial institutions	183,059	167,454
Derivative financial liabilities	5,004	3,293
Reverse repurchase agreements	2,587	7,872
Credit commitments	53,161	113,755

(In RMB millions, unless otherwise stated)

	2020	2019
Transactions during the year:		
Interest income on financial investments	982	151
Interest income on amounts due from banks and other financial institutions	523	884
Interest income on loans and advances to customers	681	520
Interest expense on amounts due to banks and other financial institutions	993	1,807
Fee and commission income	6,233	3,089

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements.

(c) Associates and affiliates

	31 December 2020	31 December 2019
Balances at end of the year:		
Debt securities purchased	12,680	8,548
Due from banks and other financial institutions	8,549	4,995
Loans and advances to customers	983	2,680
Derivative financial assets	3,244	1,279
Due to banks and other financial institutions	6,051	12,397
Due to customers	3	0
Derivative financial liabilities	3,283	2,102
Credit commitments	3,023	–

	2020	2019
Transactions during the year:		
Interest income on debt securities purchased	479	128
Interest income on amounts due from banks and other financial institutions	80	368
Interest income on loans and advances to customers	62	97
Interest expense on amounts due to banks and other financial institutions	186	254
Interest expense on amounts due to customers	0	0

The major transactions between the Group and the associates and their affiliates mainly comprised debt securities purchased, due from banks and other financial institutions, loans and advances to customers and due to banks and other financial institutions and the corresponding interest income and interest expense. In the opinion of management, the transactions between the Group and the associates and their affiliates were conducted under normal commercial terms and conditions.

(d) Joint ventures and affiliates

	31 December 2020	31 December 2019
Balances at end of the year:		
Loans	65	–
Due to customers	7	33

	2020	2019
Transactions during the year:		
Interest income on loans	2	–
Interest expense on amounts due to customers	0	0

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(e) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

The aggregate compensation for the year, other than those for the personnel disclosed in note 12 above, is as follows:

	2020 RMB'000	2019 RMB'000
Short-term employment benefits	5,177	4,690
Post-employment benefits	216	104
	5,393	4,794

Note: The above remuneration before tax payable to key management personnel for 2019 represents the total amount of annual remuneration, which includes the amount disclosed in the 2019 Annual Report.

The total compensation packages for senior management of the Bank for the year ended 31 December 2020 have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's 2020 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

Companies or corporations, in which the key management of the Group or their close relatives are shareholders or key management personnel who are able to exercise control directly or indirectly are also considered as related parties of the Group.

The transactions between the Group and the aforementioned parties for the year are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Loans	2,363	2,423

There were no other material transactions and balances with key management personnel on an individual basis during the year. The Group enters into banking transactions with key management personnel in the normal course of business.

The aggregate balance of loans and credit card overdraft to the person which are considered as related parties according to the relevant rules of Shanghai Stock Exchange was RMB15.29 million as at 31 December 2020 (31 December 2019: RMB3.24 million).

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(In RMB millions, unless otherwise stated)

(f) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund, Annuity Fund holds the market value of A shares of the Bank with an amount of RMB39.17 million as at 31 December 2020 (31 December 2019: RMB101.36 million), and holds bonds issued by the Bank of RMB10.00 million as at 31 December 2020 (31 December 2019: RMB20.28 million).

(g) Transactions with state-owned entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the "state-owned entities"). During the year, the Group entered into extensive banking transactions with these state-owned entities including, but not limited to, lending and deposit taking, taking and placing of interbank balances, entrusted lending and the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

(h) Proportion of major related party transactions

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements. When calculating the proportion of related party transactions, transactions with the subsidiary are not involved.

	31 December 2020		31 December 2019	
	Balances	%	Balances	%
Financial investments	2,214,553	25.78%	1,803,840	23.59%
Due from banks and other financial institutions	260,127	24.04%	106,719	10.24%
Loans and advances to customers	15,663	0.09%	27,826	0.17%
Derivative financial assets	23,913	17.82%	6,251	9.15%
Due to banks and other financial institutions	305,742	10.98%	233,412	10.30%
Derivative financial liabilities	23,290	16.52%	8,004	9.40%
Due to customers	17,032	0.07%	3,034	0.01%
Credit commitments	12,690	0.43%	7,172	0.24%

	2020		2019	
	Amount	%	Amount	%
Interest income	66,479	6.08%	60,893	5.73%
Interest expense	1,457	0.33%	2,066	0.48%

50. 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".

(In RMB millions, unless otherwise stated)

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 (i)	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					317,685
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					
Segment assets	11,339,394	7,454,567	14,366,145	184,952	33,345,058
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 (ii)	42,553	18,012	6,601	15,357	82,523
Segment liabilities	13,766,666	12,167,001	4,391,690	110,186	30,435,543
Other segment information:					
Credit commitments	1,716,094	995,360	–	–	2,711,454

(i) Including net trading income, net gain/(loss) on financial investments and other operating income (net).

(ii) Including long-term receivables, intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

(iii) In accordance with the Bank's transformation and development, the Bank advanced its operating segments and adjusted the comparative figures for the same period accordingly.

(In RMB millions, unless otherwise stated)

	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 (i)	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					313,361
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					
Segment assets	10,247,794	6,655,928	13,029,624	176,090	30,109,436
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 (ii)	44,350	13,974	7,577	17,329	83,230
Segment liabilities	12,850,937	10,912,514	3,532,247	121,735	27,417,433
Other segment information:					
Credit commitments	1,832,133	1,130,938	–	–	2,963,071

(i) Including net trading income, net (loss)/gain on financial investments and other operating income (net).

(ii) Including long-term receivables, intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

(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.

(In RMB millions, unless otherwise stated)

	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 (i)	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										317,685
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

(i) Including net trading income, net gain/(loss) on financial investments and other operating income (net).

	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 (i)	14,352	7,817	6,065	7,534	8,580	9,950	2,256	25,969	–	82,523
Unallocated assets										67,713
Total assets										33,345,058
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										30,435,543
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

(i) Including long-term receivables, intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

(In RMB millions, unless otherwise stated)

	Year ended 31 December 2019									
	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	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 (i)	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										313,361
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

(i) Including net trading income, net (loss)/gain on financial investments and other operating income (net).

	31 December 2019									
	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	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 (i)	13,250	8,114	5,975	7,352	8,488	12,370	2,093	25,588	—	83,230
Unallocated assets										62,536
Total assets										30,109,436
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										27,417,433
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

(i) Including long-term receivables, intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

51. FINANCIAL INSTRUMENT RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The board of directors (the "Board") has the ultimate responsibility for the risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise and manage various risks.

The Group has also assigned departments to monitor financial risks within the Group, including the Credit Management Department to monitor credit risk, the Risk Management Department together with the Asset and Liability Management Department to monitor market and liquidity risks, and the Internal Control and Compliance Department to monitor operational risk. The Risk Management Department is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to risk management departments of both the Head Office and the management of the relevant branches.

(a) Credit risk

Definition and scope

Credit risk is the risk of loss arising from a borrower or counterparty's failure to perform its obligations. Operational failures which result in unauthorised or inappropriate guarantees, financial commitments or investments by the Group may also give rise to credit risk. The Group's credit risk is mainly attributable to its loans, due from banks and other financial institutions and financial investments.

The Group is also exposed to credit risk in other areas in addition to the credit risk arising from the Group's loans, due from banks and other financial institutions and financial investments. The credit risk arising from derivative financial instruments is limited to derivative financial assets recorded in the statement of financial position. In addition, the Group provides guarantees for customers and may therefore be required to make payments on their behalf. These payments will be recovered from customers in accordance with the terms of the agreement. Therefore, the Group assumes a credit risk similar to that arising from loans and applies the same risk control procedures and policies to reduce risks.

Credit risk assessment method

Stage of financial instruments

The Group classifies financial instruments into three risk stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

Refer to Note 3(6) Impairment of the financial assets for the definition of the three stages.

Significant increase in credit risk

The assessment of significant increase since initial recognition in the credit risk is performed at least on a quarterly basis for financial instruments held by the Group. The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significantly change in credit risk for the purposes of classifying financial instruments. The main considerations are regulatory and operating environment, internal and external credit risk gradings, debt-servicing capacity, operating capabilities, contractual terms, and repayment records. The Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the end of the reporting period and its risk of default at the date of initial application to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments. In determining whether credit risk of a financial instrument has increased significantly since initial recognition, the Group considers factors indicating whether the probability of default has risen sharply, whether the financial instrument has been past due for more than 30 days, whether the market price has been falling to assess deterioration.

Since the outbreak of the COVID-19 pandemic, the Group has provided credit facilities for temporary deferral in principal repayment and interest payment to some of the borrowers affected by the epidemic in accordance with the government's regulations. The Group classified the credit risk based on the actual situation of the borrower and the judgment of the substantive risk of the business for those loans with deferred principal repayment and interest payment. However, the temporary deferral in principal repayment and interest payment was not considered as an automatic trigger event in a significant increase of credit risk.

Definition of default

The Group defines a corporate borrower as in default when it meets one or more of the following criteria at the timing of recognition:

(i) The principal or interest of loan is past due more than 90 days to the Group;

(ii) The corporate borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidation against collateral;

(iii) The corporate borrower has the above matters in other financial institutions refers to (i), (ii)

The Group defines a retail business borrower as in default when single credit assets of borrowers meets one or more of the following criteria:

(i) The principal or interest of loan is past due more than 90 days to the Group;

(ii) Write-offs;

(iii) The Group considers the borrower is unlikely to pay its credit obligations to the Group in full.

Impairment assessment

Generally, a financial asset is considered to be credit-impaired if:

- It has been overdue for more than 90 days;
- In light of economic, legal or other factors, the Group has made concessions to a borrower in financial difficulties, which would otherwise have been impossible under normal circumstances;
- The borrower is probable to be insolvent or carry out other financial restructurings;
- Due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
- There are other objective evidences that the financial asset is impaired.

Description of parameters, assumptions, and estimation techniques

Expected credit losses ("ECL") for a financial instrument is measured at an amount equal to 12-month ECL or lifetime ECL depending on whether a significant increase in credit risk on that financial instrument has occurred since initial recognition or whether an asset is considered to be credit-impaired. The loss allowance for loans and advances to customers, other than those corporate loans and advance to customers which are credit-impaired, is measured using the risk parameters method. The key parameters include Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD"), considering the time value of money. Related definitions are as follows:

PD is the possibility that a customer will default on its obligation within a certain period of time in light of forward-looking information. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking the forward-looking information into account and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;

LGD is the magnitude of the likely loss if there is a default in light of forward-looking information. The LGD is depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, with taking the forward-looking information into account;

EAD refers to the total amount of on- and off-balance sheet exposures in the event of default and is determined based on the historical repayment records.

The assumptions underlying the ECL calculation, such as how the PDs and LGDs of different maturity profiles change are monitored and reviewed on a quarterly basis by the Group.

There have been no significant changes in estimation techniques or significant assumptions made during the year.

The impairment loss on credit-impaired corporate loans and advance to customers applied cash flow discount method, if there is objective evidence that an impairment loss on a loan or advance has incurred, the amount of the loss is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the statement of profit or loss. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- The estimated recoverable cash flows from projects and liquidation;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, or discrete events that result in the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Forward-looking information contained in ECL

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Purchasing Managers' Index ("PMI") and other macroeconomic indicators, including impacting ECL for each portfolio. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables, PD and LGD. Forecasts of these economic indicators are provided quarterly by the Group and provide the best estimate view of the economy over the next year.

When calculating the weighted average ECL, the optimism, neutral and pessimism scenarios and its weightings determined by a combination of macro-statistical analysis and expert judgment are taken into account by the Group.

(In RMB millions, unless otherwise stated)

In 2020, the Group has taken into account different macroeconomic scenarios, combined with the impact of factors such as the Covid-19 epidemic on economic development trends, and made forward-looking forecasts of macroeconomic indicators. Including: quarter-on-quarter GDP growth, used to estimate ECL, ranges from 7.5% to 8.5% in the neutral scenario for 2021.

The Group has carried out sensitivity analysis of macroeconomic indicators, used in forward-looking measurement. As at 31 December 2020, when the important economic indicators in the neutral scenario move up or down by 10%, the ECL will not change by more than 5%.

Write-off policy

The Group writes off financial assets when it has exhausted practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Contractual modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such rescheduling activities include extended payment term arrangements, payment holidays and payment forgiveness. Rescheduling policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The following table includes carrying amount of rescheduled loans and advance to customers:

	31 December 2020	31 December 2019
Rescheduled loans and advances to customers	11,960	7,319
Impaired loans and advances to customers included in above	4,504	2,983

Collaterals and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralised by bills or investment securities. As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners.

Corporate loans and discounted bills are mainly collateralised by properties or other assets. As at 31 December 2020, the gross carrying amount of corporate loans and discounted bills amounted to RMB11,509,029 million (31 December 2019: RMB10,377,695 million), of which credit exposure covered by collateral amounted to RMB3,534,852 million (31 December 2019: RMB3,583,296 million).

Retail loans are mainly collateralised by residential properties. As at 31 December 2020, the gross carrying amount of retail loans amounted to RMB7,115,279 million (31 December 2019: RMB6,383,624 million), of which credit exposure covered by collateral amounted to RMB6,269,321 million (31 December 2019: RMB5,565,771 million).

(In RMB millions, unless otherwise stated)

The Group prefers more liquid collateral with relatively stable market value and does not accept collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loans. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

During the reporting period, the Group took possession of collateral held as security with a carrying amount of RMB377 million (31 December 2019: RMB599 million).

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is set out below:

	31 December 2020	31 December 2019
Balances with central banks	3,472,962	3,251,881
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		
— Financial investments measured at FVTPL	638,485	837,972
— Financial investments measured at FVOCI	1,459,018	1,421,609
— Financial investments measured at amortised cost	6,265,668	5,208,167
Others	377,563	181,028
	32,305,364	29,183,074
Credit commitments	2,711,454	2,963,071
Total maximum credit risk exposure	35,016,818	32,146,145

(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

(In RMB millions, unless otherwise stated)

(1) Loans and advances to customers

By geographical distribution

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by geographical distribution is analysed as follows:

	31 December 2020		31 December 2019	
	Amount	Percentage	Amount	Percentage
Head Office	772,372	4.15%	774,578	4.62%
Yangtze River Delta	3,582,682	19.24%	3,124,793	18.64%
Pearl River Delta	2,746,019	14.74%	2,341,370	13.97%
Bohai Rim	3,030,552	16.27%	2,739,585	16.34%
Central China	2,789,085	14.98%	2,445,215	14.60%
Western China	3,369,916	18.09%	2,991,010	17.84%
Northeastern China	841,595	4.52%	798,691	4.77%
Overseas and others	1,492,087	8.01%	1,546,077	9.22%
Total	18,624,308	100.00%	16,761,319	100.00%

By industry distribution

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by industry is analysed as follows:

	31 December 2020	31 December 2019
Transportation, storage and postal services	2,659,916	2,304,923
Manufacturing	1,718,400	1,655,775
Leasing and commercial services	1,517,265	1,252,193
Water, environment and public utility management	1,177,193	926,499
Production and supply of electricity, heating, gas and water	1,085,151	1,021,366
Real estate	958,314	908,254
Wholesale and retail	549,412	537,326
Finance	310,559	300,159
Construction	292,748	284,949
Science, education, culture and sanitation	272,189	231,260
Mining	219,701	211,241
Others	341,885	321,876
Subtotal for corporate loans	11,102,733	9,955,821
Personal mortgage and business loans	6,249,953	5,512,175
Others	865,326	871,449
Subtotal for personal loans	7,115,279	6,383,624
Discounted bills	406,296	421,874
Total for loans and advances to customers	18,624,308	16,761,319

(In RMB millions, unless otherwise stated)

By collaterals

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by collaterals is analysed as follows:

	31 December 2020	31 December 2019
Unsecured loans	6,259,230	5,369,713
Guaranteed loans	2,260,445	2,078,921
Loans secured by mortgages	8,703,068	7,884,774
Pledged loans	1,401,565	1,427,911
Total	18,624,308	16,761,319

Overdue loans and advances to customers

The composition of the Group's gross overdue loans and advances to customers (excluding accrued interest) by collaterals is analysed as follows:

	31 December 2020				
	Overdue for 1 to 90 days	Overdue for 90 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Unsecured loans	34,753	23,590	16,796	4,107	79,246
Guaranteed loans	19,315	20,100	18,985	7,639	66,039
Loans secured by mortgages	40,909	27,878	31,687	8,161	108,635
Pledged loans	3,986	3,252	4,999	1,350	13,587
Total	98,963	74,820	72,467	21,257	267,507

	31 December 2019				
	Overdue for 1 to 90 days	Overdue for 90 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Unsecured loans	27,232	21,684	17,831	5,474	72,221
Guaranteed loans	17,046	25,698	21,799	9,876	74,419
Loans secured by mortgages	35,613	36,689	25,003	11,186	108,491
Pledged loans	3,193	5,554	2,215	2,123	13,085
Total	83,084	89,625	66,848	28,659	268,216

(In RMB millions, unless otherwise stated)

(2) Debt securities investments

By issuers distribution

The following tables present an analysis of debt securities (excluding accrued interest) by types of issuers and investments:

	31 December 2020			
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Total
Governments and central banks	86,077	479,505	5,203,858	5,769,440
Policy banks	27,631	169,478	528,516	725,625
Banks and other financial institutions	247,628	281,215	369,815	898,658
Corporate entities	104,476	509,422	46,572	660,470
	465,812	1,439,620	6,148,761	8,054,193

	31 December 2019			
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Total
Governments and central banks	60,509	421,919	4,306,848	4,789,276
Policy banks	41,444	198,839	412,239	652,522
Banks and other financial institutions	179,106	306,242	340,218	825,566
Corporate entities	77,198	474,271	44,017	595,486
	358,257	1,401,271	5,103,322	6,862,850

By rating distribution

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of debt securities are located. The carrying amounts of debt securities investments (excluding accrued interest) analysed by rating as at the end of the reporting period are as follows:

	31 December 2020					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers):						
Governments and central banks	1,826,872	3,878,911	13,444	23,941	26,272	5,769,440
Policy banks	710,867	–	1,703	11,822	1,233	725,625
Banks and other financial institutions	333,991	372,867	23,110	95,765	72,925	898,658
Corporate entities	141,253	369,783	5,317	81,893	62,224	660,470
	3,012,983	4,621,561	43,574	213,421	162,654	8,054,193

(In RMB millions, unless otherwise stated)

	31 December 2019					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers):						
Governments and central banks	1,613,759	3,133,011	6,645	13,211	22,650	4,789,276
Policy banks	633,828	213	2,617	15,551	313	652,522
Banks and other financial institutions	281,128	365,377	18,672	84,343	76,046	825,566
Corporate entities	104,386	342,866	25,892	63,480	58,862	595,486
	2,633,101	3,841,467	53,826	176,585	157,871	6,862,850

(iii) Analysis on the credit quality of financial instruments

The Group's credit risk stages of financial instruments are as follows:

	31 December 2020							
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,537,795	–	–	3,537,795	–	–	–	–
Due from banks and other financial institutions	1,073,777	9,347	–	1,083,124	(1,214)	(13)	–	(1,227)
Reverse repurchase agreements	584,793	–	–	584,793	(117)	–	–	(117)
Loans and advances to customers	17,580,020	375,083	293,319	18,248,422	(223,703)	(89,151)	(217,446)	(530,300)
Financial investments	6,262,762	7,819	160	6,270,741	(2,234)	(2,718)	(121)	(5,073)
Precious metal leasing and lending	177,581	951	161	178,693	(479)	(120)	(104)	(703)
Total	29,216,728	393,200	293,640	29,903,568	(227,747)	(92,002)	(217,671)	(537,420)

Note: As simplified approach of impairment allowance is applied to other financial assets measured at amortised cost, three-stage model is not applicable.

	31 December 2020							
	Carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVOCI								
Loans and advances to customers	413,633	–	659	414,292	(211)	–	(650)	(861)
Financial investments	1,458,639	326	53	1,459,018	(2,206)	(22)	(240)	(2,468)
Total	1,872,272	326	712	1,873,310	(2,417)	(22)	(890)	(3,329)
Credit commitments	2,682,556	24,509	4,389	2,711,454	(22,021)	(2,957)	(1,732)	(26,710)

(In RMB millions, unless otherwise stated)

	31 December 2019							
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,317,916	–	–	3,317,916	–	–	–	–
Due from banks and other financial institutions	1,024,865	18,748	–	1,043,613	(1,219)	(26)	–	(1,245)
Reverse repurchase agreements	685,623	–	–	685,623	(94)	–	–	(94)
Loans and advances to customers	15,682,629	452,439	239,564	16,374,632	(215,316)	(78,494)	(184,688)	(478,498)
Financial investments	5,206,604	5,118	166	5,211,888	(2,255)	(1,339)	(127)	(3,721)
Precious metal leasing and lending	153,710	1,485	546	155,741	(524)	(333)	(272)	(1,129)
Total	26,071,347	477,790	240,276	26,789,413	(219,408)	(80,192)	(185,087)	(484,687)

Note: As simplified approach of impairment allowance is applied to other financial assets measured at amortised cost, three-stage model is not applicable.

	31 December 2019							
	Carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVOCI								
Loans and advances to customers	423,370	–	623	423,993	(227)	–	(5)	(232)
Financial investments	1,417,535	4,074	–	1,421,609	(1,778)	(80)	(198)	(2,056)
Total	1,840,905	4,074	623	1,845,602	(2,005)	(80)	(203)	(2,288)
Credit commitments	2,913,139	49,051	881	2,963,071	(25,266)	(3,072)	(196)	(28,534)

(b) Liquidity risk

Liquidity risk is the risk that funds will not be sufficient or will not be raised at a reasonable cost in a timely manner to meet the need of asset growth or repayment of debts due, although remaining solvent. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base;
- projecting cash flows and evaluating the level of current assets; and
- in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

(In RMB millions, unless otherwise stated)

(i) Maturity analysis of the assets and liabilities

The tables below summarise the maturity profile of the Group's assets and liabilities. The Group's expected the remaining maturity of its financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

	31 December 2020							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	910,499	2,101	3,238	20,301	–	–	2,601,656	3,537,795
Due from banks and other financial institutions (*)	227,610	866,392	339,155	345,966	36,773	5,289	–	1,821,185
Derivative financial assets	1,139	20,613	25,841	59,392	16,793	10,377	–	134,155
Loans and advances to customers	36,494	943,639	743,562	2,603,777	3,038,875	10,659,555	110,426	18,136,328
Financial investments								
— Financial investments measured at FVTPL	10,868	21,033	27,728	244,359	79,888	240,195	160,412	784,483
— Financial investments measured at FVOCI	–	77,937	102,340	269,234	683,550	325,957	81,970	1,540,988
— Financial investments measured at amortised cost	–	108,859	199,800	642,382	2,751,810	2,560,607	2,210	6,265,668
Investments in associates and joint ventures	–	–	–	–	–	–	41,206	41,206
Property and equipment	–	–	–	–	–	–	286,279	286,279
Others	324,947	179,867	138,401	28,909	18,471	39,108	67,268	796,971
Total assets	1,511,557	2,220,441	1,580,065	4,214,320	6,626,160	13,841,088	3,351,427	33,345,058
Liabilities:								
Due to central banks	51	–	555	52,373	1,995	–	–	54,974
Financial liabilities designated as at FVTPL	60,714	1,669	5,268	1,212	14,535	4,540	–	87,938
Derivative financial liabilities	1,738	21,579	32,207	58,840	15,722	10,887	–	140,973
Due to banks and other financial institutions (**)	2,130,667	390,573	202,816	272,281	54,030	27,326	–	3,077,693
Certificates of deposit	–	59,478	111,560	154,694	9,944	–	–	335,676
Due to customers	13,499,762	1,233,220	1,336,721	3,849,682	5,194,433	20,908	–	25,134,726
Debt securities issued	–	10,717	19,554	90,158	258,867	418,831	–	798,127
Others	128,581	167,625	81,164	298,621	95,489	33,956	–	805,436
Total liabilities	15,821,513	1,884,861	1,789,845	4,777,861	5,645,015	516,448	–	30,435,543
Net liquidity gap	(14,309,956)	335,580	(209,780)	(563,541)	981,145	13,324,640	3,351,427	2,909,515

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

	31 December 2019							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	615,890	1,018	3,850	20,743	–	–	2,676,415	3,317,916
Due from banks and other financial institutions (*)	181,267	846,498	310,639	493,006	55,302	842	–	1,887,554
Derivative financial assets	498	5,045	6,878	28,784	20,962	6,144	–	68,311
Loans and advances to customers	31,249	985,299	712,711	2,791,186	3,559,038	8,190,112	56,957	16,326,552
Financial investments								
— Financial investments measured at FVTPL	10,661	10,955	43,762	421,926	161,035	180,555	133,184	962,078
— Financial investments measured at FVOCI	–	43,068	87,534	242,037	759,038	289,932	55,263	1,476,872
— Financial investments measured at amortised cost	–	66,799	139,014	708,768	2,466,714	1,824,696	2,176	5,208,167
Investments in associates and joint ventures	–	–	–	–	–	–	32,490	32,490
Property and equipment	–	–	–	–	–	–	286,561	286,561
Others	268,114	78,408	41,887	21,220	27,945	31,242	74,119	542,935
Total assets	1,107,679	2,037,090	1,346,275	4,727,670	7,050,034	10,523,523	3,317,165	30,109,436
Liabilities:								
Due to central banks	–	–	141	–	876	–	–	1,017
Financial liabilities designated as at FVTPL	60,486	760	2,054	21,629	14,812	2,501	–	102,242
Derivative financial liabilities	769	5,440	6,547	42,466	22,830	7,128	–	85,180
Due to banks and other financial institutions (**)	1,623,797	354,801	215,289	250,474	46,856	38,629	–	2,529,846
Certificates of deposit	–	78,222	158,141	110,912	8,153	–	–	355,428
Due to customers	12,461,763	1,063,032	1,581,922	4,725,038	3,121,105	24,795	–	22,977,655
Debt securities issued	–	14,399	24,999	77,835	276,082	349,560	–	742,875
Others	109,527	148,125	58,588	214,862	60,474	31,614	–	623,190
Total liabilities	14,256,342	1,664,779	2,047,681	5,443,216	3,551,188	454,227	–	27,417,433
Net liquidity gap	(13,148,663)	372,311	(701,406)	(715,546)	3,498,846	10,069,296	3,317,165	2,692,003

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the consolidated statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

	31 December 2020							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	910,499	2,101	6,750	20,301	–	–	2,601,656	3,541,307
Due from banks and other financial institutions (*)	227,824	867,500	341,302	352,359	40,478	298,328	–	2,127,791
Loans and advances to customers (**)	41,245	1,041,610	983,897	3,570,003	6,424,534	17,121,574	527,557	29,710,420
Financial investments								
— Financial investments measured at FVTPL	10,953	21,431	28,274	227,824	115,710	271,393	150,441	826,026
— Financial investments measured at FVOCI	–	82,953	104,163	290,770	765,296	386,509	75,956	1,705,647
— Financial investments measured at amortised cost	–	109,760	207,927	761,694	3,331,990	3,136,236	3,150	7,550,757
Others	595,580	27,405	19,349	8,449	9,248	88	791	660,910
	1,786,101	2,152,760	1,691,662	5,231,400	10,687,256	21,214,128	3,359,551	46,122,858

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

	31 December 2020							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	52	–	526	52,403	1,987	–	–	54,968
Financial liabilities designated as at FVTPL	61,159	1,671	5,278	1,212	14,658	4,540	–	88,518
Due to banks and other financial institutions (*)	2,167,704	391,443	203,992	276,707	58,071	32,352	–	3,130,269
Certificates of deposit	–	59,707	113,008	154,446	10,474	–	–	337,635
Due to customers	13,506,194	1,233,820	1,376,867	3,957,547	5,401,402	21,395	–	25,497,225
Debt securities issued	–	11,012	23,469	112,222	353,643	495,458	–	995,804
Others	498,427	9,467	5,647	14,894	62,143	28,620	–	619,198
	16,233,536	1,707,120	1,728,787	4,569,431	5,902,378	582,365	–	30,723,617
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	2,743	(1,860)	6,822	(581)	(47)	–	7,077
Derivative financial instruments settled on gross basis								
Including: Cash inflow	97,545	980,305	655,210	1,119,090	189,256	26,883	–	3,068,289
Cash outflow	(95,502)	(873,719)	(494,113)	(846,380)	(179,399)	(25,437)	–	(2,514,550)
	2,043	106,586	161,097	272,710	9,857	1,446	–	553,739

(*) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

	31 December 2019							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	615,890	1,018	7,463	20,743	–	–	2,676,415	3,321,529
Due from banks and other financial institutions (*)	181,303	849,397	314,046	502,881	59,472	1,691	–	1,908,790
Loans and advances to customers (**)	34,735	1,060,503	911,870	3,516,705	6,309,480	12,914,107	239,473	24,986,873
Financial investments								
— Financial investments measured at FVTPL	10,371	10,634	44,638	399,486	181,783	202,154	131,736	980,802
— Financial investments measured at FVOCI	–	43,294	89,714	266,634	843,800	349,679	50,326	1,643,447
— Financial investments measured at amortised cost	–	67,422	145,481	810,717	2,941,781	2,146,968	3,097	6,115,466
Others	369,736	21,787	12,345	5,769	5,887	60	684	416,268
	1,212,035	2,054,055	1,525,557	5,522,935	10,342,203	15,614,659	3,101,731	39,373,175

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

	31 December 2019							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	–	–	141	–	876	–	–	1,017
Financial liabilities designated as at FVTPL	60,547	762	2,062	23,413	15,116	2,501	–	104,401
Due to banks and other financial institutions (*)	1,624,350	356,090	217,433	255,480	52,646	52,003	–	2,558,002
Certificates of deposit	–	78,593	159,434	111,849	10,886	–	–	360,762
Due to customers	12,463,090	1,066,170	1,686,585	5,012,827	3,704,857	25,960	–	23,959,489
Debt securities issued	–	15,025	29,741	98,866	362,680	567,317	–	1,073,629
Others	360,741	7,917	3,290	7,539	31,018	18,327	–	428,832
	14,508,728	1,524,557	2,098,686	5,509,974	4,178,079	666,108	–	28,486,132
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	28	(208)	85	(923)	240	–	(778)
Derivative financial instruments settled on gross basis								
Including: Cash inflow	49,846	619,031	400,059	2,696,186	1,616,510	34,653	–	5,416,285
Cash outflow	(52,452)	(605,109)	(401,263)	(2,717,224)	(1,612,491)	(34,825)	–	(5,423,364)
	(2,606)	13,922	(1,204)	(21,038)	4,019	(172)	–	(7,079)

(*) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

(iii) Analysis of credit commitments by contractual expiry date

Management does not expect all of the commitments will be drawn before the expiry of the commitments.

	31 December 2020						
	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	1,179,024	113,370	214,884	528,653	361,217	314,306	2,711,454

	31 December 2019						
	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	1,309,180	114,410	197,065	469,933	747,810	124,673	2,963,071

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The analysis of the interest rate risk in the banking book is disclosed in note 51(d).

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.

The Group considers the market risk arising from stock prices fluctuations in respect of its investment portfolios as immaterial.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolios. The following sections include a VaR analysis by risk type of the Group's trading portfolios of the parent company and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

(In RMB millions, unless otherwise stated)

(i) VaR

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a specified level of confidence. The Bank adopts a historical simulation model to calculate and monitor trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

A summary of VaR by risk type of the Bank's trading portfolios is as follows:

	2020			
	31 December 2020	**Average**	**Highest**	**Lowest**
Interest rate risk	64	49	161	29
Currency risk	230	157	268	62
Commodity risk	41	40	94	14
Total portfolio VaR	264	171	284	73

	2019			
	31 December 2019	**Average**	**Highest**	**Lowest**
Interest rate risk	35	47	71	24
Currency risk	88	84	112	54
Commodity risk	15	40	77	6
Total portfolio VaR	91	108	140	64

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there is a diversification effect due to the correlation amongst the risk factors, the individual VaR does not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, mainly including the following:

(1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose of positions within that period without restriction, the price of the financial instruments will fluctuate in the specified range, and the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

(2) Even though positions may change throughout the day, VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level; and

(3) VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.

(In RMB millions, unless otherwise stated)

(ii) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations, foreign exchange dealings and overseas investments.

The exchange rate of RMB to USD is managed under a floating exchange rate system. The HKD exchange rate has been pegged to USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

The Group manages its currency risk through various methods, including limitation management and risk hedging to hedge currency risk, and performing currency risk sensitivity analysis and stress testing regularly.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on and off the balance sheet on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before taxation and equity. A negative amount in the table reflects a potential net reduction in profit before taxation or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this currency risk.

Currency	Change in currency rate	Effect on profit before taxation		Effect on equity	
		2020	2019	2020	2019
USD	-1%	(155)	(146)	(402)	(379)
HKD	-1%	306	260	(1,552)	(1,492)

While the tables above indicates the effect on profit before taxation and equity of 1% depreciation of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

(In RMB millions, unless otherwise stated)

A breakdown of the assets and liabilities analysed by currency is as follows:

	31 December 2020				
	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total (equivalent to RMB)
Assets:					
Cash and balances with central banks	3,258,416	143,125	21,381	114,873	3,537,795
Due from banks and other financial institutions (*)	1,083,840	591,437	23,981	121,927	1,821,185
Derivative financial assets	77,834	31,640	10,693	13,988	134,155
Loans and advances to customers	16,643,324	822,891	337,456	332,657	18,136,328
Financial investments					
— Financial investments measured at FVTPL	736,199	30,251	5,377	12,656	784,483
— Financial investments measured at FVOCI	1,089,386	311,551	29,136	110,915	1,540,988
— Financial investments measured at amortised cost	6,078,227	107,089	10,743	69,609	6,265,668
Investments in associates and joint ventures	14,354	1,019	169	25,664	41,206
Property and equipment	147,506	136,037	713	2,023	286,279
Others	381,037	157,713	6,613	251,608	796,971
Total assets	29,510,123	2,332,753	446,262	1,055,920	33,345,058
Liabilities:					
Due to central banks	50,796	523	–	3,655	54,974
Financial liabilities designated as at FVTPL	13,183	6,207	179	68,369	87,938
Derivative financial liabilities	84,174	32,326	10,787	13,686	140,973
Due to banks and other financial institutions (**)	2,182,407	686,933	32,959	175,394	3,077,693
Certificates of deposit	39,224	178,537	23,957	93,958	335,676
Due to customers	23,571,992	883,119	377,699	301,916	25,134,726
Debt securities issued	478,569	272,067	4,744	42,747	798,127
Others	583,037	196,560	11,170	14,669	805,436
Total liabilities	27,003,382	2,256,272	461,495	714,394	30,435,543
Net long/(short) position	2,506,741	76,481	(15,233)	341,526	2,909,515
Credit commitments	2,001,018	464,057	70,784	175,595	2,711,454

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

	31 December 2019				
	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total (equivalent to RMB)
Assets:					
Cash and balances with central banks	3,035,646	141,588	10,890	129,792	3,317,916
Due from banks and other financial institutions (*)	1,214,612	562,308	37,690	72,944	1,887,554
Derivative financial assets	30,693	19,773	7,341	10,504	68,311
Loans and advances to customers	14,809,532	869,350	351,007	296,663	16,326,552
Financial investments					
— Financial investments measured at FVTPL	909,353	32,450	6,076	14,199	962,078
— Financial investments measured at FVOCI	1,041,158	320,611	36,698	78,405	1,476,872
— Financial investments measured at amortised cost	5,030,922	102,767	13,345	61,133	5,208,167
Investments in associates and joint ventures	2,981	930	152	28,427	32,490
Property and equipment	186,232	97,883	751	1,695	286,561
Others	235,342	103,146	5,550	198,897	542,935
Total assets	26,496,471	2,250,806	469,500	892,659	30,109,436
Liabilities:					
Due to central banks	–	141	–	876	1,017
Financial liabilities designated as at FVTPL	20,845	14,433	22	66,942	102,242
Derivative financial liabilities	45,060	23,546	6,157	10,417	85,180
Due to banks and other financial institutions (**)	1,713,312	658,857	27,766	129,911	2,529,846
Certificates of deposit	28,202	231,440	16,247	79,539	355,428
Due to customers	21,509,155	837,901	369,830	260,769	22,977,655
Debt securities issued	370,064	320,025	11,719	41,067	742,875
Others	490,017	110,278	19,481	3,414	623,190
Total liabilities	24,176,655	2,196,621	451,222	592,935	27,417,433
Net long position	2,319,816	54,185	18,278	299,724	2,692,003
Credit commitments	2,249,604	499,355	78,134	135,978	2,963,071

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(d) Interest rate risk in the banking book

Interest rate risk in the banking book is defined as the risk of loss in the overall gain and economic value of the banking book arising from adverse movements in interest rate and term structure, etc. This risk may occur in the following situations: when the interest rate fluctuates, because the repricing period of different financial instruments is different, the debt interest rate repricing date is earlier than the asset interest rate when interest rate rising and vice versa. The bank will face to the risk of reduced or even negative spreads over certain period of time; when the pricing benchmark interest rates are different, the changes in the benchmark interest rates are inconsistent; when there are embedded option terms or implied options in the business of holding options derivatives or banking book's on- and off-balance sheet business; and due to changes in expected default levels or market liquidity, the market's assessment of the credit quality of financial instruments changes, leading to changes in credit spreads.

The Group manages the interest rate risk of banking book through the Asset and the Liability Management Department, following methods have been adopted:

- Interest rate prediction: analysing the macroeconomic factors that may impact on the PBOC benchmark interest rates and market interest rates;
- Duration management: optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities;
- Pricing management: managing the deviation of the pricing of interest-generating assets and the benchmark interest rates or market interest rates;
- Quota management: optimising the positions of interest-generating assets and interest-bearing liabilities and control the impact on profit and loss and equity; and
- Derivative trading: using interest rate derivatives for hedging management in a timely manner.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net interest income and equity. The data set out in the following tables includes trading book's data.

The effect of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at year end that are subject to repricing within the coming year, including the effect of hedging instruments. The effect of equity is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate financial assets measured at FVOCI held at year end, including the effect of any associated hedges.

(In RMB millions, unless otherwise stated)

	31 December 2020			
	Increased by 100 basis points		Decreased by 100 basis points	
Currency	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

	31 December 2019			
	Increased by 100 basis points		Decreased by 100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(6,951)	(29,652)	6,951	32,313
USD	(979)	(6,416)	979	6,420
HKD	(3,630)	(43)	3,630	43
Others	1,553	(1,144)	(1,553)	1,147
Total	(10,007)	(37,255)	10,007	39,923

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

(In RMB millions, unless otherwise stated)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities:

	31 December 2020					
	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	3,190,119	–	–	–	347,676	3,537,795
Due from banks and other financial institutions (*)	1,405,431	345,048	35,806	5,289	29,611	1,821,185
Derivative financial assets	–	–	–	–	134,155	134,155
Loans and advances to customers	6,912,607	10,463,879	406,172	336,693	16,977	18,136,328
Financial investments						
— Financial investments measured at FVTPL	117,682	130,810	71,188	147,550	317,253	784,483
— Financial investments measured at FVOCI	272,625	258,282	614,011	314,100	81,970	1,540,988
— Financial investments measured at amortised cost	384,141	638,819	2,688,862	2,553,846	–	6,265,668
Investments in associates and joint ventures	–	–	–	–	41,206	41,206
Property and equipment	–	–	–	–	286,279	286,279
Others	3,121	70	–	–	793,780	796,971
Total assets	12,285,726	11,836,908	3,816,039	3,357,478	2,048,907	33,345,058
Liabilities:						
Due to central banks	574	52,373	1,992	–	35	54,974
Financial liabilities designated as at FVTPL	4,972	63	11,618	14	71,271	87,938
Derivative financial liabilities	–	–	–	–	140,973	140,973
Due to banks and other financial institutions (**)	2,715,947	268,836	52,264	27,239	13,407	3,077,693
Certificates of deposit	174,300	154,366	7,010	–	–	335,676
Due to customers	15,597,045	3,808,680	5,137,289	20,242	571,470	25,134,726
Debt securities issued	169,119	60,501	149,678	418,829	–	798,127
Others	2,625	5,987	16,703	6,426	773,695	805,436
Total liabilities	18,664,582	4,350,806	5,376,554	472,750	1,570,851	30,435,543
Interest rate mismatch	(6,378,856)	7,486,102	(1,560,515)	2,884,728	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The data set out in the above table includes trading book's data.

(In RMB millions, unless otherwise stated)

	31 December 2019					
	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	2,970,858	–	–	–	347,058	3,317,916
Due from banks and other financial institutions (*)	1,317,721	491,964	52,363	842	24,664	1,887,554
Derivative financial assets	–	–	–	–	68,311	68,311
Loans and advances to customers	10,849,253	4,966,835	320,940	135,154	54,370	16,326,552
Financial investments						
— Financial investments measured at FVTPL	124,802	128,720	45,262	102,776	560,518	962,078
— Financial investments measured at FVOCI	232,121	233,683	677,791	278,014	55,263	1,476,872
— Financial investments measured at amortised cost	289,260	700,577	2,405,542	1,812,788	–	5,208,167
Investments in associates and joint ventures	–	–	–	–	32,490	32,490
Property and equipment	–	–	–	–	286,561	286,561
Others	3,395	76	–	–	539,464	542,935
Total assets	15,787,410	6,521,855	3,501,898	2,329,574	1,968,699	30,109,436
Liabilities:						
Due to central banks	141	–	876	–	–	1,017
Financial liabilities designated as at FVTPL	834	19,762	12,068	–	69,578	102,242
Derivative financial liabilities	–	–	–	–	85,180	85,180
Due to banks and other financial institutions (**)	2,212,773	236,160	38,775	38,624	3,514	2,529,846
Certificates of deposit	245,817	102,708	6,903	–	–	355,428
Due to customers	14,687,406	4,670,307	3,084,830	24,008	511,104	22,977,655
Debt securities issued	231,676	39,201	122,446	349,552	–	742,875
Others	2,549	5,087	15,970	7,211	592,373	623,190
Total liabilities	17,381,196	5,073,225	3,281,868	419,395	1,261,749	27,417,433
Interest rate mismatch	(1,593,786)	1,448,630	220,030	1,910,179	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The data set out in the above table includes trading book's data.

(e) Capital management

The Group's objectives on capital management are:

- Maintain reasonable capital adequacy ratio to continuously meet regulatory requirements on capital. Keeping stable capital base to ensure the Group's business growth and the implementation of business development and strategic plan in order to achieve comprehensive, coordinated and sustainable development;
- Adopt the advanced measurement approaches, improve the internal capital adequacy assessment process (ICAAP), disclose information on capital management, cover all types of risks, and ensure the stable operation of the Group;
- Integrate the quantified results of various risks into daily management, establish a bank value management system with economic capital as the core tool, improve the policy, process and application management system, strengthen the capital constraint and incentive mechanism, enhance the product pricing and decision-making capabilities, and improve the capital allocation efficiency; and
- Make reasonable use of various capital instruments, continuously enhance capital strengths, refine capital structure, improve capital quality, reduce capital cost, and maximize shareholder returns.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk profile of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or repurchase own shares, qualifying additional tier 1 capital instruments, qualifying tier 2 capital instruments and convertible bonds, etc.

The Group's Management monitors the capital adequacy ratios regularly based on regulations issued by the CBIRC. The required information is respectively filed with the CBIRC by the Group semi-annually and quarterly.

From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations. In April 2014, the former CBRC officially approved the Bank to adopt advanced capital management approaches. Within the scope of the approval, the foundation internal ratings-based (IRB) approach is adopted to corporate credit risk, the IRB approach to retail credit risk, the internal model approach (IMA) to market risk, and the standardized approach to operational risk meeting regulatory requirements.

Domestic commercial banks should meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Regulation Governing Capital of Commercial Banks (Provisional). For domestic systemically important banks, minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should reach 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, corresponding minimum ratios should reach 7.50%, 8.50% and 10.50%, respectively. In addition, overseas entities are directly regulated by local banking regulatory commissions, and the requirements of capital adequacy ratios differ by countries.

The Group calculates the following core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and relevant requirements. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

The capital adequacy ratios and related components of the Group are calculated in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

(In RMB millions, unless otherwise stated)

The capital adequacy ratios calculated after implementation of the advanced capital management approaches are as follows:

	31 December 2020	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
Tier 2 capital deductions	–	–
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	–
Net capital base	3,396,186	3,121,479
Risk-weighted assets (i)	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%

(i) Refers to risk-weighted assets after capital floor and adjustments.

52. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement operating procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial Accounting Department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. Risk Management Department is responsible for verifying trade details and valuation models.

The following is a description of the fair value of the financial instruments recorded at fair value which are determined using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments

Financial investments valued using valuation techniques mainly consist of debt securities, asset-backed securities, and unlisted equity instruments. The main inputs used by the Group in valuing these investments includes either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current interest rates; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

A majority of the financial investments classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

Structured products are mainly valued using dealer's quotations.

Loans and advances to customers

The loans and advances to customers valued by the valuation technology are mainly the bill business and the discounted cash flow model is used. For the bank acceptance bill, based on the different credit risk of the acceptor, the interest rate curve is set up with the actual transaction data in the market as the sample; for the commercial bill, based on the interbank offered rate, the interest rate curve is constructed according to the credit risk and liquidity point difference adjustment.

Other liabilities designated as at fair value through profit or loss

For unquoted other liabilities designated as at FVTPL, the discounted cash flow model is used based on current yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads; and Heston model is applied based on yield curves, foreign exchange forward rates, foreign exchange rate volatilities, etc., which is calibrated by active market quotes of standard European options with the same underlying.

(In RMB millions, unless otherwise stated)

(a) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Derivative financial assets	4,691	127,773	1,691	134,155
Reverse repurchase measured at FVTPL	–	154,612	–	154,612
Loans and advances to customers measured at FVTPL	–	3,586	328	3,914
Loans and advances to customers measured at FVOCI	–	414,292	–	414,292
Financial investments measured at FVTPL				
Debt securities	7,580	392,186	66,046	465,812
Equity investments	17,300	2,718	73,710	93,728
Funds and other investments	24,128	175,252	25,563	224,943
	49,008	570,156	165,319	784,483
Financial investments measured at FVOCI				
Debt securities	349,978	1,108,576	464	1,459,018
Equity investments	8,504	14,250	59,216	81,970
	358,482	1,122,826	59,680	1,540,988
	412,181	2,393,245	227,018	3,032,444
Financial liabilities which are measured at fair value on a recurring basis:				
Due to customers	–	693,173	–	693,173
Financial liabilities designated as at FVTPL	331	86,992	615	87,938
Derivative financial liabilities	5,846	133,531	1,596	140,973
	6,177	913,696	2,211	922,084

(In RMB millions, unless otherwise stated)

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Derivative financial assets	4,650	62,651	1,010	68,311
Reverse repurchase measured at FVTPL	–	159,657	–	159,657
Loans and advances to customers measured at FVTPL	–	5,276	1,149	6,425
Loans and advances to customers measured at FVOCI	7,637	416,356	–	423,993
Financial investments measured at FVTPL				
Debt securities	6,002	299,342	52,913	358,257
Equity investments	14,410	2,037	64,172	80,619
Funds and other investments	26,224	441,534	55,444	523,202
	46,636	742,913	172,529	962,078
Financial investments measured at FVOCI				
Debt securities	341,281	1,080,281	47	1,421,609
Equity investments	1,017	9,351	44,895	55,263
	342,298	1,089,632	44,942	1,476,872
	401,221	2,476,485	219,630	3,097,336
Financial liabilities which are measured at fair value on a recurring basis:				
Due to customers	–	896,318	–	896,318
Financial liabilities designated as at FVTPL	48	101,602	592	102,242
Derivative financial liabilities	3,990	80,138	1,052	85,180
	4,038	1,078,058	1,644	1,083,740

(In RMB millions, unless otherwise stated)

(b) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and financial liabilities which are recorded at fair value and the movement during the year:

	1 January 2020	Total gains/(losses) recorded in profit or loss	Total losses recorded in other comprehensive income	Additions	Disposals and Settlements	Transfer in/ (out) of level 3	31 December 2020
Financial assets:							
Derivative financial assets	1,010	782	–	33	(345)	211	1,691
Loans and advances to customers measured at FVTPL	1,149	(61)	–	–	(760)	–	328
Financial investments measured at FVTPL							
Debt securities	52,913	1,679	–	13,909	(2,436)	(19)	66,046
Equity investments	64,172	1,319	–	12,604	(2,203)	(2,182)	73,710
Funds and other investments	55,444	(117)	–	6,575	(24,268)	(12,071)	25,563
Financial investments measured at FVOCI							
Debt securities	47	–	–	464	(47)	–	464
Equity investments	44,895	–	(528)	18,298	(2,025)	(1,424)	59,216
	219,630	3,602	(528)	51,883	(32,084)	(15,485)	227,018
Financial liabilities:							
Financial liabilities designated as at FVTPL	(592)	(23)	–	–	–	–	(615)
Derivative financial liabilities	(1,052)	108	–	(2)	377	(1,027)	(1,596)
	(1,644)	85	–	(2)	377	(1,027)	(2,211)

	1 January 2019	Total gains/(losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	Additions	Disposals and Settlements	Transfer out of level 3	31 December 2019
Financial assets:							
Derivative financial assets	960	944	–	17	(519)	(392)	1,010
Loans and advances to customers measured at FVTPL	444	19	–	686	–	–	1,149
Financial investments measured at FVTPL							
Debt securities	34,727	3,255	–	16,803	(1,235)	(637)	52,913
Equity investments	20,107	20	–	44,899	(172)	(682)	64,172
Funds and other investments	151,513	488	–	31,097	(127,580)	(74)	55,444
Financial investments measured at FVOCI							
Debt securities	143	–	(1)	47	(142)	–	47
Equity investments	19,489	–	(1,714)	27,121	(1)	–	44,895
Other investments	307	–	33	–	(340)	–	–
	227,690	4,726	(1,682)	120,670	(129,989)	(1,785)	219,630
Financial liabilities:							
Financial liabilities designated as at FVTPL	(1,372)	(160)	–	–	107	833	(592)
Derivative financial liabilities	(2,174)	(203)	–	(89)	244	1,170	(1,052)
	(3,546)	(363)	–	(89)	351	2,003	(1,644)

(In RMB millions, unless otherwise stated)

Gains or losses on level 3 financial instruments included in the statement of net profit or loss for the year comprise:

	2020		
	Realised	Unrealised	Total
Net gains for the year	1,012	2,675	3,687

	2019		
	Realised	Unrealised	Total
Net gains for the year	782	3,581	4,363

(c) Transfers between levels

(i) Transfers between level 1 and level 2

Due to changes in market conditions for certain securities, quoted prices in active markets were available for these securities. Therefore, these securities were transferred from level 2 to level 1 of the fair value hierarchy as at the end of the reporting period.

Due to changes in market conditions for certain securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities were transferred from level 1 to level 2 of the fair value hierarchy as at the end of the reporting period.

During the year, the transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

(ii) Transfers between level 2 and level 3

As at the end of the reporting period, certain financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy for financial assets and liabilities when significant inputs used in their fair value measurements, which was previously unobservable became observable.

During the year, certain derivatives financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy when significant inputs used in their fair value measurements such as market price volatility, which was previously unobservable became observable.

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives, certain debt securities, asset-backed securities, and certain unlisted equity instruments. These financial instruments are valued using cash flow discount method and market approach, which incorporate various non-observable assumptions such as discount rate, market rate volatilities, expected rate of return, and market liquidity discounts.

As at 31 December 2020, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

(In RMB millions, unless otherwise stated)

(e) Fair value of financial assets and liabilities not carried at fair value

No significant difference between the carrying amount and the fair value of the financial assets and financial liabilities not measured at fair value, except for the following items:

	31 December 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	6,265,668	6,299,526	88,094	6,072,770	138,662
	6,265,668	6,299,526	88,094	6,072,770	138,662
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	430,064	432,954	–	432,954	–
	430,064	432,954	–	432,954	–

	31 December 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	5,208,167	5,293,114	92,991	4,979,955	220,168
	5,208,167	5,293,114	92,991	4,979,955	220,168
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	350,204	355,307	–	355,307	–
	350,204	355,307	–	355,307	–

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and financial liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these financial assets and financial liabilities:

(i) The fair values of financial investments measured at amortised cost relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of financial investments measured at amortised cost irrelevant to the restructuring of the Bank are determined based on the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of subordinated bonds and tier 2 capital notes are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

(In RMB millions, unless otherwise stated)

53. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2020	31 December 2019
ASSETS		
Cash and balances with central banks	3,459,273	3,251,450
Due from banks and other financial institutions	1,242,972	1,189,496
Derivative financial assets	90,669	35,991
Reverse repurchase agreements	560,271	644,278
Loans and advances to customers	17,307,271	15,469,899
Financial investments	7,948,361	7,087,260
— Financial investments measured at FVTPL	574,295	804,076
— Financial investments measured at FVOCI	1,265,920	1,212,515
— Financial investments measured at amortised cost	6,108,146	5,070,669
Investments in subsidiaries	147,383	145,320
Investments in associates	34,242	34,242
Property and equipment	131,865	127,518
Deferred income tax assets	65,858	60,829
Other assets	642,714	365,179
TOTAL ASSETS	31,630,879	28,411,462
LIABILITIES		
Due to central banks	54,304	1,017
Financial liabilities designated as at FVTPL	70,938	85,555
Derivative financial liabilities	94,891	50,726
Due to banks and other financial institutions	2,707,115	2,162,131
Repurchase agreements	90,113	74,384
Certificates of deposit	277,683	297,696
Due to customers	24,338,306	22,178,290
Income tax payable	87,273	92,907
Debt securities issued	658,765	594,828
Other liabilities	461,743	302,505
TOTAL LIABILITIES	28,841,131	25,840,039
EQUITY		
Share capital	356,407	356,407
Other equity instruments	219,143	199,456
Reserves	816,623	756,163
Retained profits	1,397,575	1,259,397
TOTAL EQUITY	2,789,748	2,571,423
TOTAL EQUITY AND LIABILITIES	31,630,879	28,411,462

Chen Siqing
Chairman

Liao Lin
Vice Chairman and President

Liu Yagan
General Manager of Finance and Accounting Department

54. AFTER THE REPORTING PERIOD EVENT

The Profit Distribution Plan

A final dividend of RMB0.2660 (pre-tax) per share after the appropriation of statutory surplus reserve and general reserve, was approved at the board of directors' meeting held on 26 March 2021, and is subject to the approval of the Bank's shareholders at the forthcoming annual general meeting. Based on the number of ordinary shares issued as at 31 December 2020, the final dividend amounted to approximately RMB94,804 million. The dividend payable was not recognised as a liability as at 31 December 2020.

Issuance of Tier 2 Capital Bonds

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.

55. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

In accordance with the requirements of the Notice on Strictly Implementing Accounting Standards for Enterprises and Effectively Strengthening the Work of Enterprises' 2020 Annual Reports issued by the Ministry of Finance of the People's Republic of China, State-owned Assets Supervision and Administration Commission of the State Council, the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission, the Bank reclassified credit card instalment fee income and related expenses from fees and commission income and related expenses to interest income and other operating income (net), and adjusted the comparative figures for the same period accordingly.

56. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2021.

(In RMB millions, unless otherwise stated)

(a) Illustration of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company under PRC GAAP and IFRSs for the year ended 31 December 2020 (2019: no differences). There are no differences between the equity attributable to equity holders of the parent company under PRC GAAP and IFRSs as at 31 December 2020 (As at 31 December 2019: no differences).

(b) Foreign currency concentrations

	31 December 2020			
	USD	HKD	Others	Total
Spot assets	2,195,697	445,380	1,028,233	3,669,310
Spot liabilities	(2,240,038)	(461,495)	(713,341)	(3,414,874)
Forward purchases	2,856,506	327,221	457,654	3,641,381
Forward sales	(2,864,682)	(208,738)	(754,429)	(3,827,849)
Net option position	(14,060)	3,651	(1,597)	(12,006)
Net (short)/long position	(66,577)	106,019	16,520	55,962
Net structural position	120,822	882	26,634	148,338

	31 December 2019			
	USD	HKD	Others	Total
Spot assets	2,151,993	468,597	862,537	3,483,127
Spot liabilities	(2,175,878)	(451,222)	(591,767)	(3,218,867)
Forward purchases	2,492,467	223,694	500,414	3,216,575
Forward sales	(2,479,103)	(122,258)	(726,443)	(3,327,804)
Net option position	(63,983)	(118)	(1,593)	(65,694)
Net (short)/long position	(74,504)	118,693	43,148	87,337
Net structural position	78,070	903	28,954	107,927

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- property and equipment, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries, associates and joint ventures.

(In RMB millions, unless otherwise stated)

(c) Loans and advances to customers (excludes accrued interest)

(i) Overdue loans and advances to customers

	31 December 2020	31 December 2019
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	32,328	36,916
Between 6 and 12 months	42,492	52,709
Over 12 months	93,724	95,507
	168,544	185,132
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.17%	0.23%
Between 6 and 12 months	0.23%	0.31%
Over 12 months	0.50%	0.56%
	0.90%	1.10%

The definition of overdue loans and advances to customers is set out as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans and advances would be classified as overdue.

(ii) Overdue loans and advances to customers by geographical distribution

	31 December 2020	31 December 2019
Head Office	36,358	37,579
Bohai Rim	46,167	51,665
Western China	40,207	40,266
Central China	38,411	41,351
Pearl River Delta	28,398	21,804
Yangtze River Delta	41,772	26,608
Northeastern China	25,489	37,190
Overseas and others	10,705	11,753
	267,507	268,216

(iii) Rescheduled loans and advances to customers

	31 December 2020		31 December 2019	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	11,960	0.06%	7,319	0.04%
Less: Rescheduled loans and advances overdue for more than three months	(2,055)	(0.01%)	(1,335)	(0.01%)
Rescheduled loans and advances overdue for less than three months	9,905	0.05%	5,984	0.03%

(In RMB millions, unless otherwise stated)

(d) Exposures to Chinese mainland non-bank entities

The Bank is a commercial bank incorporated in Chinese mainland with its banking business primarily conducted in Chinese mainland. As at 31 December 2020, substantial amounts of the Bank's exposures arose from businesses with Chinese mainland entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

(e) 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 securitisation	–	–	
14	Unrealised gains and losses due to changes in own credit risk on fair valued liabilities	–	–	
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	–	–	
16	Direct or indirect investments in own ordinary shares	–	–	
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	–	–	

(In RMB millions, unless otherwise stated)

Item		31 December 2020	31 December 2019	Reference
18	Deductible amount of non-significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
19	Deductible amount of significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
20	Mortgage servicing rights	N/A	N/A	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of deferred tax liabilities)	–	–	
22	Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of deferred tax assets arising from temporary differences (net of deferred tax liabilities)	–	–	
23	Including: Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions	–	–	
24	Including: Deductible amount of mortgage servicing rights	N/A	N/A	
25	Including: Deductible amount in deferred tax assets arising from temporary differences	–	–	
26a	Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980	X11
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	**Total regulatory adjustments to core tier 1 capital**	**16,053**	**15,500**	
29	**Core tier 1 capital**	**2,653,002**	**2,457,274**	
Additional tier 1 capital:				
30	Additional tier 1 capital instruments and related premium	219,143	199,456	
31	Including: Portion classified as equity	139,156	199,456	X28+X32
32	Including: Portion classified as liabilities	79,987	–	
33	Invalid instruments to additional tier 1 capital after the transition period	–	–	
34	Valid portion of minority interests	647	793	X26
35	Including: Invalid portion to additional tier 1 capital after the transition period	–	–	
36	**Additional tier 1 capital before regulatory adjustments**	**219,790**	**200,249**	
Additional tier 1 capital: Regulatory adjustments				
37	Direct or indirect investments in own additional tier 1 instruments	–	–	

(In RMB millions, unless otherwise stated)

Item		31 December 2020	31 December 2019	Reference
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	–	–	
41a	Investments in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41b	Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41c	Others that should be deducted from additional tier 1 capital	–	–	
42	Undeducted shortfall that should be deducted from tier 2 capital	–	–	
43	**Total regulatory adjustments to additional tier 1 capital**	**–**	**–**	
44	**Additional tier 1 capital**	**219,790**	**200,249**	
45	**Tier 1 capital (core tier 1 capital + additional tier 1 capital)**	**2,872,792**	**2,657,523**	
Tier 2 capital:				
46	Tier 2 capital instruments and related premium	351,568	272,680	X17
47	Invalid instruments to tier 2 capital after the transition period	40,570	60,855	
48	Valid portion of minority interests	1,114	1,707	X27
49	Including: Invalid portion to tier 2 capital after the transition period	–	439	
50	Valid portion of surplus provision for loan impairment	170,712	189,569	X02+X04
51	**Tier 2 capital before regulatory adjustments**	**523,394**	**463,956**	
Tier 2 capital: Regulatory adjustments				
52	Direct or indirect investments in own tier 2 instruments	–	–	
53	Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	–	–	
54	Deductible portion of non-significant minority investment in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
55	Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	–	X31
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	–	–	

(In RMB millions, unless otherwise stated)

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

(In RMB millions, unless otherwise stated)

(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.

(In RMB millions, unless otherwise stated)

	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	30,435,543	30,242,073	27,417,433	27,271,337
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	2,909,515	2,900,481	2,692,003	2,684,206

(*) Prepared in accordance with PRC GAAP.

(In RMB millions, unless otherwise stated)

(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
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

(In RMB millions, unless otherwise stated)

Item	31 December 2020 Balance sheet under regulatory scope of consolidation	Reference
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	
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			
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital
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	EUR600
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
Perpetual or dated	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	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

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)
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
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

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)
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
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	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A

Main features of regulatory	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				
Including: 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: 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	RMB equivalent 19,687
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

(In RMB millions, unless otherwise stated)

Main features of regulatory	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)
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
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 date of redemption or conversion of all the Domestic Preference Shares	23 September in each year after the First Redemption Date

(In RMB millions, unless otherwise stated)

Main features of regulatory	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)
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 Non-Viability Trigger Event occurs
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

Main features of regulatory	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)	Preference shares (Offshore)
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	N/A
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts and tier 2 capital bonds	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts, 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

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
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
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

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
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
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, pari passu with other subordinated debts	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

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank	The Bank
Unique identifier	1928006	1928007	1928011	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				
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	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	Tier 2 capital
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
Including: Subsequent call dates, if applicable	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
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.26%	4.51%	4.40%	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

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
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
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			
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)	RMB60,000	RMB30,000	RMB10,000
Par value of instrument (in millions)	RMB60,000	RMB30,000	RMB10,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	22 September 2020	12 November 2020	12 November 2020
Perpetual or dated	Dated	Dated	Dated
Including: Original maturity date	24 September 2030	16 November 2030	16 November 2035
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	24 September 2025 in full amount	16 November 2025 in full amount	16 November 2030 in full amount
Including: Subsequent call dates, if applicable	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
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, 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
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

(In RMB millions, unless otherwise stated)

(f) 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%

(In RMB millions, unless otherwise stated)

(g) Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

		Fourth-quarter 2020	
S/N	Item	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.

(In RMB millions, unless otherwise stated)

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

No.	Item	31 December 2020				
		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:	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
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".

(In RMB millions, unless otherwise stated)

		30 September 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:	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
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".

List of Domestic and Overseas Branches and Offices

Domestic Institutions

ANHUI BRANCH
Address: No. 189 Wuhu Road, Hefei City, Anhui Province, China
Postcode: 230001
Tel: 0551-62869178/62868101
Fax: 0551-62868077

BEIJING BRANCH
Address: Tower B, Tianyin Mansion, No. 2 Fuxingmen South Street, Xicheng District, Beijing, China
Postcode: 100031
Tel: 010-66410579
Fax: 010-66410579

CHONGQING BRANCH
Address: No. 9 Jiangnan Road, Nan'an District, Chongqing, China
Postcode: 400060
Tel: 023-62918002
Fax: 023-62918059

DALIAN BRANCH
Address: No. 5 Zhongshan Square, Dalian City, Liaoning Province, China
Postcode: 116001
Tel: 0411-82378888
Fax: 0411-82808377

FUJIAN BRANCH
Address: No. 108 Gutian Road, Fuzhou City, Fujian Province, China
Postcode: 350005
Tel: 0591-88087819/88087000
Fax: 0591-83353905/83347074

GANSU BRANCH
Address: No. 408 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province, China
Postcode: 730030
Tel: 0931-8434172
Fax: 0931-8435166

GUANGDONG BRANCH
Address: No. 123 Yanjiangxi Road, Guangzhou City, Guangdong Province, China
Postcode: 510120
Tel: 020-81308130
Fax: 020-81308789

GUANGXI BRANCH
Address: No. 15-1 Jiaoyu Road, Nanning City, Guangxi Zhuang Autonomous Region, China
Postcode: 530022
Tel: 0771-5316617
Fax: 0771-5316617/2806043

GUIZHOU BRANCH
Address: No. 200 Zhonghua North Road, Yunyan District, Guiyang City, Guizhou Province, China
Postcode: 550001
Tel: 0851-88620004/88620018
Fax: 0851-85963911

HAINAN BRANCH
Address: No. 54 Heping South Road, Haikou City, Hainan Province, China
Postcode: 570203
Tel: 0898-65303138/65342829
Fax: 0898-65342986

HEBEI BRANCH
Address: Tower B, Zhonghua Shangwu Tower, No. 188 Zhongshan West Road, Shijiazhuang City, Hebei Province, China
Postcode: 050051
Tel: 0311-66000001/66001999
Fax: 0311-66000002/66001889

HENAN BRANCH
Address: No. 99 Jingsan Road, Zhengzhou City, Henan Province, China
Postcode: 450011
Tel: 0371-65776888/65776808
Fax: 0371-65776889/65776988

HEILONGJIANG BRANCH
Address: No. 218 Zhongyang Street, Daoli District, Harbin City, Heilongjiang Province, China
Postcode: 150010
Tel: 0451-84668023/84668577
Fax: 0451-84698115

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