兴业银行
INDUSTRIAL BANK CO.,LTD.

THE FIRST EQUATOR BANK IN CHINA

2020

ANNUAL REPORT

股票代码:601166

Important Notice

The Company's Board of Directors, Board of Supervisors, directors, supervisors and senior management members hereby warrant that the information contained in this annual report is free from false representation, misleading statement or material omission, and assume joint and several liabilities.

The twenty-seventh meeting of the ninth session of the Board of the Company was held on March 30, 2021. Thirteen directors shall attend the meeting, and thirteen directors actually attended it. Director Fu Anping entrusted Director Tao Yiping to attend the meeting and exercise voting rights on behalf of him. Director Paul M.Theil attended the meeting by telephone. The meeting considered and approved the 2020 annual report and the summary thereof.

The financial data and indicators contained in this annual report were prepared in compliance with the PRC Generally Accepted Accounting Principles. Unless otherwise specified, they represented the consolidated data. The monetary sums expressed in RMB in this annual report.

KPMG Huazhen LLP has audited the Company's 2020 financial statements in accordance with the Chinese Auditing Standards ("CAS") and has issued a standard auditors' report with unqualified opinions.

The Company's director and president Tao Yiping (performing the duties of the legal representative) and general manager of the financial department Lai Furong hereby warrant that the financial statements in the 2020 annual report are true, accurate and complete.

The plan of dividends distribution for ordinary shares for the reporting period considered by the Board of Directors: based on the total capital of 20,774,190,751 shares, cash dividend of RMB8.02 (inclusive of tax) should be distributed for every 10 ordinary shares.

The plan of dividends distribution for preferred shares is as follows: the total nominal value of the preferred shares of "Industrial P1" is RMB13 billion and proposed dividends to be paid for 2020 are RMB722 million with an annual dividend yield of 5.55%; the total nominal value of the preferred shares of "Industrial P2" is RMB13 billion with 5.40% coupon rate in the first interest cycle, the coupon rate of "Industrial P2" in the second interest cycle has been adjusted to 4.63% since June 24, 2020 and proposed dividends to be paid for 2020 of "Industrial P2"are RMB650 million in total; the total nominal value of the preferred shares of "Industrial P3" is RMB30 billion and proposed dividends to be paid for 2020 are RMB1.47 billion with an annual dividend yield of 4.90%.

Investors are advised to read the full content of this annual report carefully. Perspective and forward-looking statements regarding future financial conditions, operating performance, business development and business plan contained in this report do not constitute any substantive commitment of the Company to investors. Investors should pay attention to investment risks.

The Board of Directors specially reminds investors that the risk factors the Company is subject to have been listed in detail in this report. Please refer to "Operation Discussion and Analysis" for risk factor the Company is subject to and the risk management analysis.

President's Statement

Despite major changes and the raging pandemic in the year 2020, we stay firm to our original aspirations, kept in mind major undertakings essential to the fate of the country, upheld our strategic direction, and like a commercial and investment bank vessel, smoothly sailed to the blue ocean, riding the wind and waves.

At the end of the year, the Bank's total assets and total liabilities both achieved double-digit growth, the NPL ratio and balance declined for the first time in nearly five years, the operating income exceeded RMB200 billion, the provision coverage returned to above 200%, the profit before provision increased rapidly, and the synchronous improvement of scale, quality and efficiency further verified the achievement of high-quality development and high-value-based banks. The Bank's ranking in the Global Top 1000 Banks continued to rise, and its environmental, social and corporate governance rating maintained the highest A level in the domestic banking industry. We maintained before the curve, weakened the characteristics of pro-cyclical industries as far as possible, basically completed the strategic restructuring of the balance sheet to endure highly sustainable quality of assets on and off the balance sheet, and kept the liquidity index at a good historical level. These achievements laid a solid foundation for our stable and sustainable development.

We stayed royal to our mission and maximized our value. We unswervingly followed the country's call for fighting against epidemic and poverty and kept the oath of growing with customers. We approved every qualified loan application, postponed and reviewed loans as far as possible. We have overfulfilled key regulatory targets such as manufacturing loans, inclusive small and micro loans, financial poverty alleviation loans, and deferred repayment of principal and interest. More than RMB60 million was donated to help 51 poverty-stricken points get rid of poverty. The brand "Xing Gong Yi" was created and tens of thousands of customers benefited from finance in the process of resumption of work, production and getting rid of poverty. We integrated our social responsibilities with our business to seek common development. When the country regains its vitality, we have been deeply rooted in the real economy and laid the most solid foundation for our strategy. We thank all timely assistance and pay tribute to every unyielding dream!

The road ahead is long. At a historic juncture when the time-frames of the two centenary goals converge, it is also the key node for our strategic transformation to go out of the labor period, enter the critical period, and move towards the harvest period. New development stage, new development concept and new development pattern were put forward. "Green" has become the most important background of high-quality development. Capital market has become the engine to drive the high-level circulation of science and technology, capital and real economy. Financial investment became the main carrier of property preservation and appreciation for the world's largest middle-income group. The "commercial bank + investment bank" mode connected the huge customers of commercial bank with the diverse products of investment bank. It not only has the unique advantage of turning green water and green mountains into golden mountains and silver mountains, but also can smooth the closed-loop of assets and funds. Following the trend and amid fierce competition, we focused on the "commercial bank + investment bank" mode, consolidated and strengthened the original foundation and build three golden "business cards" of green bank, wealth bank and investment bank. It is time to face up to competition.

We are committed to becoming a top green financial comprehensive service provider in the market, make progress on the basis of the mid-term target of "two ten thousand", and improve the green financial supply system based on the expanding green scenario from urban renewal to rural revitalization. In particular, we take carbon peak and carbon neutralization as the core, financing + intelligence as the carrier, trading + market making as the starting point, and carbon rights + carbon sink as the target to maintain advantage in carbon finance and boost social wealth accumulation. By virtue of green finance, we will further enhance the relationship between banks and governments, between banks and enterprises, restructure capital light major assets, attract responsible investors, and add the most alluring charm to "commercial bank + investment bank".

All-out effort will be made to develop ourselves into a top wealth management bank in the market, create a more open investment ecosystem, select good product from the whole market, and serve the all-round and full-cycle needs for asset allocation of residents, institutions, enterprises and all types of customers in the same industry. It has been a tradition for people to invest with spare money to realize their dreams. We will keep in mind that every gain not comes easily, wholeheartedly serve every customer, refine our expertise, safeguard the interest of customers, and provide satisfactory services. Starting from scratch, we have been pragmatic in mining high-yield assets and share joys and sorrows with small and medium sized financial institutions. In the future, we will make as many good assets as possible into good products, and deliver good products to customers all over the country through the Bank-to-Bank Platform and other networks. Relying on the two unique advantages of asset organization mining and peer channel mutual benefits, we will vigorously promote our wealth bank and make it stand out from other products.

We strive to become the top resource integrator of investment banks in the market, continuously promote the construction of investment banking ecosystem, comprehensively improve the ability of asset organization, sales and direct matching off balance sheet, extend the advantages from bond underwriting to the whole direct financing market, change the mode from holding assets to managing assets, continue to keep the increase of off-balance sheet financing beyond on-balance sheet, and drive the demand of wealth management with the supply of investment bank assets. By virtue of investment bank, we would seize the opportunities posed by emerging industries, serve the most dynamic customers, and share the value creation of flourishing China to the greatest extent in the process of helping to form a high-level supply system.

In this ever-changing world and to bring our dream to fruition, we will keep struggling for a brighter future. Whoever's feet are covered with dust will be the first to arrive.

President:

Director, Vice President
Chen Jinguang

Director, Vice President,
Secretary of the Board
Chen Xinjian

Vice President
Sun Xiongpeng

Supervisor
Zhang Guoming

2020 Honors and Awards

According to Forbes' list of "Top 2000 Global Companies" in 2020, the Company ranked 57th, 7th among domestic banks on the list.

According to the list of "2020 Top 1000 Global Banks" released by the British magazine The Banker, the Company ranked 21st in terms of Tier 1 capital, up two places from the previous year; ranked 27th in terms of total assets, up 1 place from the previous year. According to the list of the "Best Performing Bank of China" firstly released by the magazine, the Company ranked fourth.

Won the 2020 "Best Performing Private Bank" and "Best Private Bank for Digital Marketing and Communication (Asia)" by the British magazine The Banker and PWM.

Won the title of "My Favorite Chinese Brand" granted by China National Brand, and its anti-epidemic cases were selected as typical cases in "Brand Power in Global Anti-epidemic".

Won the "Best Supply Chain Finance Bank" and "Best Green Finance Bank of the Year" in the 2020 "China's Excellent Transaction Bank" and "China's Excellent Green Finance" selection organized by Asiamoney.

According to the 2020 Environmental, Social and Governance (ESG) Rating released by MSCI, the largest index provider in the world, the Company was rated A, and it won the highest rating among domestic banks for the second consecutive year.

Won the "Best Sustainable Bank in China" in the 2020 "Finance Asia's Country Awards" selection by the magazine Finance Asia.

Won the "Excellent Commercial Bank in Asia" and "2020 Targeted Poverty Alleviation Financial Institution" in the 15th session of 21st Century Annual Finance Summit of Asia · 21st Century Asian Finance Competitiveness Selection.

Won the 2020 "Outstanding Contributor for Inclusive Finance" in the 11st session of 2020 Golden Tripod Award selection by National Business Daily.

Won five awards such as "Best Financial Innovation Award", "Top Ten Private Enterprises Financial Service Innovation Award", "Top Ten Investment Bank Innovation Award", "Top Ten Small- and Micro-Enterprises Financial Service Innovation Award" and "Top Ten Family Trust Management Innovation Award" in "China's Financial Innovation Award" jointly sponsored by The Banker, Institute of Finance and Banking at the Chinese Academy of Social Sciences and Central University of Finance and Economics

Won the title of "Most Socially Responsible Listed Company" in "the Tenth Chinese Listed Company Word of Reputation List for 2020" selection organized by National Business Daily.

Won the "2020 Outstanding Listed Company" in the 5th Session of "Golden Sail Award" held by 21st Century Business Herald.

The Financial Service Cloud, the online comprehensive financial service platform established and operated by the Company, won the award of "2020 Outstanding Inclusive Financial Innovation Services Platform" in the 2020 Thirteenth PRC Asset Management Golden Shell Award selection organized by 21st Century Business Herald.

Won the 2020 "Best Joint Stock Bank for SMEs in China" award by The Asian Banker.

Recognized as the "Annual Commercial Bank with the Most Investment Value" in the "2020 Golden Bridge Award" organized by Investor China.

Won the "Social Responsibility Award of Chinese Listed Companies" in the 14th Session of Evaluation on the Value of Chinese Listed Companies sponsored by Securities Times.

Won the "Award of China Business Top 100 for the Year of 2020" in the 20th Session of China Business Top 100 Forum jointly held by the organizing committee of China Business Top 100 Forum and Warton Economic Institute.

Won the "Interaction Awards for Small and Medium Investors" in the "National Selection of Investor Relations of Listed Companies" sponsored by p5w.net.

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Definition

In this report, unless the context otherwise specified, the following terms have the meanings set forth below:

Industrial Bank/the Company	Industrial Bank Co., Ltd.
Group/the Group	Industrial Bank Co., Ltd. and its subsidiaries
Central Bank/PBOC	The People's Bank of China
CSRC	China Securities Regulatory Commission
CBIRC	China Banking and Insurance Regulatory Commission
KPMG Huazhen	KPMG Huazhen LLP
Industrial Financial Leasing	Industrial Bank Financial Leasing Co., Ltd.
Industrial Trust	China Industrial International Trust Limited
Industrial Fund	CIB Fund Management Co., Ltd.
Industrial Consumer Finance	Industrial Consumer Finance Co., Ltd.
CIB Wealth Management	CIB Wealth Management Co., Ltd.
Industrial Futures	Industrial Futures Co., Ltd.
CIB Research	CIB Economic Research and Consulting Co., Ltd.
CIB FINTECH	CIB FINTECH (Shanghai) Co., Ltd.
Industrial Asset Management	China Industrial Asset Management Co., Ltd.
Yuan	RMB Yuan

Corporate Profile and Key Financial Indicators

I. Corporate profile

Legal Chinese name: 兴业银行股份有限公司

(Abbreviation: 兴业银行)

Legal English name: INDUSTRIAL BANK CO., LTD.

Legal representative: Tao Yiping (performing the duties of the legal representative)

Secretary of the Board of Directors: Chen Xinjian

Representative of securities affairs: Li Dapeng

Address: 154 Hudong Road, Fuzhou, PRC

Tel: (86) 591-87824863

Fax: (86) 591-87842633

Email: irm@cib.com.cn

Registered address: 154 Hudong Road, Fuzhou, PRC

Address: 154 Hudong Road, Fuzhou, PRC

Postal Code: 350003

Website: www.cib.com.cn

Designated newspapers for information disclosure: China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by CSRC for publishing annual reports: www.sse.com.cn

Location of annual reports filing: the Company's office of the Board of Directors

Brief introduction of company stock:

Classes of stock	The stock exchange	Stock abbreviation	Stock code
A shares	Shanghai Stock Exchange	Industrial Bank	601166
Preferred shares	Shanghai Stock Exchange	Industrial P1	360005
		Industrial P2	360012
		Industrial P3	360032

Other related information:

Certified public accountants firm engaged by the Company: KPMG Huazhen LLP

Office address: 8/F, KPMG Tower, Oriental Plaza, 1 Dongchang'an Jie, Dongcheng District, Beijing, the PRC

Names of the signing accountants: Shi Jian, Chen Sijie

Sponsor performing continuous monitoring: GF Securities Co., Ltd.; Industrial Securities Co., Ltd.

Office address: GF Securities Tower, 26 Machang Road, Tianhe District, Guangzhou; No.268 Hudong Road, Fuzhou

Names of signing representatives of sponsor: Huang Luyedan, Wu Guangbin; Zhang Jun, Yu Xiaoqun

Period for continuous monitoring: From April 26, 2019 to December 31, 2020

This report is prepared in both Chinese and English. Should there be any discrepancy in interpretation, the Chinese version shall prevail.

II. Key accounting data and financial indicators for last three years

(I) Key accounting data and financial indicators

Unit: RMB million

Item	2020	2019	Increase/decrease in 2020 compared with 2019 (%)	2018
Operating income	**203,137**	181,308	12.04	158,287
Profit before tax	**76,637**	74,503	2.86	68,077
Net profit attributable to the shareholders of the parent company	**66,626**	65,868	1.15	60,620
Net profit attributable to the shareholders of the parent company, after deduction of non-recurring gains and losses	**66,218**	65,458	1.16	60,048
Basic EPS (Yuan)	**3.08**	3.10	(0.65)	2.85
Diluted EPS (Yuan)	**3.08**	3.10	(0.65)	2.85
Basic EPS, after deduction of non-recurring gains and losses (Yuan)	**3.06**	3.08	(0.65)	2.82
ROA (%)	**0.90**	0.96	Down 0.06 percentage point	0.93
Weighted average ROE (%)	**12.62**	14.02	Down 1.40 percentage points	14.27
Weighted average ROE, after deduction of non-recurring gains and losses (%)	**12.54**	13.93	Down 1.39 percentage points	14.13
Cost-to-income ratio (%)	**24.16**	26.03	Down 1.87 percentage points	26.89
Cash flows from operating activities	**(34,228)**	(588,009)	Negative in the same period of last year	(356,099)
Net cash flow per share from operating activities (Yuan)	**(1.65)**	(28.31)	Negative in the same period of last year	(17.14)

Item	December 31, 2020	December 31, 2019	Increase/decrease in the end 2020 compared with the end of 2019 (%)	December 31, 2018
Total assets	**7,894,000**	7,145,681	10.47	6,711,657
Shareholders' equity attributable to the shareholders of the parent company	**615,586**	541,360	13.71	465,953
Owners' equity attributable to the ordinary shareholders of the parent company	**529,784**	485,518	9.12	440,048
Net assets per share attributable to the ordinary shareholders of the parent company (Yuan)	**25.50**	23.37	9.12	21.18
NPL ratio (%)	**1.25**	1.54	Down 0.29 percentage point	1.57
Provision coverage ratio (%)	**218.83**	199.13	Up 19.70 percentage points	207.28
Provision-to-loan ratio (%)	**2.74**	3.07	Down 0.33 percentage point	3.26

Notes: 1. Basic EPS and weighted average ROE were calculated based on "Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No.9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (2010 Revision)".
2. As at the end of the reporting period, the Company issued an aggregate of RMB56 billion preferred shares (Industrial P1, Industrial P2 and Industrial P3) with non-cumulative dividends. The dividends of the preferred shares for 2020 have not yet been distributed, which will be distributed after approval by the general shareholders' meeting.
3. The Company has reclassified the credit card instalment business from fee and commission income to interest income since 2020. The relevant financial indicators of fee and commission income and interest income for the previous period have been restated.

(II) 2020 quarterly financial data

Unit: RMB million

Item	The first quarter (January-March)	The second quarter (April-June)	The third quarter (July-September)	The fourth quarter (October-December)
Operating income	**50,258**	**49,759**	**51,766**	**51,354**
Net profit attributable to the shareholders of the listed company	**20,985**	**11,605**	**19,285**	**14,751**
Net profit attributable to the shareholders of the listed company, after deduction of non-recurring gains and losses	**20,975**	**11,500**	**19,125**	**14,618**
Net cash flow from operating activities	**74,801**	**(103,800)**	**(57,069)**	**51,840**

(III) Items and amounts of non-recurring gains and losses

Unit: RMB million

Item	2020	2019	2018
Gains and losses on the disposal of non-current assets	**3**	36	20
Government grants recognized in profit or loss	**510**	363	655
Net other non-operating income and expense	**89**	239	144
Impact on income tax	**(168)**	(177)	(231)
Total	**434**	461	588
Non-recurring gains and losses attributable to the shareholders of the parent company	**408**	410	572
Non-recurring gains and losses attributable to minority shareholders	**26**	51	16

(IV) Supplementary financial data

Unit: RMB million

Item	December 31, 2020	December 31, 2019	December 31, 2018
Total liabilities	**7,269,197**	6,596,029	6,239,073
Placements from banks and other financial institutions	**179,161**	190,989	220,831
Total deposits	**4,042,894**	3,759,063	3,303,512
Including: Demand deposits	**1,614,827**	1,463,908	1,254,858
Time deposits	**2,113,615**	2,003,549	1,814,016
Other deposits	**314,452**	291,606	234,638
Total loans	**3,965,674**	3,441,451	2,934,082
Including: Corporate loans	**2,043,500**	1,796,080	1,608,207
Personal loans	**1,714,471**	1,449,547	1,166,404
Discounted bills	**207,703**	195,824	159,471
Loan loss provisions	**108,661**	105,581	95,637
Including: Loan loss provisions at fair value through other comprehensive income	**593**	728	N/A

(V) Capital adequacy ratio

Unit: RMB million

Key indicator	December 31, 2020	December 31, 2019	December 31, 2018
Net capital	**762,803**	684,547	577,582
Including: Core Tier 1 capital	**529,366**	485,821	441,197
Other Tier 1 capital	**85,942**	55,953	25,970
Tier 2 capital	**148,409**	143,659	111,247
Deductions	**914**	886	832
Total risk weighted assets	**5,663,756**	5,123,362	4,734,315
Capital adequacy ratio (%)	**13.47**	13.36	12.20
Tier 1 capital adequacy ratio (%)	**10.85**	10.56	9.85
Core Tier 1 capital adequacy ratio (%)	**9.33**	9.47	9.30

Note: Data in this table are calculated in accordance with the Capital Rules for Commercial Banks (Provisional) and based on data reported to regulatory authorities.

(VI) Supplementary financial indicators

Unit: %

Key indicator	Standard value	December 31, 2020	December 31, 2019	December 31, 2018
Loan-to-deposit ratio (converted to RMB)	-	**92.54**	85.76	83.90
Liquidity ratio (converted to RMB)	⩾ 25	**67.39**	75.07	66.52
Proportion of loans to the largest single borrower	⩽ 10	**1.67**	1.38	1.59
Proportion of loans to the top ten borrowers	⩽ 50	**10.61**	11.00	10.99
Migration ratio of normal loans	-	**2.07**	2.38	2.10
Migration ratio of special mention loans	-	**31.23**	38.81	43.90
Migration ratio of substandard loans	-	**62.42**	79.55	61.36
Migration ratio of doubtful loans	-	**18.03**	36.12	21.22

Notes: 1. Data in this table are those before consolidation, and data of subsidiaries are not included in this table.

2. Data in this table are calculated based on data reported to regulatory authorities.

(VII) Changes in shareholders' equity during the reporting period

Unit: RMB million

Item	Amount at the end of previous year	Increase during the period	Decrease during the period	Closing balance
Share capital	20,774	-	-	**20,774**
Other equity instruments	55,842	29,960	-	**85,802**
Capital reserve	74,914	-	-	**74,914**
Other comprehensive income	3,232	-	3,981	**(749)**
General reserve	78,525	9,010	-	**87,535**
Surplus reserve	10,684	-	-	**10,684**
Undistributed earnings	297,389	66,626	27,389	**336,626**
Equity attributable to the shareholders of the parent company	541,360	105,596	31,370	**615,586**

(VIII) Items measured at fair value

Unit: RMB million

Item	December 31, 2019	Changes in fair value for the period recognized in gains and losses	Accumulated changes in fair value recognized in equity	Provision for impairment made/ (reversed) in the period	December 31, 2020
Precious metals	252	118	-	-	**4,807**
Derivative financial assets	32,724	(3,397)	-	-	**59,396**
Derivative financial liabilities	31,444				**61,513**
Loans and advances to customers	198,163	1	(12)	(135)	**209,067**
Trading financial assets	652,034	(4,929)	-	-	**823,927**
Other debt investments	599,382	95	(7,247)	2,483	**516,368**
Other equity instrument investments	1,929	-	(285)	-	**2,388**
Trading financial liabilities	4,214	(7)	-	-	**16,062**

Business Overview of the Company

I. Main businesses of the Company and conditions of the industry

(I) Main businesses

Founded in August 1988, the Company is one of the first group of joint-stock commercial banks approved by the State Council and the People's Bank of China. On February 5, 2007, the Company was listed on the Shanghai Stock Exchange. Currently, the Company has developed into a comprehensive financial service group with banking business as the core, covering business areas such as leasing, trust, funds, consumption finance, wealth management, futures, research and consultation, digital finance and asset management.

The Company is mainly engaged in commercial bank services, its main business scope includes: deposits taking; provision of short-, medium- and long-term loans; domestic and international settlement; bills acceptance and discounting; issue of financial bonds; agency issue, cashing and underwriting of government bonds; trading of government bonds and financial bonds; agency issue of negotiable securities except stock; trading and agency trading of negotiable securities except stock; asset custody; interbank borrowing and lending; trading or agency trading of foreign exchange; settlement and sales of foreign exchange; bank card business; L/C services and guarantee; agency collections and payments and agency insurance; safe-box services, financial consulting, credit investigation, consulting, witness business and other banking activities approved by the China banking regulation and administration agencies.

(II) Conditions of the industry and development trend during the reporting period

In 2020, under the strong leadership of the Party Central Committee, China withstood the severe test brought by the COVID-19 pandemic, maintained stable operation of the financial market, resolved financial risks in a steady and orderly manner and steadily promoted systematic, institutionalized and transparent two-way financial opening. The government launched more targeted and effective prudent monetary policies, focused on unblocking the policy transmission channels and improving transmission efficiency, maintained a reasonable abundance of market liquidity, and guided social financing costs downward by releasing reform dividends, which strongly supported the pandemic prevention and control and economic recovery. Moreover, China further improved the differentiated and refined regulatory framework, introduced policies to improve the supervision of financial holding companies and systemically important banks, comprehensively promoted the deepening reform of small and medium-sized institutions such as municipal commercial banks and rural credit cooperatives, regulated the new business model based on digital technology, rectified the market order, and strengthened the prospective prevention and control of new types of potential risks. It also further deepened the reform of the registration and delisting systems, improved the quality of listed companies, promoted the capital market to be more law-based, market-oriented and international, optimized the capital market's function of allocating factor resources, and intensified efforts to crack down on violations of law and regulations.

Financial institutions in the banking industry overcame the impact of the pandemic, effectively responded to various risks, insisted on serving the real economy and helped enterprises resume work and production. At the end of the year, the total assets of commercial banks amounted to RMB319.7 trillion, up 10.1% compared with the end of the previous year and reasonable fee reductions and profits surrender were made to the real economy, achieving a net profit of RMB1.94 trillion for the year, down 2.7% year-on-year. More than RMB3 trillion of non-performing assets were disposed of, while provisioning efforts and replenishing of capital were strengthened through multiple channels to enhance the ability to withstand risks. In a new stage of high-quality development, commercial banks, guided by the new development concept, actively integrated into the new development pattern. Combined with the orientation of spatial layout adjustment and optimization of the national land, they strengthened regional coordination and synergy and supported the implementation of key national strategies. They continuously strengthened inclusive finance, small and micro finance, poverty alleviation finance and private enterprise services, improved risk prevention and control capabilities by digital tools, innovated service models and helped supply chains and industrial chains improve operational efficiency. In line with the general trend of low-carbon development, they explored the integration of ESG concepts into all aspects of business management and further upgraded the green financial service system. They actively grasped the opportunity to deepen the opening up to the outside world, made good use of the international and domestic markets and resources, accelerated the innovation of cross-border financial services, improved the construction of overseas service platforms and network layout and provided strong protection for the in-depth promotion of the "Belt and Road" strategy.

II. Explanation on major changes of main assets during the reporting period

As at the end of the reporting period, the total assets of the Company stood at RMB7,894.00 billion, up 10.47% compared with the end of previous year, of which loans increased by 15.23% compared with the end of previous year; and various net investments were increased by 7.24% compared with the end of previous year. Refer to "Analysis of the Balance Sheet" as discussed and analyzed in "OPERATION DISCUSSION AND ANALYSIS".

III. Analysis of core competitiveness

Keeping in mind the original intention and mission of "exploring the path for financial reform and making contributions to economic development", guided by the ambitious goal of "First-class Bank, Everlasting CIB", the Company is committed to becoming an excellent integrated financial service group. It has inherited and promoted the excellent business gene of striving for innovation and fighting spirits, continued to cultivate business characters and professional advantages, focused on the direction of high-quality development, firmly promoted the change of business philosophy from high-rate growth to high-quality development and from scale bank to value-based bank, which laid a solid foundation for the Company's long-term and healthy development and enhanced the Company's market competitiveness.

Clear strategic objectives. The Company has been committed to the fundamental starting point of "serving the real economy, preventing and controlling financial risks", accurately grasped the development trend of financial marketization, integration and diversification, and planned the layout based on its own resource endowment. From "large wealth products under large asset management of a large investment bank" to the construction of "settlement, investment and transaction" bank, to the "1234" strategy system, with the consistent development philosophy of "customers as the foundation, commercial banking as the carrier, and investment banking as the functional arm", the Company has maintained its strategic determination and achieved a clear and mature implementation path and more remarkable operational results.

Distinctive business characteristics. The Company has been persisting in focusing on customer and enhancing its technological empowerment and prominent innovation capability according to their needs. The Company has built new products and businesses in many segmented business areas and opens its own "blue ocean" with distinct operation characteristics. The Company is the first among its domestic peers to lay out the capital market, explore the innovation of financing instruments such as bonds, trusts, leasing and asset securitization, and lead the development of new businesses such as FICC, investment banking, asset management and asset custody. As the first equator bank in China, the Company has taken the lead in elevating sustainable development to the level of corporate strategy and corporate governance and has made green finance a core strategic business of the Group. The Company has gradually built up an intra-group, multi-level and comprehensive green financial products and services system, pioneered the social responsibility practice model of "righteousness in profit", and was awarded the MSCI global ESG rating of A for two consecutive years.

Complete service functions. The Company sticks to the multi-market and comprehensive development. Based on two dimensions of expanding bank business and multi-industry operation, the Company steadily pushed forward the comprehensive and intra-group integrated process, established a modern comprehensive financial service system focusing on banking and covering business areas including trust, leasing, funds, futures, asset management, consumption finance, wealth management, digital finance and research and consultation. Each subsidiary was deeply integrated into the "1234" strategic system, focused on main business, refined expertise, complemented functions and developed differently so as to jointly build a high-quality, efficient and professional comprehensive financial service system.

Standardized and efficient operation. The Company has been persisting in improving internal operation efficiency through standardized, professional and scientific management and continued to improve the corporate governance mechanism of "leadership of the Party Committee, strategic decision-making by the Board of Directors, implementation by the senior management, and supervision by the Board of Supervisors in accordance with the law". In accordance with national policy guidance and changes in the market environment, the Company continued to adjust organizational structure, optimize institutional mechanism, built a process bank, and took the lead in the industry in establishing an inclusive financial business system. The Company established a management structure with relative separation of customer and product departments, and traditional and new business and optimized supporting mechanisms and processes to enhance the endogenous power of transformation and development.

Deep cultural heritage. The Company has continuously upheld the core values of rationality, innovation, people-based and sharing, inherited and carried forward the excellent cultural genes formed in the process of long-term development, forming a cultural heritage with the characteristics of business promotion. The Company actively promoted the culture of dedication to fulfill its responsibilities, the culture of striving to win, the culture of collaboration to be pragmatic and responsible, and the culture of homeland to work together, which are the common value orientation and code of conduct of the whole group and guarantee the Company's stability and sustainable development.

IV. Strategy implementation

During the reporting period, the Company insisted on the transformation direction of "light asset, light capital and high efficiency", aimed to become an excellent integrated financial service provider, promoted the change of the Company's business philosophy from product-driven to customer-driven, the business model from high-rate growth to high-quality development and the positioning from scale bank to value-based bank, so as to drive the steady improvement of brand value. The Company maintained investment grade in Moody's and Fitch ratings, while the ESG rating of MSCI remained the highest A grade in China for two consecutive years. The Company's ranking of "Top 1000 World Banks" by Tier 1 capital and total assets jumped to 21 and 27 respectively.

Following the general trend of market-oriented financial development, focusing on the comprehensive financial service needs of the real economy, the Company has been firmly implementing the "1234" strategy, deeply promoting the business layout of "commercial banking + investment banking" and striving to build a new pattern of joint development of on-balance-sheet and off-balance-sheet businesses and parallel development of commercial banking and investment banking. Based on the new development stage, adhering to the new development concept, the Company built new development pattern, further integrated the advantages of bond underwriting, asset management, FICC and other competitive products, the group's comprehensive operating advantages of multiple licenses, and the advantages of peer alliance formed by long-term service to the financial industry. Meanwhile, it focused on building the "scenario ecosystem", "investment banking ecosystem" and "investment ecosystem", helping to improve the value of enterprises, the residents' wealth and the construction of ecological civilization, contributing financial power to the high-quality development of economy and society.

(I) Continuous optimization of on-balance-sheet and off-balance-sheet businesses

The Company adjusted business layout around the strategy of "commercial banking + investment banking", formed a more reasonable business structure and income structure and achieved optimization of on-balance-sheet structure and incremental off-balance-sheet development. **The Company insisted on refining on-balance-sheet businesses,** strengthening asset portfolio management and liability structure management and achieving double-digit growth in both total assets and total liabilities. Among them, loans grew by 15.23% to RMB3.97 trillion, maintaining the top position among banks of the same type in terms of increment and growth, and the proportion of total assets increased by 2.08 percentage points to 50.24%; deposits grew by 7.55% to RMB4.04 trillion, accounting for 55.62% of total liabilities, and legal interest rate deposits grew by 12.64% to RMB3.70 trillion compared with the end of the previous year. By opportunistically adjusting the maturity structure of liabilities, costs dropped significantly, driving net interest margin up by 11 BP year-on-year and liquidity indicators to fully meet regulatory requirements. **The Company vigorously developed off-balance-sheet businesses.** At the investment banking end, it maintained the first position in the market in underwriting non-financial corporate debt instruments, made breakthroughs in underwriting foreign debt and financial bonds, steadily advanced in equity investment and initially formed the circle of partners of Xing Cai Zi. The incremental amount of off-balance-sheet corporate financing exceeded that of on-balance-sheet financing; at the wealth end, the Company maintained the leading position in capital management, and continued to improve the "Group-wide + Market-wide" product shelves, enhanced the omnichannel sales capacity of "retail + corporate finance + interbank" and enjoyed a steady increase in the fee income related to investment banking and financial market.

(II) Solid construction of "three financial ecosystems"

The Company continued to expand its circle of partners along the direction of building a "settlement, investment, and transaction" bank and continuously improved the effectiveness of its marketing services. By building the scenario ecosystem, the Company enhanced customer stickiness and settlement deposit capacity, expanded customer scale, and strengthened the foundation of commercial banking; built the investment banking ecosystem to provide sufficient sources for building assets both on and off-balance sheet; built the investment ecosystem to form a new large wealth business pattern by making two-way efforts with self-management and agency.

1. The scenario ecosystem accelerated the deep integration of financial technology and industry ecology by linking production and life and public service scenarios. It extended its advantages from F-side (financial institution) to G-side (government), B-side (business) and C-side (retail), realizing bulk acquisition of customers, automated deposit precipitation and precise financing provision.

During the reporting period, as to the F-side, based on "clearing/settlement + deposit/custody", the Company served all kinds of financial institutions, financial infrastructure customers and customers' customers, with 2,177 legal entities served on the Bank-to-Bank Platform and the settlement volume of payment products was RMB7.06 trillion, representing a year-on-year increase of 19.58%; 750 non-banking fund management cloud platforms were launched, with coverage of major non-banking financial institutions rising to 75.15%. Securities fund settlement volume reached RMB18.59 trillion, representing a year-on-year increase of 25.61%. As to the G-side, the Company promoted chain marketing of financial agency business at central and local levels and the average daily deposits of institutions (excluding national social security deposits) increased by 7.52% to RMB729.752 billion from the end of the previous year, of which, 50.52% were settlement deposits; qualification for code display of medical insurance electronic certificate was obtained in 25 provincial region nationwide and the qualification for medical insurance mobile payment was obtained in 6 provincial regions: Qinghai, Shanghai, Shandong, Guangdong, Hebei and Gansu; as to the B-side, the Company focused on key industries to promote the scenario ecosystem, added 889 items to scenario ecosystem platforms, doubling from last year to reach a total of 2,201. Among them, 854 new items were added to branch-level platforms and 35 new items were added to headquarter-level platforms. The number of corporate customers reached 7,448, up 2,445 new customers compared with the end of the previous year, and the average daily corporate deposit was RMB266.5 billion, of which 44.77% were settlement deposits; the cumulative acquiring of mobile payment business was RMB139.774 billion and the transaction volume continued to rank first among the joint-stock banks; host-to-host customers were 2,283, of which 795 were newly launched; as to the C-side, external scenarios and internal scenarios were introduced and customer experience was constantly improving. Mobile banking customers exceeded 37 million, up 18.19% compared with the end of the previous year, and the registered users of credit card "Hao Xing Dong" APP reached 21.01 million, up 66.06% compared with the end of the previous year, and the conversion rate of users was continuously improved.

2. The investment banking ecosystem was centered on the expansion of high-yield assets and the construction of a light capital model to deeply grasp the opportunities of capital market dividends. The Company insisted on positioning itself as an integrator of resources in the whole market. Centering on the customers' needs for investment, financing, trading and hedging, the Company integrated various business units within the group to build an investment banking "brothers in arms", and united with public equity, brokerage, insurance, trust, private equity, government investment funds and other institutions externally to build an investment banking "circle of partners", made comprehensive use of multiple investment and financing tools such as mergers and acquisitions, syndicated loans, bond issuance and equity investment, provided a broader range of capital market services to meet the full range of financial needs of customers and customers' customers and help to enhance corporate value. During the reporting period, the Company achieved revenue of RMB4.022 billion through various investment banking services (including bond underwriting, credit asset flow, financial advisory and consulting, syndicated loans, entrusted loans and asset securitization, etc.), representing a year-on-year increase of 66.60% and achieved revenue of RMB 3.560 billion from agency FICC business, representing a year-on-year increase of 35.00%.

During the reporting period, the Company further extended its traditional business advantages in investment banking and vigorously developed new businesses with the amount of customers from the non-real estate industry served through various non-traditional financing instruments accounting for over 90% of the total. Among them, the underwriting scale of non-financial corporate debt financing instruments was RMB654.555 billion (ranked first in the whole market), up 25.64% year-on-year; financial debt underwriting was RMB62.324 billion, up 206.79% year-on-year; M&A financing placement was RMB71.277 billion, up 91.12% year-on-year; the balance of syndicated loans was RMB111.85 billion, up 45.22% compared with the end of the previous year. Steady progress was made in equity investment and item earnings entered harvest period. The Company continuously expanded the circle of external partners, made full use of investment banking resources in the market, grasped market information at the first time, and attracted high-quality customers and high-quality assets. For example, it cooperated with top international PE institutions to jointly serve the privatization of advanced Internet platform companies, which not only achieved various innovative breakthroughs in investment banking business, but also brought broad space for commercial banking services, and laid a good foundation to continue to cooperate with top institutions to participate in large-scale cross-border M&A in the future. The Company built the "Xing Cai Zi" platform to open up the whole product chain of "stock, debt, loan and turnover", cooperated with more than 150 financial institutions and transferred assets with a scale of RMB224.964 billion, up 49.25% year-on-year; provided high-quality assets to wealth management, provided guarantee for increasing product yields. The Company continued to consolidate market-making capabilities and maintain the ranking as a leading market maker in bond, exchange rate and interest rate and take the demand for corporate exchange rate and interest rate hedging as an opportunity to promote the rapid growth of agency FICC business.

As at the end of the reporting period, the Group's total corporate financing (FPA) balance was RMB6.06 trillion, up RMB672.045 billion or 12.47% from the end of the previous year. Among them, the balance of off-balance-sheet non-traditional corporate financing was RMB2.03 trillion (including debt financing instruments, equity financing instruments, public financing under asset management products, asset securitization business and offshore debt, etc.), up RMB320.299 billion from the end of the previous year, accounting for 33.52% of the balance of total customer financing; the balance of off-balance-sheet traditional corporate financing was RMB1.11 trillion, up RMB60.856 billion from the end of the previous year, accounting for 18.30% of the total customer financing balance; the balance of on-balance-sheet corporate financing was RMB2.92 trillion, up RMB290.89 billion from the end of the previous year, accounting for 48.18% of the total customer financing balance; the increase in off-balance-sheet non-traditional corporate financing exceeded the increase in on-balance-sheet corporate financing for the first time in recent years. There were 930.7 thousand corporate finance customers, up 18.74% from the end of the previous year; among them, there were 105.9 thousand core value customers, up 9.5 thousand from the end of the previous year. The customer structure continued to be optimized. In accordance with the general trend of high-quality national development, it transformed from real estate to high-end manufacturing, biomedicine, information technology and other emerging industries. The commercial banking and investment banking were linked. Through investment banking business, the daily average of customers' legal interest rate deposits reached RMB300.661 billion, up 22.24% year-on-year.

3. The investment ecosystem focused on enhancing investment capacity and sales capacity to meet customers' wealth allocation needs. With the preservation and appreciation of customer assets as the fundamental starting point, the Company changed the traditional product sales model, insisted on selecting high-quality products from the whole market and served customer asset allocation needs with a full range of products. Based on customers' investment preferences and risk tolerance, the Company integrated the group's internal products and services and introduced external high-quality assets to provide customers with asset allocation services across the entire life cycle and product coverage, drove the growth in the number of customers while significantly enhancing the ability to create value for customers and gradually building the market reputation of "come to Industrial Bank for wealth management". The wealth business maintained rapid development. During the reporting period, the wealth management revenue through wealth management, sales agency, asset custody, trust and fund subsidiaries was RMB20.672 billion, up 34.18% year-on-year.

Creating a full product spectrum of the Group's asset management. CIB Wealth Management gave full play to the core role of "commercial banking + investment banking", focused on the supply flow of various assets of "investment banking ecosystem" at the front end and connected with various sales channels of "investment ecosystem" at the back end. By making full use of the Group's asset-side advantages and market research capabilities, it enhanced multi-asset investment capability and ability to grasp trading opportunities, and rapidly expanded and strengthened the scale of assets under management on the basis of consolidating yield advantages. At the end of the reporting period, the balance of bank wealth management increased by 10.35% to RMB1.48 trillion compared with the end of the previous year and the proportion of new products complying with the new regulations on asset management rose by 29.11 percentage points to 72.24% compared with the end of the previous year, significantly improving the yield capacity and generating profits of over RMB42.5 billion for customers. Industrial Trust accelerated its return to the origin of trust business, vigorously promoted business restructuring, suppressed financing trusts and gradually improved the underlying trust product system. With equity business as the core, Industrial Fund focused on the layout of equity instrument-based products as well as industry-themed funds and whole-market funds that can reflect the long-term investment value of the market. Industrial Futures leveraged its expertise in commodities and derivatives to provide the Group with high-quality derivatives strategy products and alternative assets, and launched MOM, FOF, CTA strategy and other types of products to achieve good risk hedging and return smoothing functions. During the reporting period, the Company achieved wealth management income of RMB10.187 billion, representing a year-on-year increase of 68.05%; the scale of actively managed asset management products of trusts, funds and futures business units reached RMB389.643 billion; the role of asset custody was obvious through asset management, with the custody scale exceeding RMB13 trillion and the average daily growth of settlement custody deposits of 30.23% year-on-year to RMB173.6 billion. The growth rate of custody returned to positive growth.

Selecting excellent products in the whole market. Centering on the diversified wealth planning needs of customers, the Company continued to enrich product lines, accelerate the transformation from "single product marketing" to "regular asset allocation" and actively promoted the sales of equity-included products. As at the end of the reporting period, the balance of wealth management products containing equity was RMB184 billion, up RMB161.7 billion compared with the end of the previous year; sales of public funds (non-money funds) reached RMB118.8 billion, up 179% year-on-year, and holdings reached RMB123.1 billion, up 160% compared with the end of the previous year, both of which exceeded RMB100 billion; sales of brokers' asset management products were RMB36.839 billion, and holdings were RMB45.237 billion. Family trusts and discretionary business grew rapidly, with a scale of RMB9.241 billion in existence at the end of the reporting period, an increase of 105.90% from RMB4.753 billion at the end of the previous year. The Company made a breakthrough in the sales of private equity products in the capital market. The balance of wealth products for end customers through the Bank-to-Bank platform was RMB138.745 billion, up 87.45% year-on-year. During the reporting period, wealth agency business revenue amounted to RMB4.293 billion, representing a year-on-year increase of 79.70%.

As at the end of the reporting period, the Group's total assets under management (AUM) for retail customers were RMB2.61 trillion, up 22.87% from the end of the previous year. The proportion of off-balance-sheet assets under management was 72.09%, up 3.33 percentage points from the end of the previous year. Solid growth and value enhancement of retail customers were driven. The number of retail customers was 79.5569 million, including 3.4616 million VIP customers, up 7.21% from the end of the previous year; the number of private banking customers was 48.6 thousand, up 20.82% from the end of the previous year.

(III) Solid progress of four empowerment

Comprehensively releasing the driving force of financial technology. The reform of the institutional mechanism of financial technology was basically completed and the technology team was significantly expanded. The joint development working group of business technology (BA+SA) gradually became a system and the regulatory data governance was carried out in depth. The quality and efficiency of R&D was gradually improved, and the foundation of digital transformation became more solid. The level of digital business and business digitization was steadily improved, the refinement and intelligence capability of middle and back office management continued to be strengthened and the whole group launched intelligent risk control module, built Internet loan model, realized real-time and intelligent risk warning, model analysis and internal control management. The Company accelerated the exploration of artificial intelligence application scenarios and effectively released the pressure of manual services. During the reporting period, the Company's investment in technology increased by 36.38% year-on-year with the proportion in business revenue increasing by 0.42 percentage points to 2.39%.

Continuously making use of the economic research potential energy. The deeper integration of research empowerment pushed the Company to more effectively expand low-risk customers to obtain comprehensive income, and more confidently serve high-risk customers to earn excess income and continuously improve the level of capital gains. The integration between CIB Research and the Group's various fields continued to deepen, with the Group's needs as the core to further strengthen its research capabilities, accurately grasp trend opportunities and band opportunities, and significantly increase the number of branches and industries covered by the "regional + industry" research mechanism. The Company strengthened the integration of investment and research, collaborated to serve group clients effectively and enhanced the stickiness of group clients.

Fully exploiting the effectiveness of risk control. The Company formed more refined risk tolerance, access standards, and authorization system to improve the operation of special assets and to seize business opportunities and enhance profitability in a timely manner by improving the level of risk control. The level of risk management, review and approval refinement and digitization was significantly improved to strongly support business development and the resumption of production in the real economy. The Company adhered to the integration of risk and business, further focused on key industries and key regions, and increased the guidance for business transformation and development. During the reporting period, the Company achieved steady improvement in asset quality. On the basis of stricter non-performing management, the non-performing rate and non-performing balance decreased for the first time in nearly five years.

Vigorously tapping the potential of coordination. The reform of integrated branch banks advanced rapidly and the Group's strength was effectively integrated. The ability to provide customers with high-quality integrated financial services was effectively enhanced. During the reporting period, the proportion of net profit of subsidiaries in the Group's net profit rose by 2.98 percentage points to 8.80% as compared to the previous year.

V. Key operational issues

(I) Asset-side management

In respect of credit business, during the reporting period, in the face of the impact of the COVID-19, the Company adhered to ensuring both security and stable development, took effective measures quickly and adjusted its business strategy flexibly in light of the changes in the external situation, took the initiative to increase credit input, actively met the financing needs of the real economy. In particular, the Company increased its financial support to the key areas such as small and micro enterprises, medium and long-term manufacturing industries, and achieved steady growth in loan business throughout the year. The total amount of loans and advances granted by the Company increased by RMB524.223 billion, representing an increase of RMB16.854 billion year-on-year.

In terms of investment business, during the reporting period, in order to hedge against the negative impact of the COVID-19, the central bank increased counter-cyclical adjustment and maintained a relatively easy monetary environment, which led to a rapid decline in market interest rates in the first half of the year. However, as the domestic pandemic was effectively controlled and the economic recovery became clearer, monetary policy tightened on all margins and market easing expectations changed, driving market yields upward overall. Bond market yields first went down and then up, and were volatile throughout the year. The Company adjusted its business strategy in a timely manner according to market changes: in the first half of the year, it seized the downward window of interest rates and increased the flow of various types of bonds to reduce holdings, actively obtaining spread gains; in the second half of the year, it generally adopted a defensive strategy, reasonably controlling the basis point value of assets measured at fair value and moderately increasing the allocation of interest rate bonds at the relatively high point of interest rates. Through proactive operations, the Company has effectively hedged the risk of market volatility while expanding its income sources.

In 2021, China's economy will return to normal and the macro situation will be generally positive. The Company's asset business is expected to maintain steady growth, with new assets mainly in loans, focusing on meeting financing support for retail finance, green finance, industrial chain upgrading, new urbanization and other fields. The investment business will mainly focus on structural adjustment, while grasping the trading opportunities brought by market fluctuations and improving the turnover efficiency of assets.

(II) Liability-side management

During the reporting period, the Company further optimized the types and maturity structure of liabilities with a cost-oriented approach, and further improved the stability of liabilities.

Firstly, the Company has been promoting the construction of "settlement bank" for a long time, and has made settlement deposits with low cost and high stability the top priority for liability expansion. By building an ecosystem of financial scenarios, enriching payment and settlement products and tools, improving system platform construction, expanding and extending upstream and downstream supply chains, and deepening and penetrating the "Net Weaving Project", the Company improved customer service experience, increased business stickiness, and expanded deposits for settlement. During the reporting period, the Company took in RMB1.61 trillion of demand deposits, accounting for 39.94% of the deposits, up 1 percentage point year-on-year.

Secondly, with cost control as the guide, the proportion of high-cost market-based deposits was reduced. The Company's high-cost structured deposits decreased by RMB135.3 billion, or 30.20%, compared with the end of the previous year, further reducing interest payment costs.

Thirdly, the Company made an in-depth study of the macro situation and the trend of changes in market interest rates, absorbed medium- and long-term funds opportunistically, and optimized the term structure of assets and liabilities. During the reporting period, the Company ranked first in the market in the issuance scale of long term interbank certificates of deposit, and the issuance scale of long term bonds exceeded RMB110 billion. The Company lengthened the duration of liabilities, further optimized the maturity structure of the Company's liabilities and enhanced the stability of liabilities.

In 2021, the Company will further adjust and optimize the liability structure, adhere to the construction of long-term mechanisms such as platforms, systems and scenarios, strengthen the expansion of low-cost settlement deposits, and at the same time, prospectively study and judge the trend of market interest rates, reasonably layout the scale and structure of active liabilities, and maintain a balanced development of matching asset and liability business.

(III) Interest rate spread performance

During the reporting period, the net interest margin of the Company was 2.36%, up 11 basis points year-on-year, mainly because the Company strengthened asset portfolio management and liability structure management, and the rate of decrease in interest payment on liabilities was higher than that of decrease in asset yields, resulting in a quarterly increase in net interest margin throughout the year.

The asset side strengthened asset portfolio management. Although the investment yield was affected by the maturity of high-yielding assets, the Company rationalized the pace of credit resource allocation and increased credit asset allocation by seizing the relatively high interest rate, while reasonably controlling the scale of low-yielding provision assets such as interbank deposits and buy-back sales, which slowed down the decline of asset yield to a certain extent.

The liability side strengthened cost control by adjusting the variety and maturity structure. On one hand, the Company didn't renew high-cost deposits at maturity to reduce the proportion of high-cost deposits in liabilities, leading to a steady decline in deposit interest payment rates; on the other hand, the Company strengthened forward-looking analysis, seized the window of low market interest rates, increased long-term bond issuance and medium- and long-term interbank funding absorption, and significantly reduced long-term liabilities and interbank funding costs.

In 2021, against the background of expected upward shocks in market interest rates, the Company will strengthen the forward-looking and proactive management of assets and liabilities to maintain the overall stability of interest rate spreads.

(IV) Fee and commission income

During the reporting period, the Company achieved net fee and commission income of RMB37.71 billion, representing a year-on-year increase of 24.14%. The main reasons for the faster growth of net fee and commission income include: first, the Company gave full play to its endowment in investment banking and financial market business, and effectively enhanced its comprehensive customer service capability to meet the personalized needs of various customers, realizing RMB21.143 billion of related fee and commission income, representing a year-on-year increase of 33.85% (including fees related to investment banking, FICC, wealth management, custody, trusts, funds, etc.).Among them, the Company accelerated the transformation and upgrading of the wealth management business and focused on promoting the growth of fixed income enhanced, hybrid and equity products, and significantly improved the income capacity, realizing a wealth management business income of RMB10.187 billion, an increase of 68.05% year-on-year on the basis of maintaining the steady growth of traditional cash management and fixed income bond products. Second, the Company made "online + offline" efforts to strengthen the construction of wealth sales channel. The retail wealth agency fee income amounted to RMB4.293 billion, representing a year-on-year increase of 79.70%. Third, in response to the changes in customers' financial needs and consumption habits as well as the trend of mobile payment development, bank card and payment settlement revenue achieved steady growth, with bank card and payment settlement revenue reaching RMB13.408 billion, representing a year-on-year increase of 9.29%.

In 2021, the Company will further explore the customer-centered financial service needs and promote the sustained and rapid development of the fee income business. First, the Company will make wealth management business the main vehicle for the implementation of the "commercial banking + investment banking" strategy and the core of strengthening off-balance sheet. The Company will further enhance investment research and sales capabilities, continue to increase the proportion of new products that comply with the new capital management regulations, and maintain steady growth of traditional cash management and fixed income bond products, while focusing on promoting the growth of fixed income enhanced, hybrid and equity products, so that the overall scale of wealth management grows significantly faster than on-balance sheet. Second, the Company will make "online + offline" efforts to promote the faster growth of wealth agency business. The Company will continue to explore outstanding investment managers and establish long-term relationships with all kinds of asset management institutions in the market, and launch high-quality products on a regular basis in line with customers' wealth management needs; further strengthen the construction of wealth sales channels, and give full play to the advantages of interbank customers and the advantages of the online operation of the Bank-to-Bank Platform while continuing to make good use of the strength of the retail and corporate gold lines to form a more extensive distribution network. Third, the Company will place equal emphasis on "attracting talents+ financing" to enhance the investment banking function. The Company will strengthen the internal linkage of the group, comprehensively enhance the ability of product creation, investment management, asset flow, off-balance sheet aggregation and underwriting distribution, provide customers with more complete and comprehensive financial service solutions, drive the development of the basic business of commercial banks, and accelerate the transformation from asset holding to asset management. Fourth, the Company will give full play to its traditional advantages in capital business, grasp the opportunities of exchange rate marketization and LPR reform, meet the growing needs of customers for wealth appreciation and hedging, etc., and promote the rapid growth of FICC business.

(V) Risk management and asset quality

1. Basic information

During the reporting period, the Company steadily implemented risk management strategies in line with the "1234" strategy: first, the Company proactively integrated with national strategies, prospectively formulated its risk appetite and credit policies, fully explored market opportunities, comprehensively enhanced its comprehensive competitiveness, and ensured the stability and success of its businesses. Second, the Company practiced technology empowerment, adapted to the era of big data, deepened unified credit management and penetration management, and put into use a series of intelligent risk control tools to enhance its ability to respond proactively in the complex and changing market environment. Third, in response to the credit risk characteristics caused by the COVID-19 (fluctuations in enterprises' resumption of production, import and export trade, capital market fluctuations, commodity fluctuations, local financial fluctuations, etc.), the Company continued to carry out risk identification and disposal to eliminate the risk potential caused by the pandemic in a timely manner. Fourth, the Company always adhered to the asset quality control principle of "ensuring classification, quality, disposal and benefit", and increased the efforts to clear non-performing assets in accordance with the regulatory guidance, with key asset quality indicators reaching the best level in five years, fully demonstrating the Company's risk cost control advantages and the effectiveness of special asset management. As at the end of the reporting period, the Company's non-performing loan balance was RMB49.656 billion, down RMB3.366 billion from the end of the previous year; the non-performing loan ratio was 1.25%, down 0.29 percentage points from the end of the previous year; the credit risk cost ratio was 1.33%, down 0.13 percentage points from the previous year; the non-performing loan provision coverage ratio was 218.83%, up 19.70 percentage points from the end of the previous year; the cash recovery of assets of written-off accounts with records preserved was RMB10.106 billion, up 46.04% from the previous year.

In 2021, many areas of the social economy are still at a turning point in adapting to the transformation of old and new driving forces, the change of macro-control policies, and the start of the implementation of "carbon peaking and carbon neutral" and regional and industry differentiation may continue. Market uncertainties will continue to put greater risk management pressure on the banking industry. However, with the effectiveness of global pandemic prevention and control, China will continue to release reform dividends during the 14th Five-Year Plan period. Supported by the positive macro environment, it is expected that the Company will be able to maintain its leading position in risk and cost control with its long-term solid foundation and continuous iterative capacity building, which will empower the Company to implement the "1234" strategy and maintain its leading edge in risk and cost control.

2. Asset quality in key areas

The Company attaches great importance to asset portfolio management, supporting mechanisms and resources, and keenly controls the opportunities and risks brought by changes in the market situation, so as to ensure that the quality of assets in key areas will always maintain a good operation.

(1) Risk control of credit card business

During the reporting period, the Company strictly adhered to the bottom line of asset security and strove to build a refined and integrated risk management system for credit card business to rapidly improve risk prevention and control capabilities. First, the Company adjusted the access policy in a timely manner and strictly controlled the risk of new customers by taking into account the differences in the impact of external environment on the risk of different customer groups and channels. Second, it relied on big data and decision engine upgrade to realize real-time monitoring, judgment and disposal of potential risk changes in customer life cycle. Third, the Company suppressed non-performing assets by expanding collection resources and disposal channels. Following the outbreak of the COVID-19 in 2020, the Company's credit card business was greatly affected but the overall risk was manageable. In order to implement the asset quality management, the Company increased the efforts to classify the overdue assets as non-performing in advance. As at the end of the reporting period, the Company's credit card loan balance was RMB409.826 billion with a non-performing rate of 2.16%.

In 2021, the credit card business is still in the risk release period, coupled with the continued release of the impact of the COVID-19 pandemic. The asset quality will still face certain pressure. However, the Company will take the initiative to adapt to changes in the market environment, strengthen risk control measures, credit card asset quality is expected to have marginal improvement.

(2) Real estate credit risk control

During the reporting period, the Company continued to strictly implement the national policy guidance of "housing is for living in, not for speculation" and fully implemented the national and regional policy requirements in terms of real estate credit business strategy. For real estate development loans, the Company mainly selected customers from industry leaders, selected regions mainly from municipalities directly under the central government, provincial capitals and municipalities with independent planning status, selected item mainly from marketable ordinary commercial residential properties, selected products mainly from short-term products; selected mortgage loans mainly from housing mortgage loans to support residents' rigid and improving housing needs. As at the end of the reporting period, the balance of domestic corporate real estate loans was RMB351.675 billion, with a non-performing loan ratio of 0.72%; the balance of personal housing and commercial property loans was RMB1, 053. 059 billion, with a non-performing loan ratio of 0.53%.

In 2021, the Company will proactively adapt to the stricter and more refined real estate regulation and control policies, steadily place real estate credit business in accordance with the concentration management program for real estate loans by the regulatory authorities, and ensure stable asset quality and volume balance in real estate credit business.

(3) Credit risk control for the industries with high pollution, high energy consumption and excess production capacity

During the reporting period, the Company continued to implement industry quota management and differentiated credit policies for the industries with high pollution, high energy consumption and excess production capacity (including iron and steel, non-ferrous metals, building materials, chemical, electric power, wind power equipment, shipbuilding, paper making, coal chemical industries, etc.), mainly cooperated with leading enterprises that comply with national industrial policies and have a solid market position, and promoted credit support for green finance. As at the end of the reporting period, the balance of loans in the domestic industries was RMB162.149 billion, with a non-performing loan ratio of 2.14%. The asset quality continued to be improved. Among them, the non-performing loan rates of steel, non-ferrous metals and building materials industries all decreased significantly compared with the end of the previous year.

In 2021, the Company will strictly implement the national strategic deployment of "carbon peaking and carbon neutral", strictly follow the requirements of national macro-control and industrial development policies, deeply participate in and explore market opportunities, actively guide credit resources to ESG-related industries, and ensure that the risks of the industries with high pollution, high energy consumption and excess production capacity are generally controllable.

VI. Discussion and analysis of future development

(I) Industry pattern and trend

The year of 2021 marks the historical intersection of "two centenary goals", the opening year of the 14th Five-Year Plan and the 2035 Vision and witnesses solid progress of new development stage, new development concept and new development pattern. China will make full use of the advantages of the system to effectively deal with many uncertainties such as changes in the pandemic. The economy in general shows a positive trend, the real economy is expected to present more obvious differentiation; macro policies gradually return to normal conditionally and policy operations do not take a sudden turn. It's an important objective to ensure that the economy is running in a reasonable range while doing a good job of risk prevention, stabilization of macro leverage and making financial regulatory policies more quantitative, detailed and tightened.

Under the new situation, China's banking industry is facing many challenges such as the complexity of the external environment, the standardization of regulatory requirements and the intensification of market competition, while at the same time, it will also welcome many opportunities. In the short term, the economic recovery drives the availability of quality assets to improve; the regulation of financial technology drives the dominance of consumer credit back to the banking system; the growth of residents' income overlaid with the national policy guidance of developing direct financing and prosperous capital market further opens up the growth space for investment banking, asset management, wealth management and asset management businesses. In the long term, the supply chain of industrial chain is more complete, the structural reform on the supply side continues to deepen, and there is broad space for reconstruction of key industries and innovation of key products; the spatial pattern of the three major national territories gradually takes shape, and the inter-regional benefit compensation mechanism is perfected; the connotation of green development deepens and extends, the policy environment is favorable and green finance ushers in a period of greater opportunities.

(II) The Company's development strategy and business objectives

Bearing in mind the original aspiration and mission of "exploring the path for financial reform and making contributions to economic development", the Company will follow the general requirements of promoting high-quality development and building a value-based bank, take serving the real economy as the fundamental starting point, take financial technology as the core driving force, comprehensively promote the "1234" strategy and overcome difficulties in transformation development. The Company will strive to build a mainstream banking group with clear strategic objectives, distinctive business characteristics, outstanding professional capabilities, leading technological innovation and strong comprehensive strength, and make continuous progress towards the ambitious goal of "First-class Bank, Everlasting CIB". The following aspects will be emphasized:

1. Insisting on customer-driven and technology-empowered to build hard-core capabilities in the digital era

The Company drives change and innovation by customer demand, from top-level strategy to ecological structure to infrastructure and promote the organic integration of bank management concept and digital business logic. The Company breaks the boundary of traditional customer management lines, considers the new logic of customer management from the new perspective of industrial ecological development and customer ecological management, creates a new ecology of FGBC integration and empowerment with the platform operation mode of "scenario-driven, technology-empowered, open and win-win", and form the ability to "connect everything". The Company effectively improves customer experience, from front office demand insight to middle office business response to back office operation support, examines and discovers all kinds of difficulties and blockages in the customer journey from the outside to the inside, uses digital tools and means to integrate channel services and optimize business processes; builds a strong business, data and technology middle office, refines sharing and reuse capabilities, enhances data application capabilities and support and security capabilities. The Company makes profound changes in service, experience, value and customer-oriented concepts and the substantial improvement in development momentum to form the wisdom survival capability and core competitiveness in the digital era.

2. Adhering to the two-way linkage of commercial banking and investment banking and promoting the balanced development of on- and off-balance sheet

The Company deeply adjusts the business layout around the "1234" strategy, forms a more reasonable business structure and income structure and realizes the optimization of on-balance sheet structure and incremental off-balance sheet development. The Company refines and optimizes the commercial banking business, focuses on increasing financial services for retail customers, inclusive small and micro enterprises, private enterprises, advanced manufacturing industries, green finance and other key areas. The Company develops investment banking business, realizes the great development of investment banking and wealth banking business, actively promotes the flow of on-balance sheet assets to off-balance sheet, matches financing needs with investment needs off-balance sheet, provides support for direct financing by various means and enhances the core business ability of serving the capital market.

3. Insisting on strategic resource integration and continuing to strengthen the advantages of "four key areas"

The Company strengthens the refined and differentiated management of strategic resources and drives the Group's high-quality and connotative development through the strong drive of key products, the potential of key regions, the service innovation of key industries, and the deepening of cooperation with key customers, so as to put the "four key points" into practice. Priority is given to improving the customer service experience of key customers, with more emphasis on refined marketing and personalized services for key customers. Priority is given to filling the shortcomings of key products and upgrading the three golden business cards of "investment bank, wealth bank and green bank" to broaden and strengthen the moat and consolidate competitiveness. Priority is given to strengthening comprehensive services in key industries, combining more resources with industries and enterprises that create incremental social value, actively intervening in advanced manufacturing industries and strategic emerging industries that are in line with policy guidance and represent future directions, improving the fit between business layout and the real economy and stimulating new momentum for transformation. Priority is given to supporting the leapfrog development of key regions, stimulating the development potential of the most dynamic key regions, and winning broader incremental space in the Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta and Yangtze River Economic Belt, Beijing, Chengdu, Chongqing.

4. Adhering to overall bank cohesion, stimulating the new momentum of linkage development

The Company continues to optimize and adjust the Group's control model, promote the unified strategic consensus and risk appetite of the Group, strictly implement the Group's policies and measures, fully integrate into the Group's management, and better realize the organic integration of business functions of commercial bank and investment bank, the coordination between parent bank and Group members, and the interoperability and sharing of information and resources; with the goal of serving common customers and the Group's strategy, the Company focuses on core business, forms core professional capabilities that match the market status of our parent bank and jointly create an organic ecosystem that serves our customers well.

5. Insisting on sound operation and compliance leadership and solidifying the foundation of high-quality development

The Company adheres to the rule of law thinking, bottom-line awareness and sound development, and embeds risk management as a core tool to enhance value and create value in the whole process of strategic management. The Company endeavors to strengthen comprehensive risk management, effectively enhance the ability to identify, measure, monitor and control comprehensive risks, and effectively empower business development while strictly adhering to the bottom line. The Company responds to the financial service needs of the new economy, new business models, new technologies and new modes, explores risk management and compliance internal control institutional mechanisms that are inclusive of incentives for innovation, moderately increases risk tolerance, effectively stimulates the enthusiasm and innovative ability of operating institutions and grassroots employees and develops a culture of courageous innovation within the Group.

In 2021, the Company will focus on the requirements of the new five-year development plan, maintain the "1234" strategic determination, highlight the direction of light-capital, light-asset and high-efficiency transformation, polish the brand of investment bank, wealth bank and green bank, promote the high-quality development of the Company with customers at the core and make a good start for the new five-year plan. The Group's overall scale, operating income and net profit will grow reasonably, the proportion of non-interest income continues to increase, asset quality continues to improve, and operating performance outperforms the broader market.

I. Major operations during the reporting period

(I) Overview

1. Overall operations

(1) Asset and liability structure continued to be optimized. During the reporting period, the Company insisted on strengthening asset portfolio management, with steady growth in loan scale and increased support for the real economy; the Company increased transaction flow in investment business, maintained stable scale; through opportunistically increased adjustment in variety and maturity structure, the costs of liabilities decreased significantly; net interest margin remained stable year-on-year, and liquidity indicators fully met regulatory requirements. As at the end of the reporting period, the total assets of the Company reached RMB7,894.000 billion, representing an increase of 10.47% as compared with the end of previous year; the balance of domestic and foreign currency deposit was RMB4,042.894 billion, representing an increase of 7.55% compared with the end of previous year; the balance of domestic and foreign currency loan reached RMB3,965.674 billion, representing an increase of 15.23% compared with the end of previous year.

(2) The operation efficiency presented a steady rise. During the reporting period, the Company effectively responded to the situation changes, actively support for COVID-19 epidemic prevention and control and work and production resumption of the enterprises and reasonably provided the real economy with cost reductions and benefits surrendering. Meanwhile, the operating income recorded RMB203.137 billion, up 12.04% year-on-year, of which net fee and commission income reached RMB37.710 billion, up 24.14% year-on-year. Net profit attributable to the shareholders of the parent company reached RMB66.626 billion, representing a year-on-year increase of 1.15%. Weighted average ROE was 12.62%, representing a year-on-year decrease of 1.40 percentage points; total return on assets reached 0.90%, representing a year-on-year decrease of 0.06 percentage point, cost-to-income ratio was 24.16%, representing a year-on-year decrease of 1.87 percentage points.

(3) Strong control of asset quality. The Company strengthened efforts to clear non-performing assets, enhance disposal efficiency, further strengthen risk classification management, strengthen risk identification as to the impact of the COVID-19 and promptly adjust downward the risk classification for customers with insufficient first repayment sources. As at the end of the reporting period, the balance of the Company's NPLs stood at RMB49.656 billion, down RMB3.366 billion compared with the end of previous year with NPL ratio of 1.25%, down 0.29 percentage point compared with the end of previous year. Both of NPL and NPL ration decreased for the first time in recent five year. During the reporting period, the provisions amounted to RMB75.427 billion, representing a year-on-year growth of 29.83%, the provision-to-loan ratio was 2.74% at the end of the reporting period, and the provision coverage ratio was 218.83%. The risk control capability was further strengthened.

2. Composition of operating income and operating profit

During the reporting period, operating income of the Company was RMB203.137 billion, and its operating profit was RMB76.547 billion.

(1)The Company divided its regional branches into ten segments by importance and comparability, namely, head office (including the headquarters and its affiliated operating units), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, Northeast and other regions, Western China and Central China. Operating income and operating profit of various regions are set out as follows:

Unit: RMB million

Region	Operating income	Change over previous year (%)	Operating profit	Change over previous year (%)
Head office	**86,810**	**20.08**	**24,675**	**(23.29)**
Fujian	**24,475**	**17.25**	**10,940**	**39.25**
Beijing	**6,561**	**(11.43)**	**1,337**	**(73.52)**
Shanghai	**5,493**	**5.45**	**3,872**	**152.58**
Guangdong	**11,814**	**(1.53)**	**7,848**	**19.36**
Zhejiang	**7,817**	**14.40**	**3,636**	**(12.39)**
Jiangsu	**11,466**	**2.97**	**7,767**	**2.12**
Northeast and other regions	**16,807**	**4.51**	**1,545**	**Negative in the same period of last year**
Western China	**13,944**	**(2.00)**	**6,571**	**(14.38)**
Central China	**17,950**	**17.74**	**8,356**	**14.28**
Total	**203,137**	**12.04**	**76,547**	**3.07**

(2)The amount, proportion and year-on-year changes of the items of operating income

Unit: RMB million

Item	Amount	Percentage in total operating income (%)	Increase/decrease year-on-year (%)
Interest income from loans	**198,197**	**53.88**	**14.93**
Interest income from placements	**6,849**	**1.86**	**42.93**
Interest income from deposits in Central Bank	**5,731**	**1.56**	**(7.70)**
Interest income from deposits in banks and other financial institutions	**1,659**	**0.45**	**(24.90)**
Interest income from resale agreements	**2,712**	**0.74**	**1.35**
Gain and loss, and interest income from investments	**109,153**	**29.67**	**(9.01)**
Fee and commission income	**42,477**	**11.55**	**23.72**
Interest income from financing lease	**5,159**	**1.40**	**(2.49)**
Other income	**(4,070)**	**(1.11)**	**(201.24)**
Total	**367,867**	**100**	**4.52**

3. Financial position and operating results

(1) Changes of key financial indicators and descriptions

Unit: RMB million

Item	December 31, 2020	December 31, 2019	Increase/ decrease over previous year (%)	Brief description
Total assets	**7,894,000**	7,145,681	10.47	Stable growth in various assets and optimization of asset structure
Total liabilities	**7,269,197**	6,596,029	10.21	Stable growth in various liabilities and optimization of liability structure
Shareholders' equity attributable to the shareholders of the parent company	**615,586**	541,360	13.71	Transfer-in of the net profit and issuing preferred shares in the current period

Item	2020	2019	Increase/ decrease over previous year (%)	Brief description
Operating income	**203,137**	181,308	12.04	Steady growth in the interest-bearing assets, liabilities and costs under effective control, a year-on-year growth in net interest margin; a faster growth in net interest income and net fee income
Net profit attributable to the shareholders of the parent company	**66,626**	65,868	1.15	The rapid growth in operating income year-on-year; controlled costs and expenses reasonably; increased provisions; consolidated asset quality and strengthened the risk control capability
Weighted average ROE (%)	**12.62**	14.02	Down 1.40 percentage points	The growth in weighted net assets was higher than the growth in net profit, resulting in decrease in return on net assets
Net cash flows from operating activities	**(34,228)**	(588,009)	Negative in the same period of last year	Stable growth in various assets and liabilities and further optimization of structure

(2) Main items with changes over 30% in the accounting statement

Unit: RMB million

Main accounting item	December 31, 2020	December 31, 2019	Increase/ decrease over previous year (%)	Brief description
Financial assets purchased under resale agreements	**123,350**	41,861	194.67	Increase in bonds purchased under resale agreements
Other assets	**68,608**	43,047	59.38	Increase in receivables in the process of clearance and settlement
Borrowing from Central Bank	**290,398**	168,259	72.59	Increase in borrowing from Central Bank
Financial assets sold under repurchase agreements	**123,567**	193,412	(36.11)	Decrease in bonds sold under repurchase agreements
Other comprehensive income	**(749)**	3,232	(123.17)	Decrease in balance of fair value changes in other debt investments included in other comprehensive income
Investment gains	**26,154**	24,992	4.65	Being fairly interrelated, the overall gains of these three items after consolidation amounted to RMB20.700 billion, representing a year-on-year decrease of 24.63%, which was primarily due to the fluctuation of market interest rates and decrease in gains from bond-related trading financial assets
Gains from changes in fair value	**(6,267)**	1,622	(486.37)	
Foreign exchange gains	**813**	851	(4.47)	

(II) Analysis of the balance sheet

1.Asset

As at the end of the reporting period, the total assets of the Company stood at RMB7,894.000 billion, up 10.47% compared with the end of previous year, of which loans (excluding accrued interest) increased by RMB524.223 billion or 15.23% compared with the end of previous year; and various net investments increased by RMB195.429 billion or 7.24% compared with the end of previous year. The composition of the total assets of the Company is shown in the table below:

Unit: RMB million

Item	December 31, 2020		December 31, 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Net loans and advances to customers	**3,867,321**	**48.99**	3,345,180	46.81
Investment note 1	**2,896,363**	**36.69**	2,700,934	37.80
Financial assets purchased under resale agreements	**123,350**	**1.56**	41,861	0.59
Finance lease receivables	**100,616**	**1.27**	106,273	1.49
Deposits with banks	**95,207**	**1.21**	87,260	1.22
Placements with banks and other financial institutions	**191,939**	**2.43**	231,475	3.24
Cash and balances with Central Bank	**411,147**	**5.21**	486,444	6.81
Others note 2	**208,057**	**2.64**	146,254	2.04
Total	**7,894,000**	**100**	7,145,681	100

Notes: 1. Included the trading financial assets, debt investments, other debt investments, other equity instrument investments and long-term equity investments.

2. Included precious metals, derivative financial assets, fixed assets, construction in progress, intangible assets, goodwill, deferred income tax assets and other assets.

The details of loans are set out as follows:

(1) Classification of loans

Unit: RMB million

Type	December 31, 2020	December 31, 2019
Corporate loans	**2,043,500**	1,796,080
Personal loans	**1,714,471**	1,449,547
Discounted bills	**207,703**	195,824
Total	**3,965,674**	3,441,451

As at the end of the reporting period, corporate loans accounted for 51.53%, down 0.66 percentage point as compared with the figure at the end of previous year; personal loans accounted for 43.23%, up 1.11 percentage points as compared with that at the end of the previous year; and discounted bills accounted for 5.24%, up 0.45 percentage point as compared with the figure at the end of previous year. During the reporting period, the Company proactively grasped the situation of the changing economy and reasonably ascertained the credit layout for main businesses and continued to keep stable and balanced development of key businesses.

(2) Loan distribution by industry

As at the end of the reporting period, the top five industries that received the largest proportion of bank loans were: "personal loans", "manufacturing", "leasing and commercial service", "real estate" and "wholesale and retail". The details on distribution by industry are set out as follows:

Unit: RMB million

Industry	December 31, 2020			December 31, 2019		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Agriculture, forestry, husbandry and fishery	**9,148**	**0.23**	**4.43**	7,724	0.22	1.29
Mining	**58,636**	**1.48**	**2.34**	60,172	1.75	2.52
Manufacturing	**373,532**	**9.43**	**2.74**	354,788	10.31	3.34
Production and supply of power, heat, gas and water	**87,242**	**2.20**	**1.19**	80,332	2.33	0.50
Construction	**134,205**	**3.38**	**1.48**	123,785	3.60	1.47
Transportation, logistics and postal service	**121,472**	**3.06**	**0.76**	101,484	2.95	2.59
Information transmission, software and IT service	**26,540**	**0.67**	**0.70**	20,863	0.60	0.33
Wholesale and retail	**250,564**	**6.32**	**3.74**	238,168	6.92	6.87
Accommodation and catering	**4,972**	**0.13**	**0.22**	3,794	0.11	0.43
Finance	**32,658**	**0.82**	**1.65**	26,020	0.76	9.49
Real estate	**317,522**	**8.01**	**0.92**	251,859	7.32	0.84
Leasing and commercial services	**356,050**	**8.98**	**0.41**	286,222	8.32	0.85
Scientific research and technical service	**15,451**	**0.39**	**0.46**	14,145	0.41	1.75
Water conservation, environment and public facility administration	**231,766**	**5.84**	**0.36**	202,979	5.90	0.04
Residential services, repair and other related services	**1,956**	**0.05**	**1.15**	3,028	0.09	0.25
Education	**2,453**	**0.06**	**0.00**	2,125	0.06	0.00
Sanitation and social services	**10,809**	**0.27**	**3.23**	8,214	0.24	0.09
Culture, sporting and entertainment	**7,949**	**0.20**	**0.38**	7,355	0.21	1.28
Public administration, social security and social organizations	**575**	**0.01**	**0.00**	3,023	0.09	0.00
International organization	**0.00**	**0.00**	**0.00**	0.00	0.00	0.00
Personal loans	**1,714,471**	**43.23**	**1.04**	1,449,547	42.12	0.75
Discounted bills	**207,703**	**5.24**	**0.01**	195,824	5.69	0.00
Total	**3,965,674**	**100**	**1.25**	3,441,451	100	1.54

During the reporting period, the Company accurately grasped the changes in the economic situation and the direction of national policies and controls, complied with the new development pattern of "taking the major domestic cycle as the main body and promoting both domestic and international cycles", strengthened "risk empowerment", and strove to promote the integration of risk management and business development. The Company further focused on key industries and regions, implemented a differentiated credit policy of "protecting, controlling and compressing", guided business restructuring and transformation, and promoted high-quality development of the Company. From the industry dimension, the Company subdivided four categories: priority support, moderate support, prudent support and restricted support and implemented different management requirements to guide credit resources to areas with good market prospects, active support from industrial policies and anti-cyclical risks, so as to achieve optimal adjustment of industry structure. The Company focused on business opportunities in high-end equipment manufacturing, high-end electronic information manufacturing, new materials and artificial intelligence, which are in a period of rapid development and have broad market prospects; insisted on strengthening green finance business and brands, actively expanded water supply, sewage, gas, heating and other businesses with good social and economic benefits, as well as energy-saving service industries, to enhance the comprehensive effect of green finance. In accordance with national policy guidance, industry transformation and upgrading, and the changing trend of enterprise mergers and acquisitions, the Company supported the credit needs of modern logistics, medicine, education, culture, automobiles, home appliances and other weak-cycle industries such as "clothing, food, housing, transportation and daily articles", and took "mainstream market and mainstream business" as the main axis to prevent the risk of the middle and low-end markets. The Company actively responded to the policy of prevention and control of the COVID-19 pandemic, analyzed industries and customers according to the impact of the pandemic, categorized key customers and enterprises, studied and judged the characteristics of social and economic changes in China after the pandemic, followed the business opportunities in industries supported by national policies, new infrastructure, public health, improvement of consumption, cold chain logistics, etc., and took the initiative and made forward-looking layout.

During the reporting period, the Company still faced certain pressure on credit risk due to factors such as economic growth slowdown, industrial restructuring and macroeconomic deleveraging, but the Company complied with regulatory guidance, maintained a high pressure on asset quality control and increased efforts to clear non-performing assets. The non-performing balance and non-performing ratio both decreased compared with the end of the previous year.

The credit and environmental requirements of some industries in the above table are described in "XI: Fulfillment of environmental (E), social (S) and governance (G) responsibilities" in "SIGNIFICANT ISSUES".

(3)Loan distribution by geographical region

Unit: RMB million

Region	December 31, 2020		December 31, 2019	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Head office	**422,941**	**10.67**	359,167	10.44
Fujian	**410,418**	**10.35**	359,748	10.45
Guangdong	**483,612**	**12.19**	395,599	11.49
Jiangsu	**406,890**	**10.26**	336,525	9.78
Zhejiang	**339,335**	**8.56**	276,693	8.04
Shanghai	**178,025**	**4.49**	151,732	4.41
Beijing	**212,119**	**5.35**	179,249	5.21
Northeast	**138,484**	**3.49**	128,394	3.73
Western China	**471,454**	**11.89**	435,396	12.65
Central China	**549,639**	**13.86**	495,151	14.39
Other regions	**352,757**	**8.89**	323,797	9.41
Total	**3,965,674**	**100**	3,441,451	100

The Company's loan distribution by geographical region remained stable. The Company's operations are mainly in Guangdong, Fujian, Jiangsu, Zhejiang, Beijing, Shanghai and other economically developed regions. In line with the national regional development strategy, the Company insisted on following the trend, reflected regional differentiation in credit policies, actively supported the credit funding needs of major national strategic planning regions such as Guangdong, Hong Kong and Macao, Yangtze River Delta, Beijing, Tianjin and Hebei, and Yangtze River Economic Belt, and fully explored business opportunities in the development of large urban clusters by combining key regional industries and characteristic businesses. The Company strengthened the cooperation between the head office and branches, increased refinement and differentiation management, formulated risk policies with regional characteristics according to the characteristics of the regions in which they are located, and promoted the development of branches' special businesses. In accordance with the principle of supporting the best and eliminating the worst, the Company actively supported customers with market advantages, resource advantages, technical advantages, location advantages and management advantages.

(4)Forms of loan guarantee

Unit: RMB million

Security type	December 31, 2020		December 31, 2019	
	Loan balance	Percentage (%)	Loan balance	Percentage (%)
Unsecured loans	**1,054,966**	**26.60**	880,060	25.57
Guaranteed loans	**812,622**	**20.49**	709,810	20.63
Secured by mortgage	**1,573,352**	**39.68**	1,352,975	39.31
Secured by collateral	**317,031**	**7.99**	302,782	8.80
Discounted bills	**207,703**	**5.24**	195,824	5.69
Total	**3,965,674**	**100**	3,441,451	100

As at the end of the reporting period, the proportion of the Company's unsecured loans increased by 1.03 percentage points as compared with the figure at the end of previous year; the proportion of guaranteed loans decreased by 0.14 percentage point as compared with that at the end of previous year; the proportion of loans secured by mortgage and collateral decreased by 0.44 percentage point as compared with the figure at the end of previous year, while the proportion of loans secured by discounted bills decreased by 0.45 percentage point as compared with the figure at the end of previous year. The Company implemented the credit loan support policy for inclusive micro and small enterprises, and the credit loan ratio increased.

(5)Loans granted to the top ten borrowers

Unit: RMB million

Customer	December 31, 2020	Percentage in total loans (%)
Customer A	**11,901**	**0.30**
Customer B	**8,561**	**0.22**
Customer C	**8,187**	**0.21**
Customer D	**7,500**	**0.19**
Customer E	**6,384**	**0.16**
Customer F	**6,336**	**0.16**
Customer G	**5,970**	**0.15**
Customer H	**5,500**	**0.14**
Customer I	**5,450**	**0.14**
Customer J	**5,333**	**0.13**
Total	**71,122**	**1.80**

The loan balance of the Company's largest single borrower as at the end of the period was RMB11,901 million, accounting for 1.67% of the Company's net capital before consolidation, which conformed to the requirement by the regulatory departments that the proportion of loan balance of a single borrower could not exceed 10% of a bank's net capital.

(6) Structure of personal loans

Unit: RMB million

Item	December 31, 2020			December 31, 2019		
	Loan balance	Percentage (%)	NPL ratio (%)	Loan balance	Percentage (%)	NPL ratio (%)
Personal residential and business mortgage loans	**1,053,059**	**61.42**	**0.53**	910,879	62.84	0.33
Personal business loans	**140,837**	**8.21**	**0.67**	85,612	5.91	1.25
Credit cards	**409,826**	**23.90**	**2.16**	349,312	24.10	1.47
Others	**110,749**	**6.47**	**2.19**	103,744	7.15	1.57
Total	**1,714,471**	**100**	**1.04**	1,449,547	100	0.75

The Company reduced its concentration on personal property mortgage loans and increased inclusive personal business loans. Personal housing and commercial housing loans decreased by 1.42 percentage points compared with the end of previous year. Personal business loans increased by 2.3 percentage points compared with the end of previous year. Credit card balances decreased by 0.2 percentage points compared with the end of previous year.

During the reporting period, the NPL ratio of personal loans recorded 1.04%, reflecting overall controllable risk.

The Company further strengthened risk prevention and control of personal loan business, promoted prevention and stabilized development, implemented asset quality and key risk areas control to achieve risk empowerment; proactively deployed weak links of retail compliance internal control to guard the bottom line of compliance and achieved compliance empowerment; promoted intelligent risk control key item construction, promoted the integration of risk and technology, enhanced intelligent risk control capabilities to achieve technology empowerment.

The details of investment are set out as follows:

(1) Analysis of total investment

As at the end of the reporting period, the Company's net investment increased by RMB195.429 billion or 7.24% to RMB2,896.363 billion from the figure at the end of previous year. The specific composition of investment is set out as follows:

① Classification based on accounting item

Unit: RMB million

Item	December 31, 2020		December 31, 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Trading financial assets	**823,927**	**28.45**	652,034	24.14
Debt investments	**1,550,131**	**53.52**	1,444,176	53.47
Other debt investments	**516,368**	**17.83**	599,382	22.19
Other equity instrument investments	**2,388**	**0.08**	1,929	0.07
Long-term equity investments	**3,549**	**0.12**	3,413	0.13
Total	**2,896,363**	**100**	2,700,934	100

② Classification based on issuer

Unit: RMB million

Type	December 31, 2020		December 31, 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Government bonds	**965,629**	**33.22**	897,359	33.19
Central bank bills and financial bonds	**120,647**	**4.15**	101,802	3.77
Corporate bonds and asset-backed securities	**416,137**	**14.32**	402,348	14.88
Other investments	**1,401,010**	**48.19**	1,298,883	48.03
Long-term equity investments	**3,549**	**0.12**	3,413	0.13
Total	**2,906,972**	**100**	2,703,805	100
Accrued interest	**20,893**		21,238	
Impairment provision	**(31,502)**		(24,109)	
Net value	**2,896,363**		2,700,934	

(2)Long-term equity investments

As at the end of the reporting period, the book value of the Company's long-term equity investments was RMB3,549 million, and the details are set out as follows:

① The Company held 294.40 million shares of Bank of Jiujiang Co., Ltd. with a proportion of equity interest of 12.23% and a book value of RMB3,227 million.

② CIB Wealth Management Co., Ltd. held the book value of other long-term equity investment of RMB281 million in total at the end of the reporting period.

③ CIB Guoxin Asset Management Co., Ltd. held the book value of other long-term equity investment of RMB41 million in total at the end of the reporting period.

Deposits with banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance (excluding accrued interests) of RMB95.349 billion in deposits with banks and other financial institutions, increased by RMB7.890 billion or 9.02% from the figure at the end of the previous year.

Unit: RMB million

Type	December 31, 2020		December 31, 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits with domestic banks	**44,227**	**46.39**	47,986	54.87
Deposits with other domestic financial institutions	**5,114**	**5.36**	6,080	6.95
Deposits with foreign banks	**45,923**	**48.16**	33,370	38.15
Deposits with other foreign financial institutions	**85**	**0.09**	23	0.03
Total	**95,349**	**100**	87,459	100
Accrued interest	**195**		129	
Impairment provision	**(337)**		(328)	
Net value	**95,207**		87,260	

The placements with banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB191.899 billion in placements with banks and other financial institutions (excluding accrued interest), decreased by RMB39.952 billion or 17.23% from the figure at the end of previous year.

Unit: RMB million

Item	December 31, 2020		December 31, 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Placements with domestic banks	**12,957**	**6.75**	34,074	14.70
Placements with other domestic financial institutions	**139,264**	**72.57**	151,002	65.13
Placements with foreign banks	**39,678**	**20.68**	46,775	20.17
Total	**191,899**	**100**	231,851	100
Accrued interest	**671**		697	
Impairment provision	**(631)**		(1,073)	
Net value	**191,939**		231,475	

Details of financial assets purchased under resale agreements are set out as follows:

As at the end of the reporting period, the Company recorded a balance of RMB124.148 billion in financial assets purchased under resale agreements (excluding accrued interest), representing an increase of RMB81.647 billion or 192.11% compared with the end of previous year.

Unit: RMB million

Type	December 31, 2020		December 31, 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**124,148**	**100**	42,501	100
Total	**124,148**	**100**	42,501	100
Accrued interest	**182**		69	
Impairment provision	**(980)**		(709)	
Net value	**123,350**		41,861	

2. Liabilities

As at the end of the reporting period, the total liabilities of the Company stood at RMB7,269.197 billion, representing an increase of RMB673.168 billion or 10.21% from the figure at the end of previous year.

The composition of the total liabilities of the Company is shown in the table below:

Unit: RMB million

Item	December 31, 2020		December 31, 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks and other financial institutions	**1,487,079**	**20.46**	1,233,937	18.71
Placements from banks and other financial institutions	**180,171**	**2.48**	192,310	2.92
Financial assets sold under repurchase agreements	**123,567**	**1.70**	193,412	2.93
Deposits from customers	**4,084,242**	**56.19**	3,794,832	57.53
Bonds payable	**947,393**	**13.03**	899,116	13.63
Others [note]	**446,745**	**6.14**	282,422	4.28
Total	**7,269,197**	**100**	6,596,029	100

Note: Included borrowing from Central Bank, trading financial liabilities, derivative financial liabilities, employee benefits payable, tax payable, provisions, deferred income tax liabilities and other liabilities.

The specific composition of customer deposits is set out as follows:

As at the end of the reporting period, the Company's balance of customer deposits (excluding accrued interest) was RMB4,042.894 billion, an increase of RMB283.831 billion or 7.55% compared with the figure at the end of previous year.

Unit: RMB million

Item	December 31, 2020		December 31, 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Demand deposits	**1,614,827**	**39.94**	1,463,908	38.94
Incl: Corporate	**1,290,261**	**31.91**	1,176,810	31.31
Personal	**324,566**	**8.03**	287,098	7.63
Time deposits	**2,113,615**	**52.28**	2,003,549	53.30
Incl: Corporate	**1,711,733**	**42.34**	1,628,915	43.33
Personal	**401,882**	**9.94**	374,634	9.97
Other deposits	**314,452**	**7.78**	291,606	7.76
Subtotal	**4,042,894**	**100**	3,759,063	100
Accrued interest	**41,348**		35,769	
Total	**4,084,242**		3,794,832	

The deposits from banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB1,482.512 billion in deposits from banks and other financial institutions (excluding accrued interest), an increase of RMB254.648 billion or 20.74% from the figure at the end of previous year.

Unit: RMB million

Transaction counterparty	December 31, 2020		December 31, 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Deposits from banks	**395,853**	**26.70**	348,193	28.36
Deposits from other financial institutions	**1,086,659**	**73.30**	879,671	71.64
Subtotal	**1,482,512**	**100**	1,227,864	100
Accrued interest	**4,567**		6,073	
Total	**1,487,079**		1,233,937	

Placements from banks and other financial institutions are set out as follows:

As at the end of the reporting period, the Company had a balance of RMB179.161 billion in placements from banks and other financial institutions (excluding accrued interest), a decrease of RMB11.828 billion or 6.19% from the figure at the end of previous year.

Unit: RMB million

Transaction counterparty	December 31, 2020		December 31, 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Placements from banks and other financial institutions	**177,063**	**98.83**	187,531	98.19
Placements from other financial institutions	**2,098**	**1.17**	3,458	1.81
Subtotal	**179,161**	**100**	190,989	100
Accrued interest	**1,010**		1,321	
Total	**180,171**		192,310	

Details of financial assets sold under repurchase agreements are set out as follows:

As at the end of the reporting period, the Company recorded a balance of RMB123.393 billion in financial assets sold under repurchase agreements (excluding accrued interest), representing a decrease of RMB69.662 billion or 36.08% from the figure at the end of previous year.

Unit: RMB million

Type	December 31, 2020		December 31, 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Bonds	**82,358**	**66.74**	143,966	74.57
Bills	**41,035**	**33.26**	49,089	25.43
Subtotal	**123,393**	**100**	193,055	100
Accrued interest	**174**		357	
Total	**123,567**		193,412	

(III) Analysis of the income statement

During the reporting period, the Company delivered steady and healthy growth in various businesses, with steady growth in daily average interest-bearing assets. The net interest margin recorded a year-on-year increase; there was a stable increase in net non-interest income. The cost-to-income ratio was under control at a relative low level; various provisions were made sufficiently; and the net profit attributable to shareholders of the parent company reached RMB66.626 billion, up 1.15% year-on-year.

Unit: RMB million

Item	2020	2019	Increase/Decrease YoY (%)
Operating income	**203,137**	181,308	12.04
Net interest income	**143,515**	122,289	17.36
Net non-interest income	**59,622**	59,019	1.02
Business tax and surcharges	**(2,086)**	(1,756)	18.79
Operating and administrative expense	**(48,262)**	(46,557)	3.66
Impairment loss of assets	**(75,427)**	(58,096)	29.83
Other operating costs	**(815)**	(633)	28.75
Net non-operating income and expense	**90**	237	(62.03)
Profit before tax	**76,637**	74,503	2.86
Income tax	**(8,956)**	(7,801)	14.81
Net profit	**67,681**	66,702	1.47
Profit and loss of minority shareholders	**1,055**	834	26.50
Net profit attributable to the shareholders of the parent company	**66,626**	65,868	1.15

Note: The Company has reclassified the credit card installment business from fee and commission income to interest income since 2020. The relevant financial indicators of fee and commission income and interest income for the previous period have been restated.

1. Net interest income

During the reporting period, the net interest income of the Company was RMB143.515 billion, representing an increase of RMB21.226 billion or 17.36% year-on-year. The business maintained a steady growth. The net interest margin recorded a year-on-year increase of 11 BP.

The specific composition of interest income and interest expense is set out as follows:

Unit: RMB million

Item	2020		2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Interest income				
Interest income from corporate and personal loans	**192,224**	**63.34**	165,783	57.37
Interest income from discounted bills	**5,973**	**1.97**	6,671	2.31
Interest income from investments	**82,999**	**27.35**	94,976	32.87
Interest income from the amount due from the Central Bank	**5,731**	**1.89**	6,209	2.15
Interest income from placements with banks and other financial institutions	**6,849**	**2.26**	4,792	1.66
Interest income from resale agreements	**2,712**	**0.89**	2,676	0.93
Interest income from deposits in banks and other financial institutions	**1,659**	**0.55**	2,209	0.76
Interest income from financing lease	**5,159**	**1.70**	5,291	1.83
Other interest income	**172**	**0.05**	371	0.12
Subtotal of interest income	**303,478**	**100**	288,978	100
Interest expense				
Interest expense on borrowings from the Central Bank	**5,485**	**3.43**	7,215	4.33
Interest expense on deposits	**88,617**	**55.40**	86,691	52.01
Interest expense on bonds issuance	**27,757**	**17.35**	27,812	16.68
Interest expense on deposits from banks and other financial institutions	**30,631**	**19.15**	34,548	20.73
Interest expense on placements from banks and other financial institutions	**4,463**	**2.79**	6,289	3.77
Interest expense on repurchase agreements	**2,843**	**1.78**	3,888	2.33
Other interest expenses	**167**	**0.10**	246	0.15
Subtotal of interest expense	**159,963**	**100**	166,689	100
Net interest income	**143,515**		122,289	

The Company's net interest spread was 2.11%, representing an increase of 15 BP year-on-year; the net interest margin was 2.36%, representing an increase of 11 BP year-on-year. The daily average balance, annualized average yield and cost rate of the Company's asset and liability items are as follows:

Unit: RMB million

Item	2020		2019	
	Average balance	Average yield(%)	Average balance	Average yield(%)
Interest-bearing assets				
Corporate and personal loans and advances	**3,738,045**	**5.30**	3,232,179	5.34
Corporate loans	**2,193,459**	**4.40**	1,934,451	4.71
Personal loans	**1,544,586**	**6.59**	1,297,728	6.27
Based on loan term:				
General short-term loans	**1,400,569**	**6.17**	1,229,281	6.06
Medium and long-term loans	**2,123,924**	**4.98**	1,809,461	5.04
Discounted bills	**213,552**	**2.80**	193,437	3.45
Investments	**2,022,103**	**4.00**	2,090,509	4.46
Deposits in the Central Bank	**373,511**	**1.53**	403,170	1.54
Deposits in and placements with banks and other financial institutions (including financial assets purchased under resale agreements)	**510,422**	**2.20**	380,268	2.54
Finance lease	**95,422**	**5.41**	108,012	4.90
Total	**6,739,503**	**4.47**	6,214,138	4.62

Item	2020		2019	
	Average balance	Average cost ratio(%)	Average balance	Average cost ratio(%)
Interest-bearing liabilities				
Deposits from customers	**3,925,545**	**2.26**	3,630,994	2.39
Corporate deposits	**3,240,932**	**2.25**	3,035,254	2.42
Demand deposits	**1,300,462**	**0.98**	1,164,053	0.95
Time deposits	**1,940,470**	**3.10**	1,871,201	3.33
Personal deposits	**684,613**	**2.30**	595,741	2.25
Demand deposits	**289,713**	**0.30**	263,900	0.31
Time deposits	**394,900**	**3.77**	331,841	3.79
Deposits in and placements from banks and other financial institutions (including financial assets sold under repurchase agreements)	**1,756,068**	**2.17**	1,581,787	2.83
Borrowings from the Central Bank	**171,628**	**3.20**	217,812	3.31
Bonds payable	**927,713**	**2.99**	817,016	3.40
Total	**6,780,954**	**2.36**	6,247,610	2.66
Net interest spread		**2.11**		1.96
Net interest margin		**2.36**		2.25

Standard for measuring net interest margin:

① Gains deriving from monetary funds and bond fund investment business shall not be classified as interest income, and their corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

② The Company has adopted the New Financial Instruments Standard since January 1, 2019. The interest income of trading financial assets was not presented within interest income and their corresponding interest-bearing liabilities and interest expense shall be adjusted accordingly.

2. Net non-interest income

During the reporting period, the net non-interest income of the Company was RMB59.622 billion, representing an increase of RMB603 million or 1.02% year-on-year. The specific composition is set out as follows:

Unit: RMB million

Item	2020	2019
Net fee and commission income	**37,710**	30,378
Gain and loss from investment	**26,154**	24,992
Gain and loss from changes in fair value	**(6,267)**	1,622
Gain and loss from exchange	**813**	851
Gain from disposal of asset	**3**	38
Other income	**510**	363
Income from other businesses	**699**	775
Total	**59,622**	59,019

During the reporting period, the Company realized fee and commission income of RMB37.710 billion, up RMB7.332 billion or 24.14% year-on-year. Items like gain and loss from investment, gain and loss from changes in fair value and gain and loss from exchange were highly interrelated. After consolidation, the overall profit and loss reached RMB20.700 billion, representing a decrease of RMB6.765 billion year-on-year, which was due to the fluctuation of market interest rates and decrease in gains from trading financial assets.

The specific composition of net fee and commission income is set out as follows:

Unit: RMB million

Item	2020		2019	
	Balance	Percentage (%)	Balance	Percentage (%)
Fee and commission income:				
Fee income from payment and settlement	**1,730**	**4.07**	1,395	4.06
Fee income from bank cards	**11,678**	**27.49**	10,873	31.67
Fee income from agency business	**4,948**	**11.65**	3,269	9.52
Fee income from guarantee commitment	**1,612**	**3.79**	1,591	4.63
Fee income from trading business	**1,326**	**3.12**	1,005	2.93
Fee income from custody business	**2,969**	**6.99**	2,875	8.38
Fee income from consulting service	**13,369**	**31.47**	9,104	26.52
Fee income from trust business	**1,914**	**4.51**	2,469	7.19
Fee income from lease business	**701**	**1.65**	841	2.45
Other fee income	**2,230**	**5.26**	911	2.65
Subtotal	**42,477**	**100**	34,333	100
Fee and commission expense	**4,767**		3,955	
Net fee and commission income	**37,710**		30,378	

3. Operating and administrative expense

During the reporting period, the operating expense of the Company was RMB48.262 billion, up RMB1.705 billion or 3.66% year-on-year. The specific composition is set out as follows:

Unit: RMB million

Item	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Accrued payroll	**29,071**	**60.24**	28,008	60.16
Depreciation and amortization	**2,433**	**5.04**	2,199	4.72
Lease expense	**3,134**	**6.49**	3,107	6.67
Other general and administrative expenses	**13,624**	**28.23**	13,243	28.45
Total	**48,262**	**100**	46,557	100

During the reporting period, centering on the financial resources allocation principle of "steady progress, transformation and innovation", the Company increased expenses for key areas including financial technology and construction of brand and customer bases. Operating expenses increased and the cost-to-income ratio was 24.16%, maintaining at a low level.

4. Impairment loss

During the reporting period, the Company's impairment loss was RMB75.427 billion, up RMB17.331 billion or 29.83% year-on-year. The specific composition of impairment loss of assets is set out as follows:

Unit: RMB million

Item	2020		2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Impairment loss of loans	**49,220**	**65.26**	46,692	80.37
Impairment loss of debt investments	**19,886**	**26.36**	4,633	7.97
Impairment loss of other debt investments	**2,483**	**3.29**	817	1.41
Impairment loss of off-sheet assets	**(840)**	**(1.11)**	1,277	2.20
Impairment loss on finance lease receivable	**56**	**0.07**	626	1.08
Other impairment loss	**4,622**	**6.13**	4,051	6.97
Total	**75,427**	**100**	58,096	100

During the reporting period, the Company accrued a loan impairment loss of RMB49.220 billion, up RMB2.528 billion year-on-year, mainly due to the adequate provision for loan losses by the Company in accordance with the relevant provisions of the Accounting Standards for Business Enterprises based on the expected credit loss model as well as quantitative parameters of risk such as the customer's default probability and default loss rate, taking into consideration macro forwarding adjustments.

5. Income tax

During the reporting period, the effective income tax rate of the Company was 11.69%. The difference between the income tax expense and the amount calculated based on the 25% statutory tax rate is set out as follows:

Unit: RMB million

Item	2020
Profit before tax	**76,637**
Statutory tax rate (%)	**25**
Income tax calculated at statutory tax rate	**19,159**
Effect on tax due to adjustment on the following items:	
Tax-exempt income	**(12,661)**
Non-deductible items	**2,474**
Adjustment on the tax of previous years	**(16)**
Income tax expense	**8,956**

(IV) Analysis of the cash flow statement

Unit: RMB million

Item	2020	2019
Cash flow from operating activities	**(34,228)**	(588,009)
Cash flow from investing activities	**234,002**	602,337
Cash flow from financing activities	**29,636**	166,667

During the reporting period, the net cash outflow from operating activities was RMB34.228 billion, representing a decrease of RMB553.781 billion as compared with last year, mainly due to a year-on-year increase in interbank fund and incremental borrowing from Central Bank.

Net cash inflow from investing activities was RMB234.002 billion, representing a decrease of RMB368.335 billion as compared with previous year, mainly due to a year-on-year increase in the increment of investment business.

Net cash inflow from financing activities was RMB29.636 billion, representing a decrease of RMB137.031 billion as compared with previous year, mainly due to the year-on-year decrease in interbank deposit business.

(V) Analysis of loan quality

1. Five-category loan classification

Unit: RMB million

Item	December 31, 2020		December 31, 2019		Increase/ decrease in balance at the end of the reporting period compared with that at the end of last year (%)
	Balance	Percentage (%)	Balance	Percentage (%)	
Normal	**3,861,611**	**97.38**	3,327,066	96.68	16.07
Special mention	**54,407**	**1.37**	61,363	1.78	(11.34)
Substandard	**27,827**	**0.70**	19,741	0.57	40.96
Doubtful	**16,015**	**0.40**	21,209	0.62	(24.49)
Loss	**5,814**	**0.15**	12,072	0.35	(51.84)
Total	**3,965,674**	**100**	3,441,451	100	15.23

As at the end of the reporting period, the balance of the Company's NPLs stood at RMB49.656 billion, down RMB3.366 billion from the figure at the end of the year with NPL ratio of 1.25%, down 0.29 percentage point from the end of last year. The balance of special mention loans was RMB54.407 billion, down RMB6.956 billion from the end of last year. The proportion of the special mention loans in the total loans was 1.37%, down 0.41 percentage point from the end of last year. During the reporting period, credit risks in certain regions and industries continuously became exposed due to deleveraging in macro economy and ongoing adjustment in industrial structure. The Company strengthened control of asset quality and established an asset quality control system for potential risky assets, and risks were disposed of in a forward-looking manner, therefore, overall non-performing loan and special-mentioned loan balance and ratio declined, and asset quality remained stable.

2. Provision for and write-off of loan impairment

Unit: RMB million

Item	Amount
Opening balance	**105,581**
Provision during the reporting period	**49,220**
Write-off and transfer-out during the reporting period	**(52,067)**
Write-back during the reporting period of write-off in previous years	**7,967**
Changes in exchange rates and others	**(2,040)**
Closing balance	**108,661**

The Group uses new financial instrument standards and has recorded adequate loan loss allowance on the basis of forward-looking adjustment in macro-economic outlook, expected credit loss model, customer default probability, loss given default and other quantitative risk metrics.

3. Changes in overdue loans

Unit: RMB million

Item	December 31, 2020		December 31, 2019	
	Balance	Percentage (%)	Balance	Percentage (%)
1-90 days (inclusive) overdue	**19,716**	**37.69**	22,293	34.84
91-360 days (inclusive) overdue	**19,761**	**37.77**	24,235	37.87
361 days-3 years (inclusive) overdue	**11,570**	**22.11**	15,472	24.18
Over 3 years overdue	**1,272**	**2.43**	1,993	3.11
Total	**52,319**	**100**	63,993	100

As at the end of the reporting period, the balance of the Company's overdue loans was RMB52.319 billion, down RMB11.674 billion from the end of last year, of which overdue corporate loans decreased by RMB16.372 billion and overdue personal loans increased by RMB3.048 billion respectively, and credit cards overdue increased by RMB1.650 billion. During the reporting period, the Company strengthened risk management and control, therefore, the overall overdue loans declined compared with the end of last year. Overall asset quality of the retail loans remained good. In the meanwhile, the operation of society and economy has been impacted by the COVID-19 epidemic, resulting in increase in personal loans and overdue payments of credit cards.

4. Changes in restructured impairment loans

Unit: RMB million

Item	December 31, 2020		December 31, 2019	
	Balance	Percentage in total loans (%)	Balance	Percentage in total loans (%)
Restructured impairment loans	**3,840**	**0.10**	4,769	0.14

In accordance with regulatory principle and judgment on substantive risks, the Company strengthened the collection and resolution of restructured loans. As at the end of the reporting period, the Company's restructured impairment loan balance stood at RMB3,840 million, decreasing by RMB929 million from the end of last year, and accounting for 0.10% of total loan balances (down by 0.04 percentage point from the end of last year).

5. Foreclosed assets and impairment provision

Unit: RMB million

Type	December 31, 2020		December 31, 2019	
	Amount	Provision for impairment	Amount	Provision for impairment
Foreclosed assets	**584**	**137**	592	53
Incl: Buildings	**544**	**133**	552	52
Land use rights	**39**	**3**	39	0
Others	**1**	**1**	1	1
Less: Impairment provision	**(137)**	**-**	(53)	-
Net value of foreclosed assets	**447**	**-**	539	-

During the reporting period, the balance of foreclosed assets of the Company decreased by RMB8 million from the beginning of the reporting period. The Company conducted re-evaluation for certain foreclosed assets, resulting in an increase in the provision for impairment of RMB84 million.

(VI) Capital management

1. Capital management overview

The Company continued to optimize its business structure and strengthen capital management in accordance with the changes in regulatory policies and business environment, and the capital adequacy level during the reporting period was in compliance with the capital regulatory requirements of Pillar 1 and Pillar 2 as stipulated by the CBIRC.

During the reporting period, the Company continued to implement the main line of development of "Light Capital, Light Asset and High Effiency" centered on the strategy of "1234". Based on regulatory policies and changes in the operating environment, the Company has prepared the capital management plan for 2020 on the basis of the Mid-term Capital Management Plan (2018-2020) and submitted it to the Board for review. The Company continued to strengthen capital management. Subject to the restrictive condition that core tier 1 capital shall be used to endogenously support business development, it reasonably formulated the annual comprehensive business plan and capital budgets. According to the annual goals for capital adequacy ratio management determined by the Board, the Company reasonably arranged the total amount of risk-weighted assets, optimized the allocation as well as management and control mechanism of risk-weighted asset quotas, and tilted limited capital resources to businesses and operating institutions with sound capital return and meeting the criteria of key product, customer, and industry standards, so as to promote the continuous improvement of capital use efficiency.

The Company actively responded to the national policy of supporting banks to replenish capital through multiple channels and successfully issued RMB30 billion RMB non-fixed term capital bonds in the national interbank bond market in October 2010, raising funds to replenish other tier 1 capital, improve the capital adequacy level, enhance the ability to withstand risks and better serve the real economy.

Meanwhile, the Company strengthened the Group's consolidated capital management by centrally considering the needs of consolidated subsidiaries for regulatory compliance, shareholder returns, business development and risk coverage, tracking and monitoring the capital allocation and use of consolidated subsidiaries, and maintaining a stable capital adequacy level and reasonable capital structure of consolidated subsidiaries. During the reporting period, each capital regulatory indicators of consolidated subsidiaries met the regulatory requirements.

In the next phase, the Company will continue to adhere to the development path of "capital replenishment from internal sources mainly, supplemented by capital replenishment from external sources", continue to optimize the asset business structure and management process, follow the progress of international capital regulation reform, improve capital management, take efficiency as the guide, play the role of the assessment baton, and deepen the concept of capital saving to all levels to effectively improve the level of capital return. Meanwhile, according to the 14th Five-Year Plan, taking into account the changes in the external macro environment, business development needs and the impact of the implementation of the final Basel III plan, the Company will prepare medium- and long-term capital plans on a rolling basis, make dynamic adjustments to the capital plans in a timely manner, strengthen the refinement of capital management and ensure that the capital adequacy level achieves the set targets.

2. Implementation of the New Capital Accord

Since the official issuance of the Capital Rules for Commercial Banks (Provisional), the Company has steadily and orderly advanced various implementation tasks. At present, a relatively complete first pillar framework system under the New Capital Accord has been constructed, which has effectively improved the risk and capital management capability. In order to further improve the second pillar of the New Capital Accord, the Company started and completed internal capital adequacy assessment process （ICAAP） project during the reporting period.

In terms of policy system construction, the Company has established a relatively complete organizational framework and institutional framework under the New Capital Accord, covering such areas as capital adequacy ratio management, internal rating management, exposure classification, slow mitigation determination, model measurement, system verification, rating application, stress testing, and data governance. The Company continued to carry out internal training to cultivate the business philosophy of restricting risk with capital and promote the implementation of the New Capital Accord system.

In terms of project implementation, the non-retail internal rating model and retail internal rating optimization were completed and the corresponding system upgrade is being promoted; the Internal Capital Adequacy Assessment Process (ICAAP) Item was completed; on the basis of the work related to the pre-reform of Basel III in 2019, the construction of Basel III Item was initiated to actively create conditions for the Company to implement the new capital regulations in the future.

In terms of the application of measurement tools, the Company continued to promote the application of internal rating results. Core applications mainly included customer access, authorization management, credit approval, customer quotas and industry limit management. Advanced applications mainly included economic capital measurement, asset impairment provision, risk-adjusted return on capital (RAROC) calculation, performance assessment and stress test.

3. Capital adequacy ratio

Unit: RMB million

Item	December 31, 2020	December 31, 2019
Total capital	**763,717**	685,433
1. Core Tier 1 capital	**529,366**	485,821
2. Other Tier 1 capital	**85,942**	55,953
3. Tier 2 capital	**148,409**	143,659
Capital deductions	**914**	886
1. Core Tier 1 capital deductions	**914**	886
2. Other Tier 1 capital deductions	**-**	-
3. Tier 2 capital deductions	**-**	-
Net capital	**762,803**	684,547
Minimum capital requirement	**453,101**	409,869
Reserve capital and counter-cyclical capital requirement	**141,594**	128,084
Core Tier 1 capital adequacy ratio (before consolidation) (%)	**8.95**	9.09
Tier 1 capital adequacy ratio (before consolidation) (%)	**10.54**	10.24
Capital adequacy ratio (before consolidation) (%)	**13.20**	13.10
Core Tier 1 capital adequacy ratio (after consolidation) (%)	**9.33**	9.47
Tier 1 capital adequacy ratio (after consolidation) (%)	**10.85**	10.56
Capital adequacy ratio (after consolidation) (%)	**13.47**	13.36

(1) The table above and data of this chapter were prepared in accordance with relevant requirements in the Notice of China Banking Regulatory Commission on New CAR Reporting, with the capital adequacy ratio.

The calculation range for the consolidated capital adequacy ratio of the Company included the Industrial Bank Co., Ltd. and financial institutions complying with requirements on the calculation range of the consolidated capital adequacy ratio in Section I, Chapter II of the Capital Rules for Commercial Banks (Provisional). To be specific, this applied to the banking group jointly comprised of Industrial Bank Co., Ltd., Industrial Bank Financial Leasing Co., Ltd., China Industrial International Trust Limited, CIB Fund Management Co., Ltd., Industrial Consumer Finance Co., Ltd. and CIB Wealth Management Co., Ltd..

(2) The Company adopted the weighting approach for credit risk measurement. As at the end of the reporting period, under the off-site regulation reporting system of CBIRC, the Company recorded total consolidated overdue loans of RMB49.577 billion, the total credit risk exposure was RMB8,812.490 billion, and the credit risk weighted assets reached RMB5,151.508 billion, up 12.30% year-on-year, among which the balance of securitized assets was RMB129.684 billion, the credit risk exposure was RMB129.611 billion and the credit risk weighted assets reached RMB49.857 billion.

The Company adopted the standard approach for market risk measurement. As at the end of the reporting period, the total amount of the market risk capital requirement was RMB14.672 billion. The market risk capital asset was 12.5 times of the market risk capital requirement. The amount of market risk-weighted assets was RMB183.402 billion.

The Company adopted the basic indicator approach for operating risk measurement. As at the end of the reporting period, the total amount of operating risk capital requirement was RMB26.308 billion. The operating risk capital asset was 12.5 times of the operating risk-weighted capital requirement. The amount of operating risk-weighted assets was RMB328.846 billion.

4. Leverage ratio

As at the end of the reporting period, in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks, the information about the Company's leverage ratio is as follows:

Unit: RMB million

Item	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Net Tier 1 capital	**614,394**	**567,337**	**553,107**	**562,433**
Balance of on- and off-balance sheet assets after adjustment	**9,332,852**	**9,145,621**	**9,068,774**	**8,809,655**
Leverage ratio (%)	**6.58**	**6.20**	**6.10**	**6.38**

Please refer to the Investor Relations column at the Company's website (www.cib.com.cn) for details of leverage ratio.

5. Liquidity coverage ratio

As at the end of the reporting period, in accordance with the Measures for Information Disclosure regarding Liquidity Coverage of Commercial Banks, information about the Company's liquidity coverage ratio was as follows:

Unit: RMB million

Item	December 31, 2020
Qualified high-quality current assets	**869,089**
Net cash outflow during the next 30 days	**456,802**
Liquidity coverage ratio (%)	**190.25**

6. Net stable funding ratio

As at the end of the reporting period, in accordance with the Measures for Information Disclosure regarding Net Stable Funding Ratio of Commercial Banks, information about the Company's net stable funding ratio was as follows:

Unit: RMB million

Item	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Net stable funding ratio (%)	**105.08**	**102.89**	**104.59**	**105.08**
Available stable funding	**4,399,981**	**4,212,875**	**4,176,435**	**4,070,483**
Required stable funding	**4,187,148**	**4,094,724**	**3,993,223**	**3,873,719**

According to the Capital Rules for Commercial Banks (Provisional), the Company issued Information Disclosure Report on Capital Adequacy Ratio of Industrial Bank Co., Ltd. for 2020. Please refer to the Investor Relations column at the website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.cib.com.cn) for details.

(VII) Other financial information disclosed according to regulatory requirements

1. Information of structure entities under control of the Company

For information of consolidated structure entities and structure entities which were not consolidated but managed by or entitled to equity by the Company, refer to the Notes VII.43 to the FINANCIAL STATEMENTS.

2. Information of financial bonds held

(1) Categories and par value of financial bonds held as at the end of the reporting period

Unit: RMB million

Category	Par value
Bonds of policy banks	24,118
Commercial Bank bonds	20,874
Bonds of non-banking financial institutions	75,463
Total	120,455

(2) Top ten financial bonds held at the end of the reporting period

Unit: RMB million

Name of bond	Par value	Annual yield rate (%)	Maturity date
Bond 1	15,000	3.59	04/02/2021
Bond 2	8,000	3.40	14/01/2021
Bond 3	5,000	3.80	16/03/2021
Bond 4	3,170	2.85	09/06/2023
Bond 5	3,000	3.49	25/02/2021
Bond 6	3,000	3.55	04/02/2021
Bond 7	3,000	3.69	16/03/2021
Bond 8	3,000	3.30	14/01/2021
Bond 9	2,490	3.10	09/06/2025
Bond 10	2,100	3.25	21/10/2022

3. Derivative financial instruments held at the end of the reporting period

Unit: RMB million

Item	Nominal value	Fair value	
		Asset	Liability
Exchange rate derivatives	1,958,034	41,037	42,424
Interest rate derivatives	5,032,016	17,478	17,764
Precious metals derivatives	40,563	705	903
Credit derivatives	13,619	176	422
Total		59,396	61,513

4. Situation of interest receivable

As at the end of the reporting period, for information of the interest receivable by the Company, refer to "Others of interest receivable" under the Notes VII.14 to the FINANCIAL STATEMENTS.

5. Provision for impairment of other receivables

Unit: RMB million

Item	December 31, 2020	December 31, 2019	Provision for impairment	Provision method
Other receivables	**18,124**	14,213	3,222	At the end of the period, other receivables were tested individually and collectively to make provision for impairment by taking into account of aging analysis.

6. Situation of off-sheet items that may have material impact on the financial position and operating results

Unit: RMB million

Item	December 31, 2020	December 31, 2019
Letters of credit	**148,465**	148,059
Letters of guarantee	**108,561**	120,318
Bank acceptance	**822,341**	761,032
Unused credit cards commitments	**444,176**	355,436
Irrevocable loan commitments	**27,137**	19,042

II. Business overview of the Company

(I) Business institutions

1. Overview of business units

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Head Office	154 Hudong Road, Fuzhou	**1**	**3,968**	**2,658,126**
Financial Markets	167 Yincheng Road, Pudong New District, Shanghai	**1**	**116**	**1,020,599**
Credit Card Center	500 Lai'an Road, Pudong New District, Shanghai	**1**	**969**	**396,957**
Beijing Branch	20 Chaoyangmen North Avenue, Chaoyang District, Beijing	**75**	**2,445**	**662,730**
Tianjin Branch	11 Baoding Road, Heping District, Tianjin	**76**	**1,251**	**86,073**
Shijiazhuang Branch	1 Weiming South Avenue, Qiaoxi District, Shijiazhuang	**59**	**1,631**	**82,532**
Taiyuan Branch	1 Changfeng West Street, Wanbolin District, Taiyuan	**70**	**1,610**	**111,502**
Hohhot Branch	5 Xing'an South Road, Xincheng District, Hohhot	**44**	**1,067**	**56,061**
Shenyang Branch	77 Wenhua Road, Heping District, Shenyang	**44**	**1,162**	**68,916**
Dalian Branch	85A Yide Avenue, Zhongshan District, Dalian	**24**	**502**	**50,084**
Changchun Branch	283 Jiefang Road, Nanguan District, Changchun	**31**	**1,252**	**49,339**
Harbin Branch	88 Huanghe Road, Nan'gang District, Harbin	**30**	**847**	**48,520**
Shanghai Branch	168 Jiangning Road, Shanghai	**82**	**2,359**	**473,333**
Nanjing Branch	2 Changjiang Road, Nanjing	**124**	**3,444**	**392,519**
Suzhou Branch	125 Wangdun Road, Suzhou Industrial Park, Suzhou	**19**	**619**	**72,404**
Hangzhou Branch	40 Qingchun Road, Hangzhou	**104**	**2,405**	**301,359**
Ningbo Branch	905 Baizhang East Road, Ningbo	**32**	**644**	**56,780**
Hefei Branch	99 Fuyang, Hefei	**42**	**1,228**	**87,786**
Fuzhou Branch	398 Jiangbin Middle Avenue, Taijiang District, Fuzhou	**63**	**1,378**	**239,329**
Xiamen Branch	78 Hubin North Road, Xiamen	**28**	**1,203**	**120,718**
Putian Branch	199 Liyuan Middle Road, Licheng District, Putian	**12**	**348**	**18,813**
Sanming Branch	Building 362, Qianlong New Village, Meilie District, Sanming	**12**	**364**	**16,806**
Quanzhou Branch	Xingye Building, Fengze Street, Quanzhou	**39**	**1,178**	**73,856**
Zhangzhou Branch	491 Zhanghua Middle Road, Xiangcheng District, Zhangzhou	**21**	**608**	**37,747**
Nanping Branch	399 Binjiang Middle Road, Nanping	**16**	**363**	**18,058**

Unit	Business Address	Number of outlets	Number of employees	Size of assets (RMB million)
Longyan Branch	298 Longyan Avenue, Xinluo District, Longyan	**14**	**399**	**23,249**
Ningde Branch	6 Tianhu East Road, Jiaocheng District, Ningde	**13**	**330**	**25,734**
Nanchang Branch	1568 Honggu Middle Avenue, Honggutan New District, Nanchang	**49**	**892**	**52,675**
Ji'nan Branch	7000 Jingshi Road, High-tech District, Ji'nan	**116**	**2,656**	**204,813**
Qingdao Branch	886 Tongan Road, Laoshan District, Qingdao	**24**	**601**	**73,841**
Zhengzhou Branch	288 Jinshui Road, Zhengzhou	**44**	**1,535**	**113,534**
Wuhan Branch	108 Zhongbei Road, Wuchang District, Wuhan	**70**	**1,387**	**129,156**
Changsha Branch	192 Shaoshan North Road, Changsha	**43**	**1,376**	**118,680**
Guangzhou Branch	101 Tianhe Road, Guangzhou	**125**	**3,116**	**443,813**
Shenzhen Branch	4013 Shennan Boulevard, Futian District, Shenzhen	**52**	**1,584**	**356,373**
Nanning Branch	146 Minzu Boulevard, Qingxiu District, Nanning	**31**	**989**	**64,669**
Haikou Branch	7 Jinlong Road, Longhua District, Haikou	**13**	**380**	**16,858**
Chongqing Branch	1 Honghuang Road, Jiangbei District, Chongqing	**59**	**1,172**	**96,630**
Chengdu Branch	936 Shijicheng Road, Gaoxin District, Chengdu	**119**	**1,739**	**141,280**
Guiyang Branch	2 Tongbao Road, Guanshanhu District, Guiyang	**17**	**508**	**47,587**
Kunming Branch	363 Jinbi Road, Xishan District, Kunming	**28**	**868**	**46,320**
Xi'an Branch	1 Tangyan Road, Xi'an	**78**	**1,168**	**121,147**
Lanzhou Branch	75 Qingyang Road, Chengguan District, Lanzhou	**13**	**362**	**16,668**
Xining Branch	54 Wusi West Road, Chengxi District, Xining	**4**	**201**	**18,696**
Urumqi Branch	898 Weitai South Road, Urumqi	**39**	**737**	**54,833**
Yinchuan Branch	239 Shanghai West Road, Jinfeng District, Yinchuan	**3**	**141**	**6,164**
Lhasa Branch	6 Yangdao Road, Taiyang Island, Chengguan District, Lhasa	**1**	**110**	**8,882**
Hong Kong Branch	1 Harbour View Street, Central, Hong Kong	**1**	**261**	**176,329**
Netting and summation adjustment within the system				**(1,867,618)**
Total		**2,006**	**55,473**	**7,691,260**

Note: Data in the table above do not include subsidiaries. Only Tier 1 branches (sorted by the administrative regions) which were in operation as at the end of the reporting period are listed in the table above, while data of Tier 2 branches and other sub-branches are included in the data of Tier 1 branches according to the management structure.

2.Overview of major subsidiaries

Unit: RMB million

Name of subsidiary	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Industrial Bank Financial Leasing Co., Ltd.	**9,000**	**127,460**	**18,041**	**3,216**	**2,669**	**2,008**
China Industrial International Trust Limited	**10,000**	**62,363**	**21,147**	**5,267**	**2,329**	**1,765**
CIB Fund Management Co., Ltd.	**1,200**	**3,928**	**3,510**	**1,047**	**578**	**445**
Industrial Consumer Finance Co., Ltd.	**1,900**	**44,559**	**4,908**	**6,465**	**1,757**	**1,350**
CIB Wealth Management Co., Ltd.	**5,000**	**6,952**	**6,353**	**1,951**	**1,780**	**1,345**

(1) Industrial Bank Financial Leasing Co., Ltd.

Industrial Bank Financial Leasing Co., Ltd. is a wholly-owned subsidiary of the Company with registered capital of RMB9 billion. Business scope includes financial leasing, selling and buying of financial leasing asset, fixed-income security investment, acceptance of lessee's lease deposits, setting up project companies in domestic bonded areas to engage in finance lease business, among others.

As at the end of the reporting period, Industrial Financial Leasing has total assets of RMB127.460 billion and total liabilities of RMB109.419 billion. Owners' equity amounted to RMB18.041 billion. Total leasing assets on balance sheet amounted to RMB115.891 billion, which included RMB110.099 billion financing leasing assets and RMB5.792 billion operating leasing assets. During the reporting period, operating income was RMB3.216 billion, operating profit was RMB2.669 billion, and the net profit was RMB2.008 billion.

During the reporting period, the investment in green leasing business of Industrial Financial Leasing grew more than twofold, the first green leasing industry standard was formulated, and the market influence of green products was further enhanced; the green field achieved an investment of RMB18.693 billion, up 205% year-on-year, and the balance of assets at the end of the reporting period was RMB40.430 billion, accounting for 34.9% of leasing assets, up 2.1 percentage points compared with the end of the previous year. The professional businesses started to get involved or achieved long-term development in many fields; construction machinery and vehicle business grew from scratch and thrived. Aircraft business withstood the test under the impact of the COVID-19 epidemic and ship business achieved a breakthrough in placement, with the asset size of professional business at the end of the reporting period of RMB20.898 billion, accounting for 18% of leasing assets, up 3.8 percentage points from the end of the previous year. Optimization of regional and industry structure layout produced results, and the Company's key regions invested a total of RMB31.152 billion, accounting for 58% of the total investment, up 41% year-on-year. The Company continuously suppressed leasing business related to government credit, with leased items as property and involved in high pollution and high energy consumption industries and increased the investment in weak cyclical industries such as water, heat and gas, large transportation, etc. The investment in weak cyclical industries was RMB11.199 billion, up 45.5% year-on-year. The three major business systems of auto leasing, construction machinery and traditional leasing were fully launched, and technology empowerment took solid steps.

(2) China Industrial International Trust Limited

China Industrial International Trust Limited is a holding subsidiary of the Company with a registered capital of RMB10 billion and the Company holds 73% of the equity interest. The business covers fund trust, movable property trust, immovable property trust, negotiable securities trust, other property or property right trust and other businesses stipulated by laws and regulations or approved by the CBIRC.

As at the end of the reporting period, Industrial Trust's total assets amounted to RMB62.363 billion, up 47.97%

from the end of the previous year, owners' equity was RMB21.147 billion, up 8.33% from the end of the previous year, and the asset under management was RMB460.427 billion. During the reporting period, the operating income was RMB5.267 billion, representing a year-on-year increase of 18.07%, the total profit was RMB2.334 billion, representing a year-on-year increase of 6.67% and the net profit was RMB1.765 billion, representing a year-on-year increase of 6.07%. The subsisting size of trust business of Industrial Trust reached RMB364.941 billion, a decrease of RMB185.018 billion or 33.64% from the end of the previous year, among which, the subsisting size of active management trust business reached RMB86.713 billion. The size of active management business accounted for 23.76%. The subsisting size of passive management business reached RMB278.228 billion. During the reporting period, the cumulative revenue of trust business was RMB1.928 billion, a year-on-year decrease of 21.88%.

During the reporting period, Industrial Trust launched a new green infrastructure business exploration in Anji, Zhejiang Province, the birthplace of the "Two Mountain Theory"; established the industry's first open net worth standardized green asset investment trust product, filling the industry's gap in direct investment in standardized green financial assets; successfully completed the first green asset support note for pandemic prevention and control in the interbank market, and launched the first biodiversity green charity trust in China. As at the end of the reporting period, the balance of the remaining scale of Industrial Trust's green business was RMB54.548 billion. The equity investment business advanced in an orderly manner, with more than ten new PE fund and M&A fund projects launched during the reporting period.

(3) CIB Fund Management Co., Ltd.

With a registered capital of RMB1.2 billion, of which the shareholding of the Company reaches 90%, CIB Fund Management Co., Ltd., a holding subsidiary of the Company, is principally engaged in fundraising, sales agency services, asset management for specific clients, asset management and other business as permitted by the CSRC. As at the end of the reporting period, CIB Fund has established four branches across the nation, including Shanghai, Beijing, Shenzhen and Fuzhou as well as the wholly-owned fund subsidiary CIB Asset Management Co., Ltd.

As at the end of the reporting period, the total assets of CIB Fund reached RMB3.928 billion, representing an increase of 8.27% as compared to the end of previous year; owner's equity was RMB3.510 billion, representing an increase of 10.90% as compared to the end of previous year. During the reporting period, it recorded operating revenue of RMB1.047 billion, net profit of RMB445 million and a ROE of 13.32%.

Total asset scale under management at the end of the reporting period was RMB319.850 billion, of which public fund reached RMB238.719 billion, up 23.77% from the end of the previous year. The amount of specific accounts of the fund company reached RMB13.566 billion, and the amount of specific accounts of fund subsidiaries reached RMB67.566 billion. The size of non-monetary funds was RMB129.039 billion, an increase of 35.82% over the end of the previous year. The total size of equity business exceeded RMB10 billion. During the reporting period, five new equity instrumental funds were issued, and the mainstream broad-based ETF products of equity were basically covered; a consumer-themed equity fund was launched, the first Fujian regional-themed equity fund was established, and the second green-themed bond fund was successfully issued in the market, which has formed a fund product line covering the investment needs of customers with different risk appetites.

(4) Industrial Consumer Finance Co., Ltd.

Industrial Consumer Finance Co., Ltd. is a controlling subsidiary of the Company. It has a registered capital of RMB1.9 billion, of which the Company had a stake of 66%. It is engaged in provision of personal finance loans, deposit-taking from shareholders' domestic subsidiaries as well as domestic shareholders, lending to domestic financial institutions, issuance of financial debts, domestic interbank lending, advisory and agency services related to consumer finance, fixed income securities investment and other business approved by the regulatory authorities in banking industry.

As of the end of the reporting period, the total assets of Industrial Consumer Finance amounted to RMB44.559 billion with the balance of various loans of RMB40.924 billion. Since its establishment, the accumulated issued loans exceeded RMB120 billion. During the reporting period, the operating income amounted to RMB6.465 billion and net profit was RMB1.350 billion. The asset quality remained stable.

During the reporting period, Industrial Consumer Finance took the initiative to provide assistance measures such as repayment plan adjustment, deferred repayment and fee and interest waiver to customers affected by the COVID-19 pandemic; innovatively launched the "Xing Cai Plan" and "Li Ye Plan" online products to support young students in their studies and employment; continued to strengthen technology leadership, formulated the "14th Five-Year Plan" information technology strategic plan and promoted digital development; improved the "traditional + big data" new risk control system; continued to promote diversified financing and raised two two-year syndicated loans totaling RMB2.9 billion; issued a RMB2 billion financial bond; issued a RMB1.918 billion ABS, the first ABS with CRMW (credit risk mitigation certificate) in the interbank market.

(5) CIB Wealth Management Co., Ltd.

CIB Wealth Management Co., Ltd. is a wholly-owned subsidiary of the Company with a registered capital of RMB5 billion. Its business covers the public issuance of wealth management products for the unspecified social public, and investment and management of entrusted investor properties; the non-public issuance of wealth management products to qualified investors, and investment and management of entrusted investor properties; financial advisory and consulting services; other businesses approved by the CBIRC.

During the reporting period, CIB Wealth Management started smoothly in a standardized manner and continued to promote the transformation and upgrading of its asset management business in accordance with the requirements of the new capital management regulations. As at the end of the reporting period, the balance of CIB Wealth Management products was RMB685.892 billion, including RMB627.750 billion in fixed income products, RMB57.184 billion in hybrid products and RMB958 million in equity products. During the reporting period, the Company continued to promote the professional and market-oriented operation of CIB Wealth Management and made systematic layout in investment, products, marketing, operation and system. CIB Wealth Management will continue to inherit the culture of the Group, adhere to the customer-oriented, adhere to the service objective of "only for your trust" and aim to become an "asset management service provider that leads the market with innovation and creates value with investment".

OTHER IMPORTANT SUBSIDIARIES

(6) Industrial Futures Co., Ltd.

Industrial Futures Co., Ltd. is a holding subsidiary of the Company with a registered capital of RMB0.5 billion. Business scope includes: commodity futures brokerage, financial futures brokerage, futures investment consulting and asset management business. Industrial Futures is a member of Shanghai Futures Exchange, Zhengzhou Commodity Exchange, Dalian Commodity Exchange and Shanghai International Energy Exchange, and is also a transaction settlement member of China Financial Futures Exchange. Industrial Futures has established a wholly-owned risk management subsidiary - Industrial Yinqi Commodity Trading Co., Ltd.. It has 17 subsidiaries in Shanghai, Beijing, Jiangsu, Zhejiang, Fujian, Guangdong, Shenzhen and other areas, forming a nationwide presence in major economic centers of China and established footholds in areas that it specializes in.

During the reporting period, with brokerage business as its principle business, Industrial Futures accelerated the development of asset management and risk management business and continued to intensify innovation, achieving rapid development of all businesses and became the "A" class futures company for the first time. As at the end of the reporting period, Industrial Futures has total assets of RMB9.501 billion, up 79.93% year-on-year. Its aggregate customers' equity amounted to RMB8.060 billion, up 78.66% year-on-year. Its asset management business amounted to RMB13.183 billion, up 99.81% year-on-year. It tapped industry characteristics and fulfilled social responsibilities. During the reporting period, Industrial Futures launched an "insurance + futures" project covering eight national poverty-stricken counties with a nominal principal of RMB213 million.

(7) CIB Economic Research and Consulting Co., Ltd.

CIB Economic Research and Consulting Co., Ltd. is a wholly-owned subsidiary of the Company with a registered capital of RMB60 million. CIB Research is committed to providing research services in the areas of macroeconomics, broad asset allocation, industry research, credit research, exchange rate commodities and green finance for all parties involved in the financial market.

During the reporting period, CIB Research insisted on practicing research empowerment in the new financial ecology, focusing on the core development direction of the financial industry, continuously following the changes in the new financial ecology, basing on the pricing of financial assets, cultivating research capacity building, and serving the Group, the market and customers with multi-level, professional and systematic research. It deepened macroeconomic research, closely tracked the economic situation, accurately grasped macroeconomic changes and interest rate trends, and actively expanded macro segment research; promoted equity strategy research, launched a series of reports on super companies, and provided research support for mining and discovering the value of high-quality companies. Meanwhile, it strengthened industry research capabilities, continued to expand coverage of key industries, and formed a system of reports on key industries, sub-industries and industry chain depth topics, etc. It continued to improve the quality of credit products by improving credit product models, optimizing credit product parameters and standards; insisted on innovation in exchange rate commodity research, launched monthly global macro barometer reports, and accurately grasped the pace of risk switching in global financial markets; expanded green finance research, carried out research on blue bonds, EU green agreements and green finance, construction of credit carbon intensity indicators, climate change and monetary policy and prudential regulation, and green finance standards. As at the end of the reporting period, CIB Research signed 48 new clients, and the total number of clients exceeded 200, covering various financial institutions such as banks, insurance, securities and funds, as well as various market participants such as governments and enterprises.

(8) CIB FINTECH (Shanghai) Co., Ltd.

CIB FINTECH (Shanghai) Co., Ltd. is a holding subsidiary of the company. As the Company's technology core and innovation incubator, CIB FINTECH has the full responsibility for the Company's technology research and development and digital innovation. Meanwhile, it provides solutions and export technology products and services for the digital transformation of commercial banking through cutting-edge technologies such as cloud computing, artificial intelligence, open APIs, process robots, and blockchain.

During the reporting period, the Company launched online financial products such as mobile banking "Internet + medical" and online wealth management room and the total number of registered users of "Hao Xing Dong" App exceeded 20 million. The integration of enterprise mobile Internet banking and Industrial Steward achieved milestones and the "Fujian Jin Fu Yun" resolved financing needs of over RMB40 billion. The "Ningxia Jin Fu Yun" was launched. The headquarter and branches cooperated to expand 23 scenarios such as education cloud, medical cloud and other ecosystem items, and items such as Qinghai Medical Insurance, Qingdao COSMOPlat, Wuhan Provident Fund and retail customer acquisition platform were rapidly launched. Products such as third-party open banking, Xing Cai Zi and fund management cloud platform were gradually launched. The technology export business was developing steadily and "Industrial Cloud" was upgraded and promoted. 395 small and medium-sized financial institutions were contracted and 241 of them were launched online. In terms of customer base expansion, the Group expanded its cloud services from banking and non-banking to government and enterprise scenarios, and the number of contracting and launching both increased; in terms of product services, the comprehensive replacement and upgrade of the new generation system group was steadily promoted, with 146 customers upgraded and put online, and new breakthroughs were made in the export of technology products such as treasury cloud, disaster recovery cloud and RPA. In the field of innovative business, open banking has launched a total of 341 API interface services in 12 categories, and OpenAPI connected financial services to scenarios such as education, healthcare, housing, transportation, supply chain finance and auto finance. A full-flow online financing business with small and micro enterprises as the main borrowers was launched to promote the change of the Company's online financing risk control model. RPA process robots evolved to intelligence and were implemented in various scenarios such as public-private intelligent marketing, information disclosure checking, risk control, administrative procurement/property management, data governance, comprehensive statistical management, and public accounts, etc. The total number of robots launched in the Group's clients exceeded 700.

(9) China Industrial Asset Management Co., Ltd.

China Industrial Asset Management Co., Ltd. is a holding subsidiary of the Company with a registered capital of RMB1.95 billion. Industrial Asset Management was registered with the approval of the People's Government of Fujian Province and the former CBRC in February 2017, and has the qualification to massively acquire and dispose non-performing assets of financial institutions as a provincial asset management company. Its business scope includes: participating in massive acquisition, transferring and disposal of financial institutions' non-performing assets within Fujian Province; acquiring, transferring and disposing nonfinancial institutions' non-performing assets; debt restructuring and corporate restructuring; debt-to-equity swap, managing, investing in and disposing equity assets; bankruptcy management; investment and asset management; asset securitization; fund custody management, among others.

Industrial Asset Management gave full play to the functions of the professional operation license for special assets, debt-to-equity swap implementation institution and private equity fund managers, and its operating performance met expectations. As of the end of the reporting period, Industrial Asset Management had total assets of RMB24.105 billion, an increase of RMB8.122 billion as compared to the beginning of the period. During the reporting period, it achieved a net operating income of RMB593 million, a year-on-year increase of RMB260 million and recorded a net profit of RMB249 million, a year-on-year increase of RMB93 million.

Rooted in Fujian, Industrial Asset Management provided services in Fujian, vigorously launched credit and credit-like special financing businesses of financial institutions, innovated and implemented non-credit special financing businesses of financial institutions and steadily intervened in the disposal of non-financial debts associated with the former two. During the reporting period, the Company collected and deposited various types of special assets involving a total amount of approximately RMB50.979 billion, representing a year-on-year increase of RMB21.531 billion and collected and deposited investment consideration of approximately RMB11.586 billion, representing a year-on-year increase of RMB6.434 billion; and disposed of various types of special assets involving a total amount of approximately RMB20.080 billion, representing a year-on-year increase of RMB5.942 billion.

(II) Business analysis

1. Customer lines

Corporate finance business

The size of the Company's corporate financial assets and liabilities steadily increased, the structure continued to be optimized and the customer base has been further consolidated. As at the end of the reporting period, the balance of corporate deposits amounted to RMB3,314.324 billion, increasing by RMB217.194 billion from the end of the previous year. The balance of corporate loans reached RMB2,257.223 billion, increasing by RMB261.089 billion from the end of the previous year. The development quality of the assets and liabilities has been further improved. The corporate finance business had a total of 930.7 thousand customers, up by 146.9 thousand from the end of the previous year. The effective customers of the corporate finance business aggregated at 364.2 thousand, up 72.1 thousand from the end of the previous year. The corporate finance business' value and core customers aggregated at 105.9 thousand, up by 9.5 thousand from the end of the previous year.

Green financial business. During the 13th Five-Year Plan period, the Company set the development target of "by the end of 2020, the Group's green financing balance will exceed RMB1 trillion and the number of green finance customers will exceed 10,000", which was accomplished ahead of schedule in 2019. As at the end of the reporting period, the balance of green financing amounted to RMB1,155.76 billion and the accumulated number of green finance customers served was 29,829, representing an increase of RMB144.9 billion and 10,375 customers respectively compared with the end of the previous year. The Company focused on key areas such as water resources utilization and protection, solid waste treatment, atmospheric treatment, new energy, green transportation and green buildings, and served key regions such as Beijing, Tianjin and Hebei, the Yangtze River Delta, the Greater Bay Area and the Yangtze River Economic Belt to help implement national strategies. The Company joined the Yangtze River Ecological and Environmental Protection Industry Alliance and has been working with alliance members to develop industry chain synergies and joint research on industries and technology applications in the fields of water environment, solid waste and soil remediation, and to implement green loans for Yangtze River protection projects such as the comprehensive improvement of the Huaxi River in Chongqing, a first-tier tributary of the Yangtze River; the Company signed green financial cooperation agreements with nine provinces (autonomous regions) national-level green financial reform and innovation pilot zones including Guizhou, Zhejiang, Jiangxi and Xinjiang, with a total contract amount of RMB570 billion, participated in the formulation (revision) of green finance policies and the drafting of planning plans for green finance reform and innovation pilot zones in many places, and actively provided "financing + intelligence" services. As at the end of the reporting period, the Company invested RMB478.211 billion in various contracted provinces and regions. In terms of product innovation, the Company launched products and services such as "environmental protection loan", "water conservation loan", "green ticket pass" and "green innovative loan", which effectively alleviated the lack of collateral, financing difficulties, expensive financing and other issues in the process of green transformation and development of enterprises and helped to enhance the quality and effectiveness of government green funds to guide and leverage. In the field of green bonds, the Company underwrote the first "green pandemic prevention bond" in the market, issued overseas blue bonds in Hong Kong, and underwrote the first corporate blue bond in China mainland, helping enterprises to reduce their financing costs; the Company issued RMB130 billion of green financial bonds in total, and the amount of its existing domestic green financial bonds was RMB100 million. In the ranking of investors of green bond financing instruments in 2020 organized by the National Association of Financial Market Institutional Investors, the Company ranked first among national commercial banks and policy banks and continuously strengthened the environmental and social risk management of credit. As at the end of the reporting period, the Company made judgments on the applicability of the Equator Principles to 1,294 projects, of which 621 projects were subject to the Equator Principles, with a total investment of RMB2,916.144 billion. The Company continued to promote the upgrade of the professional system of green finance and strengthen the support of financial technology. During the reporting period, the second phase of "Green Finance Platform" system, a professional green finance system developed by the Company, was officially launched. The system realized the unified management of green financing properties and support materials of the PBOC's green loans and green bonds and the CBIRC green financing, which improved the quality and efficiency of green financing management.

Group banking business improved the operation system of key customers. The operating results in relation to strategic customers, listed companies and customers from professional customer base were remarkable. As at the end of the reporting period, the number of large corporate customers reached 48,784, up by 2,976 from the end of the previous year. The number of subsidiaries of Head Office-level key customers that cooperated with the Company reached 12,671, up by 1,267 from the end of the previous year. 3,609 companies that are already or plan to be listed were cooperating with the Company, up by 278 from the end of the previous year. Large customer corporate loans (including discounted bills) reached RMB953.686 billion, increasing by RMB70.059 billion from the end of the previous year. Daily average deposits of subsidiaries of Head Office-level key customers reached RMB662.248 billion, increasing by RMB34.426 billion from the end of the previous year. Corporate loans (including discounted bills) reached RMB574.483 billion, increasing by RMB73.096 billion from the end of the previous year. Daily average deposits of listed or to-be-listed companies that cooperated with the Company reached RMB242.285 billion, increasing by RMB15.404 billion from the end of the previous year. In the institutional business sector, the financial agency business at all levels continued to expand in size and volume, and the special bond, finance and consulting business continues to expand to the full coverage of the province-level regions. As at the end of the reporting period, the Company has 33,879 institutional customers, increasing by 4,637 from the end of the previous year. Daily average deposits reached RMB932.432 billion, increasing by RMB91.041 billion from the end of the previous year. In the auto finance sector, the Company accelerated the use of customized products for auto finance and promoted upgrade and development of "Xing Che Rong" platform. As of the end of the reporting period, the auto finance business has 10,428 customers, increasing by 1,361 from the end of the previous year. Financing balance was RMB215.238 billion, increasing by RMB9.835 billion from the end of the previous year. Daily average deposits reached RMB134.202 billion, increasing by RMB23.384 billion from the end of the previous year.

Small and medium-sized enterprise services. Focusing on the key areas of increasing the quantity and improving the quality of the basic customer base, improving the quality and efficiency of inclusive finance, empowering small and micro finance technology, and competing with the characteristics of science and innovation finance, the Company continued to strengthen its financial support for SMEs. As at the end of the reporting period, the balance of loans to inclusive micro and small enterprises was RMB203.250 billion, an increase of RMB77.2 billion or 61.25% compared with the beginning of the period, and the number of loan customers was 94.7 thousand, an increase of 38.2 thousand compared with the beginning of the period. The cumulative weighted average placement rate for inclusive small and micro loans fell to 4.52% during the reporting period. The Company also launched the innovative "Industrial Universal Loan", with an amount of nearly RMB15 billion in just five months after its launch. In the area of people's livelihood and consumption, the Company formulated a research report and a supporting sandbox for eight sub-sectors of small and medium enterprises, which led to a credit investment of RMB14.2 billion. As at the end of the reporting period, the Company had 2,003 business outlets, including 1,140 traditional sub-branches and 863 community sub-branches, all of which provided financial services to small and medium-sized enterprises. The Company built and operated the "Fujian Jin Fu Yun" platform, which provides online financing services for SMEs in the form of "finance + technology + data + policy". The platform aggregates nearly 4,400 items of enterprise-related information from 17 government departments, and has four special zones for local features and four zones for policy products. As at the end of the reporting period, 33 financial institutions were stationed on the platform, with 94 thousand registered users, and nearly 12 thousand financing requests of various types, amounting to RMB43.9 billion, were resolved. The "Ningxia Jin Fu Yun" was launched for trial run and shortlisted for the "Min-Ning Cooperation Project". The Company launched contract loans, e-bill loans, online financing for import and export enterprises, and branch regional special online products. As at the end of the reporting period, more than 20 thousand micro and small enterprises posted their online financing needs, and the approved amount was about RMB1.5 billion. The number of cooperation with national high-tech enterprises reached 24 thousand, and the number of credit customers exceeded 9 thousand.

The transaction banking business endeavored to build a supply chain financial product ecosystem. Online products of the "Xing Xiang Supply Chain" series were increasingly improved with remarkable technology empowerment. The Company continued to build a "finance + industry ecosystem" and intensified efforts in the four key industries of healthcare, education, housing and construction and transportation; launched a global capital management system in an innovative way and gradually formed a cross-border integrated and diversified system. As of the end of the reporting period, the qualified balance of supply chain financing was RMB299.374 billion, a year-on-year increase of RMB49.913 billion or 20.01% from the end of the previous year. The number of cooperative core enterprises was 573, a year-on-year increase of 170 from the end of the previous year. The number of upstream and downstream customers driven by core enterprises was 7,878, a year-on-year increase of 62.60%. The pooling volume of the bill pool business was RMB232.186 billion, a year-on-year increase of RMB61.687 billion or 36.18% from the end of the previous year. The business volume of bill pool financing was RMB194.107 billion, a year-on-year increase of RMB50.687 billion or 35.34% from the end of the previous year. The number of customers of key cash management products was 7,340. The number of customer account transactions was 68.0799 million, and the amount was RMB4.98 trillion. The number of corporate financial merchants of Internet payment was 37.7 thousand, and the average daily transaction volume was RMB697 million. The local and foreign currency cross-border settlement amount was USD227.675 billion, a year-on-year increase of USD25.529 billion or 12.63% from the same period last year. The average daily foreign currency deposits of domestic corporate finance was USD14.489 billion, and the average daily foreign currency loans of corporate finance was USD14.218 billion.

Retail finance business

The number of retail customers increased rapidly, the scale of comprehensive financial assets of retail customers increased steadily, and the net operating income of retail business continuously increased. As at the end of the reporting period, the number of retail banking customers (including credit cards) was 79.5567 million, an increase of 773.5 thousand over the end of the previous year. The balance of comprehensive financial assets of retail customers totaled RMB2,384.4 billion, a year-on-year increase of RMB244.3 billion. The balance of personal deposits was RMB729.627 billion, representing an increase of RMB65.025 billion from the end of the previous year, of which savings deposits amounted to RMB692.480 billion, representing an increase of RMB85.647 billion from the end of the previous year. The balance of personal loans (excluding credit cards) was RMB1,263.720 billion, up 18.55% from the end of the previous year. The total amount of personal loans issued during the reporting period was RMB579.108 billion, up 36.13% year-on-year. During the reporting period, net operating income of retail banking was RMB67.025 billion, up 23.28% year-on-year. As at the end of the reporting period, there were 56.526 million debit cards issued. The number of debit card customers was 51.243 million, and the per capita debit card number was 1.1. The cumulative development of acquiring merchants was 569 thousand. During the reporting period, the Company's express payment product bundled a total of 39.4233 million customers, recording a total transaction number of 2.306 billion and total transaction value of RMB1,015.346 billion. The Company developed nearly 16.3661 million mobile payment customers of UnionPay cloud flash payment.

As to the retail wealth business, the Company insisted on selecting high-quality products in the whole market, enhancing its investment capability and creating value for customers and maintaining a relatively fast development of wealth business. During the reporting period, the sales volume of retail wealth products exceeded RMB5.43 trillion, creating wealth value-added of over RMB76 billion for 3.53 million wealth customers, of which, bank wealth management (including off-bank wealth management) generated profits of over RMB45 billion for customers and agency funds generated profits of over RMB19 billion. As at the end of the reporting period, the consolidated financial assets of retail wealth were RMB1.65 trillion, representing a year-on-year growth of 12.14%; retail wealth achieved intermediate business income of RMB8.281 billion, representing a year-on-year growth of 32.71%, including agency income of RMB4.18 billion, representing a year-on-year growth of 46.69% and accounting for 50.48% of the intermediate business income. The retail liabilities business insisted on expanding low-cost core liabilities, further strengthening the construction of the "Net Weaving Project", focusing on the promotion of "wholesale" basic clearing businesses such as payroll payment, network-wide bill collection, and third parties' depository, continuously improving the platform construction, enriching the scene construction, and enhancing the ability to expand settlement deposits.

Private banking business achieved steady and rapid development. As at the end of the reporting period, the Company had 48,560 private banking customers, an increase of 8,369 customers or 20.82% from the beginning of the period. The monthly average daily AUM of private banking customers was RMB633.720 billion, an increase of RMB104.481 billion or 19.74% from the beginning of the period. The Company's private banking business focused on building a private banking wealth management service brand "Family Office", which provided personalized and comprehensive private banking services in the areas of investment, taxation, legal, merger and acquisition financing, clearing, cross-border finance, children's education and asset inheritance for high-net-worth clients and newly rich people in China in three dimensions: individual, corporate and family. During the reporting period, the Company achieved the target of over RMB10 billion in dual trust business, representing a 106% increase from the beginning of the period, and added RMB38.6 billion in sales of top-tier Sunshine private equity funds, representing an increase of 601%.

The credit card business developed steadily and soundly and the refined operation ability was steadily improved. As at the end of the reporting period, the Company issued 56.6228 million credit cards, with 4.6954 million new cards issued during the reporting period; the cumulative transaction amount during the reporting period was RMB2,310.665 billion, representing a year-on-year increase of 17.17%. The Company shouldered its social responsibility to actively fight against the COVID-19 pandemic. During the reporting period, the Company provided deferred repayment services to 198 thousand customers affected by the pandemic, involving a balance of RMB5.924 billion and provided fee and interest reductions to 81.7 thousand customers, involving an amount of RMB49 million. The Company also launched a number of thematic activities such as the "Contactless take-out merchant cooperation program" and "Work resumption subsidies", taking into account the characteristics of the quarantine period, consumption recovery period and online payment peak period, and catering to the changes and needs of customers in terms of consumption habits, scenarios and pipelines. The Company also cooperated with the Internet head platforms to launch online payment scenario marketing. The Company carefully polished the digital platform "Hao Xing Dong" to expand the coverage of preferential merchants and promote the transformation of credit card marketing to "targeted implementation" while promoting inclusive finance and benefiting the people. The Company grasped risk characteristics of the post-pandemic era, increased the application of big data risk control products and quantitative scoring models, built a monitoring and early warning system that combined risk and revenue, controlled the growth of new risks, accelerated the digestion of existing risks, strengthened the collection of non-performing assets, and protected asset safety. The credit card smart credit service platform was selected by the China Computer Users Association as one of the 2020 Best Practices in Financial Information Technology Risk Management and Audit.

The retail Internet finance business actively utilized the online platform to carry out business operations. As at the end of the reporting period, mobile banking had 37.0006 million active customers, an increase of 18.19% compared with the end of the previous year, and 13.3772 million monthly active users (MAU). During the reporting period, the cumulative number of mobile banking transactions was 274.2422 million, representing a year-on-year increase of 12.67%. There were 14.0746 million active personal Internet banking customers, 504.7 thousand active corporate and peer-to-peer Internet banking customers, and 14.9419 million contracted customers for "Qianda Money Manager"; the replacement rate of Internet financial transactions was 96.12%. The number of online transactions of the Company's major financial products accounted for over 96% of the total pipeline. In line with the digital transformation, the Company promoted the construction of smart banking and launched the "City Service" zone of mobile banking to build a "finance + life" ecosystem. During the reporting period, the Company cooperated with 26 branches to complete the launch of "City Services" in 46 cities. The "Online Wealth Management Room", an innovative online customer acquisition and sales platform, empowered business operations. Industrial Living Mall set up a special zone for "Xing Public Welfare" poverty alleviation, promoted e-commerce to help the poor and practiced inclusive finance.

Interbank financial services

Focusing on the positioning of "integrated service provider for financial institutions" and "integrated operator of financial markets", the Company launched financial market business based on interbank cooperation to provide in-depth services to interbank customers, financial markets and the real economy. During the reporting period, the Company further strengthened our business based on "clearing and settlement + depository and custody", further enhanced professional capabilities with "investment + financial market" as the core, further built an ecosystem with "investment banking + wealth management" and achieved good results in business transformation and development.

The Company's interbank cooperation penetrated into various fields of the domestic financial industry and financial factor markets, provided comprehensive financial services such as payment and settlement, financing services, investment and trading, and wealth management to interbank customers. The Company developed comprehensive cooperation with various financial trading venues in agency clearing, fund settlement, financing services, investment trading and system construction, etc., and obtained the qualification of the first batch of depository banks for standard warehouse receipts transactions of Dalian Commodity Exchange during the reporting period. The Company established an overseas banking network with 1,189 banks in 97 countries and regions around the world, with an interbank customer coverage rate of over 90%. Based on interbank cooperation, the Company further extended its integrated financial services, such as depository and settlement, agency payment and collection, agency sales and asset management, to corporate and individual end customers, forming a full-chain, full-customer group service system. The Company also applied the concept of open banking to achieve product opening, pipeline sharing and complementary advantages in collaboration with interbank customers, further expanding and enhancing the value of interbank cooperation. During the reporting period, the non-bank (financial institution) fund management cloud platform, an integrated and comprehensive platform specializing in serving non-bank financial institutions, was launched with a total of 750 units. The scale of the Company's interbank liabilities remained stable and costs were properly controlled. The allocation of interbank major asset classes was continuously optimized, and the business of interbank financing, interbank investment bills, financial bonds and asset securitization developed in an orderly manner, with the proportion of standardized products continuing to increase and the sales and trading capabilities continuously enhanced. The efficiency of bill business was further improved, and the online product "Xing e Tie" realized the online automated processing of the discount business, which facilitated corporate financing and strongly served the real economy.

The Bank-to-Bank Platform is the first financial interbank cooperation brand launched by the Company in China. As at the end of the reporting period, it provided a comprehensive range of financial services to 2,177 legal entities, including wealth management, payment and settlement, capital transactions, asset flow, cross-border finance, technology finance and capital replenishment. "Wealth Cloud" has been developing the bank wealth management market, and has been launched in 38 national and regional commercial banks and provincial-level rural credit cooperatives, forming a unique end-to-end sales channel for the Group. "Qianda Money Manager" increased its cooperation with large urban and rural commercial banks, listed banks, wealth management subsidiaries and other institutions, and the richness of its products has been increasing. As at the end of the reporting period, the balance of wealth products for end customers on the Bank-to-Bank Platform was RMB138.745 billion, representing a year-on-year increase of 87.45%. The "institutional investment and trading platform" provides convenient online investment, trading and asset flow services to customers of various financial institutions. As at the end of the reporting period, there were 1,926 registered customers. The Company promoted the construction of a scenario ecosystem, served the multi-level payment and settlement needs of our customers and represented 369 legal entities to access the central bank's financial infrastructure such as the High-Value Payment System and Bulk Electronic Payment System, super online banking system and unified clearing platform, thus increasing customer stickiness and deposit deposition capacity for settlement. "Hui Shou Fu" provided receiving and paying integrated services to 159 institutions in the fund, insurance, trust, consumer finance and financial subsidiary industries. During the reporting period, the settlement volume of payment products on the Bank-to-Bank Platform was RMB7.06 trillion, representing a year-on-year increase of 19.58%. Serving the internationalization strategy of RMB, the Company provided agency access to the RMB cross-border payment system for 143 domestic and foreign banks, and agency fund settlement services for 10 market makers of Bond Connect, with cross-border RMB settlement volume of RMB505.273 billion during the reporting period, representing a year-on-year increase of 96.28%. The Company promoted business cooperation among small and medium-sized banks in agency international settlement, agency foreign currency clearing, cross-border investment and financing, and offshore bond underwriting and flow. As to technology export, the Company cooperated with 389 banks on information systems, of which 236 were launched. By providing small and medium-sized banks with professional services such as capital replenishment, non-performing assets disposal, diversified capital utilization and technology finance, the Company realized its own business value in empowering the transformation and development of small and medium-sized banks.

2. Public products line

Investment banking business maintained steady development. As at the end of the reporting period, the underwriting scale of non-financial corporate debt financing instruments was RMB654.555 billion, the underwriting scale of overseas bonds was USD5.229 billion and the issuance of seven phases of corporate asset securitization, one phase of housing loan support securities and four phases of non-performing asset securitization totaled RMB49 billion. The Company consolidated its position in the interbank market for non-financial corporate debt financing instruments and ranked first in the market for three consecutive years in terms of underwriting scale and number of non-financial bonds; strengthened the construction of the investment banking ecosystem, promoted the development of agency referral and other businesses, and enhanced asset sales and aggregation capabilities with the help of the "Xing Cai Zi" platform; continued to explore key areas such as M&A, private equity, ABS and capital market, and promoted the optimization of customer structure and diversification of business model; made full use of multi-level products in the interbank market to accurately support pandemic prevention enterprises and resume production, underwriting "pandemic prevention and control bonds" for RMB18.286 billion, successively launched the first batch of pandemic prevention and control bonds in China and Hubei Province, and the first pandemic prevention and control asset securitization product in the market. The Company further strengthened the combination of products and customers, and successively launched the market's first debt-to-preferred stock bond, the market's first enhanced M&A bond, the market's first asset-backed commercial paper, the market's first standardized note, the market's first urban renewal special debt financing instrument, the market's first blue bond and the market's first green asset-backed commercial paper, etc.

Asset management business strengthened the core role of wealth management and continued to promote the transformation of wealth management business. As at the end of the reporting period, the balance of off-balance-sheet wealth management products of the Company was RMB1,475.679 billion, an increase of 10.35% year-on-year, and the scale ranked fifth in the whole market. Among them, the balance of new products meeting the requirements of the new regulations on asset management exceeded RMB1 trillion, representing a year-on-year increase of 84.85%; the balance of net-value wealth management products was RMB1,132.769 billion, accounting for 76.76% of the balance of wealth management products, representing a year-on-year increase of 51.37%. During the reporting period, the Company focused on improving the construction of the "investment and research ecosystem" and established a three-dimensional investment research framework covering macro and strategy, broad asset allocation research, credit research, industry and individual stock research, and manager research. The Company continuously optimized product structure, actively participated in capital market construction, and focused on increasing fixed income and multi-asset and other products with equity. As at the end of the reporting period, the total amount of equity-containing products was RMB184 billion, an increase of RMB161.7 billion compared with the beginning of the period; the Group further consolidated its traditional advantages in green finance business and launched CIB Management ESG Beautiful China No. 1 financial product. In terms of sales and pipeline construction, the Group vigorously developed the customized business of institutional accounts and achieved the agency cooperation of a number of commercial banks.

As to the capital business, the Company strengthened the centralized management and investment operation of fixed income investment business, continued to promote the brand building of "Bond Bank" and "FICC Bank", and continued to be the leading market maker in bond, exchange rate, interest rate and other factor markets, playing an active role in enhancing market liquidity and market pricing efficiency. As for the bond bank, the Company strengthened its market-making ability, continued to increase the linkage of local bonds and credit bonds, continuously improved its ability to build high-quality assets and transfer assets, and further promoted the integration of investment underwriting, investment marketing and investment research to enhance the overall efficiency of the Group. As for FICC Bank, the effectiveness of its light-capital transformation continued to grow, forming four key product systems of exchange rate, interest rate, bond lending and bond sales. Meanwhile, the Company continuously promoted business innovations such as structured deposits, total return swaps, over-the-counter bonds and credit default swaps to enhance market competitiveness across the board. During the reporting period, the Company ranked second in the interbank market in terms of trading volume of cash securities in the Central Government Bond Registration and Settlement Co., Ltd.; ranked first in the integrated market-making volume of interest rate swaps and eighth in the integrated trading volume of exchange rates in the China Foreign Exchange Trade Center.

As to the asset custody business, the Company steadily promoted product transformation and business sinking, continuously enhanced professional service capability, gave full play to the advantages of the platform of "information aggregation center and resource integration center" and maintained its leading position in the market. As at the end of the reporting period, the Company had 26,787 products under online custody, ranking second in the industry; the scale of asset custody business was RMB13,005.952 billion, an increase of RMB621.912 billion or 5.02% compared with the end of the previous year, of which the scale of trust and brokerage custody products continued to rank second in the industry. The product and revenue structure were further optimized, and the proportion of revenue from valuation products continued to increase, including securities investment fund custody business scale of RMB1,550.077 billion, up 31.53% from the end of the previous year, ranking second in the joint-stock banks.

3. Operation Support

As to operation management, the Company continued to provide business support and internal security control, strengthened middle and back office support and gave powerful support for online business processes, remote video banking with many service features launched. The Company basically completed the integration and optimization of smart machines in the lobby, enhancing customer experience and promoting self-service diversion; the process of opening corporate settlement accounts was "contactless", further improving the efficiency of account opening; multiple backup mechanisms were established and perfected to ensure operation management continuity. The Company deepened the refinement management of operation platform and reduced costs with wisdom as the core. The diversion rate of smart customer service was 26.97% during the reporting period, an increase of 4.33 percentage points year-on-year; efficiency was raised with automation as the focus, and several RPA process robots were launched in the areas of unit settlement account opening, centralized operation, credit card accounting and custodian accounting; the Company strengthened foundation with digitalization as the goal, and continued to promote counter paperless transactions and electronic accounting information, strengthened the management of settlement and internal control, completed the construction of the account system in local and foreign currencies, the integration of UnionPay credit business clearing and local co-location clearing business, implemented the pilot work of large cash management with high quality, effectively promoted the prevention and control of telecommunication network fraud and cross-border gambling risks, deepened the construction of the operational compliance system, supervision and inspection and daily monitoring and maintained a high pressure on the prevention and control of risk cases.

IT work focused on building the ability to connect everything and continued to promote the digital transformation of business. During the reporting period, the Company had 2,331 IT regular employees, with the ratio of technology personnel to the total number of employees of the Company accounting for approximately 4.82%, and invested RMB4.862 billion in IT, an increase of 36% year-on-year. The Company built and put into operation a new generation of high-standard national financial information center Aofeng server room to help the orderly development of business. Built a new ecology of scenario-based technology innovation, promoted the construction of the third party open platform to the unified portal for interbank and financial market and FICC products on the F-side; enriched and improved the scenarios and products of "Fujian Jin Fu Yun" and implemented the platform of "Ningxia Jin Fu Yun" on the G-side; launched the Qinghai Medical insurance electronic voucher project, Wuhan provident fund center open platform, etc., continued to enrich the scenario ecology. On the B-side, the Company expanded 23 scenario ecosystem projects with education cloud and medical industry comprehensive payment platform achieving phased progress. Xing Che Rong, supply chain online financing platform continued to be optimized and launched in many industries and multiple scenarios. On the C-side, through the open banking platform, the

Company collaborated with the head Internet platforms to achieve remarkable bulk customer acquisition effect. "Hao Xing Dong" App integrates the whole life cycle of credit card account services, as well as retail life O2O and other transaction scenarios to create a new ecology of mobile financial services, with more than 20 million users. Following the PBOC's blockchain standards, the Company solidified blockchain BaaS basic service platform and sped up implementation of the custom information interoperability and other scenarios.

(III) Risks and risk management during the reporting period

1. Overview

The Company has formulated the development strategy laying equal stress on business operation and risk management, established the advance, in-process and subsequent risk control system centering on risk assets management, and improved the risk management system and operation procedures for various businesses and the risk accountability and punishment mechanism. The credit risks, market risks, liquidity risks, operation risks and country risk, bank account book interest rate risk, reputation risk, strategic risk, information technology risk and anti-money laundering risk exposed to various businesses and customers are included in the scope of comprehensive risk management. In addition, the Company further clarified the specific duties of the Board of Directors, Board of Supervisors, senior management and executives in respect of risk management and formed a specific, clear and effective comprehensive risk management system. In daily risk management, the business department, risk management functional departments and internal audit department form "three lines of defense" of risk management with clear responsibilities and duty segregation to achieve the risk management goals.

2. Credit risk management

The Company's credit risk management objectives are: establishing and continuously improving the credit risk management system, promoting the specialization level and refinement of credit risk management, optimizing the orientation of credit and customer structure, constantly reinforcing risk management and control of the overall credit business process, realizing the balance between risks and gains, and effectively controlling risks.

First, the Company actively responded to the impact of the COVID-19 pandemic on asset quality, studied the transmission path of the impact of the pandemic on banks' asset quality and analyzed the impact of the pandemic on credit customers from multi-dimensional perspectives such as regions, industries, products and changes in corporate settlements and deposits, and guided operating institutions to effectively respond to the risk of the pandemic. The Company managed risk tracking and disposal of customers with deferred repayment, strengthened the management of duration, promoted early detection and disposal of risks, proactively dispersed the maturity date of deferred repayment policies, achieved orderly withdrawal of deferred repayment policies during the pandemic mitigation phase, reduced the lagging impact of the pandemic on asset quality and maintained stable asset quality. Second, the Company improved the risk warning and monitoring management system, combed the customer risk information acquired by the early warning system, duration management and pandemic impact survey, identified customer risk situations, formed a pool of potential risk items, differentiated disposal programs and assessment targets for different risk levels, and effectively promoted the prospective resolution and disposal of potential risk items. The Company established a management mechanism for risk information collection, integration, display and confirmation, put online a smart risk control platform, and actively expanded external sources of risk information through sharing and purchase to continuously improve the comprehensiveness of risk warning information. Third, the Company improved the effectiveness of risky asset disposal, established collaborative disposal mechanism for large risk items. Some key items were directly involved in disposal promotion by the head office, achieving obvious results. The Company also took into account the objectives of asset quality control and the affordability of the financial resources, and fully explored the collection value of the assets that had been written off and stored in the accounts, so as to avoid "just checking them off". The Company established strategic cooperation with domestic leading e-commerce platforms, both online and offline, to promote further standardization of non-performing assets disposal and enhance the premium of non-performing assets disposal.

Fourth, the Company strengthened the management of large-sum risk exposure, implemented the provisions of the Measures for the Management of Large-Sum Risk Exposures of Commercial Banks (Order No. 1 of 2018 of the CBIRC), continuously established and improved the Group-wide large-sum risk exposure management system, promoted system improvement, system construction and information governance, measured and dynamically monitored the concentration of exposures. The Company's various exposure concentration indicators were controlled within the regulatory requirements during the reporting period.

3. Liquidity risk management

The Company's liquidity risk management objectives are: first, to prevent liquidity risk and ensure payment needs; second, to improve the efficiency of capital utilization and ensure the sustainable and healthy development of various businesses; third, to maximize the profit and value of the bank within the tolerable risk range and achieve the unity of "safety, liquidity and profitability"; fourth, to ensure that the regulatory indicators of liquidity risk meet the regulatory requirements through asset and liability management means.

During the reporting period, the Company's businesses developed steadily and healthily and its liquidity operated steadily, with the liquidity regulatory indicators reaching a historically good level. Firstly, the Company paid more attention to asset portfolio management and flexibly adjusted asset allocation strategy according to market changes. On one hand, it increased credit support to key areas and weak links of the real economy, and on the other hand, while strengthening transaction flow, it held additional standardized investment instruments such as treasury bonds at suitable points in interest rates to ensure a reasonable and moderate amount of qualified high-quality liquid assets. Secondly, it strengthened the management of liability structure, further adjusted the maturity and variety structure of liabilities and optimized the asset-liability maturity mismatch gap. On one hand, the Company made long-term efforts to build a "settlement bank". By building a scenario ecosystem, enriching payment and settlement products and tools, focusing on key customers, etc., it strengthened the customer base, retained capital deposits and expanded the scale of low-cost and stable settlement funds; on the other hand, it grasped the favorable market interest rate window, increased the issuance of medium- and long-term interbank certificates of deposit and accelerated the issuance of bonds. Meanwhile, it supplemented medium- and long-term stable funding sources, lengthened the duration of liabilities, and optimized the maturity mismatch gap. Thirdly, the Company strengthened the technology empowerment and enriched the technological means of liquidity risk management. The asset-liability portfolio management tool was launched for trial run, and through the intelligent operation of the system module, the monitoring of cash flow gap and liquidity risk indicators was strengthened to enhance the forward-looking, scientific and refined level of liquidity risk management.

4. Market risk management

Market risk refers to the risk of loss of on-balance-sheet and off-balance-sheet businesses of the Bank caused by the unfavorable changes in market price (interest rate, exchange rate, share price and commodity price), including interest risks of transaction accounts, stock risks, and exchange rate risks and commodity risks of all accounts. The Company's market risk management was for the purposes of: firstly, establishing and continuously improving market risk management system which matched with the risk management strategies, and satisfied standard requirements of the New Capital Accord and regulatory requirements of market risk; secondly, completing market risk management structure, policies, processes and methods; and thirdly, promoting the specialization level of market risk management, realizing centralized and unified management of market risks, and facilitating the sustainable and healthy development of relevant businesses with risks under control.

During the reporting period, the Company pro-actively responded to changes in the market environment and continuously optimized the market risk management system. It steadily promoted various tasks centering on optimizing organizational structure, augmenting management tools, and strengthening system construction. Interest rate risk of transaction accounts and exchange rate risk represent the major market risks confronted by the Company.

(1) Interest rate risks of transaction accounts

For interest rate risks of transaction accounts, the Company implemented management mainly through constant improvements on the market risk indicator limit system. Risk indicators included interest rate sensitivity indicator and stop-loss indicator, which were executed by way of annual business authorization letter and regular investment strategy plan. By introducing and constantly improving the capital transaction and analysis system for system hard control of market risks, the system enabled real-time market capitalization re-evaluation and risk indicator calculation for interest rate products, and achieved process control on a transaction-by-transaction basis. The risk middle offices used the system to carry out real-time monitoring of various risk indicators of interest rate products on a transaction-by-transaction basis and an entire account basis to ensure that the interest rate risk of the trading account is controllable. Meanwhile, risk middle offices regularly conducted in-depth analysis of interest rate risk and calibrated the system model to ensure the accuracy of the measurement.

The Company's trading accounts included mainly RMB bonds and interest swaps. According to the changes in the market situation, the Company pro-actively carried out value management of basis points and strengthened credit management and control, maintaining the interest rate risk of trading accounts at a reasonable level.

(2) Exchange rate risk

The Company's exchange rate risk of transaction accounts arose mainly from comprehensive position of RMB market making business. Risk management measures focused on exposure limit management. As an active RMB market maker, the Company has proactively controlled its exposure limits, adopted close-to-zero management for the market-making overall positions, and kept relatively low overnight risk exposure.

At present, the Company's major exchange rate risk exposure stems from the exchange rate risk exposure in foreign currency capital base item. For this part of the exchange rate risk exposure arising from assets and liabilities that is inevitable in normal course of operations, the Company maintained the stability of non-trading exchange rate risk exposure by applying to the State Administration of Foreign Exchange for capital settlement or foreign exchange profit settlement.

During the reporting period, the Company closely monitored the exchange rate movement, and analyzed the impact of exchange rate movement in conjunction with the domestic and overseas macro-economic conditions. The Company put forth asset and liability optimization plan. As of the end of the reporting period, the Company's overall exchange rate risk remained stable. All its core risk limit indicators, ordinary scenario testing results and stress testing results satisfied applicable risk limit requirements.

5. Management of interest rate risk in the banking book

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's overall earnings and economic value arising from adverse movements in interest rates, maturity structure and other factors. IRRBB primarily includes gap risk, basis risk and option risk. The goal of IRRBB is to maintain stable growth in net interest income and achieve long-term goal of maintaining stable growth in economic value based on judgment in interest rate movement and on the premise of the Company's tolerable risks.

During the reporting period, since the reform of the LPR pricing mechanism, the conversion of the stock loan pricing benchmark has been steadily progressing, the loan market interest rate has continued to decline, and the difficulty of interest rate risk management in the banking book has increased. In order to cope with the impact of interest rate fluctuations, on one hand, the Company continued to pay attention to the prevention and control of the COVID-19 pandemic and changes in the economic situation, strengthened macro analysis and judgment, and flexibly adjusted its interest rate risk active management strategy through in-depth analysis and forecast of market interest rate trends; on the other hand, it used pricing tools such as internal fund transfer pricing (FTP) to adjust the business portfolio repricing period in a timely manner to effectively control the interest rate risk in the banking book, moderately control the bond investment duration, grasp the opportunity of reasonable abundant liquidity and obtain long-term funds through active liabilities. At the same time, the Company actively explored off-balance-sheet risk hedging instruments, promoted the application and implementation of hedge accounting, formulated hedging strategies and regularly verified their effectiveness, and used interest rate swaps and other derivative instruments to mitigate the interest rate risk in the banking book. During the reporting period, all monitoring indicators of the Company were operating within the limits, and the overall level of interest rate risk in the banking book was manageable.

6. Operational risk management

During the reporting period, the Company optimized the operational risk management methods and continued to enhance the operational risk management. We enhanced management infrastructure, improved risk management technology, strengthened risk monitoring and reporting, and other aspects. By doing this, we strove to improve the Company's operational risk management capabilities and effectiveness. First, we strengthened business continuity resource guarantee. The Company set up a business continuity assurance group and implemented backup strategies for key positions, key sites and key systems to effectively guarantee the continuous and stable operation of business during the COVID-19 pandemic; organized a re-examination of the group's business continuity impact analysis to assess the shortcomings of important process-dependent resources and guarantee the achievement of management objectives, and at the same time, solidified the "field experience" in the course of pandemic prevention and control into the business continuity management system. Second, we continued to carry out operational risk capital measurement and launched the Basel III, with clear work objectives and overall plans. Third, we strengthened the use of operational risk management tools. We continued to carry out operational risk assessment and monitoring, strengthened risk prediction through monitoring of key indicators, optimized process risk control identification and assessment, solidified control tools and tested risk monitoring results, actively carried out risk event collection, analyzed causes of events, identified process weaknesses, optimized indicator settings and filled management shortcomings.

7. Compliance risk management

During the reporting period, the Company carried out the "Year of System and Governance" activity of Industrial Journey, with the "Industrial Bank under the Rule of Law" as the main line, highlighting the two key points of enhancing system execution and improving governance ability and making every effort to protect and promote the Group's "1234" strategic system. First, the Company established the awareness of "respecting the law", continued to promote compliance, grasped the "key minority", carried out special training on anti-money laundering management, legal and compliance management for senior management cadres of the Group to enhance the awareness of the rule of law among leading cadres. The Company also launched the live broadcast of "Compliance Lecture" and published the "Industrial Journey Activities" WeChat official account to strengthen education and promote the replication of excellent experience in compliance management. Second, the Company promoted "knowledge of law" and "use of law" to support business development, promoted the implementation of new laws and regulations in the Group, such as the Civil Code and the Minutes of the Ninth Civil Council, and investigated and rectified key risk areas and weak links. It extended legal services to the Group's overall business strategy, served the whole life cycle of the business including product design, process transformation and post-defense of rights, and prevented regulatory and legal risks. Third, the Company improved the system, strengthened the foundation of internal control, issued a list of system implementation issues, sorted and evaluated the stock system, issued compliance risk tips and followed up and evaluated the implementation, continuously optimized the Group's system and enhanced system implementation. Fourth, the Company strengthened inspection and supervision to prevent and control important risks, strengthened the integrated management of internal control inspection and promoted the implementation of supporting mechanisms such as immediate investigation and correction and inspection responsibility system. The Company launched the "Anti-Money Laundering Improvement and Enhancement Year" campaign, introduced a consulting firm to conduct institutional money laundering risk assessment, raised awareness of anti-money laundering duties of institutions at all levels, and studied and formulated strategies for prevention and control of sanctions risks. Fifth, the Company optimized compliance tools, improved control, carried out the combing of incompatible positions, continued the optimization of internal control processes, deepened the application of compliance management tools, established the annual compliance score and concern list mechanism for employees, and clarified the management responsibilities of employees of institutions at all levels.

8. IT risk management

The Company formed and continue to improve the organizational structure of "three lines of defense" of IT risk management comprised of IT Department, Law and Compliance Department, Audit Department and other relevant departments and made full use of various management instruments to realize identification, assessment, monitoring, control, sustained releasing and reporting of IT risks, adopting various measures simultaneously to steadily enhance risk management and control. During the reporting period, the Company focused on forward-looking research in the field of data compliance management, including careful study of the Law on the Protection of Personal Information (Draft), promptly alerting risks and disseminating management requirements in light of hot incidents of customer information leakage, and conducting special training on personal information protection in the era of big data. The Company also organized a group-wide "system control improvement" campaign to proactively identify deficiencies and shortcomings in information system control and support, put forward suggestions for system improvement and optimization, and gradually implement rectification.

9. Management of reputational risk

The Company's management of reputational risk was for the purpose of: actively and effectively preventing reputational risk and coping with reputation incidents, and reducing the losses and adverse impacts caused to the Company and the public to the minimum level.

The Company's reputational risk management adopts the principles of "hierarchical management, division of labor with individual responsibility, real-time monitoring, prevention first, quick responding, classified treatment, duty in defending own territory, and coordinated response". The Company incorporated reputation risk management into its corporate governance and comprehensive risk management system, continuously improved its reputation risk management system and processes, built a long-term mechanism for reputation risk prevention and control and enhanced the capability and effectiveness of reputation risk management. During the reporting period, the Company conscientiously implemented the Reputation Risk Management Sub-strategy and the Reputation Risk Management System, promoted the implementation of press and publicity, public opinion management, information disclosure and customer complaint management, strengthened team building, assessment and evaluation, and training and drills, compacted the leadership, main and management responsibilities for reputation risk management, and promoted all institutions of the Bank to further enhance reputation risk awareness, improve the comprehensive management level and emergency response capability in response to negative public opinion. The Company also actively conducted reputation risk investigation, identification, assessment, monitoring and control, effectively responded to, prevented and resolved reputation risks, and maintained the image of the Group, while strengthening public opinion analysis, research and judgement, identifying problems and weak links, making targeted recommendations for rectification and optimization, promoting management improvement, service improvement, process optimization and internal control strengthening, and reducing reputation risks at source. The Company fulfilled its responsibility of disclosing information of listed company, ensuring the truthfulness, accuracy, completeness, timeliness and fairness, so as to objectively show the business characteristics and performance dynamics of the Company.

10. Management of country risk

The Company's management of country risk was for the purpose of: establishing and continuously improving the Company's country risk management system based on its internationalization process and business growth, adopting proper measurement, assessment and rating system for such risk with a view to accurately identifying and assessing country risks relating to business activities and promoting sustainable and healthy development of its business.

Country risks exist in businesses including granting of credit line, international capital market business, setting up overseas institutions, transaction with correspondent banks and outsourcing service provided by overseas service provider. Based on the degree of risk, country risks are classified into five grades – low, relatively low, moderate, relatively high and high. The limit of country risks has been made according to the country classification and taking into comprehensive consideration the factors such as the cross-border business development strategy and risk preference of the Company. Appropriate management is carried out for each grade. Moreover, country risks are used as major criteria for weighing the management of granting credit to customers.

Significant Issues

I. Proposal of profit distribution of ordinary shares or transfer of capital reserve

(I) Formulation, implementation or adjustment of the cash dividend policy

The Articles of Association of the Company stipulated that the profit distribution policy should include: first, the procedures for formulation and adjustment of the profit distribution policy, which specifically required that such policy should not be submitted to the general meeting unless consents of more than two thirds of directors were obtained and should not be passed unless more than two thirds of votes were obtained from present shareholders with voting rights; second, the principles of continuity and stability of profit distribution, which required that the profit distribution plan should be drafted every three years; third, profit distribution form (in cash or equity or both of them) and interval (annually or semi-annually if affordable); fourth, the profit for distribution in cash yearly not less than 10% of the realized attributable profit of the year, provided that the requirements on capital adequacy ratio were met; distributing dividend in equity at the same time if necessary; fifth, explanations for the non-distribution of dividends and the usage of the profit retained if cash dividends are not distributed for the year; and sixth, deduction of the cash dividends distributable to any shareholder which appropriates the Company's fund in violation of regulations to repay the funds appropriated.

For the purpose of establishing a sustainable, stable and scientific investment return mechanism for investors and keeping continuity and stability of the profit distribution policy, by taking into consideration of its actual operation and future development need, the Company developed the Mid-term Shareholders' Return Plan (2018-2020), which planned that from 2018 to 2020, should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash should not be less than 20% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares from the realized earnings, provided that the distribution is in line with the profit distribution policy of regulatory department and it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. On the premise of ensuring compliance of capital adequacy ratio with regulatory requirements, when the Company distributes dividends in cash or in shares or by a combination of both, the proportion of cash dividends should not be lower than 40%.

The Company fulfilled the above profit distribution policy and cash bonus on schedule. The Company implemented the 2019 annual profit distribution plan in July 2020, based on the total share capital of 20,774,190,751 shares, the Company distributed cash dividend of RMB7.62 for every 10 shares (tax included), issued RMB15.830 billion cash dividends in total, whereas balance of the undistributed profit would be used for supplementing capital and carried forward to the next year. The formulation and implementation procedure of the Company's profit distribution plan was compliant and transparent with clear and explicit dividend criteria and proportion, conforming to stipulations in the Articles of Association and requirements in the resolution of the general meeting. The Board of Directors did special research and demonstration on the returns of shareholders, and fully heard opinions of shareholders (especially medium and small shareholders) and independent directors. Relevant decision-making process and mechanism were complete, and independent directors fulfilled their duties with due diligence, thus maintaining the lawful rights and interests of medium and small shareholders.

(II) 2020 Profit distribution proposal

In light of relevant provisions in the Company Law of the People's Republic of China, the Articles of Association of the Company as well as the Mid-term Shareholders' Return Plan (2018-2020), by taking into consideration of the requirements on capital adequacy ratio by the regulatory departments and other factors including sustainable business development, the statutory surplus reserve of the Company has reached 50% of the registered capital as at the end of the year, and no additional reserve will be provided for in accordance with the Company Law; the Company planned to transfer RMB8.553 billion to general reserve; the dividend of preferred shares was RMB2.841 billion. The Company also planned to distribute cash dividend of RMB8.02 for every 10 ordinary shares (tax included), amounting to RMB16.661 billion, based on the total share capital of 20,774,190,751 shares.

The main considerations for profit distribution for the year are as follows: 1. The external business environment affects the endogenous capital accumulation of commercial banks. Faced with complex situations such as the impact of the COVID-19 pandemic, commercial banks were affected by policy factors such as cross-cycle coordinated arrangements and faced increased challenges such as slower profit growth. 2. Higher capital regulatory requirements. Basel III strengthened the capital regulatory requirements for commercial banks, and in December 2020, the PBOC and the CBIRC jointly issued the Systemically Important Banks Assessment Measures, which further increased the regulatory requirements for commercial banks' capital adequacy indicators. 3. Guarantee the long-term healthy and stable development of the Company. The long-term stable growth of China's economy requires the banking industry to continue to provide incremental financing services, while the Company accelerates the business layout of "commercial banking + investment banking", vigorously develops green finance and supports the development of the real economy, which requires sufficient capital to support the implementation of development strategies. In summary, the Company's cash dividend program has taken into account the balance between the capital adequacy requirements of the regulators, the return on shareholder' investment and the sustainable development of its business, and has maintained the continuity and stability of its dividend policy. The retained undistributed profits are used for the Company to strengthen capital accumulation, support the long-term sustainable development of the Company and further enhance the long-term return to shareholders.

Independent directors of the Company issued the following opinions regarding the profit distribution proposals: the profit distribution plan for 2020 of the Company is strictly compliance with the Company Law of the People's Republic of China, Accounting Standards for Business Enterprises, Financial Rules for Financial Enterprises, the Notice on Issues regarding the Withdrawal of Reserves for doubtful debts (Cai Jin [2005] No.90), and the Notice on Further Implementing the Relevant Issues Concerning Cash Dividends of Listed Companies issued by CSRC, and the Articles of Association of the Company; the order of distribution is legal; and the dividend payment policies have fulfilled regulators' requirements regarding commercial banks' capital adequacy ratios and also given consideration to investors' demands as well as the sustainable development of the Company. The independent directors agreed to submit the 2020 profit distribution proposal for consideration and approval at the 2020 Annual General Meeting.

This profit distribution proposal shall be executed within two months after approval by the 2020 annual general meeting.

(III) Plan or proposal on profit distribution for ordinary shares of the previous three years (including the reporting period)

Unit: RMB million

Dividend year	**2020**	2019	2018
Amount of declared dividend for every 10 shares (RMB Yuan) (tax incl.)	**8.02**	7.62	6.90
Amount of cash dividends (tax incl.)	**16,661**	15,830	14,334
Net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements for the cash dividend year	**64,077**	64,386	59,138
Percentage of cash dividends to net profit attributable to the ordinary shareholders of the listed company in the consolidated financial statements (%)	**26.00**	24.59	24.24
Net profit attributable to the shareholders of the listed company in the consolidated financial statements for the cash dividend year	**66,626**	65,868	60,620
Percentage of cash dividends to net profit attributable to the shareholders of the listed company in the consolidated financial statements (%)	**25.01**	24.03	23.65

Note: for details of the preferred shares dividend plan, please refer to "MATTERS REGARDING PREFERRED SHARES".

II. Commitment of the Company and its shareholders of over 5% stake within the reporting period or remaining in effect in the reporting period

(I) Upon approval of the CSRC, the Company issued 1,721,854,000 A shares in a non-public way in 2017. On April 7, 2017, the Company handled registration and lock-up procedures with Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the newly issued A shares. The share subscribers in such non-public issuance made the following undertakings: the shares subscribed by the Finance Bureau of Fujian Province, China National Tobacco Corporation, Fujian Company of China National Tobacco Corporation, and Guangdong Company of China National Tobacco Corporation in such non-public issuance shall not be transferable within 60 months after completion of the issuance, and transfer of such shares shall be subject to other regulatory requirements concerning transfer of such shares as well as the transferees' shareholder qualifications upon expiration of the abovementioned lock-up period. The above-mentioned shareholders performed their obligation, such shares can be listed and traded on the market from April 7, 2022. Shares subscribed by Yango Holdings Co., Ltd. and Fujian Investment and Development Group Co., Ltd. in such nonpublic issuance shall not be transferable within 36 months after completion of the issuance and transfer of such shares shall be subject to relevant rules of the CSRC and the Shanghai Stock Exchange. The above-mentioned shareholders performed their obligation, such shares can be listed and traded on the market from April 7, 2022, but still subject to comply with the CBIRC's rules governing equity transfer.

(II) The 2017 annual general meeting of the Company considered and approved the Mid-term Shareholders' Return Plan (2018-2020) (for details, please refer to the announcement on the resolutions of the general meeting dated May 26, 2018), which planned that for the next three years (2018-2020), should there be distributable profit, cash dividends could be distributed to shareholders of ordinary shares, and the profit used for distribution in cash should not be less than 20% (inclusive) of the realized distributable profit of the year after making up for deficits, appropriating statutory reserves and general provisions and paying dividends to shareholders of preferred shares from the realized earnings, provided that the distribution is in line with the profit distribution policy of regulatory department and it could be ensured that the regulatory requirements on capital adequacy ratio of the Company could be met. On the premise of ensuring compliance of capital adequacy ratio with regulatory requirements, when the Company distributes dividends in cash or in shares or by a combination of both, the proportion of cash dividends should not be less than 40%.

(III) According to relevant rules of the CSRC, the Proposal on Current Period Dilutive Effect of the Non-public Issuance of Domestic Preferred Shares and Replenishment Measures were considered and approved at the 8th meeting of the 9th session of Board of Directors and the 2017 annual general meeting. The proposal specified replenishment measures in respect of the potential dilutive effect that the non-public issuance of domestic preferred shares may have on current period returns of investors, which included strengthening capital planning and management, maintaining stable and adequate capital, enhancing capital use efficiency, reasonably allocating resources; accelerating transformation and innovation and promoting the sustainable development of the Company's business; and continuously improving the sustained, stable and scientific shareholder return mechanism. In addition, the directors and senior management of the Company made undertakings in respect of effectively implementing such replenishment measures. For details, please refer to the announcements of the Company dated April 25, 2018 and May 26, 2018.

(IV) Some directors, supervisors and senior management of the Company purchased the shares of the Company from the secondary market with their own funds during the period from March 23 to March 25, 2020, respectively, and undertook to lock up the purchased shares for three years from the date of purchase. For details, please refer to the Company's announcement dated March 26, 2020.

The Company and its shareholders holding 5% or more of the Company's shares made no other undertakings during the reporting period or undertakings that lasted into the reporting period.

III. Appropriation of funds during the reporting period

During the reporting period, no controlling shareholder or other related parties used the capital for non-operating purpose. KPMG Huazhen had issued "Specification for the Funds Occupied by Controlling Shareholders and Other Related Parties of Industrial Bank Co., Ltd".

IV. Appointment of the accounting firm

Upon approval of the 2019 annual general meeting, KPMG Huazhen was appointed to audit the 2020 annual report, review the semi-annual report and provide internal control audit services with the total audit fee amounting to RMB8.03 million, which included various advancement as well as related taxes.

Currently, KPMG Huazhen has provided audit service to the Company for two consecutive years.

V. Material lawsuits and arbitrations

During the reporting period, there was no lawsuit or arbitration with material effects on the Company that was required to be disclosed.

The Company may be subject to lawsuit or arbitration arising from recovery of loans or disputes with customers in the daily business process. In addition, as at the end of the reporting period, there were 99 outstanding lawsuits and arbitrations in which the Company was the defendant or respondent (including the cases in which the Company was a third party), involving an aggregate amount of RMB802 million.

VI. Punitive actions against the Company and its directors, supervisors and senior management personnel

During the reporting period, the Company, its directors, supervisors and senior management were not subject to any inspection by authoritative agencies, any compulsory measures by judicial authorities or discipline inspection departments, any referral to judicial authorities, criminal prosecution, inspection or administrative punishment by the CSRC, deprivation of market access, identity as inappropriate candidates and open condemnation of security exchanges, or any other punishment by regulators that may have significant impact upon the Company's operation.

VII. Integrity of the Company and the largest shareholder

During the reporting period, there had been no refusal to implement effective judgments of a court or failure to meet debt repayment schedules in a relatively large amount by the Company.

VIII. Material related party transactions

(I) The 2017 Annual General Meeting of the Company reviewed and passed the Proposal on Granting of Related Transaction Quota to Certain Related Parties, which agreed to offer PICC Group and its related affiliates RMB54 billion of credit related transaction quota and RMB25.6 billion of non-credit related transaction quota, with the term of validity till April 30, 2021; RMB15 billion of credit related transaction quota and RMB5.3 billion of non-credit related transaction quota were given to China National Tobacco Corporation and its affiliates until April 30, 2021; RMB18 billion of credit related transaction quota and RMB19.2 billion of non-credit related transaction quota to Fujian Yango Group Co., Ltd. and its affiliates until April 30, 2021. The above related transactions arose from the needs of the due course of business activities and were conducted on conditions not more favorable than those for transactions of the same type with non-related parties. The pricing of the transactions was fair and in compliance with the relevant laws, regulations, rules and regulatory department. The method and timing of payment were determined with reference to the commercial practice. For details, please refer to the announcement of the Company dated April 25, 2018 and May 26, 2018.

(II) The 12th Meeting of the 9th Board of Directors of the Company reviewed and passed the Proposal on Granting of Related Transaction Quota to Certain Related Parties, and agreed to give Zhejiang Energy Group Co., Ltd. and its affiliated companies RMB8 billion of credit related transaction quota and RMB0.1 billion of non-credit related transaction quota with the term of validity of two years; agreed to give Longyan Huijin Development Group Co., Ltd. and its affiliated companies RMB1 billion of credit related transaction quota and RMB9.1 billion of non-credit related transaction quota with the term of validity of two years. The above related transactions arose from the needs of the due course of business activities and were conducted on conditions not more favorable than those for transactions of the same type with non-related parties. The pricing of the transactions were fair and in compliance with the relevant laws, regulations, rules and regulatory department. The method and timing of payment were determined with reference to the commercial practice. For details, please refer to the announcement of the Company dated December 22, 2018.

(III) The 2018 Annual General Meeting of the Company reviewed and passed the Proposal on Announcement of Addition of Related Transaction Quota to Fujian Yango Group Co., Ltd., agreed to give Fujian Yango Group Co., Ltd. and its affiliated companies additional RMB4 billion of credit related transaction quota, wherein: the main credit quota was RMB3 billion, and the investment limit under non-guarantee financial management was RMB1 billion. The validity period was extended to June 30, 2021. The above related transactions arose from the needs of the due course of business activities and were conducted on conditions not more favorable than those for transactions of the same type with non-related parties. The pricing of the transactions were fair and in compliance with the relevant laws, regulations, rules and regulatory department. The method and timing of payment were determined with reference to the commercial practice. For details, please refer to the announcement of Company dated April 30, 2019 and May 28, 2019.

(IV) The 21th Meeting of the 9th Board of Directors of the Company reviewed and passed the Proposal on the Addition of Longyan Huijin Group's Series of Related Transaction Limit, agreed to give Longyan Huijin Group and its affiliated companies RMB3 billion of credit related transaction quota, among which the credit quota of headquarter was RMB2.5 billion and investment limit not under principal-guaranteed item was RMB500 million; the term of validity was extended to December 21, 2021. The above related transactions arose from the needs of the due course of business activities and were conducted on conditions not more favorable than those for transactions of the same type with non-related parties. The pricing of the transactions were fair and in compliance with the relevant laws, regulations, rules and regulatory department. The method and timing of payment were determined with reference to the commercial practice. For details, please refer to the announcement of Company dated April 14, 2020.

(V) The 26th Meeting of the 9th Session of the Board of Directors of the Company considered and passed the Proposal on the Granting of Related Party Transaction Quota to Zhejiang Energy Group Co., Ltd. and agreed to grant a quota of related party transactions of RMB8.2 billion to Zhejiang Energy Group's related legal persons, including: credit-type related party transaction quota of RMB8.1 billion and non-credit type related party transaction quota of RMB100 million, valid for 2 years. The above-mentioned related party transactions were generated from the needs of normal business activities and conducted on terms no better than those for similar transactions with non-related parties, with fair pricing and in compliance with relevant laws, rules, regulations and relevant provisions of the regulatory system, and the payment methods and timing of the transactions were determined with reference to commercial practices. For details, please refer to the Company's announcement dated December 18, 2020.

As at the end of the reporting period, the balance and risk exposure (excluding deposits from related natural persons) of the Company's related party transactions with related natural persons was RMB9 million.

Please refer to the "Notes IX. Related Party" under the FINANCIAL STATEMENTS for further details on specific data on related party transactions.

IX. Material contracts and performance thereof

(I) Material custody, lease and contracting issues

During the reporting period, the Company had no material custody, lease and contracting issues.

(II) Guarantees issues

During the reporting period, save as the financial guarantees approved by the PBOC and the CBIRC, the Company had no other material guarantees requiring disclosure. As at the end of the reporting period, the balance of the Company's letter of guarantee business was RMB108.561 billion.

(III) Other material contracts

During the reporting period, the Company did not experience any contract dispute that exerts significant impact upon the Company's operation and management.

X. Description of other major issues

(I) Issuance of special financial bonds for loans of small and micro enterprises: the Company has received the reply from the CRIRC and the PBOC, and issued RMB80 billion of financial bonds in the national interbank bond market to provide loans to small and micro businesses. For details, please refer to the announcement dated April 22, 2020 and August 15, 2020.

(II) Change in accounting policy: In 2017, the Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 14-Revenue" (hereinafter referred to as the "New Revenue Standard"), with the approval of the 22th meeting of the 9th session of the Board of Directors of the Company, the Company changed its accounting policy since January 1, 2020. Starting from the first quarter of 2020, the Company made disclosures in its financial statements in accordance with the New Standards for Financial Instruments. For details, please refer to announcement of the Company dated April 29, 2020. For details, please refer to the "Notes IV. Significant Accounting Policies and Accounting Estimates" under the FINANCIAL STATEMENTS.

(III) Issuance of non-fixed-term capital bonds: approved by the CBIRC and the PBOC, the Company issued RMB30 billion non-fixed-term capital bonds in the national interbank bond market, the coupon rate for the first 5 years is 4.73%, which is adjusted every 5 years, and the issuer has a conditional redemption right on each interest payment date in the 5th year and thereafter. Fund raised will be used to supplement other Tier 1 capital of the Company. For details, please refer to the announcement dated July 23, 2020, August 12, 2020 and October 16, 2020.

(IV) Issuance of USD medium-term notes: according to the resolution of the Company on the issuance of financial bonds in the 2018 Annual General Meeting, the Hong Kong Branch of the Company recently completed the issuance of equivalent USD837 million USD and HKD bonds under the plan of USD5 billion medium-term notes, whose funds raised were mainly used for project financing in such related fields as ocean and water resources protection, and social responsibility for anti-epidemic. For details, please refer to the announcement dated November 6, 2020.

XI. Fulfillment of environmental (E), social (S) and governance (G) responsibilities

The Company established ESG high-quality development as a guiding principle for future development. While actively promoting the development of green finance (E) business, it emphasized the enhancement of social (S) and governance (G) capabilities and levels, forming a new pattern of balanced development of the three pillars, strengthening the guiding role of ESG management on the Company's high-quality development, striving to become a leader in ESG development in the industry, continuously improving the quality of the Company, and continuously receiving the ESG rating of A by MSCI in 2019 and 2020.

(I) Poverty alleviation work

1. Targeted poverty alleviation planning

During the reporting period, the Company earnestly implemented the guiding principles of the Party Central Committee and the State Council's Guidance on the Three-Year Action to Win the Battle against Poverty and other documents, took the battle against poverty as an important task, set the direction of poverty alleviation work, promoted targeted poverty alleviation in poor areas, and improved the availability of financial services in poor areas.

2. Summary of targeted poverty alleviation in 2020

During the reporting period, the Company successfully completed its annual poverty alleviation plan, and promoted industrial poverty alleviation by screening key regions and industries for targeted poverty alleviation, increased financial services for key industries for poverty alleviation, and initiating "self-hematopoiesis" in poor areas, and "blood transfusion + hematopoiesis" at the same time to drive poor households to change their thinking and start their own businesses to become rich. As at the end of the reporting period, the balance of the Company's targeted poverty alleviation loans was RMB16.668 billion, an increase of RMB2.14 billion from the beginning of the reporting period. The Company's Bank-to-Bank platform, based on the development strategy of "one financial technology cloud + three major platforms of payment and settlement, wealth management and asset trading + international version of Bank-to-Bank platform", expanded modern financial services to more third- and fourth-tier cities, rural and remote areas and enriched the supply of financial products in less developed areas. As at the end of the reporting period, the Company granted credit to about 200 small and medium-sized banks and nearly RMB200 billion to more than 100 rural financial institutions, and about RMB50 billion to small and medium-sized banks in key poverty-stricken areas such as Ningxia, Gansu, Guizhou, Yunnan, Xinjiang and Qinghai. Meanwhile, the Company opened the "Industrial Public Welfare" poverty alleviation zone, supported 40 poverty alleviation merchants, put up 401 products for poverty alleviation, and sold 25,725 products online, totaling RMB558.6 thousand. The Company sent 40 poverty alleviation cadres to 51 linked sites and achieved poverty alleviation in all linked sites, and was awarded the "Certificate of Honor for Significant Contribution to Poverty Alleviation" and "Annual Responsible Practice of Public Welfare Project". It performed the social responsibility of poverty alleviation and education promotion and formed a diversified system of helping the poor from elementary school to university and from general education to special education by relying on the Group's resources, and donated over RMB70 million to the field of education and poverty alleviation. Since the outbreak of the COVID-19 pandemic, the Company made full effort to take responsibility for disaster relief work. As at the end of the reporting period, the Company's donations exceeded RMB100 million, of which donations to fight against the pandemic have accumulated over RMB60 million.

3. Effects of targeted poverty alleviation

Unit: RMB million

Indicator	Amount and its implementation
I. General information	
1. Fund	**16,668**
2. Number of people served or facilitated by the targeted poverty alleviation financial loans	**189,982**
II. Itemized input	
1. Poverty alleviation through industrial development	
Number of targeted poverty alleviation industrial loans	**131**
Balance of targeted poverty alleviation industrial loans	**4,466**
Number of people facilitated by targeted poverty alleviation industrial loans	**2,261**
2. Poverty alleviation through project loans	
Number of targeted poverty alleviation project loans	**21**
Balance of targeted poverty alleviation project loans	**2,984**
Number of people facilitated by targeted poverty alleviation project loans	**118,012**
3. Other investment	**9,218**

4. Subsequent plan of targeted poverty alleviation

In 2021, centering on consolidating and expanding the achievements of poverty eradication, the Company will promote rural revitalization in an all-around way, continuously promote inclusive financial services for rural revitalization according to the deployment arrangements of national agricultural and rural modernization, increase financing support for industrialization of featured modern agriculture, strengthen financial services for urban and rural infrastructure construction, enhance financial product innovation to serve agricultural and rural reform, and ride on the momentum and comprehensively improve the level of the Company's financial services for rural revitalization.

(II) Consumer rights and interests protection

During the reporting period, the Company proceeded with the building of consumer rights and interests protection mechanism, strengthened duty performance of the Risk Management and Consumer Protection Committee, accelerated the pre-examination of consumer rights protection, standardized the promotion behavior of financial marketing, enhanced internal supervision and performance assessment, and proactively implemented consumer rights and interests protection in an all-round manner. We also enhanced the quality and efficiency in consumer rights protection promotion, extended care to special groups, improved consumer service experiences, and protected legal rights and interests of consumers. In 2020, the Company was awarded the outstanding organizer of "3.15" Consumer Rights Protection Education and Publicity Week in the banking and insurance industry, and the excellent organizer of 2020 Joint Financial Education and Publicity Campaign. 47,730 consumer complaints were filed in 2020, with an average of 1.98 complaints per outlet per month and a low complaint rate of 0.043%. Consumer complaints were mainly related to debt collection (23,131 cases, accounting for 48.46% of the total), credit card business (15,932 cases, accounting for 33.38% of the total), debit card business (3,512 cases, accounting for 7.36% of the total) and other areas. The regional distribution of complaints was mainly in economically developed regions such as the Yangtze River Delta (2,471 cases, accounting for 5.18% of the total), the Pearl River Delta (1,915 cases, accounting for 4.01% of the total), and large economic provinces such as Shandong (1,441 cases, accounting for 3.02% of the total) and Henan (1,153 cases, accounting for 2.42% of the total).

(III) Environmental performances and policies

1. Strengthen the environmental and social risk management system and innovate the Chinese practice of the Equator Principles

The Company continued to practice the Equator Principles, the golden benchmark for environmental and social risk management in international financing, with reference to the Equator Principles (Fourth Edition) and the latest Equator Principles (Fourth Edition) Implementation Guide issued by the Equator Association. The Company highly valued new contents such as climate change and biodiversity protection, and comprehensively revised and improved the relevant system. The Company further refined the whole process management specification of Equator projects, incorporated risk factors such as climate change and biodiversity conservation into the environmental and social risk classification and environmental and social risk review of Equator Principles project financing, and further strengthened environmental and social risk prevention and control. In addition, the Company entered into a strategic cooperation with the Department of Ecology and Environment of Fujian Province. Under the guidance of Fujian Provincial Finance Office, Fuzhou Central Branch of the PBOC, Fujian Bureau of CBIRC, Fujian Bureau of CSRC, Fujian Department of Ecology and Environment, and Fujian Department of Commerce, the Company jointly formulated and released the Fujian Financial Industry Ecology and Environment Multi-Party Governance Initiative and supporting ecology and environment multi-party governance benchmarking projects with financial institutions in Fujian Province to create the Fujian version of the Equator Principles and promote the Company's sustainable development philosophy and practical experience in environmental and social risk management.

At the same time, the Company fully assumed its responsibility as a spreader of green concepts and joined the Earth Hour for eleven consecutive years. During the reporting period, the Company became the annual promotion partner of Earth Hour of the World Wide Fund for Nature (WWF), and continued to advocate sustainable development, sustainable living, low-carbon and environmental protection work and life concepts and practices.

2. Clarify environment-related requirements in the Company's credit policy

Under the new development pattern, the Company's credit policy adheres to the general trend of high-quality, digital and green development, proactively grasps new development opportunities, further focuses on key industries and key regions. The Company implemented the differentiated credit policy of "guaranteeing, controlling and compressing" and actively guided credit resources to business fields that meet ESG-related requirements, low energy consumption, low emissions, low pollution, high efficiency and good market prospects, further improved the level of refinement of risk policy and better served business development.

(1) Practice ESG concept, insist on strengthening the Company's green finance business and brand, promote the construction of ESG system, gradually incorporate ESG evaluation into the whole process of credit, actively expand the fields of water resources, solid waste treatment, air environment management, clean energy and renewable energy, green transportation, etc. with good social and economic benefits, increase the proportion of green credit and enhance the comprehensive effect of green finance.

(2) Actively implement the national "30.60 carbon neutral" deployment, strengthen risk control in high energy-consuming industries, and accelerate the restructuring of stock customers. The Company has carried out regional environmental risk stress tests in some green finance reform and innovation pilot zones.

(3) Environmental requirements of credit policies in some industries: for some industries with high energy consumption, high pollution, and high environmental and social impacts, the Company strictly enforces relevant energy efficiency and environmental technical standards in credit to promote the green and high-quality development of the supported projects. The environmental requirements of credit policies in some industries are as follows.

① Credit policy environmental requirements for the thermal power industry

It's required to implement the requirements of Emission Standards for Air Pollutants from Thermal Power Plants (GB 13223). No major environmental pollution accidents or major ecological damage occur in the past two years; a sound safety production and occupational health management system is formed and no major safety responsibility accidents occur in the past two years.

② Credit policy environment requirements for the hydropower industry

No major environmental pollution accidents or major ecological damage occur in the past two years, including but not limited to: large and medium-sized hydropower projects trigger compensation for land acquisition, resettlement of immigrants, production and livelihood changes and other social issues due to inundation of land, relocation of immigrants, livelihoods and others,; hydropower construction projects in ethnic minority areas have a significant impact on cultural relics, cultural customs and other aspects; projects destroy plant and animal habitats, trigger secondary geological disasters, river water temperature, water quality changes and other ecological preservation and environmental protection issues.

③ Credit policy environment requirements for the coal industry

Coal enterprises should meet the Basic Conditions of Coal Mine Production Safety, have a sound production safety and occupational health management system, and obtain a production safety license. No major safety accidents occur within the past two years; high gas, coal and gas protrusion mine type projects should be strictly subject to the Notice of the General Office of the State Council Transmitting the General Administration of Safety Supervision of the Development and Reform Commission on Further Strengthening the Work of Coal Mine Gas Prevention and Control (GBF [2011] No. 26); environmental protection, clean production and comprehensive utilization of resources measures should meet the relevant national requirements, coal gangue, mine gas and mine water utilization and discharge indicators stay in line with the relevant provisions of national policies. Coal enterprises meet the Coal Industry Pollution Emission Standards (GB 20426) and no major environmental pollution accidents or major ecological damage events occur in the past two years; energy consumption: Coal production enterprises, based on the mining method, should implement Coal Mining Unit Product Energy Consumption Limit (GB 29444) or Coal Surface Mining Unit Product Energy Consumption Limit (GB 29445) and other provisions; coal washing link should be subject to the Coal Dressing Power Consumption Limit (GB 29446) and other provisions.

④ The Company's green financing strictly implements the National Development and Reform Commission's Green Industry Guidance Catalogue (2019 Edition) and its explanatory notes and other relevant technical requirements. For example, for green and organic agriculture in the agricultural field, the regulations such as Organic Products (GB/T 19630.1-GB/T 19630.4) and Green Food Mark Management Measures of the Ministry of Agriculture are implemented; for natural forest resource protection projects, the Forest Nurture Regulations (GB/T 15781), Technical Regulations for the Evaluation of Natural Forest Resource Protection Project Construction (LY/T 1818) and other national standards and industry standards are implemented.

(4) Corporate governance. For details, please refer to "SHARE CAPITAL CHANGES AND SHAREHOLDERS OF ORDINARY SHARES" "MATTERS REGARDING PREFERRED SHARES" "DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS AND EMPLOYEES" "CORPORATE GOVERNANCE" of this report.

(5) For more specific ESG information of the Company, please refer to the Company's Annual Sustainability Report 2020 publicly disclosed on the website of the Shanghai Stock Exchange.

I. Changes in shares during the reporting period

(I) Changes in shares

There was no change in total shares of the Company during the reporting period. The Changes in share capital structure is as follows:

Unit: share

	December 31, 2019		Change in number	December 31, 2020	
	Number	Percentage(%)		Number	Percentage(%)
I. Restricted shares	1,721,854,000	8.29	-562,913,800	**1,158,940,200**	**5.58**
1. State-owned shares	430,463,500	2.07	-	**430,463,500**	**2.07**
2. Shares held by state-owned legal entities	794,701,800	3.83	-66,225,100	**728,476,700**	**3.51**
3. Shares held by other domestic investors	496,688,700	2.39	-496,688,700	**-**	**-**
Incl: Shares held by domestic non-state-owned legal persons	496,688,700	2.39	-496,688,700	**-**	**-**
Shares held by domestic natural persons	-	-	-	**-**	**-**
4. Shares held by foreign investors	-	-	-	**-**	**-**
Incl: Shares held by foreign legal persons	-	-	-	**-**	**-**
Shares held by foreign natural persons	-	-	-	**-**	**-**
II. Unrestricted floating shares	19,052,336,751	91.71	562,913,800	**19,615,250,551**	**94.42**
1. RMB ordinary shares	19,052,336,751	91.71	562,913,800	**19,615,250,551**	**94.42**
2. Domestically listed foreign shares	-	-	-	**-**	**-**
3. Overseas listed foreign shares	-	-	-	**-**	**-**
4. Others	-	-	-	**-**	**-**
III. Total shares	20,774,190,751	100	-	**20,774,190,751**	**100**

(II) Changes in shares subjected to trading moratorium

Unit: share

Name of shareholders	Number of restricted shares at the beginning of the year	Number of shares released from restrictions during the year	Number of restricted shares increased during the year	Number of restricted shares as at the end of the year	Reasons for restriction in sale	Date of release from restrictions
The Finance Bureau of Fujian Province	430,463,500	-	-	**430,463,500**	Undertakings on the lockup period of non-public offering	April 7, 2022
China National Tobacco Corporation	496,688,700	-	-	**496,688,700**		
Fujian Company of China National Tobacco Corporation	132,450,300	-	-	**132,450,300**		
Guangdong Company of China National Tobacco Corporation	99,337,700	-	-	**99,337,700**		
Yango Holdings Co., Ltd.	496,688,700	496,688,700	-	**-**		April 7, 2022
Fujian Investment and Development Group Co., Ltd.	66,225,100	66,225,100	-	**-**		
Total	1,721,854,000	562,913,800	-	**1,158,940,200**	-	-

Note: the restricted shares held by Yango Holdings Co., Ltd. was listed and traded on April 7, 2020, but subject to the requirements on share transfer prescribed by banking supervision authorities.

II. Issuance and listing of securities

(I) Issuance of securities during the reporting period

During the reporting period, the Company didn't issue new ordinary shares and other securities.

(II) The Company had no employee stocks.

III. Shareholders

(I) Total number of shareholders

As at the end of the reporting period, the Company had a total of 222,673 ordinary shareholder accounts, and 234,335 ordinary shareholders accounts at the end of the month prior to the release of this annual report.

(II) Shareholdings of the top ten shareholders as at the end of the reporting period

Unit: share

Name of shareholders	Changes during the period	Number of shares held at the end of the period	Percentage (%)	Number of restricted shares held	Pledged or frozen shares	Nature of shareholders
The Finance Bureau of Fujian Province	-	3,902,131,806	18.78	430,463,500	-	State authority
China National Tobacco Corporation	-	1,110,226,200	5.34	496,688,700	-	State-owned legal person
PICC Property and Casualty Company Limited- traditional-common insurance product	-	948,000,000	4.56	-	-	State-owned legal person
PICC Life Insurance Company Limited - participating - personal insurance (participating)	-	801,639,977	3.86	-	-	State-owned legal person
China Securities Finance Corporation Limited	-	622,235,652	3.00	-	-	State-owned legal person
Huaxia Life Insurance Co., Ltd.-self-owned funds	-	569,179,245	2.74	-	-	Domestic non-state-owned legal person
Hong Kong Securities Clearing Company Limited	-4,117,533	569,115,819	2.74	-	-	Overseas legal person
Yango Holdings Co., Ltd.	-	496,688,700	2.39	-	Pledge 243,377,463	Domestic non-state-owned legal person
PICC Life Insurance Company Limited-universal-personal insurance (universal)	-	474,000,000	2.28	-	-	State-owned legal person
Fujian Tobacco Haisheng Investment Management Co., Ltd.	-	441,504,000	2.13	-	-	State-owned legal person

Note: PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited were controlling subsidiaries of The People's Insurance Company (Group) of China Limited. Fujian Tobacco Haisheng Investment Management Co., Ltd. was a subsidiary of China National Tobacco Corporation.

(III) Shareholdings of the top ten shareholders of unrestricted shares

Unit: share

Name of shareholders	Number of unrestricted floating shares held	Percentage of total share capital (%)	Type of shares
The Finance Bureau of Fujian Province	3,471,668,306	16.71	RMB ordinary shares
PICC Property and Casualty Company Limited-traditional- common insurance product	948,000,000	4.56	RMB ordinary shares
PICC Life Insurance Company Limited-participating- personal insurance (participating)	801,639,977	3.86	RMB ordinary shares
China Securities Finance Corporation Limited	622,235,652	3.00	RMB ordinary shares
China National Tobacco Corporation	613,537,500	2.95	RMB ordinary shares
Huaxia Life Insurance Co., Ltd. -self-owned funds	569,179,245	2.74	RMB ordinary shares
Hong Kong Securities Clearing Company Limited	569,115,819	2.74	RMB ordinary shares
Yango Holdings Co., Ltd.	496,688,700	2.39	RMB ordinary shares
PICC Life Insurance Company Limited-universal-personal insurance (universal)	474,000,000	2.28	RMB ordinary shares
Fujian Tobacco Haisheng Investment Management Co., Ltd.	441,504,000	2.13	RMB ordinary shares

(IV) Number of shares held by shareholders subject to trade restrictions as well as conditions of such restriction

Unit: share

Name of holders of restricted shares	Number of restricted shares held	Availability for listing and trading of restricted shares		Condition of restriction
		Date when shares become tradable	Number of new tradable shares	
The Finance Bureau of Fujian Province	430,463,500	April 7, 2022	430,463,500	These shares could not be transferred within 60 months from the day when the offering was completed (except otherwise required by the competent regulators on the expired and transferred shares and the shareholding qualification of the transferee)
China National Tobacco Corporation	496,688,700		496,688,700	
Fujian Company of China National Tobacco Corporation	132,450,300		132,450,300	
Guangdong Company of China National Tobacco Corporation	99,337,700		99,337,700	
Descriptions about the association between or concerted actions of the above shareholders	Fujian Company of China National Tobacco Corporation and Guangdong Company of China National Tobacco Corporation are both subsidiaries of China National Tobacco Corporation			

(V) Substantial shareholders

The Company has no controlling shareholder or de facto controller. Pursuant to the rules of Interim Measures for Equity Management of Commercial Banks, the substantial shareholders of the Company were as follow:

1. The Finance Bureau of Fujian Province is the largest shareholder of the Company, holding 18.78% of the shares of the Company. It nominated directors to the Company and there is no case of pledge of the Company's shares. The Finance Bureau of Fujian Province is a legal person of government unit. Its legal representative is Yu Jun and the address is 5 Zhongshan Road, Fuzhou.

2. The People's Insurance Company (Group) of China Limited, PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited collectively held 12.90% of the shares of the Company. They nominated one director to the Company and there is no case of pledge of the Company's shares. The People's Insurance Company (Group) of China Limited is the controlling shareholder of PICC Property and Casualty Company Limited and PICC Life Insurance Company Limited, its controlling shareholder is the Ministry of Finance of the People's Republic of China.

The People's Insurance Company (Group) of China Limited holds 0.84% of the Company's shares, and its predecessor- the People's Insurance Company of China was established in Beijing with the approval of the Government Administration Council of China in October 1949. In June 2009, according to the restructuring plan approved by the State Council, the PICC (Group) Company carried out the general conversion, in which the Ministry of Finance exclusively initiated the establishment of The People's Insurance Company (Group) of China Limited. The People's Insurance Company (Group) of China Limited has been listed on the main board of the Hong Kong Stock Exchange and the main board of the Shanghai Stock Exchange with the stock codes of "01339.HK" and "601319. SH", respectively. The registered capital of The People's Insurance Company (Group) of China Limited is RMB44.224 billion, its place of registration is Beijing, and the legal representative is Luo Xi. Its scope of business mainly includes investment and holding shares in listed companies, insurance institutions and other financial institutions, supervision and management of various domestic and international businesses of holding investment companies, policy insurance business authorized or entrusted by the state, and other businesses approved by the regulatory institutes and relevant state authorities.

PICC Property and Casualty Company Limited holds 5.91% of the Company's shares. Established in July 2003, its registered office is in Beijing and it has a registered capital of RMB22.243 billion, and its legal representative is Miao Jianmin. Its scope of business includes: property and casualty insurance, liability insurance, credit insurance, accidental injury insurance, short-term health insurance and surety insurance in Renminbi or foreign currencies; the re-insurance of the aforesaid insurances; reinsurance and provision of consulting services related to the businesses mentioned above; service and advisory business related to various property insurance, accidental injury insurance, short-term health insurance and re-insurance; and representing insurers in conducting relevant business; investment and capital utilization business permitted by the national laws and regulations; and other businesses authorized by national laws and regulations or approved by the national regulatory institutes.

PICC Life Insurance Company Limited holds 6.14% of the Company's shares. Established in November 2005, its registered office is in Beijing and it has a registered capital of RMB25.761 billion, and its legal representative is Xiao Jianyou. The business scope is operating the following businesses (excluding statutory insurance businesses) within the administrative area of Beijing Municipality and the provinces, autonomous regions and municipalities directly under the central government where branches have been established: (i) life insurance, health insurance, accident insurance and other insurance businesses; (ii) reinsurance businesses of the above businesses; (iii) acting as agents of PICC Property and Casualty Company Limited and PICC Health Insurance Company Limited in their insurance businesses within the scope approved by regulators and related national departments.

3. China National Tobacco Corporation, Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation, Guangdong

Company of China National Tobacco Corporation and Fujian Sanhua Color Printing Co., Ltd. collectively hold 9.90% of the shares of the Company. They nominated one director to the Company and there is no case of pledge of the Company's shares. Fujian Tobacco Haisheng Investment Management Co., Ltd., China Tobacco Hunan Investment Management Co., Ltd., Fujian Company of China National Tobacco Corporation, Guangdong Company of China National Tobacco Corporation and Fujian Sanhua Color Printing Co., Ltd. are subsidiaries of China National Tobacco Corporation and their de facto controller is the Ministry of Finance of the People's Republic of China.

Founded in December 1983, China National Tobacco Corporation holds 5.34% of the shares of the Company. It's a wholly state-owned enterprise with its registered office in Beijing. It has a registered capital of RMB57.0 billion, and its legal representative is Zhang Jianmin. Its business includes production, operation and import and export trading of tobacco monopoly products and operation and management of state-owned assets.

Founded in July 2005, Fujian Tobacco Haisheng Investment Management Co., Ltd. holds 2.13% of the shares of the Company. Its registered office is in Xiamen. It has a registered capital of RMB2.647 billion and its legal representative is Lu Xiaodong. Its businesses include investment management (except otherwise required by the laws and regulations), being entrusted to manage legally established hotels, and other business operations that do not involve prerequisite approval permission.

Founded in October 2011, China Tobacco Hunan Investment Management Co., Ltd. holds 1.09% of the shares of the Company. Its registered office is in Changsha. It has a registered capital of RMB0.2 billion and its legal representative is Deng Yongzhi. Its scope of business is to carry out (with its own legal funds) investment and management in printing industry, paper product manufacturing industry, plastic membrane manufacturing industry, other tobacco product manufacturing industry, industry of integrated utilization of waste, construction industry, advertising industry, cultural activities services, conferences and exhibitions and related services, manufacturing of electronic products, manufacturing of electronic cigarette, financial industry, real estate industry, agriculture, agricultural and non-staple food processing industry, pharmaceutical manufacturing industry, unit logistics management service industry; investment consulting service; conference service; supply chain management; production, processing and sales of packaging products; and paper sales.

Founded in January 1984, Fujian Company of China National Tobacco Corporation holds 0.64% of the shares of the Company. Its registered office is in Fuzhou. It has a registered capital of RMB137 million and its legal representative is Li Mindeng. Its businesses include operation of tobacco monopoly products; asset management and comprehensive management.

Founded in August 1989, Guangdong Company of China National Tobacco Corporation holds 0.48% of the shares of the Company. Its registered office is in Guangzhou. It has a registered capital of RMB140 million and its legal representative is Wang Deyuan. Its businesses include operation of cigarette, production and operation of tobacco, asset management and comprehensive management, export of tobacco monopoly products, supporting service for the import of tobacco monopoly products, and the operation of imported tobacco products in China.

Fujian Sanhua Color Printing Co., Ltd. holds 0.22% of the Company's shares. The Company was established in December 1992, registered in Longyan City, with a registered capital of RMB12 million. Its legal representative is Lu Dongfen, and its business scope includes the production of trademarks, advertisements and other printed materials, as well as decorative design.

4. Huaxia Life Insurance Co., Ltd. holds 4.90% stake of the Company. It was founded in December 2006, with registered office in Tianjin and a registered capital of RMB15.3 billion. Its legal representative is Wang Yi. Its business scope includes life insurance, health insurance, accident insurance and other personal insurance businesses; reinsurance business of the above businesses; insurance fund operation business permitted by national laws and regulations; and other businesses approved by the original CIRC. According to the announcement regarding CBIRC Imposing Receivership on Tianan Property Insurance Co., Ltd. and Five Other Institutions in Accordance with Law published by the CBIRC on July 17, 2020, Huaxia Life Insurance Co., Ltd. has been placed in receivership

by the receivership team assigned by CBIRC since July 17, 2020, for a period up to July 16, 2021, which may be appropriately extended in accordance with the law.

5. Yango Holdings Co., Ltd. holds 2.39% of the shares of the Company, of which 243 million shares are pledged. It nominated one director to the Company and its controlling shareholder is Yango Longjing Co., Ltd. and its de facto controllers are Lin Tengjiao and Wu Jie. Lin Tengjiao holds 1 million shares of the Company. Yango Holdings Co., Ltd. was founded in July 2006 with a registered office in Fuzhou and a registered capital of RMB9.699 billion. Its legal representative is He Mei and its businesses include general business items: the investment in information, hotel, tourism and education, investment management; the wholesale, purchase and sales of construction material, hardware, electronics and appliances. Its controlling shareholder Yango Longjing Co., Ltd. was established in December 2014 with a registered office in Shanghai and a register capital of RMB2.699 billion. Its legal representative is Wu Jie.

6. Longyan Huijin Development Group Co., Ltd. holds 0.68% of the shares of the Company, of which 70 million shares are pledged. It nominated one supervisor to the Company. The controlling shareholder is the State-owned Assets Supervision and Administration Commission of Longyan City, Fujian Province. Longyan Yongsheng Development Co., Ltd., its related party, holds 0.7 million shares of the Company. Longyan Huijin Development Group Co., Ltd. was established in November 2010, with a registered office in Longyan and a registered capital of RMB2 billion and its legal representative is Fu Jiwen. Its business scope includes operation and management of asset investment; investment in publicly traded securities, non-security equity, and financial industry; management of equity investments; urban infrastructure construction; wholesale of coal and related products (excluding hazardous chemicals); wholesale of non-metallic ore and related products; wholesale of metal and metal ore.

7. Zhejiang Energy Group Co., Ltd. and Zhejiang Zheneng Electric Power Co., Ltd. collectively hold 0.59% of the shares of the Company. They nominated one supervisor to the Company and there is no case of pledge of the Company's shares. Zhejiang Energy Group Co., Ltd. is the controlling shareholder of Zhejiang Zheneng Electric Power Co., Ltd. Its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Zhejiang Provincial People's Government.

Zhejiang Energy Group Co., Ltd. holds 0.02% of the shares of the Company. It was established in March 2001 with a registered office in Hangzhou and a registered capital of RMB10 billion. Its legal representative is Hu Zhongming and its businesses include the operation of state-owned assets and state-owned shares of the group companies and their affiliated companies that are authorized by the state; industrial investment development; technical advisory services, technical advisory services for coal transportation information; production and supply of electric power; development and utilization of renewable energy; operation management of oil and gas; engineering technology and service; sale of steel, nonferrous metals, construction materials, machinery equipment, electrical cables, coal; international ship transportation (operating with license); domestic water transport (operating with license); electric machinery and equipment; new energy equipment manufacturer; private equity investment; investment consulting and asset management.

Zhejiang Zheneng Electric Power Co., Ltd. holds 0.57% of the shares of the Company. It was established in March 1992 with a registered office in Hangzhou and a registered capital of RMB13.601 billion. Its legal representative is Sun Weiheng and its businesses include: electricity generation, operation control; research and development of electric power and energy-saving technologies, technical advisory as well as the sales of energy-saving products; construction and supervision of electric power projects and power environmental protection projects; maintenance of electric equipment; power selling service (operating with license); sales of cooling, heat, hot water and steam; contractual energy management.

I. Issuance and listing of preferred shares

Unit: share

Preferred shares code	Stock abbreviation	Date of issuance	Issuing price (Yuan/ share	Dividend rate (%)	Issuance size	Date of listing	Number of shares listed	Date of delisting
360005	Industrial P1	December 3, 2014	100	Note 1	130,000,000	December 19, 2014	130,000,000	None
360012	Industrial P2	June 17, 2015	100	Note 2	130,000,000	July 17, 2015	130,000,000	None
360032	Industrial P3	April 3, 2019	100	Note 3	300,000,000	April 26, 2019	300,000,000	None

Notes: 1. Upon approval of the CSRC, the Company issued a tranche of 130 million preferred shares with a par value of RMB100 per share through non-public offering in December 2014 and an interest cycle was 5 years. The coupon rate in the first interest cycle was 6.00%; and the coupon rate in the second interest cycle commencing from December 8, 2019 was adjusted to 5.55%.

2. The Company issued the second tranche of 130 million preferred shares with a par value of RMB100 per share through non-public offering in June 2015 and an interest cycle was 5 years. The coupon rate in the first interest cycle was 5.40%; and the coupon rate in the second interest cycle commencing from June 24, 2020 was adjusted to 4.63%.

3. Upon approval of the CSRC, the Company issued 300 million preferred shares with a par value of RMB100 per share through non-public offering in April 2019 and an interest cycle was 5 years, and the coupon rate in the first interest cycle was 4.90%.

II. Preferred shares shareholders

(I) Number of preferred shares shareholders

Number of preferred shares shareholder accounts as at the end of the reporting period	57
Number of preferred shares shareholder accounts as at the end of the month prior to the disclosure of the annual report	57

(II) Shareholdings of the top ten shareholders as at the end of the reporting period

Unit: share

Name of shareholders	Changes of number of shares during the reporting period	Number of shares held at the end of the period	Percentage (%)	Type of shares	Pledged or frozen shares	Nature of shareholders
Ping An Life Insurance Company of China-participating- personal insurance (participating)	-	88,734,000	15.85	Domestic preferred shares	-	Others
Ping An Property and Casualty Company Limited-traditional-common insurance product	-	65,874,000	11.76	Domestic preferred shares	-	Others
Ping An Life Insurance Company of China-self-owned funds	-	44,643,400	7.97	Domestic preferred shares	-	Others
Bosera Funds-Phase 1 of Quantificated Asset Management Plan of Minsheng Bank	-	28,003,000	5.00	Domestic preferred shares	-	Others
Ping An Life Insurance Company of China-universal-individual insurance (universal)	-	21,254,000	3.80	Domestic preferred shares	-	Others
CICC- the Agricultural Bank of China - CICC Nong Yin Rui Chi No. 1 Collective Asset Management Plan	15,092,800	15,092,800	2.70	Domestic preferred shares	-	Others
Jiangsu Company of China National Tobacco Corporation	-	15,000,000	2.68	Domestic preferred shares	-	State-owned legal person
Sichuan Company of China National Tobacco Corporation	-	15,000,000	2.68	Domestic preferred shares	-	State-owned legal person
Zhongwei Capital Holding Co., Ltd.	-	15,000,000	2.68	Domestic preferred shares	-	State-owned legal person
The Finance Bureau of Fujian Province	-	14,000,000	2.50	Domestic preferred shares	-	State authority

Notes: 1. All preferred shares issued by the Company are preferred shares without selling restrictions. The shareholders hold Industrial P1, Industrial P2 and Industrial P3 at the same time, all of which were presented in consolidation.

2. The connected relationship exists among Ping An Life Insurance Company of China-participating-personal insurance (participating), Ping An Property and Casualty Company Limited-traditional common insurance product, Ping An Life Insurance Company of China - self-owned funds and Ping An Life Insurance Company of China-universal-personal insurance (universal). The connected relationship exists Jiangsu Company of China National Tobacco Corporation, Sichuan Company of China National Tobacco Corporation, and Zhongwei Capital Holding Co., Ltd.. Apart from that, the Company is not aware of any connected relationship or concerted actions among the above shareholders.

3 As at the end of the reporting period, the Finance Bureau of Fujian Province held 3,902,131,806 ordinary shares of the Company. Jiangsu Company of China National Tobacco Corporation, Sichuan Company of China National Tobacco Corporation, and Zhongwei Capital Holding Co., Ltd. are subsidiaries of China National Tobacco Corporation, which is a holder of ordinary shares of the Company. China National Tobacco Corporation and its subsidiaries jointly hold 2,055,937,778 ordinary shares of the Company. Apart from that, the Company is not aware of any connected relationship or concerted actions among the above shareholders and the top ten holders of ordinary shares.

III. Profit distribution of preferred shares

(I) Profit distribution

The dividend distribution of the preferred shares under this issuance shall be made once in each accounting year by cash payment.

The aggregate par value of the preferred shares "Industrial P1" is RMB13 billion, the interest period of preferred shares for 2020 was from January 1, 2020 to December 31, 2020. The proposed dividends for 2020 are RMB722 million with an annual dividend yield of 5.55%.

The aggregate par value of the preferred shares "Industrial P2" is RMB13 billion and the interest period of preferred shares for 2020 was from January 1, 2020 to December 31, 2020. The coupon rate in the first interest cycle of "Industrial P2" was 5.40%, and the coupon rate in the second interest cycle was adjusted to 4.63% since June 24, 2020. The proposed dividends for 2020 are RMB650 million in total.

The aggregate par value of the preferred shares "Industrial P3" is RMB30 billion and the interest period of preferred shares for 2020 was from January 1, 2020 to December 31, 2020, and the 2020 proposed dividends are RMB1.47 billion with an annual dividend yield of 4.90%.

The above distribution plans will be implemented in two months after the approval of the general meeting.

(II) Distribution amount and ratio of preferred shares of the previous three years

Unit: RMB million

Year	Amount	Ratio
2020	**2,841**	**100%**
2019	2,549	100%
2018	1,482	100%

Note: distribution ratio = announced distribution amount / agreed distribution amount for the year * 100%.

IV. During the reporting period, the Company made no repurchase of preferred shares, conversion of preferred shares into ordinary shares or restoration of voting rights of preferred shares.

V. Accounting policies adopted by the Company for the preferred shares and reasons

Pursuant to the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No.37 – Presentation and Reporting of Financial Instrument and the Distinction between Financial Liabilities and Equity Instruments and Relevant Accounting Treatments promulgated by the Ministry of Finance of the People's Republic of China and the main terms of the issued preference shares of the Company, the Company's preferred shares meet the requirements for being accounted as an equity instrument. Therefore, the Company's issued preferred shares were accounted for as an equity instrument.

VI. Adjustments regarding the mandatory conversion price

The initial mandatory conversion price of the preferred shares under the issuance shall be the average trading price (the initial mandatory conversion price of Industrial P1 and Industrial P2 is RMB9.86/share and the initial mandatory conversion price of Industrial P3 is RMB16.50/share) of the ordinary A shares of the Company in the 20 trading days preceding the date of the resolution of the meeting of the Board at which the issuance proposal of the preferred shares was considered and approved. Following the date of the Board resolution, in the event of the issuance of bonus shares, conversion of share capital, issuance of new shares (excluding additional share capital as a result of conversion into shares of financing instruments attached with terms for conversion into ordinary shares, such as preferred shares and convertible corporate bonds, of which their share capital is increased by the conversion), rights issue, and etc., the Company shall, based on the sequence of the occurrences of the above events, undertake cumulative adjustments to the mandatory conversion prices in accordance with the specified formula.

Upon the approval of the CSRC, the Company issued 1,721,854,000 A shares in a non-public way and handled registration and lock-up procedures with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the newly issued A shares on April 7, 2017. Calculated with the formula for adjustment of compulsory conversion price of "Industrial P1" and "Industrial P2" as set out in relevant terms of the Prospectus for Non-public Issuance of Domestic Preferred Shares of Industrial Bank Co., Ltd. for 2014 and the Prospectus for Non-public Issuance of Domestic Preferred Shares (Second Tranche) of Industrial Bank Co., Ltd. for 2015, upon completion of the non-public issuance of A shares by the Company, the compulsory conversion price of "Industrial P1" and "Industrial P2" issued by the Company was adjusted from RMB9.86/share to RMB9.80/share. For details, please refer to the Company's announcement dated April 11, 2017.

I. Directors, supervisors and executives

(I) General information

Name	Title	Gender	Date of birth	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
Tao Yiping	Executive director	Male	April 1963	June 20, 2016—upon re-election of Directors	-	100,000	123.656	No
	President			April 28, 2016—upon re-election of Directors				
Chen Yichao	Non-executive director	Male	November 1950	July 1, 2015—upon re-election of Directors	-	-	-	Yes
Fu Anping	Non-executive director	Male	February 1963	June 20, 2016—upon re-election of Directors	-	-	-	Yes
Han Jingwen	Non-executive director	Male	June 1959	February 7, 2017—upon re-election of Directors	-	-	-	Yes
Xi Xinghua	Non-executive director	Male	October 1969	February 7, 2017—upon re-election of Directors	-	-	-	Yes
Lin Tengjiao	Non-executive director	Male	April 1968	July 17, 2017—upon re-election of Directors	-	1,000,000	-	Yes
Chen Jinguang	Executive director	Male	November 1961	June 20, 2016—upon re-election of Directors	-	30,000	111.29	No
	Vice president			February 4 , 2013—upon re-election of Directors				

Name	Title	Gender	Date of birth	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
Chen Xinjian	Executive director	Male	October 1967	June 20, 2016—upon re-election of Directors	116,800	150,000	111.29	No
	Vice president			July 10, 2014—upon re-election of Directors				
	Secretary of the Board of Directors			November 26, 2015—upon re-election of Directors				
Paul M. Theil	Independent director	Male	May 1953	December 24, 2013 —upon re-election of Directors	-	83,800	30	Yes
Zhu Qing	Independent director	Male	May 1957	August 26, 2014—upon re-election of Directors	-	-	30	No
Liu Shiping	Independent director	Male	April 1962	August 26, 2014—upon re-election of Directors	-	-	30	Yes
Su Xijia	Independent director	Male	September 1954	February 7, 2017—upon re-election of Directors	-	-	30	No
Lin Hua	Independent director	Male	September 1975	July 1, 2015—upon re-election of Directors	-	16,700	28	Yes
Jiang Yunming	Chairman of the Board of Supervisors	Male	October 1965	February 29, 2016—upon re-election of Supervisors	-	300,000	123.656	No
Yuan Jun	Supervisor	Male	April 1984	May 25, 2018—upon re-election of Supervisors	-	-	-	Yes
He Xudong	Supervisor	Male	November 1977	December 19, 2016—upon re-election of Supervisors	-	-	-	Yes
Zhang Guoming	Supervisor	Male	February 1966	August 24, 2018—upon re-election of Supervisors	-	-	111.29	No
Lai Furong	Supervisor	Male	October 1968	October 19, 2007—upon re-election of Supervisors	-	100,000	451.42	No

Name	Title	Gender	Date of birth	Term	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration from the Company during the reporting period (before tax) (RMB'0,000)	Whether received remuneration from related party
Li Ruoshan	External supervisor	Male	February 1949	December 19, 2016—upon re-election of Supervisors	-	-	23.33	No
Ben Shenglin	External supervisor	Male	January 1966	December 19, 2016—upon re-election of Supervisors	-	-	22	No
Xia Dawei	External supervisor	Male	February 1953	May 23, 2016—upon re-election of Supervisors	-	10,000	24	No
Sun Xiongpeng	Vice president	Male	April 1967	August 25, 2016—upon re-election of Directors	-	100,000	111.29	No
Li Weimin	Executive director Vice president	Male	November 1967	July 26, 2019—April 8, 2020 December 27, 2012—April 8, 2020	50,000	60,000	37.097	No

Note: 1. Composition of remuneration of directors, supervisors and executives serving full-time in the Company for the year 2020.

Unit: RMB0'000

Name	Title	Pre-tax remuneration payables	Incentive income during the tenure of office	Total
Tao Yiping	Executive director and president	95.12	28.536	123.656
Jiang Yunming	Chairman of the Board of Supervisors	95.12	28.536	123.656
Chen Jinguang	Executive director and vice president	85.608	25.682	111.29
Chen Xinjian	Executive director, vice president, and secretary of the Board of Directors	85.608	25.682	111.29
Sun Xiongpeng	Vice president	85.608	25.682	111.29
Zhang Guoming	Supervisor	85.608	25.682	111.29
Lai Furong	Supervisor	451.42	-	451.42
Li Weimin	Former executive director and former vice president	28.536	8.561	37.097

2. The remuneration for some of the directors, supervisors and executives who served full-time positions in the Company is currently under examination of the authorized department. Should there be any changes, the Company will make an announcement. During the reporting period, the total actual remuneration paid for all directors, supervisors and executives amounted to RMB13.98319 thousand.
3. The decision-making procedures and criteria for determination of remuneration for directors, supervisors and senior management members were as follows: the remuneration for directors, supervisors and executives were ratified and paid in accordance with Regulations of Industrial Bank on Independent Directors' Allowance, Regulations of Industrial Bank on External Directors' Allowance, and relevant policies of Fujian Province on remuneration reform for persons in charge of provincial financial institutions. The specific criteria were as follows: directors and supervisors who held full-time positions in the Company should receive remuneration for the positions they held; shareholding directors and supervisors who did not hold fulltime positions in the Company should receive remuneration from the companies they served. The allowance for independent directors and external supervisors was composed of basic allowance, committee allowance and work subsidy, which would disburse in accordance with the provisions stated in Regulations of Industrial Bank on Independent Directors' Allowance and Regulations of Industrial Bank on External Supervisors' Allowance respectively. As for senior management members, the remuneration plan should be prepared by the Nomination, Remuneration and Evaluation Committee under the Board of Directors and then submitted to the Board of Directors for approval.
4. The 2019 Annual Report of the Company has disclosed the annual remuneration of directors, supervisors and senior management members. Upon assessment and the confirmation by the authorized department, the remuneration of the directors, supervisors and executives who served full-time positions in the Company for 2019 is hereby further disclosed as follows:

Name	Title	The remainder of 2019 pre-tax remuneration (RMB'0,000)
Tao Yiping	Executive director and president	6.864
Jiang Yunming	Chairman of the Board of Supervisors	6.864
Chen Jinguang	Executive director and vice president	6.177
Chen Xinjian	Executive director, vice president, and secretary of the Board of Directors	6.177
Sun Xiongpeng	Vice president	6.177

Name	Title	The remainder of 2019 pre-tax remuneration (RMB'0,000)
Zhang Guoming	Supervisor	6.177
Gao Jianping	Former chairman	6.864
Li Weimin	Former executive director and former vice president	6.177

5. None of directors, supervisors, executives of the Company received any punishment from the securities regulatory commission in recent three years.

(II) Positions held by directors and supervisors in the shareholder companies

Name	Shareholder company	Title
Fu Anping	PICC Life Insurance Company Limited	Secretary of the Party Committee, vice chairman, president
Lin Tengjiao	Yango Holdings Co., Ltd.	Chairman of the Board
He Xudong	Zhejiang Energy Group Co., Ltd.	Deputy director of the Assets Operation Department

(III) An outline of working experience of directors, supervisors and senior management members, and their appointments or concurrent appointments in organizations other than the Company or shareholder companies

Tao Yiping：University graduate, master degree, senior economist. He previously served as a section chief of the General Plan Office of Fujian Branch of Bank of China, a senior manager of the Hong Kong and Macao Administration Office of Bank of China Group, a senior manager of China Business Department of Hong Kong Branch of Kincheng Banking Corporation, an Office Director and chief of Fund Planning Office of Fujian Branch of Bank of China, the president of Fuzhou Sub-branch of Bank of China, the president assistant and vice president of Fujian Branch of Bank of China, the president of Xiamen Branch of Bank of China, the president of Fujian Branch of Bank of China, and the president of Shandong Branch of Bank of China. He currently serves as a member of the Party Committee, a temporary head of the Board and a director and the president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: None

Chen Yichao： Master degree, senior economist. He previously served as deputy leader of scientific research institution of Finance Bureau of Fujian Province, deputy county mayor of Changting County (temporary post), director of the information center, director of the Integrated Service Department, executive deputy director of the General Office (minister level) of Finance Bureau of Fujian Province. Currently, he has retired.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: None

Fu Anping：Doctoral degree, senior economist, associate researcher, PRC actuary. He previously served as the deputy head of the Insurance Management Office of the Non-bank Institution Division and head of the Life Insurance of the Insurance Division of the PBOC, section chief and deputy director of Personal Insurance Regulation Department of the CIRC, deputy director of Beijing Office of the CIRC, deputy director of the CIRC Beijing Bureau, deputy leader of the preparation group of Life Insurance Company of PICC, and vice president of PICC Life Insurance Company Limited. He currently serves as the secretary of the Party Committee, vice chairman and president of PICC Life Insurance Company Limited.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Chairman of the Second Professional Committee on Asset and Liability Management of China Insurance Asset Management Association, Executive Director of the Fifth Council of China Insurance Association, Deputy Chairman of the Third Professional Committee on Life Insurance of China Insurance Association, Director of the Third Council of China Actuaries Association

Han Jingwen：On-the-job postgraduate. He previously served as an associate researcher of the Division of Financial Management and Supervision (Audit Division), the deputy head and head of the General Office, associate inspector, and deputy chief of State Tobacco Monopoly Bureau (China National Tobacco Corporation). He currently serves as the inspector of the Division of Financial Management and Supervision (Audit Division). Currently, he has retired.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: None

Xi Xinghua：Master degree. He previously served as a section member of Sanmen County Land and Resources Bureau of Zhejiang Province, a macro-economic analyst of Beijing Securities Limited, the deputy general manager of Zibohong Investment Company, the general manager of Hengtai Changcai Securities Brokerage Co., Ltd., the deputy general manager of Hengtai Securities Co., Ltd., the general manager of Rongtong Fund Management Co., Ltd., the deputy general manager and standing deputy general manager of Huaxia Everwin Asset Management Co., Ltd. and the general manager of the Assets Management Department of Tianan Property Insurance Co., Ltd.. He currently serves as and the temporary head of China Everwin Asset Management Co., Ltd..

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: the temporary head of China Everwin Asset Management Co., Ltd. and the director of Standard (Shanghai) Real Estate Company LTD.

Lin Tengjiao：Master of Business Administration. He currently serves as the Chairman of the Board of Directors of Yango Holdings Co., Ltd.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Deputy to National People's Congress, Vice President of China Federation of Overseas Chinese Entrepreneurs, Vice President of Fujian Chamber of Commerce, Honorary President of Fujian Alumni Association of Peking University, Vice Chairman of Fujian Star-net Communication Co., Ltd., President of Shanghai Fujian Chamber of Commerce.

Chen Jinguang: College graduate, economist. He previously served as head of Pudong Sub-branch of Shanghai Branch, vice president of Shanghai Branch, president of Ningbo Branch, president of Chengdu Branch and president of Beijing Branch of Industrial Bank. He currently serves as a Party Committee member, a director and vice president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: None

Chen Xinjian：University graduate, master degree. He previously served as director of the Financial Division and director of External Debt Division at the Finance Bureau of Fujian Province, vice president of Shanghai Branch of Industrial Bank, vice president (in charge of overall management) and president of Xiamen Branch, president of Nanjing Branch, president of Beijing Branch of Industrial Bank. He currently serves as a Party Committee member, a director, vice president of Industrial Bank, and the secretary of the Board of Directors.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: None

Paul M. Theil：PhD. He previously served as first secretary and commercial counsellor of the U.S. Embassy in China. He currently serves as chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd..

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Chairman of Shenzhen Zhong An Credit Venture Capital Co., Ltd., legal representative of Mohs Industrial Development (Shenzhen) Co., Ltd., director of Shenzhen Longgang BOC Fullerton Community Bank Co., Ltd, independent director of Morgan Stanley Huaxin Fund Management C o m p any Limited , independent director of Hengan International Group Company Limited, independent member of investment committee of Ping An Insurance (Group) Company of China, director of Runhui Fund Management Co., Ltd., director of Qinqin Foodstuffs Group Company Limited and president of Small Loans Industry Association of Shenzhen, vice president of China Micro-credit Companies Association, and vice president of Shenzhen Venture Capital Association.

Zhu Qing: PhD, professor. He previously served as lecturer, associate professor, professor and PhD tutor at the School of Finance at Renmin University of China, and he also worked for the Budget and Tariffs Departments of European Commission (EC). He currently serves as professor and PhD tutor at the School of Finance at Renmin University of China.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Professor and PhD tutor at the School of Finance at Renmin University of China, independent director of Zhongtai Trust Co., Ltd. and Jiangsu Jiangyin Rural Commercial Bank Co., Ltd., external supervisor of China Trust Protection Fund Co., Ltd., vice chairman of China Taxation Society, executive director of Society of Public Finance of China, director of China Social Security Society, distinguished professor of Yangzhou Taxation College of State Administration of Taxation, adjunct professor of Beijing National Accounting Institute and Xiamen National Accounting Institute

Liu Shiping：PhD. He was the principal consultant of Business Intelligence of IBM Global Services and the global team leader of data acquisition in the financial industry, providing business intelligent consulting services to over 200 financial institutions including Central Bank, Shanghai Stock Exchange and China Development Bank. He currently serves as president of the Global Business Intelligence Consulting (Beijing) Co., Ltd.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Chairman of Global Business Intelligence Consulting (Beijing) Co., Ltd. , professor and PhD tutor at the University of Chinese Academy of Sciences (UCAS), Associate of the Research Center of Finance Sciences and Technology of UCAS, part-time professor of Tongji University, chief scientist of "Key Technologies and Demonstration of Internet of Things and Smart Cities" of National Key R&D Program, vice chairman of XBRL China Executive Committee, vice chairman of Next Generation Internet Union, member of Information Technology Committee of China Association of Public Companies, member of Independent Board Committee of China Association of Public Companies, vice president of Guangdong Financial Innovation Research Association, honorary president of Guangdong Jinchuang Blockchain Research Institute, senior advisor of Chongqing Qianjiang District People's Government, advisor of Science and Technology Advisory Group of Chengdu Municipal People's Government, member of Advisory and Decision-making Committee of Yibin Municipal People's Government of Sichuan Province, independent director of Zhejiang Tailong Commercial Bank Co., Ltd., independent director of Aixin Life Insurance Co., Ltd..

Su Xijia: PhD, professor. He previously served as a lecturer at the Accounting Department of Shanghai University of Finance and Economics and an associate professor at the Accounting Department of College of Business, City University of Hong Kong. He currently serves as a professor at the Accounting Department of China Europe International Business School.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Professor at the Accounting Department of China Europe International Business School, an independent director of China Jinmao Group, Opple Lighting Co., Ltd. and Fujian Sanmu Group Co., Ltd.

Lin Hua: Master's degree. He is now General Manager of Beijing Huacheng Function Technology Company, President of Beijing Zijin Smart Finance Research Institute and Chairman of Beijing Lianzheng Digital Technology Research Institute Co., Ltd..

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Executive Director of Asset Securitization Committee of Insurance Asset Management Association of China, Head of Smart Contract Writing Group of Technical Security Specification for Financial Decentralized Ledger of Central Bank, Member of Editorial Committee of Financial Accounting Journal, Director of CGN Capital Holdings, Director of Audit Committee of China Merchants REITs, Director of Audit Committee of Generali Insurance Assets, Advisor of Asset Securitization Professional Committee of China Securities and Fund Association, Advisor of King & Wood Mallesons Global Law Firm

Jiang Yunming：PhD, doctor's degree, senior economist. He previously served as deputy section chief of business section of Securities Business Department, manager of Issuance Department of Industrial Bank, general manager assistant and manager of Investment Banking Department of Industrial Securities, deputy general manager of General Office, general manager of Board Secretariat and deputy general manager of General Office, general manager of General Office of Industrial Bank, president of Industrial Bank Beijing Branch, a Party Committee member, director and vice president of Industrial Bank. He currently serves as a Party Committee member and chairman of the Board of Supervisors.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: None

Yuan Jun: Master's degree. He used to be a clerk in Longyan Branch of China Construction Bank, Assistant Director of Longyan Business Department of Huafu Securities, Deputy General Manager of Longyan City Huijin Development Group Co.,Ltd., Executive Director of Longyan Industrial Equity Investment Fund Co., Ltd., Chairman of Yanhai Financial Leasing Co., Ltd., as well as Director and Executive Deputy General Manager of Longyan Huijin Development Group Co., Ltd. He is now Director and General Manager of Fujian Minxi Financial Holding Group and a chief economist of Longyan Cultural Tourism Huijin Development Group Co., Ltd.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Director and General Manager of Fujian Minxi Financial Holding Group, Director of Longyan Kaolin Clay Co., Ltd., Deputy Chairman of the 3rd Committee of Longyan Youth Federation.

He Xudong: Bachelor degree, economist. He previously served as a staff at the Project Management Department of Zhejiang Power Development Company, a staff at the Assets Operation Department of Zhejiang Energy Group, director of the Assets Operation Department of the Coal and Transportation Branch of Zhejiang Energy Group, and director of the General Office of the Coal and Transportation Branch of Zhejiang Energy Group. He currently serves as the deputy director of the Assets Operation Department of Zhejiang Energy Group Co., Ltd.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Director of Jiangxi Ganzhe Energy Co., Ltd., CNOOC Zhejiang Ningbo LNG Co., Ltd., Zhejiang Zheneng Jiaxing Power Generation Co., Ltd., and Zhejiang Zheneng Jiahua Power Generation Co., Ltd., Zhejiang Zheneng Leqing Power Generation Co., Ltd., Zhejiang Zheneng Wenzhou Power Generation Co., Ltd., and Zhejiang Wenzhou Telulai Power Generation Co., Ltd. and Wenzhou Gas Power Generation Co., Ltd., Zhejiang Zheneng Changxing Power Generation Co., Ltd., Zhejiang Zheneng Qianqing Power Generation Co., Ltd., Zhejiang Zheneng Xingyuan Energy Saving Technology Co., Ltd., Zhejiang Zheneng Lanxi Power Generation Co., Ltd., Zhejiang Zheneng Beilun Power Generation Co., Ltd., China Guodian Corporation Zhejiang Beilun No.3 Power Generation Co., Ltd., Zhejiang Zheneng Zhongmei Zhoushan Coal and Electricity Co., Ltd. and Zhejiang Zheneng Taizhou No.2 Power Generation Co., Ltd.

Zhang Guoming：Bachelor degree. He previously served as deputy director (director level) of the Cadre Management Office of the Fujian Provincial Commission for Discipline Inspection, fulltime deputy secretary of the Party Committee of the Fujian Provincial Commission for Discipline Inspection, and deputy director (deputy chief level) of the Inspection Office of the Fujian Provincial Party Committee, member of Party Committee, Secretary of Discipline Inspection Committee and Supervisor of Industrial Bank. He currently serves as a member of the Party Committee, head and supervisor of Fujian Provincial Commission for Discipline Inspection and Supervision in Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: None

Lai Furong：Bachelor degree, senior accountant. He previously served as vice president and president of Jin'an Sub-branch, Fuzhou Branch of Industrial Bank, deputy general manager of Finance & Accounting Department of Industrial Bank, vice president of Guangzhou Branch of Industrial Bank, vice general manager of Planning & Finance Department of Industrial Bank and general manager of Audit Department of Industrial Bank. He currently serves as a supervisor and general manager of Planning & Finance Department of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: None

Li Ruoshan：PhD, professor, non-practicing certified accountant. He previously served as deputy dean of the Accounting Department and vice president of the School of Economics, Xiamen University, dean of the Accounting Department and the Finance Department, and vice president of the School of Management of Fudan University. He currently serves as MPACC academic dean, professor, PhD tutor at the School of Management of Fudan University.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Independent Director of SAIC, Zhang Jiang High-Tech Park, Shanghai No.1 Pharmacy and Shenzhen Yantian Port Holdings Co., Ltd.; and Director of Shanghai Shineton Investment Co., Ltd.

Ben Shenglin：PhD, professor. He previously served as senior vice president of Algemene Bank Nederland, managing director of HSBC, president of JPMorgan Chase Bank (China) Company Limited, a member of the global leadership team of Global Corporate Bank. He currently serves as a professor, dean of the Academy of Internet Finance, dean of the International Business School of Zhejiang University.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Professor, dean of Academy of Internet Finance, and dean of the International Business School of Zhejiang University, joint director of International Monetary Institute of Renmin University of China, member of the International Committee of the All-China Federation of Industry and Commerce, member of the Expert Committee of the Party's Extra-Party Intellectuals of the United Front Work Department, member of the Standing Committee of the People's PCC and deputy director of the Economic Committee of Zhejiang Province, a counsellor of Zhejiang Provincial People's Government, cochairman of Zhejiang Association of Internet Finance, advisory member of Financial Experts Advisory Committee for Guangdong and executive editor of China Finance, an independent director of China International Capital Corporation Limited ,Wuchan Zhongda Group Co., Ltd., and Hunan Sansure Biotech Co., Ltd., and a supervisor of China Construction Bank.

Xia Dawei：Master degree, professor, PhD tutor. He previous served as the dean of School of International Business Administration, president assistant and vice president of Shanghai University of Finance and Economics, and president of Shanghai National Accounting Institute. He currently serves as the director of academic committee of Shanghai National Accounting Institute.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: Director of academic committee of Shanghai National Accounting Institute, vice chairman of Chinese Industrial Economic Association, vice chairman of China Association of Chief Financial Officers, chairman of Shanghai Accounting Society, honorary professor of The Chinese University of Hong Kong, part-time professor of School of Management of Fudan University; directors of Guotai Jun'an Securities Co., Ltd., Lianhua Supermarkets Holdings Co., Ltd., Juneyao Airlines Co., Ltd. independent director of Yango Group Co.,Ltd, director of Zhejiang Zheshang International Financial Asset Exchange Co., Ltd. and director of Shanghai Shinovation Capital Corporation Co., Ltd..

Sun Xiongpeng: University graduate, master degree, senior economist. He previously served as deputy manager of the International Business Department, and manager of Business Department and Domestic Business Department of Quanzhou Branch of Industrial Bank, president assistant and vice president of Quanzhou Branch of Industrial Bank, president of Zhangzhou Branch of Industrial Bank, president of Quanzhou Branch of Industrial Bank, president of Xiamen Branch of Industrial Bank, and president of Fuzhou Branch of Industrial Bank. He currently serves as a Party Committee member and vice president of Industrial Bank.

Appointments or concurrent appointments in organizations other than the Company or shareholder companies: None

(IV) Changes of Directors, supervisors and senior management

1. On April 8, 2020, Mr. Li Weimin submitted a resignation letter to the Board of Directors of the Company and resigned as a director and vice president of the Company due to work reallocation.

2. On August 27, 2020, Independent directors Mr. Paul M. Theil, Mr. Zhu Qing and Mr. Liu Shiping submitted written resignation letters to the Board of Directors for resigning from the position of independent director and the relevant special committee under the Board of Directors as they have served as independent directors of the Company for six consecutive years. Since the resignation of the three independent directors will result in the number of independent directors of the Company being less than one-third of the members of the Board of Directors, the resignation letters of the three independent directors will take effect after the election of the next independent directors in accordance with the relevant regulations and articles of association. Until then, Mr. Paul M. Theil, Mr. Zhu Qing and Mr. Liu Shiping will continue to perform their duties as independent directors in accordance with the relevant laws and regulations and the Company's articles of association.

II. Employees

(I) General information of employees

Number of the incumbent staff of the parent company	**55,473**
Number of the incumbent staff of main subsidiaries	**4,157**
Total number of the incumbent staff	**59,630**
Number of retirees whose expenses are undertook by the parent company and its main subsidiaries	**862**
Education level	
Type of education	Number
Master and above	**10,926**
Bachelor	**45,029**
College	**3,227**
Secondary technical school and below	**448**
Total	**59,630**
Professional occupation	
Type of professional occupation	Number
Management	**5,071**
Business	**46,306**
Support	**8,253**
Total	**59,630**

Note: the above number of the incumbent staff includes outsourcing labor.

(II) Employee remuneration policies

In respect of the remuneration management, the Company adheres to the requirements of corporate governance, maintaining the competitiveness and sustainable development of the bank, matching up with the operating results, integrating with the long- and short-term incentives, balancing the internal fairness and external competitiveness, facilitating the implementation of strategic objectives of the Company, supporting the demands of business development at different stages as well as the attracting and retaining of employees, especially for key personnel.

1. Remuneration structure

In accordance with the internal control mechanism of the Company, the growth in the total remuneration of employees should not exceed the growth in the number of employees and the growth in major indicators of business performance in general. Employees holding different positions carry different responsibilities and bear different risk levels, resulting in differences in their remuneration structure. The higher the correlation between the work performance of employees and the overall business performance of the Company, the higher will be the proportion of the floating bonus.

2. Remuneration policies

The remuneration of the Company's executives is paid in strict accordance with the plan reviewed and determined by the competent authorities and considered and approved by the corporate governance process, and is linked with the results of the Company's business performance assessment. By establishing a comprehensive evaluation system that includes quantitative indicators such as profitability, asset quality, solvency and operational growth, as well as qualitative indicators such as service quality development and green finance (including green financial system construction, brand building and business development), short-term incentives and long-term incentives are combined to strengthen executives' responsibility to fulfill their duties, promote the Company's improvement of operation and management and promote the Company's sustainable and healthy development.

Performance bonus of employees is linked with the comprehensive performance of the Company, the institutions (departments) and individuals. In terms of the scope of assessment indicators, several key indicators are selected for performance assessment, including the rate of return on capital, rate of return on risk assets, non-performing loans ratio, compliance operations and evaluation on internal control. The indicators are applied to the institutions and employees, and the overall appraisal results will be linked to the bonus of employees to reflect the correlation between the remuneration and various types of risks. In order to improve the incentive and restraint mechanism, and ensure the remuneration policies are in line with the present and future risks, the payment of a certain proportion of the performance bonus to the key business staff and employees holding key positions in the revenue-producing institutions shall be deferred and retained as risk fund. If there is a breach of regulations or discipline or extraordinary risk exposure in carrying out duties during the appraisal period, a corresponding amount shall be deducted from the risk fund of the staff held liable, so as to ensure the remuneration level of employees is consistent with their risk-adjusted performance.

3. Detailed information about remuneration of employees in positions having significant impacts on the risks of the bank

The allocation of remuneration is based on the fundamental idea of "allocation based on the value of job positions and contributions", among which the value of job positions includes technological and managerial difficulties, risk levels and contributions to the banking system. The remuneration of employees matches with the value of their job positions and their job responsibilities. For those engaged in the risk management and compliance fields, their remuneration depends on individual capability, performance of duties, and appraisals on the team and individual basis, but has no direct relationship with the performance of other business areas, which can ensure that the remuneration of staff in the risk management and compliance fields is independent from the performance of the business lines under their supervision, and such segregation can promote the steady operations and sustainable development of the Company.

(III) Staff training schemes

The Company continued to promote the construction of a learning organization and promote the implementation of strategy, organizational development and business development by training. Focusing on the political power, leadership power, professional power, comprehensive power and training foundation power of the whole bank's talent team, the Company formed the training effectiveness of "five concentric powers" and steadily promoted the construction of training system platforms for problem solving, basic operation, talent training and knowledge sharing; formulated the Education and Training Construction Planning Outline for 2020-2022. Relying on modern digital platform, live broadcast, flipped classroom and other new training technologies, the Company rapidly changed its mode and strengthened the construction of talent training system that adapts to the Company's strategic transformation and business development; in response to the requirements of employees at all levels in various positions to perform their duties, the Company strengthened knowledge training on new knowledge, new economy and new industry, and innovated and optimized brand training programs for employees' career development to boost organizational performance and employees' ability improvement. During the reporting period, the Company won the "China Outstanding Talent Development Business Award" and the "2020 Outstanding Achievement Award for Human Resource Management in the Financial Industry".

(IV) Anti-bribery and anti-corruption policy of the Company

The Company earnestly implemented the major decisions and arrangements of the Party Central Committee on anti-bribery and anti-corruption, continuously deepened the reform of the system and mechanism of discipline inspection and supervision, always adhered to the strengthening of the self-discipline of the Party and the Company, and integrally promoted the fear of corruption, the inability of corruption, and the desire not to corrupt. In strict accordance with the Disciplinary Regulations of the Communist Party of China, Supervision Law of the People's Republic of China, Law of the People's Republic of China on the Discipline of Public Officials and other party regulations and national laws, the Company strengthened supervision and discipline accountability and investigation and disposal efforts, reasonably used "four forms" of supervision and discipline, stayed precautious, resolutely transferred suspected illegal crimes to the judicial organs, maintained the tough stance for punishment of corruption, namely "no restricted area, full coverage, zero tolerance", formed the deterrent power of "daring not to corrupt". The Company kept an eye on "key minority", key areas and key links such as credit approval, procurement of large items, infrastructure projects, and personnel selection, continuously established and improved internal control management systems, standardized positions and processes, strengthened system hard controls, continuously improved the system and fastened the institutional cage of "no corruption". The Company continued to improve discipline supervision, supervision, stationing supervision and inspection supervision integrated supervision pattern, strengthened the coordination of discipline inspection and supervision organs and risk compliance functional department, finance department, audit department, formed anti-corruption work synergy. The Company strengthened the warning education, integrated the culture of integrity into the corporate culture, actively cultivated a clean financial culture, and promoted cadres and staffs to form a consciousness of thought and action of "no desire for corruption".

The Company highly valued the role of petition supervision in anti-bribery and anti-corruption, strictly implemented the relevant regulations of the Regulations on Petitions and the Rules of Work of Discipline Inspection and Supervision Organs in Handling Reports and Complaints, strictly implemented the requirements on confidentiality of reports and complaints, and continuously improved the protection system for petitioners. During the reporting period, the Company revised and issued the Management Measures for Petition of Industrial Bank to further standardize the procedures and requirements for petition and protect the legitimate rights and interests of the petitioners.

Corporate Governance

I. Corporate governance overview

The Company continued to strengthen the construction of corporate governance and solidify the governing concept of sustainable development, thereby all governance entities perform their respective duties and responsibilities to achieve coordinated operations and effective checks and balances. During the reporting period, the general meeting of the Company operated in a standard way according to the law. The Board of Directors and the Board of Supervisors fully performed their functions in making strategic decisions and supervision. The special committees actively performed their duties of assisting in decision making and supervising. The directors and supervisors continuously enhanced their capability and professionalism in fulfilling their duties through investigations, study and inspections. The management earnestly carried out the decision of the Board of Directors and implemented and feedbacked the Board of Supervisors and effectively implemented the decision opinions of the Board of Directors and the supervision recommendations of the Board of Supervisors. The businesses of the Company witnessed the sustainable and steady development of the Company, and the interests of all shareholders and stakeholders were effectively safeguarded.

(I) Shareholders and general meetings

During the reporting period, according to the requirements of the relevant laws and regulations, the Articles of Associations and the rules of procedures for general meetings, the Company convened 2019 annual general meeting through a combination of on-site meetings and online voting to consider and approve six proposals such as the report of the Board of Directors, the report of the Board of Supervisors, the financial budgets and final accounts, the distribution scheme of profit, and appointment of accounting firms, and four reports such as work reports of independent directors, performance assessment of directors, supervisors and senior managers and information on related party transactions were heard. Meanwhile, the Company improved its communication channels with shareholders by heeding their opinions and suggestions actively, so as to ensure that the shareholders' right to know, the participation right and voting right for the major events in the Company could be exercised in accordance with the laws and regulations. During deliberation, where there are significant matters involving the interests of small and medium investors, the votes of small and medium investors shall be computed separately and disclosed.

(II) Directors and the Board of Directors

At the end of the reporting period, the Board of Directors of the Company consists of 13 directors. It includes 10 non-executive directors (including five independent non-executive directors) and three executive directors. There are five committees under the Board of Directors, namely, the Strategy Committee, the Risk Management and Consumer Protection Committee, the Audit and Related Party Transaction Control Committee, the Nomination Committee, the Remuneration and Evaluation Committee. With the exception of the strategy committee, the other four committees are chaired by the independent directors. During the reporting period, the Company has held 7 meetings of the Board of Directors and 22 meetings of all committees of the Board of Directors, and deliberated or listened to172 items accumulatively on various topics, giving play to the Board of Directors' decision-making role in formulating corporate strategies practically, studying business plans, strengthening capital management, intensifying risk management and control and promoting group operation. The Company continuously improved the decision-making and conduction mechanism of the Board of Directors, continuously improved the corporate governance mechanism and enhanced the efficiency of the operation of corporate governance. Independent directors diligently performed duties, focused on the interests of the Company and all shareholders, especially the minority shareholders and expressed independent and objective opinions and recommendations on major matters.

(III) Supervisors and the Board of Supervisors

As at the end of the reporting period, the Board of Supervisors has eight supervisors, including two shareholder supervisors, three employee supervisors and three external supervisors. Under the Board of Supervisors, two special committees were established, namely the Supervision Committee and the Nomination, Remuneration and Evaluation Committee. Both of the committees are headed by external supervisors. The Board of Supervisors, which placed the interests of shareholders and the Company as the top priority, fulfilled its supervision duties and was actively engaged in the project-based research and studies and the auditing investigation, overseeing the Company's development strategies, financial activities, risk management, internal control and the duty-fulfillment of the Board of Directors and the senior management. During the reporting period, the Company held five meetings of the Board of Supervisors and three meetings of the special committees of the Board of Supervisors to consider or hear 39 issues.

(IV) Senior management

As at the end of the reporting period, the four senior management members of the Company consist of one president and three vice presidents. With the authorization by laws and regulations, the Articles of Association and the Board of Directors, the president takes responsibilities of guiding the overall operation and management activities, specifically implementing the resolutions approved by the general meetings and the Board of Directors, and formulating the annual business plans and investment plans, financial budgets and final financial statements, profit distribution plans, basic management rules and specific regulations.

Several committees were established under the senior management, namely the Business Operation Management Committee, the Assets and Liabilities Management Committee, the Risk Management Committee, the Investment Decision Committee, the Credit Approval Committee, the Internal Control Committee, the Major Purchases Committee, the Business Continuity Management Committee, the Internal Accountability Committee, the Financial Science and Technology Committee, the Green Finance Business Committee, the Credit Card Business Management Committee and the Special Asset Management Committee.

(V) Related party transactions

During the reporting period, the Company continues to strengthen the management of related party transactions, complies with the regulatory provisions of the CBIRC, the CSRC and the Shanghai Stock Exchange and the Articles of Association of the Company strictly, and ensure the effective operation of the relevance management mechanism through strengthening the consultation and declaration of related party, intensifying daily monitoring of the management of related party transactions, strictly implementing the organization, declaration and quota management procedures for major related party transactions, seriously fulfilling the obligations of approval and disclosure of related party transaction, and promoting the information construction of related party transactions and other measures. The related party transactions between the Company and each related party strictly follow the principles of fairness, openness and equivalence, and the terms of the transactions are fair and reasonable and conducted on terms no better than those for similar transactions with non-related parties. The pricing of the transactions is fair, which strongly protects the overall interests of the Company and all shareholders and promotes the standardized and sustainable development of the relevant business of the Company.

(VI) Information disclosure and investor relations

During the reporting period, the Company carried out information disclosure in accordance with the law, prepared regular disclosure reports on schedule, disclosed major issues fairly and in a timely manner and issued more than 40 announcements and governance files, including resolutions of the Board of Directors, resolutions of the Board of Supervisors, listing and circulation of restricted shares in non-public offering, equity distribution plans, changes in accounting policies, significant related party transactions, purchase of the Company's shares by directors, supervisors and executives, adjustment of the dividend rate of preferred shares, approval of bond issuance, appointment of accounting firm, resignation of independent director, and change of sponsor representative. The Company strengthened the internal management of information disclosure affairs, organized the confidentiality of insider information and the registration and filing of insiders. Besides, the Company strengthened the internal management of information disclosure, organized the confidential work of inside information and the registration and filing of insiders, as well as the special rectification, self-examination of stock rights and related party transactions, continued to carry out various forms of investor relations activities, adopted regular performance promotion, special promotion, brokerage meetings, roadshow visits and other methods comprehensively, and further understood the market through online channels such as the "E-interaction" platform of the Shanghai Stock Exchange, the Online Open Day for investors, the investor hotline, specific e-mail and so on, improved the frequency of investor exchanges and effectively deliver the investment value of the Company.

(VII) Sustainable development and green finance

The Company's Articles of Association specify the business philosophy of sustainable development, the decision-making responsibilities of the Board of Directors and the Strategy Committee of the Board of Directors for sustainable development strategies, and the responsibilities of the Risk Management & Consumer Protection Committee of the Board of Directors to evaluate and manage comprehensive risk management matters, including environmental and social risks. The Company established a Green Finance Business Committee, with the President as the head of the Committee, responsible for the overall planning and coordination of the Group's green finance business. During the reporting period, the Board of Directors considered and adopted the Outline of the Development Plan for 2021-2025, proposing to build a green finance group with leading concepts and outstanding ESG performance, form a top-down ESG management system and management process including corporate governance, product creation, investment decision, risk management, green operation, information disclosure, etc., and strive to become an active promoter in ESG and an industry leader. The Board of Directors and the relevant committees under the Board of Directors also deliberated on the 2019 Annual Sustainable Development Report, comprehensive risk assessment reports of four quarters, listened to a special report on the development of green finance, made arrangements for further practicing the concept of sustainable development, improved and implemented the ESG risk control system, as well as improved the organizational structure of green finance, product innovation, environmental and social risk management, brand enhancement and the overall promotion of ESG.

II. Convention of general meeting

Session of the meeting	Date of convening	Reference of appointed websites for disclosure of resolutions	Disclosure date of the publish of resolutions
2019 Annual General Meeting	June 29, 2020	The website of Shanghai Stock Exchange (www.sse.com.cn) and the website of the Company (www.cib.com.cn)	June 30, 2020

III. The directors' performance of their duties

(I)The attendance of directors in Board of Directors and shareholder's meeting

During the reporting period, the Company convened seven meetings of the Board of Directors, four of which were on-site meetings, and three was teleconference. The attendance records of directors in the Board of Directors meetings and general meetings are as follows:

Director name	Whether an independent director	Attendance at meetings of the Board of Directors						Attendance at general meetings
		Expected attendance during the year	Attendance	Attendance through teleconference	Attendance by proxy	Absence	Failure to attend in person for two consecutive times	Number of general meetings attended
Tao Yiping	No	7	7	3	0	0	No	1
Chen Yichao	No	7	7	3	0	0	No	1
Fu Anping	No	7	6	3	1	0	No	0
Han Jingwen	No	7	7	3	0	0	No	0
Xi Xinghua	No	7	6	3	1	0	No	0
Lin Tengjiao	No	7	7	3	0	0	No	0
Chen Jinguang	No	7	6	3	1	0	No	1
Chen Xinjian	No	7	7	3	0	0	No	1
Paul M. Theil	Yes	7	7	3	0	0	No	0
Zhu Qing	Yes	7	7	3	0	0	No	1
Liu Shiping	Yes	7	7	3	0	0	No	0
Su Xijia	Yes	7	7	3	0	0	No	1
Lin Hua	Yes	7	7	3	0	0	No	1
Li Weimin	No	2	2	1	0	0	No	0

(II) Situation of objections to the issues of the Company raised by independent directors

During the reporting period, none of the independent directors had objections to the issues of the Company.

IV. Important opinions and suggestions by the committees under the Board of Directors in performing their duties during the reporting period

(I) The Strategy Committee of the Board of Directors

During the reporting period, the Strategy Committee of the Board of Directors actively performed its duties, considered and decided on major issues, facilitated the implementation of the Group's development strategies and the decisions of the Board of Directors and promoted the continuous and steady development of various undertakings. It accurately understood and positively assessed the changes in the situation, firmly maintained confidence in the "1234" strategy, maintained strategic determination, studied and formulated a new round of five-year development plan and promoted the business transformation and high-quality development of the Company. The Committee implemented the concept of capital-intensive management, strengthened risk-weighted asset management, and promoted the construction of the new Basel III standard law to improve the efficiency of capital utilization. The Committee organized and completed the issuance of RMB30 billion of open-ended capital bonds and proposed the issuance of RMB100 billion of written-down Tier 2 capital bonds and submitted them to the Board of Directors for consideration and approval to continuously strengthen the capital base. It strengthened asset quality control, timely disposal and resolution of large risk items and implemented accountability for large doubt debt write-off items to further strengthen asset quality. The Committee further optimized the Group's consolidated management mechanism, strengthened the Group's strategic conduction and implementation, improved the differentiated management policies of Group members and enhanced the level of refined management. Meanwhile, it studied in depth the key issues of green financial development, clarified the development direction, consolidated the characteristic advantages, improved the institutional mechanism, and promoted the creation of a "green bank" business card. The Committee also studied and optimized institutional development strategies and network layout plans, strengthened the management of stock institutions, and effectively improved the operational efficiency of the outlets.

(II) The Risk Management and Consumer Protection Committee of the Board of Directors

During the reporting period, the Risk Management and Consumer Rights Protection Committee of the Board of Directors seized the changes in the external environment and development trends, evaluated all kinds of risks encountered in the Company's operation carefully, understood the Company's risk management and consumer rights protection comprehensively, summarized and evaluated the risk control measures in each stage periodically, guided the Company's risk management work, and promoted the Company's stable and compliant operation. The Committee implemented comprehensive risk management, stayed abreast of national policy planning, adjusted business layout reasonably and optimized asset and liability structure. The Committee emphasized effective control of liquidity risk, continued to expand long-term and stable sources of liabilities, strengthened the implementation of effective concentration control on local government financing platform business to promote the stable and healthy development of the business. It reasonably increased the disposal of risky assets, strengthened the unified control of the Group's asset quality and consolidated asset quality, strengthened information technology risk and business continuity management and promoted the construction and improvement of disaster recovery systems. Meanwhile, it promoted the integration of the promotion of consumer rights protection into the whole process of operation and management and enhanced the level of consumer rights protection.

(III) The Audit and Related Party Transaction Control Committee of the Board of Directors

During the reporting period, the Audit and Related Party Transactions Control Committee of the Board of Directors shall perform its duties seriously, assist the Board of Directors in continuous improvement of financial reporting, internal audit, internal control and related party transactions management, continue to maintain close communication with external auditors, supervise and guide the audit and review of financial reports, and engage external auditor to put forward advisory recommendation in respect of the strategic and operating decisions from a professional and independent third-party perspective. The Committee shall review the financial reports and annual budget and final accounts for all stages, conduct a comprehensive analysis of the Company's business performance, and highly appraise the steady business strategies of the management and the operating results achieved by the management. The Committee shall formulate and recommend the corresponding strategy for the Company by analyzing the impact brought by the COVID-19 pandemic on the economics and finance, especially the banking industry. The Committee shall strengthen internal audit and internal control assessments, follow up key audit projects and conduct on-site informal discussion, thoroughly understand the auditing process, auditing results and the personal experience of internal auditors, guide internal audit department to improve audit function positioning, adhere to "reasonable doubt" and "create value", and assist the audit objects to improve their level of operation and management. The Committee shall attach importance to making full use of the findings of external supervision and inspection, constantly improve the level of compliance and internal control, follow the principles of openness, fairness and transparency strictly, strengthen the management of related party transactions, and examine the matter of granting related party transaction quotas, so as to protect the interests of the Company and its shareholders, especially the interests of medium and small shareholders.

(IV)The Nomination Committee of the Board of Directors

During the reporting period, in accordance with the provisions of the Articles of Association, the Nomination Committee of the Board of Directors conscientiously performed its duties, promptly studied the latest regulatory policies of the regulatory authorities on the selection and qualification examination of directors and senior management candidates of banking and insurance institutions and made all preparatory work before the change of the Board of Directors after taking into consideration the actual situation of the Company.

(V)The Remuneration and Evaluation Committee

During the reporting period, the Remuneration Evaluation Committee of the Board of Directors shall, pursuant to the Company's development strategies and annual business goals, carry out appraisal of business performance of executives of 2019 in accordance with the performance evaluation standards and evaluation procedures, study and propose the remuneration plan for executives of 2019 and submit to the Board of Directors for deliberation, and propose recommendations for improvements to the remuneration system of the executives. In addition, the Committee made conclusion to the duty-fulfillment of each director for the previous year, and completed the duty-fulfillment evaluation report of the directors.

V. The description of risks discovered by the Board of Supervisors

During the reporting period, the Board of Supervisors made no objection to the issues under supervision during the reporting period.

VI. The description of independence of the Company from its largest shareholder

The Finance Bureau of Fujian Province, which held 18.78% of the shares of the Company as at the end of the reporting period, is the largest shareholder of the Company. The Company is fully independent from its largest shareholder in all aspects including assets, personnel, finance, institutions and businesses. The major decisions of the Company are made and executed by the Company at its absolute discretion. The Company's major shareholders have neither appropriated any capital of the Company nor requested that the Company act as a guarantor for a third party.

VII. The examination and evaluation mechanism, and the establishment and implementation of the incentive system for senior management members during the reporting period

During the reporting period, in accordance with the relevant policies of Fujian Province on the remuneration reform of the heads of the provincial financial enterprises, the Company's Board of Directors assessed and evaluated the senior management of the Company, and linked the remuneration of the senior management with responsibilities, risks and business performance. The Board of Directors of the Company provided incentives and constraints for senior management members, so as to ensure consistency between the direction of their efforts and the interests of the Company.

VIII. Assessment report on internal control

During the reporting period, the Company's Board of Directors has issued a self-assessment report on internal control. Please refer to the website of Shanghai Stock Exchange for details. During the reporting period, no material deficiencies were identified in the internal control mechanisms or systems of the Company in terms of completeness and reasonableness. The Board of the Company has issued 2020 assessment report on internal control. Please see the announcement published on the Shanghai Stock Exchange for details.

IX. Description of the internal control audit report

The Company has disclosed the 2020 internal control audit report. The Company engaged KPMG Huazhen in auditing the effectiveness of its internal control with regard to the Company's financial reporting, which considered that the Company had maintained effective internal control regarding financial reporting in all material aspects in accordance with the Basic Internal Control Norms for Enterprises as well as the relevant provisions as at December 31, 2020.

Financial Statements

The Company's financial statements for Year 2020 have been audited by KPMG Huazhen and signed by certified public accountants Shi Jian and Chen Sijie, who have issued a standard and unqualified auditors' report. For full text of the financial statements, please refer to the appendix.

Documents Available for Inspection

I. Financial statements bearing the signatures and seals of the Company's legal representative, president and person in charge of the accounting body.

II. Original auditors' report bearing the seal of the accounting firm and personally signed and sealed by certified public accountants.

III. All the original documents and announcements publicized by the Company during the reporting period.

Legal Representative: Tao Yiping
(Performing the Duties of the Legal Representative)

Board of Directors of Industrial Bank Co., Ltd.

March 30, 2021

兴业银行股份有限公司
董事会

Appendix: Auditors' Report and Financial Statements

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KPMG Huazhen Shen Zi No.2102269

TO THE SHAREHOLDERS OF INDUSTRIAL BANK CO., LTD.

I. OPINION

We have audited the accompanying financial statements of Industrial Bank Co., Ltd. (the "Bank"), which comprise the consolidated and bank balance sheets as at 31 December 2020, the consolidated and Bank's income statements, the consolidated and Bank's cash flow statements, the consolidated and Bank's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and Bank's financial position of bank as at 31 December 2020, and the consolidated and Bank's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. KEY AUDIT MATTERS

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

Allowance for impairment losses on loans and debt investments	
Refer to the accounting policies set out in the notes to the financial statements "IV. Significant accounting policies and accounting estimates" 7.5 and "VII. Notes to the consolidated financial statements" 6 and 7.2.	
The Key Audit Matter	**How the matter was addressed in our audit**
The determination of allowance for impairment losses using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. In particular, the determination of expected credit loss model is heavily dependent on the external macro environment and the Bank's internal credit risk management strategy. The expected credit losses for corporate loans and debt investments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors. Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of allowance for impairment losses as at the end of reporting period. We identified the impairment of loans and advances to customers and debt investments as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Bank.	Our audit procedures to assess allowance for impairment losses on loans and advances to customers and debt investments included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers or debt investments, the credit grading process and the measurement of allowances for impairment; • involving our IT specialists to assess the design and operating effectiveness of information system controls, including general information technology controls, completeness of automatically extracted key internal historical data, data transmission between systems, mapping of parameters of expected credit loss model, and logic settings for system calculation of allowance for impairment losses for expected credit loss; • with the assistance of our internal specialists in financial risk management, assessing the reliability of the expected credit loss model used by management in determining allowance for impairment losses, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments; • assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial assets list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and financial assets information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and financial assets list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;

III. KEY AUDIT MATTERS (continued)

Allowance for impairment losses on loans and debt investments (continued)	
Refer to the accounting policies set out in the notes to the financial statements “IV. Significant accounting policies and accounting estimates” 7.5 and “VII. Notes to the consolidated financial statements” 6 and 7.2.	
The Key Audit Matter	How the matter was addressed in our audit
	• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Banki's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and on transition to the new accounting standard and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development; • for key internal data generated by the system, we selected samples and checked the system input data against source documents to assess the accuracy of the system input data, and tested the logic for preparing information about overdue loans and advances based on the samples and with the help of our IT specialists; • evaluating the reasonableness of the management's judgment as to whether the credit risk of loans and advances to customers or debt investments has increased significantly since the initial recognition and whether the credit impairment has occurred by selecting a risk-based sample for credit review. We analysed the loan portfolio by industry sector to select samples for credit review in industries more vulnerable to the current economic situation. We also selected samples based on other risk criteria, including but not limited to borrowers with adverse press coverage and from the Bank's overdue report; Based on the selected samples, we checked information about overdue loans, learned about the borrowers’ credit risk profile, made enquiries to the credit managers about the borrowers’ business operations, checked the borrowers’ financial information, and researched market information related to the borrowers’ businesses.

III. KEY AUDIT MATTERS (continued)

Allowance for impairment losses on loans and debt investments (continued)	
Refer to the accounting policies set out in the notes to the financial statements “IV. Significant accounting policies and accounting estimates” 7.5 and “VII. Notes to the consolidated financial statements” 6 and 7.2.	
The Key Audit Matter	How the matter was addressed in our audit
	• performing credit review procedures on the samples of corporate loans and advances and debt investments selected in accordance with the aforesaid criteria, to assess the appropriateness of the loss given default (LGD) of the credit-impaired corporate loans and advances and debt investments; assessing the estimated recoverable cash flow through inquiries, professional judgements, independent queries, etc.; evaluating the management's assessment of the value of any collateral held, comparing the managemen's valuation of the collaterals to their market prices, evaluating the timing and means of realisation of the collaterals, and considering other sources of repayment asserted by the management; assessing the consistency in the application of key assumptions by the management and comparing them with our data sources. • selecting samples to check the expected credit loss calculation, so as to comment on the Bank's application of the expected credit loss model; and • evaluating whether the disclosure related to allowance for impairment losses on loans and advances to customers and debt investments meets the disclosure requirements of the revised *CAS 37 - Presentation of Financial Instruments.*

III. KEY AUDIT MATTERS (continued)

Consolidation of structured entities

Refer to the accounting policies set out in the notes to the financial statements “IV. Significant accounting policies and accounting estimates” 4, “VI. Consolidation scope” 2 and “VII. Notes to the consolidated financial statements” 43.

The Key Audit Matter	How the matter was addressed in our audit
Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Bank may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an investment fund, an asset management plan, a trust plan or an asset-backed security. In determining whether a structured entity is required to be consolidated by the Bank, the management is required to consider the power the Bank is able to exercise over the activities of the entity, the variable returns to which the Bank has rights from its involvement with the structured entity, and its ability to influence its own variable returns from the entity. These factors are not purely quantitative and the substance of the transaction needs to be considered collectively. We identified the consolidation of structured entities as a key audit matter because some of these structured entities were complex in nature and judgement was required when the Bank performed qualitative assessment of terms and transaction substance for each structured entity.	Our audit procedures to assess the consolidation of structured entities included the following: • making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Bank has a robust process in this regard; • performing the following procedures for structured entities on a sample basis: - inspecting selected contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entities and the involvement the Bank has with the structured entities and to assess management's judgement over whether the Bank has the ability to exercise power over the structured entities; - inspecting the risk and reward structure of the structured entities, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgement as to exposure, or rights, to variable returns from the Bank's involvement in such entities; - evaluating management's analyses of the structured entities including qualitative analyses and calculations of the magnitude and variability associated with the Bank's economic interests in the structured entities to assess management's judgement over the Bank's ability to influence its own returns from the structured entities; - assessing management's judgement over whether the structured entities should be consolidated or not; and • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards. accounting standards.

III. KEY AUDIT MATTERS (continued)

Fair value of financial instruments	
Refer to " XI. Financial risk management" 7 set out in the notes to the financial statements.	
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 Bank'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 Bank'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 such observable data is not readily available for valuation techniques, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. The Bank has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement. 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 the degree of judgement 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 Bank with publicly available market data; • engaging our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Bank's valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs; • assessing the appropriate application of fair value adjustments that form an integral part of fair values, inquiring of management about any changes in the fair value adjustments methodology and assessing the appropriateness of the inputs applied; and • assessing whether the financial statement disclosures appropriately reflected the Bank's exposure to financial instrument valuation risk with reference to the requirements of the related financial reporting standards.

IV. OTHER INFORMATION

The Bank's management is responsible for the other information. The other information comprises all the information included in 2020 annual report of the Bank, other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

VI. AUDITOR's RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Bank'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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

VI. AUDITOR's RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

KPMG Huazhen LLP
Beijing, China

Certified Public Accountants
Registered in the People's
Republic of China

Shi Jian (Engagement Partner)

Chen Sijie

30 March 2021

THE CONSOLIDATED AND BANK'S BALANCE SHEETS

AS AT 31 DECEMBER 2020 *(Expressed in millions of Renminbi, unless otherwise stated)*

		The Group		The Bank	
	Note VII	2020	2019	2020	2019
Assets					
Cash and balances with Central Bank	1	**411,147**	486,444	**411,138**	486,430
Deposits with banks and other financial institutions	2	**95,207**	87,260	**86,490**	81,829
Precious metals		**4,947**	401	**4,947**	401
Placements with banks and other financial institutions	3	**191,939**	231,475	**206,148**	243,929
Derivative financial assets	4	**59,396**	32,724	**59,387**	32,722
Financial assets purchased under resale agreements	5	**123,350**	41,861	**116,945**	37,988
Loans and advances to customers	6	**3,867,321**	3,345,180	**3,834,605**	3,316,610
Financial investments:	7				
Trading assets	7.1	**823,927**	652,034	**773,552**	628,253
Debt investments	7.2	**1,550,131**	1,444,176	**1,535,542**	1,431,325
Other debt investments	7.3	**516,368**	599,382	**514,919**	597,801
Other equity investments	7.4	**2,388**	1,929	**2,308**	1,929
Finance lease receivables	8	**100,616**	106,273	**-**	-
Long-term equity investments	9	**3,549**	3,413	**23,776**	23,601
Fixed assets	10	**26,414**	24,641	**20,471**	18,892
Construction in progress	11	**1,935**	3,463	**1,931**	3,441
Intangible assets		**712**	647	**652**	603
Goodwill	12	**532**	532	**-**	-
Deferred tax assets	13	**45,513**	40,799	**42,348**	37,984
Other assets	14	**68,608**	43,047	**56,101**	34,518
Total assets		**7,894,000**	7,145,681	**7,691,260**	6,978,256

(Continued)

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

	Note VII	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Liabilities					
Borrowing from Central Bank		**290,398**	168,259	**290,398**	168,259
Deposits from banks and other financial institutions	15	**1,487,079**	1,233,937	**1,495,587**	1,245,608
Placements from banks and other financial institutions	16	**180,171**	192,310	**71,448**	97,194
Trading liabilities	17	**16,062**	4,214	**14,721**	4,106
Derivative financial liabilities	4	**61,513**	31,444	**61,505**	31,442
Financial assets sold under repurchase agreements	18	**123,567**	193,412	**111,630**	184,072
Deposits from customers	19	**4,084,242**	3,794,832	**4,085,300**	3,797,501
Employee benefits payable	20	**20,204**	17,738	**17,790**	15,909
Tax payable	21	**12,304**	14,476	**11,018**	13,226
Provisions	22	**5,397**	6,253	**5,397**	6,253
Debt securities issued	23	**947,393**	899,116	**916,560**	871,106
Deferred tax liabilities	13	**74**	-	**-**	-
Other liabilities	24	**40,793**	40,038	**18,956**	21,124
Total liabilities		**7,269,197**	6,596,029	**7,100,310**	6,455,800
Shareholders' equity					
Share capital	25	**20,774**	20,774	**20,774**	20,774
Other equity instruments	26	**85,802**	55,842	**85,802**	55,842
Including: preference shares		**55,842**	55,842	**55,842**	55,842
perpetual bonds		**29,960**	**-**	**29,960**	-
Capital reserve	27	**74,914**	74,914	**75,260**	75,260
Other comprehensive income	39	**(749)**	3,232	**(751)**	3,192
Surplus reserve	28	**10,684**	10,684	**10,684**	10,684
General reserve	29	**87,535**	78,525	**83,382**	74,829
Retained earnings	30	**336,626**	297,389	**315,799**	281,875
Equity attributable to shareholders of the Bank		**615,586**	541,360	**590,950**	522,456
Non-controlling interests		**9,217**	8,292	**-**	-
Total shareholders' equity		**624,803**	549,652	**590,950**	522,456
Total liabilities and shareholders' equity		**7,894,000**	7,145,681	**7,691,260**	6,978,256

The financial statements were signed by the following persons in charge:

Tao Yiping	Lai Furong
(On Behalf of the Legal Representative)	Person in Charge of the Accounting Body
Director, President, Financial Director	

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

THE CONSOLIDATED AND BANK'S INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in millions of Renminbi, unless otherwise stated)

		The Group		The Bank	
	Note VII	2020	2019	2020	2019
I. Operating income		**203,137**	181,308	**186,224**	168,429
Net interest income	31	**143,515**	122,289	**133,057**	113,545
Interest income	31	**303,478**	288,978	**288,447**	275,252
Interest expense	31	**(159,963)**	(166,689)	**(155,390)**	(161,707)
Net fee and commission income	32	**37,710**	30,378	**32,315**	26,060
Fee and commission income	32	**42,477**	34,333	**37,957**	29,827
Fee and commission expense	32	**(4,767)**	(3,955)	**(5,642)**	(3,767)
Investment income	33	**26,154**	24,992	**26,080**	26,266
Including: income from joint ventures and associates		**154**	205	**210**	184
income from derecognition of financial assets at amortised cost		**716**	393	**688**	250
(Losses)gains from changes in fair values	34	**(6,267)**	1,622	**(6,413)**	1,434
Foreign exchange gains		**813**	851	**845**	840
Income from disposal of assets		**3**	38	**3**	38
Other income		**510**	363	**129**	71
Other operating income		**699**	775	**208**	175
II. Operating expenses		**(126,590)**	(107,042)	**(118,700)**	(100,000)
Taxes and surcharges	35	**(2,086)**	(1,756)	**(1,916)**	(1,635)
General and administrative expenses	36	**(48,262)**	(46,557)	**(44,356)**	(43,002)
Credit impairment losses	37	**(75,301)**	(58,088)	**(71,887)**	(54,992)
Impairment losses on other assets		**(126)**	(8)	**(93)**	(8)
Other operating expenses		**(815)**	(633)	**(448)**	(363)
III. Operating profit		**76,547**	74,266	**67,524**	68,429
Add: Non-operating income		**295**	368	**219**	258
Less: Non-operating expenses		**(205)**	(131)	**(192)**	(123)
IV. Total profit		**76,637**	74,503	**67,551**	68,564
Less: Income tax expenses	38	**(8,956)**	(7,801)	**(6,695)**	(6,265)
V. Net profit		**67,681**	66,702	**60,856**	62,299

(Continued)

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

		The Group		The Bank	
	Note VII	2020	2019	2020	2019
V. Net profit (continued)		**67,681**	66,702	**60,856**	62,299
1. Categorized by continuity of operation:					
(1) Net profit from continuing operations		**67,681**	66,702	**60,856**	62,299
(2) Net profit from discontinued operations		**-**	-	**-**	-
2. Categorized by ownership:					
(1) Attributable to shareholders of the Bank		**66,626**	65,868	**60,856**	62,299
(2) Non-controlling interests		**1,055**	834	**-**	-
VI. Other comprehensive income- net of tax	39	**(3,987)**	270	**(3,943)**	244
Other comprehensive income attributable to shareholders of the Bank		**(3,981)**	265	**(3,943)**	244
1. Items that may be reclassified subsequently to profit or loss					
(1) Changes in fair value of other debt investments		**(5,722)**	(776)	**(5,668)**	(772)
(2) Credit losses on other debt investments		**1,464**	666	**1,426**	648
(3) Translation differences of financial statements denominated in foreign currencies		**(22)**	7	**-**	-
(4) Other comprehensive income recognised under equity method		**-**	4	**-**	4
2. Items that will not be reclassified subsequently to profit or loss:					
(1) Actuarial profits on defined benefit plans		**391**	363	**391**	363
(2) Changes in fair value of other equity investments		**(92)**	1	**(92)**	1
Other comprehensive income attributable to non-controlling interests		**(6)**	5	**-**	-
VII. Total comprehensive income		**63,694**	66,972	**56,913**	62,543
Shareholders of the Bank		**62,645**	66,133	**56,913**	62,543
Non-controlling interests		**1,049**	839	**-**	-
VIII. Earnings per share (expressed in RMB)					
Basic earnings per share	40	**3.08**	3.10		
Diluted earnings per share	40	**3.08**	3.10		

The financial statements were signed by the following persons in charge:

Tao Yiping	Lai Furong
(On Behalf of the Legal Representative)	Person in Charge of the Accounting Body
Director, President, Financial Director	

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

THE CONSOLIDATED AND BANK'S CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020 (Expressed in millions of Renminbi, unless otherwise stated)

		The Group		The Bank	
	Note VII	2020	2019	2020	2019
I. Cash flows from operating activities:					
Net increase in deposits from customers and deposits from banks and other financial institutions		**519,169**	336,384	**514,352**	343,649
Net decrease in balances with Central Bank and deposits with banks and other financial institutions		**30,460**	13,192	**26,441**	12,225
Net decrease in placements with banks and other financial institutions and financial assets purchased under resale agreements		**11,981**	-	**9,732**	-
Net increase in borrowing from Central Bank		**122,100**	-	**122,100**	-
Net decrease in finance leases		**2,672**	-	**-**	-
Cash receipts from interest, fee and commission		**275,281**	224,627	**257,734**	211,773
Other cash receipts relating to operating activities		**14,753**	15,277	**8,393**	7,581
Subtotal of cash inflows from operating activities		**976,416**	589,480	**938,752**	575,228
Net increase in loans and advances to customers		**577,456**	544,910	**570,923**	531,869
Net increase in finance leases		**-**	5,241	**-**	-
Net decrease in placements from banks and other financial institutions and financial assets sold under repurchase agreements		**81,488**	67,358	**97,327**	66,208
Net increase in placements with banks and other financial institutions and financial assets purchased under resale agreements		**-**	100,499	**-**	100,870
Net decrease in borrowing from Central Bank		**-**	102,800	**-**	102,800
Net increase in financial assets held for trading		**139,003**	134,656	**133,026**	127,722
Cash payments to interest, fee and commission		**131,079**	143,797	**128,818**	137,378
Cash payments to and on behalf of employees		**26,605**	25,691	**24,213**	23,503
Cash payments of various types of taxes		**33,310**	23,143	**30,640**	21,131
Other cash payments relating to operating activities		**21,703**	29,394	**19,596**	26,744
Subtotal of cash outflows from operating activities		**1,010,644**	1,177,489	**1,004,543**	1,138,225
Net cash flow from operating activities	41	**(34,228)**	(588,009)	**(65,791)**	(562,997)
II. Cash flows from investing activities					
Cash receipts from recovery of investments		**2,660,826**	2,124,476	**2,604,803**	2,094,674
Cash receipts from investment income		**113,560**	128,078	**110,813**	122,447

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

(Continued)

		The Group		The Bank	
	Note VII	2020	2019	2020	2019
Cash receipts from disposals of fixed assets, intangible assets and other long-term assets		**363**	161	**248**	161
Other cash receipts relating to investing activities		**25,249**	14,342	**24,010**	11,302
Subtotal of cash inflows from investing activities		**2,799,998**	2,267,057	**2,739,874**	2,228,584
Cash payments to acquire investments		**2,546,058**	1,648,591	**2,524,275**	1,581,887
Cash payments to acquire fixed assets, intangible assets and other long-term assets		**6,585**	5,517	**2,795**	4,255
Other cash payments relating to investing activities		**13,353**	10,612	**13,353**	7,477
Subtotal of cash outflows from investing activities		**2,565,996**	1,664,720	**2,540,423**	1,593,619
Net cash flow from investing activities		**234,002**	602,337	**199,451**	634,965
III. Cash flows from financing activities:					
Cash receipts from capital contributions		**30,000**	32,145	**30,000**	30,000
Including: Cash receipts from capital contributions from non-controlling shareholders of subsidiaries		**-**	238	**-**	-
Proceeds from issuance of bonds		**1,069,109**	990,074	**1,059,509**	981,174
Subtotal of cash inflows from financing activities		**1,099,109**	1,022,219	**1,089,509**	1,011,174
Cash repayments of borrowings		**1,024,429**	810,130	**1,017,619**	809,507
Cash payments for distribution of dividends or profits or settlement of interest expenses		**45,004**	44,076	**43,781**	43,060
Including: Dividends paid to non-controlling shareholders of subsidiaries		**10**	106	**-**	-
Other cash payments relating to financing activities		**40**	1,346	**40**	63
Subtotal of cash outflows from financing activities		**1,069,473**	855,552	**1,061,440**	852,630
Net cash flow from financing activities		**29,636**	166,667	**28,069**	158,544
IV. Effect of foreign exchange rate changes on cash and cash equivalents		**(4,345)**	1,558	**(4,303)**	1,545
V. Net increase in cash and cash equivalents	41	**225,065**	182,553	**157,426**	232,057
Add: Opening balance of cash and cash equivalents		**731,730**	549,177	**775,679**	543,622
VI. Closing balance of cash and cash equivalents	41	**956,795**	731,730	**933,105**	775,679

The financial statements were signed by the following persons in charge:

Tao Yiping
(On Behalf of the Legal Representative)
Director, President, Financial Director

Lai Furong
Person in Charge of the Accounting Body

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

THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in millions of Renminbi, unless otherwise stated)

		2020								
		Attributable to shareholders of the Bank								
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total
I. At 1 January 2020		**20,774**	**55,842**	**74,914**	**3,232**	**10,684**	**78,525**	**297,389**	**8,292**	**549,652**
II. Changes for the year										
(I) Net profit		-	-	-	-	-	-	**66,626**	**1,055**	**67,681**
(II) Other comprehensive income	**39**	-	-	-	**(3,981)**	-	-	-	**(6)**	**(3,987)**
Subtotal of (I) and (II)		-	-	-	**(3,981)**	-	-	**66,626**	**1,049**	**63,694**
(III) Capital contribution from shareholders		-	**29,960**	-	-	-	-	-	**(10)**	**29,950**
1. Changes in shareholdings in subsidiaries		-	-	-	-	-	-	-	**(10)**	**(10)**
2. Capital injection by other equity instruments shareholders	**26**	-	**29,960**	-	-	-	-	-	-	**29,960**
(IV) Profit distribution		-	-	-	-	-	**9,010**	**(27,389)**	**(114)**	**(18,493)**
1. Appropriation to general reserve	**29**	-	-	-	-	-	**9,010**	**(9,010)**	-	-
2. Dividends paid to ordinary shareholders	**30**	-	-	-	-	-	-	**(15,830)**	**(10)**	**(15,840)**
3. Dividends paid to preference shareholders	**30**	-	-	-	-	-	-	**(2,549)**	-	**(2,549)**
4. Distribution to perpetual debt holders		-	-	-	-	-	-	-	**(104)**	**(104)**
III. At 31 December 2020		**20,774**	**85,802**	**74,914**	**(749)**	**10,684**	**87,535**	**336,626**	**9,217**	**624,803**

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

(Expressed in millions of Renminbi, unless otherwise stated)

		2019								
		Attributable to shareholders of the Bank								
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total
I. At 31 December 2018		**20,774**	**25,905**	**75,011**	**2,356**	**10,684**	**73,422**	**257,801**	**6,631**	**472,584**
Changes in accounting policies		-	-	-	**611**	-	-	**(5,361)**	**(22)**	**(4,772)**
II. At 1 January 2019		**20,774**	**25,905**	**75,011**	**2,967**	**10,684**	**73,422**	**252,440**	**6,609**	**467,812**
III. Changes for the year										
(I) Net profit		-	-	-	-	-	-	**65,868**	**834**	**66,702**
(II) Other comprehensive income	**39**	-	-	-	**265**	-	-	-	**5**	**270**
Subtotal of (I) and (II)		-	-	-	**265**	-	-	**65,868**	**839**	**66,972**
(III) Capital contribution from shareholders		-	**29,937**	**(97)**	-	-	-	-	**950**	**30,790**
1. Contribution from shareholders		-	-	-	-	-	-	-	**238**	**238**
2. Changes in shareholdings in subsidiaries		-	-	**(97)**	-	-	-	-	**(1,282)**	**(1,379)**
3. Capital injection by other equity instruments shareholders		-	**29,937**	-	-	-	-	-	**1,994**	**31,931**
(IV) Profit distribution		-	-	-	-	-	**5,103**	**(20,919)**	**(106)**	**(15,922)**
1. Appropriation to general reserve	**29**	-	-	-	-	-	**5,103**	**(5,103)**	-	-
2. Dividends paid to ordinary shareholders	**30**	-	-	-	-	-	-	**(14,334)**	**(106)**	**(14,440)**
3. Dividends paid to preference shareholders	**30**	-	-	-	-	-	-	**(1,482)**	-	**(1,482)**
IV. At 31 December 2019		**20,774**	**55,842**	**74,914**	**3,232**	**10,684**	**78,525**	**297,389**	**8,292**	**549,652**

The financial statements were signed by the following persons in charge:

Tao Yiping	Lai Furong
(On Behalf of the Legal Representative)	Person in Charge of the Accounting Body
Director, President, Financial Director	

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

THE BANK'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in millions of Renminbi, unless otherwise stated)

		2020							
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I. At 1 January 2020		**20,774**	**55,842**	**75,260**	**3,192**	**10,684**	**74,829**	**281,875**	**522,456**
II.Changes for the year									
(I) Net profit		-	-	-	-	-	-	**60,856**	**60,856**
(II)Other comprehensive income	**39**	-	-	-	**(3,943)**	-	-	-	**(3,943)**
Subtotal of (I) and (II)		-	-	-	**(3,943)**	-	-	**60,856**	**56,913**
(III) Capital contribution from shareholders		-	**29,960**	-	-	-	-	-	**29,960**
Capital injection by other equity instruments shareholders	**26**	-	**29,960**	-	-	-	-	-	**29,960**
(IV) Profit distribution		-	-	-	-	-	**8,553**	**(26,932)**	**(18,379)**
1. Appropriation to general reserve	**29**	-	-	-	-	-	**8,553**	**(8,553)**	-
2. Dividends paid to ordinary shareholders	**30**	-	-	-	-	-	-	**(15,830)**	**(15,830)**
3. Dividends paid to preference shareholders	**30**	-	-	-	-	-	-	**(2,549)**	**(2,549)**
III. At 31 December 2020		**20,774**	**85,802**	**75,260**	**(751)**	**10,684**	**83,382**	**315,799**	**590,950**

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

(Expressed in millions of Renminbi, unless otherwise stated)

		2019							
	Note VII	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total
I. At 31 December 2018		**20,774**	**25,905**	**75,260**	**2,802**	**10,684**	**69,996**	**244,143**	**449,564**
Changes in accounting policies		-	-	-	**146**	-	-	**(3,918)**	**(3,772)**
II. At 1 January 2019		**20,774**	**25,905**	**75,260**	**2,948**	**10,684**	**69,996**	**240,225**	**445,792**
III. Changes for the year									
(I) Net profit		-	-	-	-	-	-	**62,299**	**62,299**
(II) Other comprehensive income	**39**	-	-	-	**244**	-	-	-	**244**
Subtotal of (I) and (II)		-	-	-	**244**	-	-	**62,299**	**62,543**
(III) Capital contribution from shareholders		-	**29,937**	-	-	-	-	-	**29,937**
Capital injection by other equity instruments shareholders		-	**29,937**	-	-	-	-	-	**29,937**
(IV) Profit distribution		-	-	-	-	-	**4,833**	**(20,649)**	**(15,816)**
1. Appropriation to general reserve	**29**	-	-	-	-	-	**4,833**	**(4,833)**	-
2. Dividends paid to ordinary shareholders	**30**	-	-	-	-	-	-	**(14,334)**	**(14,334)**
3. Dividends paid to preference shareholders	**30**	-	-	-	-	-	-	**(1,482)**	**(1,482)**
IV. At 31 December 2019		**20,774**	**55,842**	**75,260**	**3,192**	**10,684**	**74,829**	**281,875**	**522,456**

The financial statements were signed by the following persons in charge:

Tao Yiping	Lai Furong
(On Behalf of the Legal Representative)	Person in Charge of the Accounting Body
Director, President, Financial Director	

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

(Expressed in millions of Renminbi, unless otherwise stated)

I. GENERAL INFORMATION

Industrial Bank Co., Ltd. (hereinafter referred to as “the Bank”) which was referred to as Fujian Industrial Bank Co., Ltd. previously, is a stock commercial bank approved by the People's Bank of China (the "PBOC"), with the document YF [1988] No. 347 issued on 20 July 1988, in accordance with the Application by Fujian Province for Deepening Reform and Opening and Accelerating the Development of Export-oriented Economy (GH [1988] No.58) approved by the State Council. The Bank started trading on Shanghai Stock Exchange on 5 February 2007 with the stock code 601166.

The Bank holds the license for carrying out financial activities issued by China Banking Regulatory Commission (the "CBRC") with the license number of No. B0013H135010001; and the Business License of Enterprise Legal Person issued by Fujian Provincial Administration for Industry and Commerce with uniform social credit code of 91350000158142711F. The Bank's the registered address is No.154 Hudong Road, Fuzhou, Fujian Province, the PRC. Tao Yiping was delegated with the duties of legal representative.

The principal activities of the Bank comprise the provision of banking service, which includes accepting deposits from the public; granting short-term, medium-term and long-term loans; domestic and overseas settlement services; issuance of discount and acceptance bills and notes; issuing financial bonds; agency issuance and encashment, underwriting of government bonds and debentures; trading of government and financial bonds and debentures; agency trading and trading of marketable securities except stock; asset custody business; inter-bank lending and borrowings; agency trading, trading, settlement and sale of foreign exchanges; bank card business; letters of credit and letters of guarantee; remittance and insurance agent services; safety deposit box services; financial advisory services; credit investigation, advisory and attestation services and other banking activities approved by the CBRC.

The principal activities of the Bank's subsidiaries comprise finance leasing; trust services; fund raising and marketing; asset management for specific clients; asset management; consumer finance; equity investment; industrial investment; investment management and advisory; investment consulting (excluding brokerage); financial consulting; business consulting; enterprise management consulting; financial data processing; commodity futures brokerage; financial futures brokerage; futures investment consulting; economic information consulting service; application software development and operational services; system integration services; investment and asset management; acquisition, transfer and disposal of bad debts in batches of financial institutions in the province; acquisition, transfer and disposal of bad debts of non-financial institutions; issuance of wealth management products to non-specific public customers and investment and management of the investors’ assets as entrusted; issuance of wealth management products to qualified investors and investment and management of the investors’ assets as entrusted; wealth management consulting and advisory services; and other banking activities approved by the CBRC as well as other businesses permitted by China Securities Regulatory Commission (the “CSRC”).

II. Basis of preparation of financial statements

The report is prepared on a going concern basis.

The Bank and its subsidiaries (hereinafter referred to as "the Group") has adopted the revised *CAS 22 - Recognition and Measurement of Financial Instruments* and other new financial instrument standards issued by the Ministry of Finance (the "MOF") in 2017, since 1 January 2019, also the Group has adopted the *CAS No.14 - Income* issued by the MOF in 2017, since 1 January 2020.(see Note IV. 30), the Group has not implemented the *CAS 21 – Leases* issued by the MOF in 2018.

III. Statement of compliance with the ASBE

The financial statements of the Bank have been prepared in accordance with ASBE, and present truly and completely, the consolidated and Bank's financial position as of 31 December 2020, and the consolidated and Bank's results of operations and cash flows for the year then ended.

In addition, the Bank's financial statements also comply with relevant disclosure requirements on financial statements and notes of the revised Rules on the Preparation and Submission of Information Disclosed by Companies Offering Securities to the *Public (No.15) – General Rules on Financial Reports* issed by China Securities Regulatory Commission (CSRC) in 2014.

IV. Significant accounting policies and accounting estimates

1. Accounting period

The Bank's accounting year starts on 1 January and ends on 31 December.

2. Functional currency

The Group and its domestic subsidiaries choose Renminbi ("RMB") as their functional currency, while its subsidiaries overseas choose their functional currency depends on the primary economic environment in which the subsidiaries operate and was translated into RMB according to the principles stated in Note IV. 6.

3. Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.

3.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The assets acquired and liabilities assumed are measured based on their carrying amounts (or the total par value of the issued shares) in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred. Combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

3.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregation of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and the equity securities issued by the acquirer in exchange for control of the acquire. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

For a business combination involving entities not under common control and achieved in stages, the Group remeasured its previously-held equity interest in the acquiree to its acquisition-date fair value and recognised any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss were transferred to investment income at the date of acquisition (see Note IV.9.3.(2)); Any previously-held equity interest that was designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods was transferred to retained earnings and surplus reserve at the date of acquisition.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination that meet the recognition criteria shall be measured at fair value at the acquisition date. Acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements. It is tested for impairment at least at the end of each year. On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

4. Preparation of consolidated financial statements

The scope of consolidated financial statements is determined on the basis of control. Control refers to the power an investor has over an investee, by virtue of which the investor enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of its returns. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. Once the change in relevant facts and circumstances leads to a change in relevant elements involved in the definition of control, the Group will conduct reassessment.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of subsidiary.

For subsidiaries disposed by the Group, their results of operation and cash flows prior to the disposal date (the date when control is lost) are included in the consolidated statements of comprehensive income and consolidated statement of cash flows, as appropriate.

For subsidiaries acquired through a business combination not involving enterprises under common control, their results of operation and cash flows from the acquisition date(the date when control is obtained) are included in the consolidated statements of comprehensive income and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Bank.

All significant intergroup accounts and transactions between the Bank and its subsidiaries or between subsidiaries are eliminated in full amount on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against non-controlling interests.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the equity attributable to equity holders of the bank and non-controlling interests in equity are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests in equity are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving enterprises under common control, this should be dealt with based on whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal', transactions will be dealt as transactions of a business combination involving entities not under common control and achieved in stages (see Note IV. 3.2).

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

Structured entities refers to the entities that voting rights or similar rights do not constitute decisive factors when recognise the controlling party, such as when voting rights are associated with the administration, or related activities are led by the contractual arrangements. Wealth management products, fund, trust fund plans and fund management plans could be used as examples of the structured entities.

5. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Transactions denominated in foreign currencies and translation of foreign currency financial statement

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the dates of the transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; Translation differences on equity investments at fair value through other comprehensive income are recognised in other comprehensive income. Other Translation differences recognised in the profit or loss.

When preparing consolidated financial statements, financial statements of overseas operations in foreign currency are translated into financial statements in RMB in the following methods: All assets and liabilities in the statements of financial position are translated by applying the spot exchange rates at the balance sheet date; shareholders' equities except retained earnings and other comprehensive income are translated by applying the spot exchange rate on the date of the transaction; statements of comprehensive income and items reflecting profit distribution occurred are translated by exchange rates similar with the spot exchange rate on the date of the transaction; retained earnings at the beginning of this year equal to the retained earnings after translation at the end of previous year; retained earnings at the end of period are presented as profit distributions after translation; differences between assets after translation and liabilities & shareholders' equity after translation are presented as "other comprehensive income" in shareholders' equity.

7. Financial instruments

The Group's financial instruments mainly include Cash and balances with Central Bank, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Derivative financial assets, Financial assets purchased under resale agreements, Loans and advances to customers, Trading assets, Debt investments, Other debt investments, Other equity investments, Other receivables, Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers, Debt securities issued, Other payables and Share capital, etc.

7.1 Recognition and initial measurement of financial instrument

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial assets and financial liabilities is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, 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.

7.2 Classification and subsequent measurement of financial assets

(1) 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 fair value through other comprehensive income (“FVOCI”), or at fair value through profit or loss (“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;

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

The financial assets measured at amortised cost held by the Group mainly include Cash and balances with Central Bank, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Financial assets purchased under resale agreements, Loans and advances to customers measured at amortised cost, Debt investments, Other receivables, etc.

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;

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

The financial assets measured at FVOCI held by the Group mainly include Loans and advances to customers measured at FVOCI and Other debt investments.

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. The equity investments elected to fair value in other comprehensive income held by the Group mainly include Other equity investments.

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 financial assets measured at FVTPL held by the Group mainly include Loans and advances to customers measured at FVTPL and Trading assets.

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.

(2) Subsequent measurement of financial assets

(i) Financial assets 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.

(ii) Financial assets 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.

(iii) Debt investments 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.

(iv) Equity investments 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.

7.3 Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, financial guarantee liabilities or financial liabilities measured at amortised cost.

(1) Financial liabilities at FVTPL

A financial liability is classified as 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 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.

(2) Financial guarantee liabilities

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

After initial recognition, a financial guarantee liability is measured at the higher of:

• the amount of the allowance for impairment losses determined in accordance with impairment policies of financial instruments (see Note IV. 7.5); and

• the amount initially recognised less the cumulative amount of income.

(3) Financial liabilities measured at amortised cost

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

7.4 Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions:

- the contractual rights to receive the cash flows from the financial asset expire; or

- 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 a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- The carrying amount of the financial asset transferred measured at the date of derecognition;

- The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. If the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

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

7.5 Impairment of financial assets

The Group recognises allowance for impairment losses for expected credit loss (ECL) on:

- Financial assets measured at amortised cost;
- Debt investments measured at FVOCI;
- Lease receivables
- Loan commitments and financial guarantee contracts issued, which are not measured at FVTPL.

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

(1) 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 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 balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

The Group applies a “three-stage model“ for measuring ECL. For the measurement and segmentation of ECL of financial instruments of the Group, see Note XI.3 Credit risk.

(2) Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date 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 all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the allowance for impairment loss is recognised in other comprehensive income. For the loan commitments and financial guarantee contracts issued, which are not measured at FVTPL, the Group recognises the allowance for impairment losses in provisions (credit loss of off-balance sheet assets).

(3) 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.

7.6 Offsetting

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

- The Group currently has a legally enforceable right to set off the recognised amounts;

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

7.7 Derivative financial instruments and embedded derivative financial instruments

The Group uses derivative financial instruments such as interest rate swap, foreign exchange far swap, foreign exchange option, credit swap, total income swap, precious metal far swap and precious metal option, etc. A derivative financial instrument has all three of the following characteristics:

- Its value 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 variable;

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;

- It is settled at a future date.

Derivatives are recognised at fair value upon initial recognition. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability. The gain or loss on re-measurement to fair value is recognised in profit or loss.

An embedded derivative financial instrument is a component of a hybrid contract that includes a non-derivative principal contract (the “host contract”), and embedded derivative financial instruments and the principal contract comprise a hybrid contract. The derivative financial instrument causes adjustment to some or all of the cash flows of the principal contract according to changes in specified interest rate, financial instrument price, foreign exchange rate, price or interest rate index, credit rating, credit index, or other similar variables.

If the host contract in a hybrid contract is classified as an asset according to the financial instruments standard, the Group will apply relevant financial asset classification provisions to the hybrid contract as a whole;

The hybrid contract will be separated from the host contract and treated as a separate derivative financial instrument if the host contract in a hybrid contract is not classified as an asset according to the financial instruments standard, and meets the following conditions: (i) the economic characteristics and risks of the embedded derivative financial instrument are not closely related to the principal contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid instruments are not measured at fair value through profit or loss;

Where a hybrid contract includes one or more embedded derivative financial instruments and the host contract in the hybrid contract is not classified as an asset according to the financial instruments standard, the Group classifies the hybrid contract as a financial instrument measured at FVTPL except for the following cases: (i) the embedded derivative financial instruments do not significantly modify the cash flow of the hybrid contract; (ii) when determining for the first time whether such hybrid contracts require separation, it is clear without analysis that the embedded derivative financial instruments should not be separated from the contracts.

7.8 Hedge accounting

Hedge accounting is a method which recognises in profit or loss (or other comprehensive income) the gain or loss on the hedging instrument and the hedged item in the same accounting period(s) to represent the effect of risk management.

Hedged items are items that expose the Group to risks of changes in fair value or cash flows and that are designated as being hedged and can be reliably measured. A hedging instrument is a designated financial instrument whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item.

At the inception of a hedge relationship, the Group formally designates the hedge instruments and the hedged items, and documents the hedge 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 hedge 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.

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.

7.9 Asset-backed securities

As part of its business activities, the Bank securitised some of its assets, generally by selling the assets to structured entities, which then issue securities to investors. For the conditions for financial assets derecognition, see Note IV. 7.4. When applying the financial assets derecognition conditions, the Group considers the risk and reward transfer degree of the assets transferred to structured entities, as well as the extent to which the Group exercises control over the entities. The financial assets related to the asset-backed securities failing to meet the derecognition conditions are not derecognised, and funds from third-party investors are treated as financial liabilities. Where the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial assets, the Group will consider whether it retains control over the transferred assets. If the Group does not retain control, it shall derecognise the financial assets and recognise the rights and obligations arising from or reserved during the transfer as assets or liabilities. If the Group retains control, the financial assets are recognised based on the extent of the its involvement in the financial assets.

7.10 Equity instrument

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued by the Group shall be classified as an equity instrument when both of the following conditions are satisfied: (1) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer; (2) if the instrument will or may be settled in the Group's own equity instrument, it is: a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. The Group's issuance (including refinancing), repurchase, sales or cancellation of an equity instrument shall be accounted for as a change to equity. The Group does not recognise changes in the fair value of an equity instrument. Transaction costs of an equity transaction are accounted for as a deduction from equity.

The Group's distribution to the holders of equity instruments is treated as profit distribution, and the issued stock dividends do not affect the total amount of shareholders' equity.

7.11 Preference share and perpetual bond

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

For the issued preference shares that should be classified as equity instruments, will be recognised as equity in actual amount received. Dividends payables are recognised as distribution of profits. Redemption before maturity will write down equity as redemption price.

8. Precious metal

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.

9. Long-term equity investments

9.1 Determination of joint control or significant influence over investee

Control refers to the power an investor has over an investee, by virtue of which the investor enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of its returns. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

9.2 Determination of initial investment cost

For the acquisition of long-term equity investments involving enterprises under the common control, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner's equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and cash paid or non-cash assets transferred as well as the carrying amount of the debts borne by the Group shall offset against the capital reserve. If the capital reserve is insufficient to observe the difference, the retained earnings shall be adjusted. The investment cost which adopts the equity securities issued as the consideration should be adopted as the initial investment cost of the long-term equity investment according to the proportion carrying amount of combined party's shareholder equity in the consolidated financial statement of the final controlling part, and adjust the capital reserves by the difference between the initial investment cost of long-term equity investment and the amount of issued stock's face value, which is regarded as capital stock. If the capital reserves are insufficient to absorb the difference, retained income should be adjusted. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it's a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the Group measures the initial cost of the long-term equity investment as the share of the carrying amount of the owner's equity of the acquired enterprise at that date. The difference between the initial costs of the long-term equity investment and the carrying amount of long-term equity investment before acquiring control as well as the carrying amount of the debts for more shares on the acquisition date shall offset against the capital reserve. If the capital reserve is insufficient to absorb the difference, the retained earnings shall be adjusted.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition on the acquisition date. For the acquisition of enterprises under the common control through several steps of trading, it should be confirmed whether it's a package deal. If it is, these deals should be measured as one acquiring-control deal. If not, the carrying amount of long-term equity investment before acquiring control and the cost of new investment is the cost of acquisition measured under cost method.

Acquisition-related costs including auditing fees, legal services fees, valuation advice fees and other relevant management fees are generally recognised in profit or loss as incurred.

A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

9.3 Subsequent measurement and recognition of profit or loss

(1) Long-term equity investment accounted for using the cost method

The Bank uses the cost method for the long-term equity investment in subsidiaries in the financial statements. The subsidiary refers to the investee that controlled by the group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Increasing or reducing investment will adjust the cost of long term equity investment accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

(2) Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates using the equity method. Associates are those that the group is able to exercise significant influence over the investee.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the initial cost of the investment, after reassessment of the long-term equity investment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Under the equity method, the Group recognizes investment income and other comprehensive income based on the Group's share of net profit or loss and other comprehensive income of the investee and adjust the carrying amount of long-term equity investment accordingly. The carrying amount of the investment decreases regarding the attributable share of cash dividends or profit distributions declared by the investee. Changes in shareholders' equity of the investee other than net profits or losses, other comprehensive income or profit distribution are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized as capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's identifiable assets after the adjustment of investee's net profit. When the accounting policy and accounting period adopted by the investee are inconsistent with the Group's, the investment income and other comprehensive income are recognized based on the adjusted financial statements of the investee in accordance with the Group's accounting policies and accounting period. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its investees in respect of impairment losses on the transferred assets shouldn't be eliminated.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

9.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss for the period. When the Group reduces its ownership interest in investee but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee's disposal of the related assets or liabilities. Then the equity recognized by the Group other than the change of the net profits and loss, other comprehensive income and profit distribution of the invested entity is reclassified to profit and losses on proportion. When the Group reduces its ownership interest but the Group continues to use the cost method, for the other comprehensive income recognized by the Group using equity method prior to the control over the investee or under financial instrument recognition and measurement standard, the Group reclassifies to profit or loss the proportion of the gain or loss relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the investee's disposal of the related assets or liabilities. Then the other changes in owners' equity recognized by the Group using equity method, not arising from the change of the net profits and loss, other comprehensive income or profit distribution of the invested entity is reclassified to profit and loss on proportion.

10. Fixed assets

10.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset if it is probable that economic benefits associated with the asset will flow to the Group and the cost can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

10.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The depreciation period, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period	Estimated Residual value rate	Annual depreciation rate
Buildings	20 – 30 years	0% - 3%	3.23% - 5.00%
Fixed assets improvement	The lower of improvement period and remaining useful life	0%	Linear depreciation according to depreciation life
Office and machinery equipment	3 – 20 years	0% - 5%	4.75% - 33.33%
Transportation vehicles	5 – 8 years	0% - 3%	12.50% - 20.00%
Flight equipment	25 years or 20 years	5% or 15%	3.80% or 4.25%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

10.3 Identification basis, valuation methods and depreciation methods for fixed assets acquired under finance leases

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognises a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognised finance charge. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognised for the leased asset.

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

10.4 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value rate of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in an accounting estimate.

11. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset or other asset when it is ready for intended use.

12. Intangible assets

Intangible assets include land use rights, franchising, etc.

An intangible asset is measured initially at cost. Expenses related to the intangible assets are recognised in the cost of intangible assets when (i) it is probable that the associated economic benefits will flow to the Group; and (ii) the associated costs can be measured reliably. Other expenses related to the intangible assets are recognized in profit or loss for the period in which it is incurred.

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

The acquired land use right is recognized as intangible assets. Expenses related to land use right and construction cost from buildings such as self-built factory, etc. are recognized as intangible assets and fixed assets, respectively. In the case of purchased buildings, it allocates related cost between land use right and buildings. If related cost cannot be allocated reasonably, it is recognized as fixed assets.

When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortised.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and accounts for any change as a change in an accounting estimate. For an intangible asset with an infinite useful life, the Group reviews the useful life. If it is evident that the duration of associated economic benefits is predictable, then estimate the useful life pursuant to amortization policies for intangible assets with finite useful life.

13. Impairment of non-financial assets

The Group checks whether long-term equity investment, fixed assets, construction in progress, and intangible assets with a finite useful life will impair in every balance sheet date. If the indication of impairment of these assets exists, the Group estimates their recoverable amount. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Estimation of recoverable amount of the assets is based on individual asset. If the recoverable amount is difficult to estimate, the amount should be estimated by the assets group which the asset belongs to. Recoverable amount is the higher of the two: net fair value of the assets or assets group after disposal expenses, or present value of the expected cash flow from the assets.

If asset's recoverable amount is lower than its carrying amount, the allowance for impairment losses should be recognized by their balances in profit or loss for the period.

The goodwill should be tested of impairment at least in the end of the each year with related assets group or combination of assets group. In purchase date, the carrying amount of goodwill should be allocated reasonably to assets group or combinations which can benefit from the synergy of enterprise merger. If the recoverable amount of assets group or combinations of allocated goodwill is lower than its carrying amount, impairment loss should be recognized. The amount of impairment loss should offset the carrying value which is allocated to the goodwill of certain assets group or combinations at first, then it should offset the carrying amount of other assets proportionally according to the proportion of other assets' carrying amount of assets group or combination after goodwill. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

The impairment losses cannot be reversed once they are recognized.

14. Long-term deferred expenses

Long-term deferred expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term deferred expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

15. Employee benefits

15.1 Accounting method of short-term employee benefits

In an accounting period in which an employee has rendered service to the Group, the Group recognizes the short-term employee benefits for that service as a liability, and the expenditure incurred for the period is recorded in profit or loss. The employee's welfare incurred is recognized in the profit or loss for the period as well. Non-monetary benefit included in employee's welfare expenses are recorded at fair value.

Payment made by the Group regarding social security contributions for employees such as contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period in the accounting period in which employees provide services.

15.2 Accounting method of post-employment benefits

Termination benefits are classified as defined contribution pension plans and defined benefit plans.

In an accounting period in which an employee has rendered service to the Group, the Group recognises the employee benefits for that service as a liability and included in profit or loss for the period.

For the defined benefit plan, the Group recognizes the obligations arising from such plan based on formula under estimated cumulated welfare method in the period in which employees render service and included in profit or loss for the period. The classifications of the costs are as follows:

- Service costs (including service costs of the period, service costs in the past, and profit and loss).

- Net value of interests from net liabilities or net assets of defined benefit plans (including interest income of planned assets, obligated interest cost of defined benefit plans and interest of influence of assets upper limit).

- The changes of recalculating the net liabilities and net assets of defined benefit plans.

Net interests of service costs and net liabilities and net assets of defined benefit plans are recorded in the profit and loss. The changes of recalculating the net liabilities and net assets of defined benefit plans, including actuarial gains or loss, planned assets yield deducting net value of interests from net liabilities or net assets of defined benefit plans, change rising from upper limit of assets deducting net value of interests from net liabilities or net assets of defined, are recorded in other comprehensive income.

The difference between the present value of defined benefit obligation and the fair value of defined benefit asset is recognized as a net asset or liability of defined benefit plans. If there is surplus, the net assets of defined benefit plans should be measured by the lower of the two: 1. the surplus of defined benefit plans; 2. upper limit of assets.

15.3 Accounting method of termination benefits

In an accounting period in which an employee has rendered service to the Group, a liability for a termination benefit and an expense accordingly are recognized at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

16. Assets transferred under repurchase agreements

16.1 Financial assets purchased under resale agreements

The financial assets are not recognized in the statements of financial position if they are committed to be resold at a specific price at a specific date in the future. The cost of purchasing such assets is presented under “financial assets purchased under resale agreements“ in the statements of financial position. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

16.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date and price are not derecognised in the statements of financial position. The proceeds from selling such assets are presented under “financial assets sold under repurchase agreements“ in the statements of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

17. Provisions

Provisions are recognised when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognised does not exceed the carrying amount of the provision.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

18. Interest income and expense

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 book value 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 book value of financial assets and is included in interest income, except for:

- 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;

- 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 book value.

19. Fee and commission income

Fees and commissions is recognized by providing various services to customers, which reflects the consideration amount expected to be entitled to receive for the service provided to customers, and the income is recognized when the performance obligations in the contract are fulfilled.

The group will confirm the income according to the performance schedule within the time period when one of the following conditions is met:

- The customer obtains and consumes the economic benefits brought by the group's performance while performing the contract;

- The customer can control the services performed during the performance of the group;

- The services performed by the group in the performance process are irreplaceable and the group has the right to collect money for the cumulative performance part which has been completed so far throughout the contract period;

In other cases, the Group recognizes revenue when customers obtains the relevant service control right.

20. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period. Government grants are classified into government grants related to assets and government grants related to income according the subjects required by the Government documents.

A government grant related to an asset is offset against the carrying amount of related asset. For a government grant related to income, if the grant is a compensation for related costs or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs or losses are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

A government grant related to the Group's daily activities is included in other income according to the economic business substance. A government not related to the Group's daily activities is included in non-operating income and expense.

For the repayment of a government grant already recognized, if the carrying value of related assets is written off upon initial recognition, the carrying value of the assets is adjusted; if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period; if there is no related deferred income, it is recognized immediately in profit or loss for the period.

21. Deferred tax assets/deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

21.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

21.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

22. Fiduciary activities and agent business

The Group acts in a fiduciary activities and agent business as a trustee or an agent for customers. Customers should bear the risk and return generated by such activities. The Group only charges fee and commission. The fiduciary activities and agent business are excluded from the financial statements.

23. Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

23.1 Accounting treatment of operation leases

(1) The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are recorded in profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

(2) The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

23.2 Accounting treatment of finance leases

(1) The Group as lessee under finance leases

The accounting treatments are set out in Note IV “10.3 Identification basis, valuation methods and depreciation methods for fixed assets acquired under finance leases“.

Unrecognised finance charges are recognised as finance charge for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred. The net amount of minimum lease payments less unrecognised finance charges is presented as other liabilities.

(2) The Group as lessor under finance leases

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income. The net amount of financial lease receivables less unearned finance income is listed in “financial lease receivables“ for presentation.

Unearned finance income is recognised as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

24 Foreclosed asset

Foreclosed asset is initially measured at its fair value. At the balance sheet date, foreclosed asset is measured at the lower of carrying amount and net realizable value. The difference by which the net realizable value is lower than the carrying amount of the assets shall be provided for the current period.

On disposal of a foreclosed asset, the difference between (i) income from disposal and (ii) the carrying amount of the foreclosed asset is charged to income from disposal of assets.

If the foreclosed asset is transferred for self-use, it should be measured at the carrying amount at the transfer date. Provision is to taken into account if applicable.

25. Profit distribution

Proposed dividends which are declared and approved after the end of each balance sheet date are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each balance sheet date in the notes to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

26. Contingent liabilities

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

Contingent liabilities which are not recognised as a liability are expected to be disclosed in the notes only. If the situation changes, the contingent liabilities are recognised as provisions when it is probable that an outflow of economic resources will be required and the amount of obligation can be measured reliably.

27. Related parties

If the Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or the two parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Bank determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

28. Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

29. Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

29.1 Significant accounting estimates

In addition to the accounting estimates related to the depreciation and amortization of fixed assets and intangible assets (see Note IV. 10 and 12) and the impairment of various assets (see Note VII. 2, 3, 5, 6, 7, 8, 9, 10, 11, 12 and 14), other major accounting estimates are as follows:

(1) Note VII. 13. Recognized deferred tax assets;

(2) Note VII. 42. Post-employment benefits - defined benefit plans; and

(3) Note XI. 7. Fair value of financial instruments.

29.2 Significant accounting judgements

The significant accounting judgements made by the Group in the application of accounting policies are as follows:

(1) Note IV. 7. Classification of financial investment;

(2) Note IV. 9. Significant judgments and assumptions on control, joint control or significant impact on other entities;

(3) Note VII. 23 and 26 - Other financial instruments such as preference shares and perpetual bonds are classified as financial liabilities or equity instruments; and

(4) Note VII. 43 Consolidated structured entities.

30. Changes in significant accounting policies

The Ministry of Finance released the following amendments to China Accounting Standards (CAS) in recent years and the Group has adopted these standards from the accounting year beginning on 1 January 2020.

• *CAS 14 – Revenue (Revised)* (hereinafter referred to as “New Revenue Standard”)

• *China Accounting Standards Bulletin No. 13* (Cai Kuai [2019] No. 21) (CAS Bulletin No. 13)

• *Provisions on Accounting Treatment for COVID-19-Related Rent Concessions* (Cai Kuai [2020] No. 10)

30.1 New Revenue Standard

Under New Revenue Standard, revenue is recognised based on a single model that applies to contracts with customers. The model features the replacement of the previous “transfer of risk-reward“ by the “transfer of control“ as the criteria for revenue recognition. The standard contains a contract-based five-step analysis of transactions to determine whether, how much and when (at a point in time or over time) revenue is recognised. Under Old Revenue Standard, revenue is recognised in accordance with transactions distinguished from sales of goods, rendering of services and construction contracts.

New Revenue Standard also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The adoption of New Revenue Standard has no material impact on the financial position and the financial result of the Group.

30.2 CAS Bulletin No. 13

CAS Bulletin No. 13 revised the three elements of business composition and refined the judgement conditions for business. When an acquirer of business combinations not under common control determines whether the acquired operating activities or combination of assets constitute a business, the option of “concentration test“ is introduced.

In addition, CAS Bulletin No. 13 further clarifies that the related parties of an enterprise include joint ventures or associates of another member in the group of which the enterprise is a member (including the parents and subsidiaries), and other joint ventures or associates of an investor who exercise joint control over the enterprise.

CAS Bulletin No. 13 came into effect on 1 January 2020. The Group applies the changes in the accounting policies prospectively .

The adoption of CAS Bulletin No. 13 has no material impact on the Group's financial position, operating results and related party disclosures.

30.3 Cai Kuai [2020] No. 10

Cai Kuai [2020] No. 10 provides a practical expedient for rent concessions that arise as a direct consequence of COVID-19 and meet the qualifying criteria. When an enterprise adopts the practical expedient, it does not need to assess whether a change in the lease has occurred or reassess the lease classification。

Cai Kuai [2020] No. 10 came into effect on 24 June 2020. The Group does not adopt the practical expedient, so the amendment has no material impact on the Group's financial position and operating results.

V. Taxation

1. Corporate income tax

According to the Corporate Income Tax Law of the People's Republic of China, the income tax of domestic branches of the Bank and the Group's subsidiaries is calculated and settled at the tax rate of 25% (2019: 25%).

The income tax of overseas branches of the Bank is calculated in accordance with the local tax rate, and the difference between the overseas tax rate and domestic tax rate is settled by the head office.

The deductible items of Corporate income tax are calculated in accordance with the relevant regulations. Corporate income tax is prepaid by domestic branches of the Bank and conducted annual filing by the head office.

2. Value-added tax

The value-added tax (“VAT”) on sales is calculated using applicable tax rate on the basis of the revenue from sales determined as per tax regulations, and is paid after deducting the VAT on purchases. According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Policies for Deepening the VAT Reform (MOF/STA/GACC Announcement [2019] No. 39), the Group's applicable VAT rate range was changed from 3%-16% to 3%-13% from 1 April 2019.

According to the Supplementary Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.2) and Notice on Issues relating to VAT Policies on Assets Management Products (Cai Shui [2017] No.56) issued by MOF and State Administration of Taxation, since 1 January 2018, the manager of asset management products will be the VAT taxpayer for VAT taxable behaviours occurred in the operation of asset management products. And the VAT is levied at the rate of 3% with a provisional application of simple taxation method.

3. City maintenance and construction tax

The Group's city maintenance and construction tax is calculated according to 1% ~ 7% of VAT.

4. Education surcharge

The Group's education surcharge and local education surcharge is calculated according to 3% ~ 5% of VAT.

VI. CONSOLIDATION SCOPE

1. Details of the Bank's principal subsidiaries included in the scope of consolidation are set out as follows:

Key subsidiaries	Main business place/ Place of registration	Business nature	Registered capital RMB in million	Total shareholding by the Group			
				31 December 2020		31 December 2019	
				Direct (%)	Indirect (%)	Direct (%)	Indirect (%)
Industrial Bank Financial Leasing Co., Ltd.	Tianjin	Financial leasing	9,000	**100**	**-**	100	-
China Industrial International Trust Limited	Fuzhou	Trust	10,000	**73**	**-**	73	-
CIB Fund Management Co., Ltd.	Fuzhou	Fund management	1,200	**90**	**-**	90	-
Industrial Consumer Finance Co., Ltd.	Quanzhou	Consumer finance	1,900	**66**	**-**	66	-
CIB Wealth Management Co., Ltd.	Fuzhou	Wealth management	5,000	**100**	**-**	100	-
CIIT Asset Management Co., Ltd. (1)	Shanghai	Assets management	3,400	**-**	**100**	-	100
China Industrial Asset Management Co., Ltd. (1)	Fuzhou	Assets management	1,950	**-**	**100**	-	100
Industrial Futures Co., Ltd. (1)	Ningbo	Financial futures brokerage	500	**-**	**100**	-	100

(1) The companies are the subsidiaries of the Bank's controlled subsidiaries.

2. Refer to Note VII. 43 for the information of consolidated structure entities included in the consolidation scope.

3. Exchange rates on principal financial statement line items of overseas operating entities

The operating entities of the Group convert the financial statement from foreign currency to RMB based on the following method: all assets and liabilities in the balance sheet should be converted by spot rate at the balance sheet date; equity of shareholders except for the retained earnings should be converted by spot rate when occurs; all subjects in the income statement and subjects which reflect the accrual distributed profit should be converted by approximate spot rate when occurs.

The exchange rate of USD, JPY, EUR, HKD, and GBP to RMB should be determined by the middle rate published by State Administration of Foreign Exchange (the "SAFE"). The exchange rate of other currency to RMB should be calculated by the benchmark rate of USD to RMB and rate of USD to other currencies offered by the SAFE.

VII. Notes to items in the financial statements

1. Cash and balances with Central Bank

		The Group		The Bank	
	Note	2020	2019	2020	2019
Cash on hand		**4,956**	4,848	**4,956**	4,843
Mandatory reserves with Central bank	(1)	**350,307**	389,293	**350,302**	389,289
Excess reserves with Central bank	(2)	**55,289**	89,863	**55,285**	89,859
Other deposits with Central bank	(3)	**423**	2,236	**423**	2,235
Interest accrued		**172**	204	**172**	204
Total		**411,147**	486,444	**411,138**	486,430

(1) The domestic institution of the Bank places general deposit reserves mainly with the PBOC as required, including RMB deposit reserves and foreign deposit reserves. These deposit reserves are not available for the Group's daily operations and can't be transferred or used without the PBOC's approval. General deposit generates from organizations deposit, non-financial-budget deposit, individual deposit, enterprise deposit, net trust funds and other deposits. As at 31 December 2020, the ratio of the Bank's RMB deposit reserves is 9% (31 December 2019: 10.5%), the ratio of foreign deposit reserves is 5% (31 December 2019: 5%). According to related regulations from the PBOC, foreign deposit reserves are non-interest bearing. The Group's subsidies' RMB reserve deposit ratio is in accordance with regulations of PBOC. Deposit ratio of statutory reserve in Hong Kong branch is in accordance with regulations from local regulators.

(2) Excess reserves with central bank in Central Bank are maintained with the PBOC mainly for the purpose of clearing, transferring, etc.

(3) The majority of other deposits with central bank are the fiscal deposits placed at Central Bank. Fiscal deposit at Central Bank refers to the fiscal deposit at PBOC by the Bank according to regulations, including the Bank's agent central budgetary revenues, local treasury deposits, etc. The fiscal deposits placed with the PBOC of institutions in mainland China are non-interest bearing.

2. Deposits with banks and other financial institutions

	The Group		The Bank	
	2020	2019	2020	2019
Banks operating in Mainland China	**44,227**	47,986	**35,681**	42,565
Other financial institutions operating in Mainland China	**5,114**	6,080	**4,943**	6,076
Banks operating outside Mainland China	**45,923**	33,370	**45,923**	33,370
Other financial institutions operating outside Mainland China	**85**	23	**85**	23
Interest accrued	**195**	129	**185**	116
Subtotal	**95,544**	87,588	**86,817**	82,150
Less: allowance for impairment losses	**(337)**	(328)	**(327)**	(321)
Net value	**95,207**	87,260	**86,490**	81,829

3. Placements with banks and other financial institutions

	The Group		The Bank	
	2020	2019	2020	2019
Banks operating in Mainland China	**12,957**	34,074	**11,458**	46,529
Other financial institutions operating in Mainland China	**139,264**	151,002	**154,861**	151,002
Banks operating outside Mainland China	**39,678**	46,775	**39,678**	46,775
Interest accrued	**671**	697	**782**	696
Subtotal	**192,570**	232,548	**206,779**	245,002
Less: allowance for impairment losses	**(631)**	(1,073)	**(631)**	(1,073)
Net value	**191,939**	231,475	**206,148**	243,929

4. Derivative financial instruments

The Group enters into derivative financial instruments related to foreign currency exchange rate, interest rate and precious metals for purposes of trading, asset and liability management and customer driven business.

The notional amounts of derivative instruments represent the value of the underlying asset or the reference rate as a basis to measure changes in derivative financial instruments, which provide an indication of the volume of business transacted by the Group, but don't stand for the relevant future cash flow or current fair value, thus, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or precious metal prices relative to their terms. The aggregate fair values of derivative financial assets and financial liabilities can fluctuate significantly from time to time.

The notional amount and fair value of the Group's derivative financial instruments are as follows:

The Group

	2020		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	**1,958,034**	**41,037**	**(42,424)**
Interest rate derivatives	**5,032,016**	**17,478**	**(17,764)**
Precious metal derivatives	**40,563**	**705**	**(903)**
Credit derivatives	**13,619**	**176**	**(422)**
Total		**59,396**	**(61,513)**

	2019		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	2,903,845	19,856	(19,588)
Interest rate derivatives	4,453,866	11,063	(11,291)
Precious metal derivatives	80,864	1,424	(495)
Credit derivatives	14,389	381	(70)
Total		32,724	(31,444)

The Bank

	2020		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	**1,956,788**	**41,029**	**(42,416)**
Interest rate derivatives	**5,032,016**	**17,477**	**(17,764)**
Precious metal derivatives	**40,563**	**705**	**(903)**
Credit derivatives	**13,619**	**176**	**(422)**
Total		**59,387**	**(61,505)**

	2019		
	Notional amount	Fair value	
		Assets	Liabilities
Exchange rate derivatives	2,903,532	19,854	(19,586)
Interest rate derivatives	4,453,866	11,063	(11,291)
Precious metal derivatives	80,864	1,424	(495)
Credit derivatives	14,389	381	(70)
Total		32,722	(31,442)

Fair value hedge

The Group uses the fair value hedges to hedge the influences of changes in fair value of financial assets caused by the changes of market interest rate. For interest rate risk of financial assets, the Group adopts interest rate swaps as hedging instruments. Included in the aforesaid derivative financial instruments, the hedging instruments designated by the Group and the Bank are as follows:

The Group and the Bank

	2020		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate swaps	**14,963**	**-**	**(328)**

	2019		
	Notional amount	Fair value	
		Assets	Liabilities
Derivatives designated as fair value hedging instruments:			
Interest rate swaps	15,173	5	(233)

The effectiveness of the hedging activities in the year which is reflected by the changes in fair value of hedging instruments and the net profit or loss from the hedged item attributable to the hedged risks is as follows:

The Group and the Bank

	2020	2019
Net gain (loss) from fair value hedge:		
Hedging instruments	**(100)**	(226)
Hedged item attributable to the hedged risk	**95**	272
	(5)	46

Details of hedged exposure in fair value hedging strategy of the Group as below:

2020

	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	**15,356**	-	**335**	-	Other Debt Investments

2019

	Carrying amount of hedged items		Total amount of fair value adjustment of hedged items		Balance sheet items
	Assets	Liabilities	Assets	Liabilities	
Bonds	**15,400**	-	**240**	-	Other Debt Investments

5. Financial assets purchased under resale agreements

	The Group		The Bank	
	2020	2019	2020	2019
Bonds	**124,148**	42,501	**117,743**	38,628
Interest accrued	**182**	69	**181**	69
Subtotal	**124,330**	42,570	**117,924**	38,697
Less: allowance for impairment losses	**(980)**	(709)	**(979)**	(709)
Total	**123,350**	41,861	**116,945**	37,988

6. Loans and advances to customers

6.1 Analysis of loans and advances to customers by person and corporate:

	The Group		The Bank	
	2020	2019	2020	2019
Measured at amortised cost:				
Personal loans and advances				
Residential and business mortgage loans	**1,053,059**	910,879	**1,053,059**	910,879
Credit cards	**409,826**	349,312	**409,826**	349,312
Others	**251,586**	189,356	**210,661**	155,097
Subtotal	**1,714,471**	1,449,547	**1,673,546**	1,415,288
Corporate loans and advances				
Loans and advances	**2,042,136**	1,793,741	**2,048,156**	1,797,971
Subtotal	**2,042,136**	1,793,741	**2,048,156**	1,797,971
Less: allowance for impairment losses on loans and advances to customers measured at amortised cost	**(108,068)**	(104,853)	**(105,482)**	(103,029)
Carrying amount of loans and advances to customers measured at amortised cost	**3,648,539**	3,138,435	**3,616,220**	3,110,230
Fair value through other comprehensive income:				
Corporate loans and advances				
Discounted Bills	**207,703**	195,824	**207,703**	195,824
Subtotal	**207,703**	195,824	**207,703**	195,824
Fair value through profit or loss:				
Corporate loans and advances				
Loans and advances	**1,364**	2,339	**1,364**	2,339
Subtotal	**1,364**	2,339	**1,364**	2,339
Interest accrued	**9,715**	8,582	**9,318**	8,217
Net balance	**3,867,321**	3,345,180	**3,834,605**	3,316,610

As at 31 December 2020, the Group and Bank's allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income was RMB 593 million (As at 31 December 2019: RMB 728 million).

6.2 Analysis of loans and advances to customers (interest accrued excluded) by industry distribution:

	The Group				The Bank			
	2020		2019		2020		2019	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Manufacturing	**373,532**	**9.43**	354,788	10.31	**373,532**	**9.51**	354,588	10.40
Leasing and commercial services	**356,050**	**8.98**	286,222	8.32	**356,201**	**9.06**	290,627	8.52
Real estate	**317,522**	**8.01**	251,859	7.32	**317,522**	**8.08**	251,859	7.38
Retail and wholesale	**250,564**	**6.32**	238,168	6.92	**250,564**	**6.37**	238,168	6.98
Water, environment and public facilities administration	**231,766**	**5.84**	202,979	5.90	**231,766**	**5.90**	202,979	5.95
Construction	**134,205**	**3.38**	123,785	3.60	**134,205**	**3.41**	123,785	3.63
Transport, logistics and postal service	**121,472**	**3.06**	101,484	2.95	**121,472**	**3.09**	101,484	2.97
Production and supply of power, gas and water	**87,242**	**2.20**	80,332	2.33	**87,242**	**2.22**	80,332	2.35
Extractive industry	**58,636**	**1.48**	60,172	1.75	**58,189**	**1.48**	60,172	1.76
Financial industry	**32,658**	**0.82**	26,020	0.76	**38,974**	**0.99**	26,020	0.76
Other corporate industries	**79,853**	**2.01**	70,271	2.03	**79,853**	**2.03**	70,296	2.07
Subtotal	**2,043,500**	**51.53**	1,796,080	52.19	**2,049,520**	**52.14**	1,800,310	52.77
Personal loans	**1,714,471**	**43.23**	1,449,547	42.12	**1,673,546**	**42.58**	1,415,288	41.49
Discounted bills	**207,703**	**5.24**	195,824	5.69	**207,703**	**5.28**	195,824	5.74
Gross loans and advances	**3,965,674**	**100.00**	3,441,451	100.00	**3,930,769**	**100.00**	3,411,422	100.00
Less: allowance for impairment losses	**(108,068)**		(104,853)		**(105,482)**		(103,029)	
Loans and advances to customers (interest accrued excluded)	**3,857,606**		3,336,598		**3,825,287**		3,308,393	

6.3 Analysis of loans and advances to customers (interest accrued excluded) by geographical distribution:

	The Group				The Bank			
	2020		2019		2020		2019	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Guangdong	**483,612**	**12.19**	395,599	11.49	**480,588**	**12.23**	393,175	11.52
Head office (Note 1)	**422,941**	**10.67**	359,167	10.44	**422,941**	**10.76**	359,167	10.53
Fujian	**410,418**	**10.35**	359,748	10.45	**410,253**	**10.44**	359,795	10.55
Jiangsu	**406,890**	**10.26**	336,525	9.78	**402,388**	**10.24**	333,484	9.78
Zhejiang	**339,335**	**8.56**	276,693	8.04	**337,533**	**8.59**	275,371	8.07
Beijing	**212,119**	**5.35**	179,249	5.21	**211,234**	**5.37**	177,948	5.22
Shanghai	**178,025**	**4.49**	151,732	4.41	**169,944**	**4.32**	141,987	4.16
Others (Note 2)	**1,512,334**	**38.13**	1,382,738	40.18	**1,495,888**	**38.05**	1,370,495	40.17
Gross loans and advances	**3,965,674**	**100.00**	3,441,451	100.00	**3,930,769**	**100.00**	3,411,422	100.00
Less: allowance for impairment losses	**(108,068)**		(104,853)		**(105,482)**		(103,029)	
Loans and advances to customers (interest accrued excluded)	**3,857,606**		3,336,598		**3,825,287**		3,308,393	

Note 1: Head office contains the credit card centre and the treasury centre.

Note 2: As at 31 December 2020, the Bank has 45 tier 1 branches, apart from the tier 1 branches mentioned above, the rest is categorized into "Others". Loans and advances originated by the Bank and the subsidiaries are presented by geographical distribution.

6.4 Analysis of loans and advances (interest accrued excluded) to customers by security type:

	The Group		The Bank	
	2020	2019	2020	2019
Unsecured loans	**1,054,966**	880,060	**1,020,509**	850,031
Guaranteed loans	**812,622**	709,810	**812,622**	709,810
Collateralised loans	**1,890,383**	1,655,757	**1,889,935**	1,655,757
- Secured by mortgage	**1,573,352**	1,352,975	**1,572,904**	1,352,975
- Secured by collaterals	**317,031**	302,782	**317,031**	302,782
Discounted bills	**207,703**	195,824	**207,703**	195,824
Gross loans and advances	**3,965,674**	3,441,451	**3,930,769**	3,411,422
Less: allowance for impairment losses	**(108,068)**	(104,853)	**(105,482)**	(103,029)
Loans and advances to customers (interest accrued excluded)	**3,857,606**	3,336,598	**3,825,287**	3,308,393

6.5 Overdue loans (interest accrued excluded):

	The Group									
	2020					2019				
	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	**8,395**	**7,940**	**806**	**138**	**17,279**	7,768	7,519	559	90	15,936
Guaranteed loans	**3,695**	**6,035**	**3,277**	**697**	**13,704**	5,228	6,771	6,744	787	19,530
Collateralised loans	**7,626**	**5,786**	**7,487**	**437**	**21,336**	9,297	9,945	8,169	1,116	28,527
-Secured by mortgage	**7,588**	**5,500**	**7,026**	**397**	**20,511**	8,265	7,451	7,992	1,084	24,792
-Secured by collaterals	**38**	**286**	**461**	**40**	**825**	1,032	2,494	177	32	3,735
Total	**19,716**	**19,761**	**11,570**	**1,272**	**52,319**	22,293	24,235	15,472	1,993	63,993

	The Bank									
	2020					2019				
	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total	1-90 days (including 90 days)	91-360 days (including 360 days)	361 days to 3 years (including 3 years)	Over 3 years	Total
Unsecured loans	**7,836**	**7,181**	**805**	**138**	**15,960**	7,115	6,737	513	90	14,455
Guaranteed loans	**3,695**	**6,035**	**3,277**	**697**	**13,704**	5,228	6,771	6,744	787	19,530
Collateralised loans	**7,626**	**5,786**	**7,039**	**437**	**20,888**	9,297	9,945	8,169	1,116	28,527
-Secured by mortgage	**7,588**	**5,500**	**6,578**	**397**	**20,063**	8,265	7,451	7,992	1,084	24,792
-Secured by collaterals	**38**	**286**	**461**	**40**	**825**	1,032	2,494	177	32	3,735
Total	**19,157**	**19,002**	**11,121**	**1,272**	**50,552**	21,640	23,453	15,426	1,993	62,512

The loan will be categorized into overdue when principal or interest is overdue for one day.

6.6 Allowance for loan impairment

As at 31 December 2020, changes in allowance for impairment losses on loans and advances to customers are as follows:

(1) Loans and advances to customers measured at amortised cost

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**57,044**	**11,150**	**36,659**	**104,853**
Transfer:				
— to stage 1	**4,419**	**(1,994)**	**(2,425)**	**-**
— to stage 2	**(355)**	**605**	**(250)**	**-**
— to stage 3	**(419)**	**(1,277)**	**1,696**	**-**
Charge	**7,973**	**(999)**	**42,381**	**49,355**
Write-offs	**-**	**-**	**(52,067)**	**(52,067)**
Recoveries of amounts previously written off	**-**	**-**	**7,967**	**7,967**
Exchange difference and other movements	**-**	**-**	**(2,040)**	**(2,040)**
31 December 2020	**68,662**	**7,485**	**31,921**	**108,068**

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**48,271**	**12,128**	**29,525**	**89,924**
Transfer:				
— to stage 1	**4,686**	**(2,157)**	**(2,529)**	**-**
— to stage 2	**(292)**	**321**	**(29)**	**-**
— to stage 3	**(331)**	**(2,008)**	**2,339**	**-**
Charge	**4,710**	**2,866**	**39,044**	**46,620**
Write-offs	**-**	**-**	**(36,526)**	**(36,526)**
Recoveries of amounts previously written off	**-**	**-**	**6,080**	**6,080**
Exchange difference and other movements	**-**	**-**	**(1,245)**	**(1,245)**
31 December 2019	**57,044**	**11,150**	**36,659**	**104,853**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**56,070**	**11,051**	**35,908**	**103,029**
Transfer:				
— to stage 1	**4,417**	**(1,994)**	**(2,423)**	**-**
— to stage 2	**(339)**	**588**	**(249)**	**-**
— to stage 3	**(376)**	**(1,273)**	**1,649**	**-**
Charge	**7,794**	**(1,134)**	**40,313**	**46,973**
Write-offs	**-**	**-**	**(50,232)**	**(50,232)**
Recoveries of amounts previously written off	**-**	**-**	**7,752**	**7,752**
Exchange difference and other movements	**-**	**-**	**(2,040)**	**(2,040)**
31 December 2020	**67,566**	**7,238**	**30,678**	**105,482**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**47,875**	**12,040**	**29,131**	**89,046**
Transfer:				
— to stage 1	**4,670**	**(2,152)**	**(2,518)**	**-**
— to stage 2	**(289)**	**318**	**(29)**	**-**
— to stage 3	**(269)**	**(2,004)**	**2,273**	**-**
Charge	**4,083**	**2,849**	**37,945**	**44,877**
Write-offs	**-**	**-**	**(35,711)**	**(35,711)**
Recoveries of amounts previously written off	**-**	**-**	**6,062**	**6,062**
Exchange difference and other movements	**-**	**-**	**(1,245)**	**(1,245)**
31 December 2019	**56,070**	**11,051**	**35,908**	**103,029**

(2) Loans and advances to customers measured at fair value through other comprehensive income

	Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**700**	**16**	**12**	**728**
Transfer:				
— to stage 1	-	-	-	-
— to stage 2	-	-	-	-
— to stage 3	-	-	-	-
Charge	**(124)**	**(16)**	**5**	**(135)**
Write-offs	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Exchange difference and other movements	-	-	-	-
31 December 2020	**576**	-	**17**	**593**

	Group and Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**656**	-	-	**656**
Transfer:				
— to stage 1	-	-	-	-
— to stage 2	-	-	-	-
— to stage 3	-	-	-	-
Charge	**44**	**16**	**12**	**72**
Write-offs	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-
Exchange difference and other movements	-	-	-	-
31 December 2019	**700**	**16**	**12**	**728**

7. Financial investments

	Note	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Trading assets	7.1	**823,927**	652,034	**773,552**	628,253
Debt investments	7.2	**1,550,131**	1,444,176	**1,535,542**	1,431,325
Other debt investments	7.3	**516,368**	599,382	**514,919**	597,801
Other equity investments	7.4	**2,388**	1,929	**2,308**	1,929
Total		**2,892,814**	2,697,521	**2,826,321**	2,659,308

7.1 Trading assets

	The Group 2020	The Group 2019	The Bank 2020	The Bank 2019
Held for trading purpose:				
Debt instrument investments:	**51,676**	16,419	**50,436**	15,111
Government bonds	**10,797**	10,880	**7,277**	3,080
The Central Bank bills and policy financial bonds Bonds issued by banks and other financial institutions	**9,259**	15,624	**2,673**	11,571
Interbank certificates of deposit	**1,732**	16,489	**298**	14,738
Corporate bonds and asset-backed securities	**93,319**	91,108	**52,173**	55,281
Equity instrument investments:Funds	**548,723**	425,981	**588,034**	468,084
Subtotal	**715,506**	576,501	**700,891**	567,865
Financial assets measured at fair value through profit or loss (mandatory):				
Bonds issued by banks and other financial institutions	**2,802**	3,421	**2,802**	3,421
Corporate bonds and asset-backed securities	**3,339**	6,147	**3,267**	6,055
Trust beneficiary rights and asset management plans	**76,219**	50,942	**65,625**	46,534
Equity investments	**12,839**	5,433	**967**	2,251
Funds	**2,214**	847	**-**	-
Wealth management products	**2,210**	2,810	**-**	2,127
Other investments	**8,798**	5,933	**-**	-
Subtotal	**108,421**	75,533	**72,661**	60,388
Total	**823,927**	652,034	**773,552**	628,253

7.2 Debt investments

		The Group		The Bank	
	Note	2020	2019	2020	2019
Government bonds		**705,846**	643,791	**702,498**	642,291
The Central Bank bills and policy financial bonds		**2,090**	2,191	**2,090**	2,191
Bonds issued by banks and other financial institutions		**59,549**	25,431	**59,609**	25,431
Interbank certificates of deposit		**16,646**	21,939	**16,646**	21,939
Corporate bonds and asset-backed securities		**100,017**	94,022	**99,617**	93,761
Trust beneficiary rights and asset management plans		**681,928**	665,698	**670,381**	653,644
Interest accrued		**15,557**	15,213	**15,318**	15,073
Subtotal		**1,581,633**	1,468,285	**1,566,159**	1,454,330
Less: allowance for impairment losses	**(1)**	**(31,502)**	(24,109)	**(30,617)**	(23,005)
Net value		**1,550,131**	1,444,176	**1,535,542**	1,431,325

(1) Changes in allowance for impairment losses on debt investments are as follows:

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**8,892**	**2,936**	**12,281**	**24,109**
Transfer:				
— to stage 1	**161**	**(161)**	**-**	**-**
— to stage 2	**(64)**	**64**	**-**	**-**
— to stage 3	**(100)**	**(1,051)**	**1,151**	**-**
Reversal	**5,500**	**1,632**	**12,754**	**19,886**
Write-offs and transfer out	**-**	**-**	**(12,730)**	**(12,730)**
Exchange difference and other movements	**(227)**	**-**	**464**	**237**
31 December 2020	**14,162**	**3,420**	**13,920**	**31,502**

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**11,206**	**2,926**	**9,130**	**23,262**
Transfer:				
— to stage 1	**827**	**(827)**	**-**	**-**
— to stage 2	**(462)**	**462**	**-**	**-**
— to stage 3	**(46)**	**(386)**	**432**	**-**
Reversal	**(2,633)**	**761**	**6,505**	**4,633**
Write-offs and transfer out	**-**	**-**	**(4,219)**	**(4,219)**
Exchange difference and other movements	**-**	**-**	**433**	**433**
31 December 2019	**8,892**	**2,936**	**12,281**	**24,109**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**8,860**	**2,805**	**11,340**	**23,005**
Transfer:				
— to stage 1	**161**	**(161)**	**-**	**-**
— to stage 2	**(64)**	**64**	**-**	**-**
— to stage 3	**(100)**	**(1,051)**	**1,151**	**-**
Reversal	**5,521**	**1,424**	**12,149**	**19,094**
Write-offs and transfer out	**-**	**-**	**(11,719)**	**(11,719)**
Exchange difference and other movements	**(227)**	**-**	**464**	**237**
31 December 2020	**14,151**	**3,081**	**13,385**	**30,617**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**11,109**	**2,925**	**8,777**	**22,811**
Transfer:				
— to stage 1	**827**	**(827)**	**-**	**-**
— to stage 2	**(449)**	**449**	**-**	**-**
— to stage 3	**(46)**	**(386)**	**432**	**-**
(Charge) reversal	**(2,581)**	**644**	**5,917**	**3,980**
Write-offs and transfer out	**-**	**-**	**(4,219)**	**(4,219)**
Exchange difference and other movements	**-**	**-**	**433**	**433**
31 December 2019	**8,860**	**2,805**	**11,340**	**23,005**

7.3 Other debt investments

	The Group		The Bank	
	2020	2019	2020	2019
Debt investments:				
Government bonds	**208,107**	237,149	**208,107**	237,149
The Central Bank bills and policy financial bonds	**10,624**	15,642	**10,624**	15,642
Bonds issued by banks and other financial institutions	**25,526**	28,613	**25,536**	28,673
Interbank certificates of deposit	**42,097**	95,088	**42,097**	95,088
Corporate bonds and asset-backed securities	**219,462**	211,071	**219,992**	211,687
Trust beneficiary rights and asset management plans	**5,216**	5,794	**3,221**	3,565
Interest accrued	**5,336**	6,025	**5,342**	5,997
Total	**516,368**	599,382	**514,919**	597,801

(1) Changes in fair value

		The Group		The Bank	
	Note	2020	2019	2020	2019
Initial recognition cost		**523,280**	598,659	**521,625**	596,971
Fair value		**516,368**	599,382	**514,919**	597,801
Accumulate amount recognised in other comprehensive income		**(7,247)**	483	**(7,041)**	590
Accumulate amount recognised in profit or loss	(i)	**335**	240	**335**	240

(i) The Bank's Hong Kong branch uses interest rate swaps to hedge the changes in fair value caused by changes in bond interest rates of other debt investments held. Fair value changes of the part of hedged bonds are included in profit or loss.

(2) Changes in allowance for impairment losses on other debt investments are as follows

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**703**	**74**	**1,205**	**1,982**
Transfer:				
— to stage 1	**1**	**(1)**	**-**	**-**
— to stage 2	**(1)**	**1**	**-**	**-**
— to stage 3	**(2)**	**-**	**2**	**-**
(Charge) reversal	**(11)**	**517**	**1,977**	**2,483**
Write-offs and transfer out	**-**	**-**	**(280)**	**(280)**
Exchange difference and other movements	**(97)**	**-**	**-**	**(97)**
31 December 2020	**593**	**591**	**2,904**	**4,088**

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**618**	**276**	**262**	**1,156**
Transfer:				
— to stage 1	**162**	**(162)**	**-**	**-**
— to stage 2	**(2)**	**2**	**-**	**-**
— to stage 3	**(1)**	**(18)**	**19**	**-**
(Charge) reversal	**(83)**	**(24)**	**924**	**817**
Exchange difference and other movements	**9**	**-**	**-**	**9**
31 December 2019	**703**	**74**	**1,205**	**1,982**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**669**	**64**	**1,124**	**1,857**
Transfer:				
— to stage 1	**-**	**-**	**-**	**-**
— to stage 2	**(1)**	**1**	**-**	**-**
— to stage 3	**-**	**-**	**-**	**-**
Reversal	**19**	**515**	**1,884**	**2,418**
Write-offs and transfer out	**-**	**-**	**(284)**	**(284)**
Exchange difference and other movements	**(97)**	**-**	**-**	**(97)**
31 December 2020	**590**	**580**	**2,724**	**3,894**

	The Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**608**	**276**	**181**	**1,065**
Transfer:				
— to stage 1	**162**	**(162)**	**-**	**-**
— to stage 2	**(2)**	**2**	**-**	**-**
— to stage 3	**(1)**	**(18)**	**19**	**-**
(Charge) reversal	**(107)**	**(34)**	**924**	**783**
Exchange difference and other movements	**9**	**-**	**-**	**9**
31 December 2019	**669**	**64**	**1,124**	**1,857**

7.4 Other equity investments

	The Group		The Bank	
	2020	2019	2020	2019
Designated at fair value through other comprehensive income	**2,388**	1,929	**2,308**	1,929

The Group designates non-trading equity investments as financial assets at fair value through other comprehensive income. As at 31 December 2020, the fair value of the equity investments is RMB2,388 million (31 December 2019: RMB1,929 million). During the reporting period, dividend income of RMB12 million (2019: RMB9 million) recognized for such equity investments was included in the profit or loss.

Related analysis of other equity investments are as follows:

	The Group		The Bank	
	2020	2019	2020	2019
Initial recognition cost	**2,673**	2,092	**2,593**	2,092
Fair value	**2,388**	1,929	**2,308**	1,929
Accumulate amount recognised in other comprehensive income	**(285)**	(163)	**(285)**	(163)

8. Finance lease receivables

Presented by nature:

		The Group	
	Note	2020	2019
Finance lease receivables		**116,719**	123,215
Less: unrealized financing income		**(10,846)**	(11,919)
Present value of minimum finance lease receivables		**105,873**	111,296
Less: allowance for impairment losses	(1)	**(5,257)**	(5,023)
Net value		**100,616**	106,273

Listed as follows:

	Note	2020	2019
Within 1 year		**43,412**	49,586
1 to 2 years		**32,866**	29,188
2 to 3 years		**17,992**	18,474
3 to 5 years		**13,718**	14,431
Over 5 years		**6,751**	8,826
Undated*		**1,980**	2,710
Minimum lease receipts		**116,719**	123,215
Unrealized financing income		**(10,846)**	(11,919)
Present value of minimum finance lease receivables		**105,873**	111,296
Less: allowance for impairment losses	(1)	**(5,257)**	(5,023)
Net value		**100,616**	106,273
- Finance lease receivables due within 1 year		**37,814**	43,888
- Finance lease receivables due more than 1 year		**62,802**	62,385

*Undated amount refers to the part that was impaired or overdue for more than one month.

Changes in allowance for impairment losses on finance lease receivables :

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**1,358**	**982**	**2,683**	**5,023**
Transfer:				
— to stage 1	**316**	**(316)**	**-**	**-**
— to stage 2	**(7)**	**7**	**-**	**-**
— to stage 3	**(117)**	**-**	**117**	**-**
Reversal (charge)	**346**	**(117)**	**(173)**	**56**
Write-offs and transfer out	**-**	**-**	**(1)**	**(1)**
Recovery of writ-offs	**-**	**-**	**181**	**181**
Exchange difference and other movements	**(2)**	**-**	**-**	**(2)**
31 December 2020	**1,894**	**556**	**2,807**	**5,257**

	The Group			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**858**	**1,894**	**2,960**	**5,712**
Transfer:				
— to stage 1	**152**	**(152)**	**-**	**-**
— to stage 2	**(4)**	**4**	**-**	**-**
— to stage 3	**(6)**	**(425)**	**431**	**-**
Reversal (charge)	**357**	**(339)**	**608**	**626**
Write-offs and transfer out	**-**	**-**	**(1,316)**	**(1,316)**
Exchange difference and other movements	**1**	**-**	**-**	**1**
31 December 2019	**1,358**	**982**	**2,683**	**5,023**

9. Long-term equity investments

The Group									
Investee	Accounting method	1 January 2020	Changes	31 December 2020	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang.[1]	Equity method	**3,052**	**175**	**3,227**	**12.23**	**12.23**	**not applicable**	-	**35**
Others	Equity method	**361**	**(39)**	**322**			**not applicable**	-	**2**
Total		**3,413**	**136**	**3,549**				-	**37**

UNIT: RMB Million

The Bank									
Investee	Accounting method	1 January 2020	Changes	31 December 2020	Proportion of equity interest (%)	Proportion of voting power in the investee (%)	Explanation of inconsistency between the proportion of equity interest and the proportion of voting power in the investee	Provisions	Cash dividends for this year
Bank of Jiujiang [1]	Equity method	**3,052**	**175**	**3,227**	**12.23**	**12.23**	**not applicable**	-	**35**
Industrial Bank Financial Leasing Co., Ltd. (Note. VI)	Cost method	**7,000**	-	**7,000**	**100.00**	**100.00**	**not applicable**	-	-
China Industrial International Trust Limited (Note. VI)	Cost method	**6,395**	-	**6,395**	**73.00**	**73.00**	**not applicable**	-	-
CIB Fund Management Co., Ltd. (Note. VI)	Cost method	**900**	-	**900**	**90.00**	**90.00**	**not applicable**	-	**90**
Industrial Consumer Finance Co., Ltd (Note. VI)	Cost method	**1,254**	-	**1,254**	**66.00**	**66.00**	**not applicable**	-	-
CIB Wealth Management Co., Ltd. (Note. VI)	Cost method	**5,000**	-	**5,000**	**100.00**	**100.00**	**not applicable**	-	-
Total		**23,601**	**175**	**23,776**				-	**125**

(1) As the Bank held 12.23% shareholding ratio of Bank of Jiujiang and sent directors to the Bank of Jiujiang, the Bank has significant influence over the Bank of Jiujiang and the equity investment is accounted for using the equity method.

(2) There are no restrictions of the investees' capacities of capital transferring to the Group and the Bank on 31 December 2020.

10. Fixed assets

	The Group					
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Flight equipment	Total
Cost						
At 1 January 2020	**19,315**	**1,160**	**7,868**	**462**	**6,264**	**35,069**
Purchase	**57**	**1**	**923**	**52**	**443**	**1,476**
Transfers from constructions in progress	**2,335**	**57**	**1**	**-**	**-**	**2,393**
Sales/disposals	**(69)**	**(47)**	**(78)**	**(58)**	**(1)**	**(253)**
At 31 December 2020	**21,638**	**1,171**	**8,714**	**456**	**6,706**	**38,685**
Accumulated depreciation						
At 1 January 2019	**(3,503)**	**(511)**	**(5,409)**	**(310)**	**(686)**	**(10,419)**
Depreciation for the year	**(687)**	**(81)**	**(917)**	**(53)**	**(229)**	**(1,967)**
Eliminated on sales/disposals	**22**	**47**	**49**	**35**	**1**	**154**
At 31 December 2020	**(4,168)**	**(545)**	**(6,277)**	**(328)**	**(914)**	**(12,232)**
Net value						
At 1 January 2020	**15,812**	**649**	**2,459**	**152**	**5,578**	**24,650**
At 31 December 2020	**17,470**	**626**	**2,437**	**128**	**5,792**	**26,453**
Allowance for impairment losses						
At 1 January 2020	**(3)**	**-**	**-**	**-**	**(6)**	**(9)**
Charge for the year	**-**	**-**	**-**	**-**	**(30)**	**(30)**
At 31 December 2020	**(3)**	**-**	**-**	**-**	**(36)**	**(39)**
Net carrying amount						
At 1 January 2020	**15,809**	**649**	**2,459**	**152**	**5,572**	**24,641**
At 31 December 2020	**17,467**	**626**	**2,437**	**128**	**5,756**	**26,414**

As at 31 December 2020, the cost of flight equipment leased out under operating lease business by the Group's subsidiary Industrial Bank Financial Leasing Co., Ltd. was RMB6,706 million (31 December 2019: RMB6,264 million).

Buildings cost RMB2,100 million are in use but the legal ownership registrations were still in process as at 31 December 2020 (31 December 2019: RMB1,340 million).

	The Bank				
	Buildings	Fixed assets improvement	Office and machinery equipment	Transportation vehicles	Total
Cost					
At 1 January 2020	**19,281**	**1,160**	**7,539**	**430**	**28,410**
Purchase	**57**	**-**	**855**	**49**	**961**
Transfers from constructions in progress	**2,335**	**57**	**1**	**-**	**2,393**
Sales/disposals	**(69)**	**(47)**	**(73)**	**(54)**	**(243)**
At 31 December 2020	**21,604**	**1,170**	**8,322**	**425**	**31,521**
Accumulated depreciation					
At 1 January 2020	**(3,492)**	**(511)**	**(5,215)**	**(297)**	**(9,515)**
Depreciation for the year	**(685)**	**(81)**	**(859)**	**(41)**	**(1,666)**
Eliminated on sales/disposals	**22**	**47**	**35**	**30**	**134**
At 31 December 2020	**(4,155)**	**(545)**	**(6,039)**	**(308)**	**(11,047)**
Net value					
At 1 January 2020	**15,789**	**649**	**2,324**	**133**	**18,895**
At 31 December 2020	**17,449**	**625**	**2,283**	**117**	**20,474**
Allowance for impairment losses					
At 1 January 2020	**(3)**	**-**	**-**	**-**	**(3)**
At 31 December 2020	**(3)**	**-**	**-**	**-**	**(3)**
Net carrying amount					
At 1 January 2019	**15,786**	**649**	**2,324**	**133**	**18,892**
At 31 December 2019	**17,446**	**625**	**2,283**	**117**	**20,471**

Buildings cost RMB2,100 million are in use but the legal ownership registrations were still in process as at 31 December 2019 (31 December 2019: RMB1,340 million).

11. Construction in progress

11.1 Details of construction in progress are as follows:

	The Group					
	2020			2019		
	Carrying amount	Allowance for impairment loss	Net carry amount	Carrying amount	Allowance for impairment loss	Net carry amount
Operating building, Head office	**-**	**-**	**-**	709	-	709
Operating building, Jinan	**-**	**-**	**-**	577	-	577
Operating building, Guiyang	**15**	**-**	**15**	336	-	336
Operating building, Changsha	**397**	**-**	**397**	359	-	359
Operating building, Nanning	**365**	**-**	**365**	289	-	289
Operating building, Nanchang	**351**	**-**	**351**	351	-	351
Operating building, Putian	**160**	**-**	**160**	156	-	156
Operating building, Nanjing	**138**	**-**	**138**	-	-	-
Operating building, Hohhot	**196**	**-**	**196**	89	-	89
Others	**313**	**-**	**313**	597	-	597
Total	**1,935**	**-**	**1,935**	3,463	-	3,463

	The Bank					
	2020			2019		
	Carrying amount	Allowance for impairment loss	Net carry amount	Carrying amount	Allowance for impairment loss	Net carry amount
Operating building, Head office	**-**	**-**	**-**	709	-	709
Operating building, Jinan	**-**	**-**	**-**	577	-	577
Operating building, Guiyang	**15**	**-**	**15**	336	-	336
Operating building, Changsha	**397**	**-**	**397**	359	-	359
Operating building, Nanning	**365**	**-**	**365**	289	-	289
Operating building, Nanchang	**351**	**-**	**351**	351	-	351
Operating building, Putian	**160**	**-**	**160**	156	-	156
Operating building, Nanjing	**138**	**-**	**138**	-	-	-
Operating building, Hohhot	**196**	**-**	**196**	89	-	89
Others	**309**	**-**	**309**	575	-	575
Total	**1,931**	**-**	**1,931**	3,441	-	3,441

11.2 Significant changes in construction in progress are as follows:

	The Group				
	2020				
	At 1 January 2020	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	At 31 December 2020
Operating building, Head office	**709**	**183**	**(892)**	**-**	**-**
Operating building, Jinan	**577**	**64**	**(641)**	**-**	**-**
Operating building, Guiyang	**336**	**50**	**(371)**	**-**	**15**
Operating building, Changsha	**359**	**38**	**-**	**-**	**397**
Operating building, Nanning	**289**	**76**	**-**	**-**	**365**
Operating building, Nanchang	**351**	**-**	**-**	**-**	**351**
Operating building, Putian	**156**	**4**	**-**	**-**	**160**
Operating building, Nanjing	**-**	**138**	**-**	**-**	**138**
Operating building, Hohhot	**89**	**107**	**-**	**-**	**196**
Others	**597**	**657**	**(489)**	**(452)**	**313**
Total	**3,463**	**1,317**	**(2,393)**	**(452)**	**1,935**

	The Bank				
	2020				
	At 1 January 2020	Additions	Transfer to fixed assets	Transfer to long-term prepaid expenses	At 31 December 2020
Operating building, Head office	**709**	**183**	**(892)**	**-**	**-**
Operating building, Jinan	**577**	**64**	**(641)**	**-**	**-**
Operating building, Guiyang	**336**	**50**	**(371)**	**-**	**15**
Operating building, Changsha	**359**	**38**	**-**	**-**	**397**
Operating building, Nanning	**289**	**76**	**-**	**-**	**365**
Operating building, Nanchang	**351**	**-**	**-**	**-**	**351**
Operating building, Putian	**156**	**4**	**-**	**-**	**160**
Operating building, Nanjing	**-**	**138**	**-**	**-**	**138**
Operating building, Hohhot	**89**	**107**	**-**	**-**	**196**
Others	**575**	**656**	**(489)**	**(433)**	**309**
Total	**3,441**	**1,316**	**(2,393)**	**(433)**	**1,931**

12. Goodwill

	The Group				
	1 January 2020	Additions	Deductions	31 December 2020	Provision at 31 December 2020
China Industrial International Trust Limited	**532**	-	-	**532**	-

Goodwill arose from acquisition of China Industrial International Trust Limited in February 2011, and the overweight of China Industrial Future Limited by China Industrial International Trust Limited in March 2015.

At the end of the period, the Group performed impairment tests on goodwill based on expected future cash flow of the investee, meanwhile, calculated the expected present value of future cash flow of the investee by applying an appropriate discount rate to determine recoverable amount. No evidence shows that the recoverable amount of goodwill is less than the carrying amount and therefore no impairment is recognized.

13. Deferred tax asset and deferred tax liability

13.1 Recognized deferred tax assets and liabilities

	The Group			
	2020		2019	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**152,748**	**38,187**	147,280	36,820
Fair value changes of derivative financial instruments	**2,496**	**624**	-	-
Fair value changes of trading assets	**6,020**	**1,505**	1,097	274
Fair value changes of trading liabilities	**-**	**-**	19	5
Changes in fair value in other debt investments	**7,148**	**1,787**	-	-
Changes in fair value in other equity investments	**284**	**71**	163	41
Accrued but not paid employee benefits	**15,548**	**3,887**	15,744	3,936
Others	**2,000**	**500**	2,112	528
Subtotal	**186,244**	**46,561**	166,415	41,604
Offset	**(4,192)**	**(1,048)**	(3,219)	(805)
Deferred tax liabilities after offset	**182,052**	**45,513**	163,196	40,799
Deferred tax liabilities				
Fair value changes of derivative financial instruments	**(32)**	**(8)**	(425)	(106)
Fair value changes of trading liabilities	**(228)**	**(57)**	-	-
Differences of fixed assets depreciation	**(2,520)**	**(630)**	(1,073)	(268)
Fair value changes of precious metals	**(136)**	**(34)**	(14)	(4)
Fair value changes of other debt investments	**-**	**-**	(509)	(127)
Others	**(1,572)**	**(393)**	(1,198)	(300)
Subtotal	**(4,488)**	**(1,122)**	(3,219)	(805)
Offse	**4,192**	**1,048**	3,219	805
Deferred tax liabilities after offset	**(296)**	**(74)**	-	-

	The Bank			
	2020		2019	
	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)	Deductible (taxable) temporary differences	Deferred tax assets (liabilities)
Deferred tax assets				
Impairment losses on assets	**143,628**	**35,907**	139,617	34,904
Fair value changes of derivative financial instruments	**2,496**	**624**	-	-
Fair value changes of trading assets	**5,884**	**1,471**	751	188
Fair value changes of trading liabilities	**-**	**-**	19	5
Fair value changes of other debt investments	**7,053**	**1,763**	-	-
Fair value changes of other equity investments	**285**	**71**	163	41
Accrued but not paid employee benefits	**13,688**	**3,422**	14,261	3,565
Others	**276**	**69**	351	88
Subtotal	**173,310**	**43,327**	155,162	38,791
Offset	**(3,916)**	**(979)**	(3,226)	(807)
Deferred tax liabilities after offset	**169,394**	**42,348**	151,936	37,984
Deferred tax liabilities				
Fair value changes of derivative financial instruments	**-**	**-**	(425)	(106)
Fair value changes of trading liabilities	**(24)**	**(6)**	-	-
Differences of fixed assets depreciation	**(2,520)**	**(630)**	(1,073)	(268)
Fair value changes of precious metals	**(136)**	**(34)**	(14)	(4)
Fair value changes of other debt investments	**-**	**-**	(516)	(129)
Others	**(1,236)**	**(309)**	(1,198)	(300)
Subtotal	**(3,916)**	**(979)**	(3,226)	(807)
Offset	**3,916**	**979**	3,226	807
Deferred tax liabilities after offset	**-**	**-**	-	-

The tax payment of domestic branches of the Bank can be aggregated in the way that the deferred tax assets and deferred tax liabilities are presented at the net amount after offset; overseas branches are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset. When there are net deferred tax assets/liabilities in overseas branches, they are not offset against those in domestic branches. The subsidiaries of the Bank are individual taxable entities, and the deferred tax assets and deferred tax liabilities of the same entity can be presented at the net amount after offset.

13.2 Movements in deferred income tax assets and liabilities

	The Group	The Bank
31 December 2019	40,799	37,984
- Deferred tax assets	41,604	38,791
- Deferred tax liabilities	(805)	(807)
Net changes of deferred tax recognized in income tax expenses	**2,696**	**2,442**
Net changes of deferred tax recognized in other comprehensive income	**1,944**	**1,922**
31 December 2020	**45,439**	**42,348**
- Deferred tax assets	**46,561**	**43,327**
- Deferred tax liabilities	**(1,122)**	**(979)**

14. Other assets

		The Group		The Bank	
	Note	2020	2019	2020	2019
Items in the process of clearance and settlement		**29,324**	9,129	**26,067**	7,292
Other receivables	(1)	**18,125**	14,213	**15,409**	11,728
Continuing involvement assets (Note XII.3.1)		**11,490**	13,400	**9,337**	10,472
Prepaid purchase cost of lease assets		**4,193**	1,174	**-**	-
Interest receivable	(2)	**1,909**	1,785	**1,788**	1,745
Net assets of defined benefit plan (Note VII.42.2)		**1,763**	1,409	**1,763**	1,409
Long-term deferred expenses	(3)	**1,357**	1,398	**1,290**	1,333
Foreclosed assets	(4)	**447**	539	**447**	539
Total		**68,608**	43,047	**56,101**	34,518

14.1 Other receivables

Listed by aging:

	The Group				The Bank			
Account age	2020	Proportion %	2019	Proportion %	2020	Proportion %	2019	Proportion %
Within 1 year	**18,116**	**84.86**	13,716	81.90	**15,576**	**84.01**	11,316	79.61
1-2 years	**520**	**2.44**	407	2.42	**439**	**2.37**	331	2.33
2-3 years	**209**	**0.98**	219	1.31	**149**	**0.80**	183	1.29
Over 3 years	**2,502**	**11.72**	2,406	14.37	**2,377**	**12.82**	2,384	16.77
Subtotal	**21,347**	**100.00**	16,748	100.00	**18,541**	**100.00**	14,214	100.00
Less: Allowance for impairment losses	**(3,222)**		(2,535)		**(3,132)**		(2,486)	
Net value	**18,125**		14,213		**15,409**		11,728	

14.2 Interest receivable

	The Group		The Bank	
	2020	2019	2020	2019
Loans and advances to customers	**1,141**	890	**1,117**	867
Bonds and other investments	**768**	875	**671**	875
Others	**-**	20	**-**	3
Total	**1,909**	1,785	**1,788**	1,745

14.3 Long-term deferred expenses

	The Group				
	1 January 2020	Changes	Transferred from construction in progress	Amortization	31 December 2020
Leasehold improvements	**1,289**	**59**	**452**	**(545)**	**1,255**
Others	**109**	**8**	**-**	**(15)**	**102**
Total	**1,398**	**67**	**452**	**(560)**	**1,357**

	The Bank				
	1 January 2020	Changes	Transferred from construction in progress	Amortization	31 December 2020
Leasehold improvements	**1,224**	**91**	**433**	**(525)**	**1,223**
Others	**109**	**(34)**	**-**	**(8)**	**67**
Total	**1,333**	**57**	**433**	**(533)**	**1,290**

14.4 Foreclosed assets

Analysed by category of the foreclosed assets:

	The Group and the Bank	
	2020	2019
Buildings and land use rights	**583**	591
Others	**1**	1
Subtotal	**584**	592
Less: Allowance for impairment losses	**(137)**	(53)
Net value	**447**	539

15. Deposits from banks and other financial institutions

	The Group		The Bank	
	2020	2019	2020	2019
Amount due to banks:				
Banks operating in Mainland China	**317,622**	237,939	**317,622**	237,938
Banks operating outside Mainland China	**78,231**	110,254	**78,231**	110,254
Deposits from other financial institutions:				
Other financial institutions operating in Mainland China	**1,086,659**	879,658	**1,095,126**	891,312
Other financial institutions operating outside Mainland China	**-**	13	**-**	13
Interest accrued	**4,567**	6,073	**4,608**	6,091
Total	**1,487,079**	1,233,937	**1,495,587**	1,245,608

16. Placements from banks and other financial institutions

	The Group		The Bank	
	2020	2019	2020	2019
Banks operating in Mainland China	**126,590**	107,437	**19,556**	13,960
Other financial institutions operating in Mainland China	**2,098**	3,458	**1,398**	3,393
Banks operating outside Mainland China	**50,473**	80,094	**50,268**	78,939
Interest accrued	**1,010**	1,321	**226**	902
Total	**180,171**	192,310	**71,448**	97,194

17. Trading liabilities

		The Group		The Bank	
	Note	2020	2019	2020	2019
Trading liabilities:					
Financial liabilities related to precious metals	(1)	**13,789**	3,654	**13,789**	3,654
Sold financing bonds		**679**	30	**679**	30
Others		**253**	261	**253**	261
Subtotal		**14,721**	3,945	**14,721**	3,945
Financial liabilities assigned as at fair value through profit or loss	(2)	**1,341**	269	**-**	161
Total		**16,062**	4,214	**14,721**	4,106

(1) The Group's financial liabilities related to the precious metals are matched with the precious metals or derivatives based on the risk management strategy and are included in the financial liabilities at fair value through profit or loss.

(2) The Group's other shareholder's equity and structured financial instruments that are included in the consolidated financial statements are designated as financial liabilities at fair value through profit or loss. No significant changes in fair value from changes in credit risk occurred on 31 December 2020 (31 December 2019: Nil).

18. Financial assets sold under repurchase agreements

	The Group		The Bank	
	2020	2019	2020	2019
Bonds	**82,358**	143,966	**70,423**	134,626
Bills	**41,035**	49,089	**41,035**	49,089
Interest accrued	**174**	357	**172**	357
Total	**123,567**	193,412	**111,630**	184,072

19. Deposits from customers

	The Group		The Bank	
	2020	2019	2020	2019
Demand deposits				
- Corporate	**1,290,261**	1,176,810	**1,291,198**	1,179,079
- Personal	**324,566**	287,098	**324,566**	287,098
Subtotal	**1,614,827**	1,463,908	**1,615,764**	1,466,177
Term deposits (including call deposits)				
- Corporate	**1,711,733**	1,628,915	**1,711,853**	1,629,315
- Personal	**401,882**	374,634	**401,882**	374,634
Subtotal	**2,113,615**	2,003,549	**2,113,735**	2,003,949
Guaranteed and margin deposits	**311,007**	289,707	**311,007**	289,707
Others	**3,445**	1,899	**3,445**	1,899
Interest accrued	**41,348**	35,769	**41,349**	35,769
Total	**4,084,242**	3,794,832	**4,085,300**	3,797,501

The pledged deposits included in deposits from customers are analysed as follows:

	The Group and The Bank	
	2020	2019
Bank acceptances	**197,853**	163,958
Letters of credit	**26,912**	31,936
Guarantee	**8,075**	9,156
Others	**78,167**	84,657
Total	**311,007**	289,707

20. Employee benefits payable

	The Group				The Bank			
	1 January 2020	Increase	Decrease	31 December 2020	1 January 2020	Increase	Decrease	31 December 2020
Salaries and bonus	**15,466**	**22,850**	**(20,722)**	**17,594**	**13,751**	**20,368**	**(18,809)**	**15,310**
Labor union expenditure and staff educational funds	**2,032**	**912**	**(496)**	**2,448**	**1,986**	**830**	**(450)**	**2,366**
Social insurance	**70**	**2,177**	**(2,214)**	**33**	**66**	**2,039**	**(2,076)**	**29**
Housing funds	**41**	**1,177**	**(1,173)**	**45**	**36**	**1,057**	**(1,055)**	**38**
Defined contribution plans	**129**	**1,955**	**(2,000)**	**84**	**70**	**1,800**	**(1,823)**	**47**
Total	**17,738**	**29,071**	**(26,605)**	**20,204**	**15,909**	**26,094**	**(24,213)**	**17,790**

The salaries, bonus, retirement benefits and other social insurance of employee benefits payable are granted or paid according to time limit set by relevant laws, regulations and the Group's policies. See defined contribution pension plans in Note VII. 42.1.

21. Tax payable

	The Group		The Bank	
	2020	2019	2020	2019
Corporate income tax	**7,984**	10,715	**7,156**	10,026
Value added tax	**3,566**	3,124	**3,187**	2,628
City maintenance and construction tax	**288**	221	**259**	212
Others	**466**	416	**416**	360
Total	**12,304**	14,476	**11,018**	13,226

22. Provisions

	The Group and the Bank	
	2020	2019
Credit loss of off-balance sheet assets	**5,397**	6,253

As at 31 December 2020, movements of credit loss on off-balance sheet assets are as follows:

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2020	**4,818**	**148**	**1,287**	**6,253**
Transfer:				
— to stage 1	**2**	**(2)**	**-**	**-**
— to stage 2	**(3)**	**3**	**-**	**-**
— to stage 3	**(5)**	**(1)**	**6**	**-**
(Charge) reversal	**(582)**	**466**	**(724)**	**(840)**
Exchange difference and other movements	**(16)**	**-**	**-**	**(16)**
31 December 2020	**4,214**	**614**	**569**	**5,397**

	The Group and the Bank			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	
1 January 2019	**4,371**	**320**	**281**	**4,972**
Transfer:				
— to stage 1	**86**	**(86)**	**-**	**-**
— to stage 2	**(3)**	**3**	**-**	**-**
— to stage 3	**(1)**	**-**	**1**	**-**
Reversal (charge)	**361**	**(89)**	**1,005**	**1,277**
Exchange difference and other movements	**4**	**-**	**-**	**4**
31 December 2019	**4,818**	**148**	**1,287**	**6,253**

23. Debt securities issued

	The Group		The Bank	
	2020	2019	2020	2019
Long-term subordinated bonds	**10,278**	13,381	**10,278**	13,381
Financial bonds	**224,170**	143,015	**206,436**	120,702
Tier 2 capital bonds	**83,442**	83,427	**81,411**	81,397
Interbank certificates of deposit	**612,210**	650,853	**612,210**	650,853
Certificates of deposit	**6,225**	4,773	**6,225**	4,773
Private placement note	**2,027**	1,400	**-**	-
Corporate bonds	**9,041**	2,267	**-**	-
Total	**947,393**	899,116	**916,560**	871,106

Note: Debt securities issued by the Group include long-term subordinated bonds, financial bonds, tier 2 capital bonds, interbank certificates of deposit, certificates of deposit and asset-backed securities. Tier 2 capital bonds are issued by commercial banks and their subsidiaries to supplement the secondary capital. Tier 2 capital bonds and the long-term subordinated bonds are in the same liquidation sequence.

Details of debt securities issued are as follows:

			The Group	The Bank
Category of bonds	Issuing date	Interest payment frequency	2020	2020
Long-term subordinate bonds				
11 CIB subordinated debt (1)	2011-06-28	Yearly	**10,000**	**10,000**
Interest accrued			**293**	**293**
Less: unamortised issuance cost			**(15)**	**(15)**
Subtotal			**10,278**	**10,278**
Financial bonds				
16 CIB green financial bond 03[2]	2016-11-15	Yearly	**20,000**	**20,000**
18 CIB green financial bond 01[3]	2018-11-01	Yearly	**30,000**	**30,000**
18 CIB green financial bond 02[3]	2018-11-22	Yearly	**30,000**	**30,000**
19 CIB green financial bond 01[4]	2019-07-16	Yearly	**20,000**	**20,000**
20 CIB small and micro enterprise bond 01[5]	2020-04-28	Yearly	**23,000**	**23,000**
20 CIB small and micro enterprise bond 02[5]	2020-04-28	Yearly	**7,000**	**7,000**
20 CIB small and micro enterprise bond 03[5]	2020-05-25	Yearly	**22,000**	**22,000**
20 CIB small and micro enterprise bond 04[5]	2020-05-25	Yearly	**5,000**	**5,000**
20 CIB small and micro enterprise bond 05[5]	2020-08-11	Yearly	**23,000**	**23,000**
USD medium-term notes [6]	2016-09-21	Semi-annually	**1,958**	**1,958**
USD medium-term notes [6]	2018-03-05	Semi-annually	**3,915**	**3,915**
USD medium-term notes [6]	2018-03-05	Semi-annually	**1,631**	**1,631**
USD medium-term notes [6]	2018-03-05	Quarterly	**3,262**	**3,262**
EUR medium-term notes [6]	2018-03-05	Quarterly	**2,007**	**2,007**
USD green financial bond[6]	2018-11-13	Quarterly	**3,915**	**3,915**
EUR green financial bond[6]	2018-11-13	Quarterly	**2,409**	**2,409**
HKD Interbank certificates of deposit [6]	2020-11-06	Semi-annually	**2,525**	**2,525**
USD Interbank certificates of deposit [6]	2020-11-06	Semi-annually	**2,936**	**2,936**
18 CIB leasing debt 01[7]	2018-06-05	Yearly	**3,490**	**-**
18 CIB leasing debt 02[7]	2018-11-21	Yearly	**3,500**	**-**
18 CIB leasing debt 03[7]	2018-11-30	Yearly	**3,000**	**-**
19 CIB leasing debt 01[7]	2019-03-04	Yearly	**2,500**	**-**
19 CIB consumer financial debt 01[8]	2019-08-15	Yearly	**2,000**	**-**
19 CIB consumer financial debt 02[8]	2019-11-20	Yearly	**1,000**	**-**
20 CIB consumer financial debt 01[8]	2020-08-18	Yearly	**2,000**	**-**
Interest accrued			**2,260**	**2,006**
Less: unamortised issuance cost			**(138)**	**(128)**
Subtotal			**224,170**	**206,436**

			The Group	The Bank
Category of bonds	Issuing date	Interest payment frequency	2020	2020
Tier 2 capital bonds				
16 CIB secondary[9]	2016-04-11	Yearly	**30,000**	**30,000**
19 CIB secondary 01[9]	2019-08-23	Yearly	**30,000**	**30,000**
19 CIB secondary 02[9]	2019-09-17	Yearly	**20,000**	**20,000**
17 CIB leasing secondary [10]	2017-09-15	Yearly	**2,000**	**-**
Interest accrued			**1,507**	**1,476**
Less: unamortised issuance cost			**(65)**	**(65)**
Subtotal			**83,442**	**81,411**
Interbank certificates of deposit				
Par value of certificates of deposit [11]			**618,299**	**618,299**
Interest accrued			**64**	**64**
Less: unamortised issuance cost			**(6,153)**	**(6,153)**
Subtotal			**612,210**	**612,210**
Certificates of deposit				
Par value of certificates of deposit [12]			**6,221**	**6,221**
Interest accrued			**12**	**12**
Less: unamortised issuance cost			**(8)**	**(8)**
Subtotal			**6,225**	**6,225**
Private placement note				
18 CIAMC PPN001[13]	2018-12-19	Yearly	**1,000**	**-**
20 CIAMC PPN001[13]	2020-03-09	Yearly	**500**	**-**
20 CIAMC PPN001[13]	2020-04-20	Yearly	**500**	**-**
Interest accrued			**27**	**-**
Subtotal			**2,027**	**-**
Corporate bonds				
19 CIAMC 01[14]	2019-11-18	Yearly	**500**	**-**
19 CIAMC 02[14]	2019-11-18	Yearly	**440**	**-**
20 CIAMC 01[15]	2020-03-18	Yearly	**321**	**-**
20 CIAMC 02[15]	2020-03-18	Yearly	**366**	**-**
20 CIAMC 03[15]	2020-08-19	Yearly	**480**	**-**
20 CIAMC 04[15]	2020-08-19	Yearly	**570**	**-**
19 CIIT 01[16]	2019-12-26	Yearly	**1,632**	**-**
20 CIIT 01[16]	2020-03-13	Yearly	**1,500**	**-**
20 CIIT 02[16]	2020-07-27	Yearly	**3,100**	**-**
Interest accrued			**141**	**-**
Less: unamortised issuance cost			**(9)**	**-**
Subtotal			**9,041**	**-**
Total			**947,393**	**916,560**

(1) In June 2011, the Group issued RMB 10 billion subordinated bond with a 15-year maturity, a fixed interest rate and a redemption right in the end of the tenth year. The annual coupon rate is 5.75% consistently.

(2) In November 2016, the Group issued a green financial bond of 5-year maturity RMB 20 billion with fixed rate of 3.40%.

(3) In November 2018, the Group issued two batche of green financial bonds with 3-year maturity RMB 30 billion per batches with fixed rates of 3.99% and 3.89%.

(4) In July 2019, the Group issued a green financial bond of 3-year maturity RMB 20 billion with fixed rates of 3.55%.

(5) In April 2020, the Group issued RMB 23 billion 3-year fixed-rate and RMB 7 billion 5-year fixed-rate small and micro enterprise bonds, with annual interest rates of 2.17% and 2.67%, respectively. In May 2020, the Group issued RMB 22 billion 3-year fixed-rate and RMB 5 billion 5-year fixed-rate small and micro enterprise bonds, with annual interest rates of 2.58% and 2.95%, respectively. In August 2020, the Group issued RMB 23 billion 3-year fixed-rate small and micro enterprise bond, with annual interest rates of 3.45%.

(6) In September 2016, the Group set the medium-term notes issuing plan with limit of USD 5 billion at The Stock Exchange of Hong Kong Ltd. (the "SEHK"). According to the plan, the Hong Kong branch of the Bank initially issued 5-year medium-term notes amounting USD 300 million with fixed rates of 2.375%. The annual rate kept constant during the existence of bonds; in March 2018, the Hong Kong branch of the Bank issued 3-year medium-term notes amounting USD 600 million, 5-year medium-term notes amounting USD 250 million, 5-year medium-term notes amounting USD 500 million and 3-year medium-term notes amounting EUR 250 million with fixed rates of 3.50%, 3.750%, 105 basis points over the 3-month London rate for interbank lending, and 75 basis points over the 3-month Europe rate for interbank lending; in November 2018, the Hong Kong branch of the Bank issued 3-year overseas green financial bonds amounting USD 600 million and 3-year overseas green financial bonds amounting EUR 300 million with fixed rates of 85 basis points over the 3-month London rate for interbank lending and 85 basis points over the 3-month Europe rate for interbank lending; in November 2020, the Hong Kong branch of the Bank issued HKD 3 billion and USD 450 million interbank certificates of deposit due within 1 year, with fixed rates of 1.10% and 1.125%.

(7) In June 2018, November 2018, November 2018 and March 2019, the Group's subsidiary Industrial Bank Financial Leasing Co., Ltd. respectively issued RMB financial bonds of 3-year maturity RMB 3,500 million, RMB 3,500 million, RMB 3 billion and RMB 2,500 million with fixed rates of 4.88%, 3.98%, 3.95% and 3.52%. As of 31 December 2020, the "18 CIB leasing debt 01" of RMB 10 million issued by Industrial Bank Financial Leasing Co., Ltd. in June 2018 was held by the Bank.

(8) In August 2019, November 2019 and August 2020, the Group's subsidiary Industrial Consumer Finance Co., Ltd. respectively issued RMB financial bonds of 3-year maturity RMB 2 billion, RMB 1 billion and RMB 2 billion with fixed rates of 3.77%, 3.79% and 3.70% respectively.

(9) In April 2016, August 2019 and November 2019, the Group issued RMB 30 billion, RMB 30 billion, RMB 20 billion subordinated bond with a 10-year maturity, a fixed rate and a redemption right at the end of the fifth year. The annual coupon rate is 3.74%, 4.15% and 4.12% consistently.

(10) In September 2017, the Group's subsidiary Industrial Bank Financial Leasing Co., Ltd. issued RMB 2 billion 10-year tier 2 capital bonds with fixed rate and issuer's redemption right at the end of the 5th year. During the tenure of the bonds, the annual interest rate remains at 5.15%.

(11) As at 31 December 2020, the Group had 426 unpaid interbank certificates of deposit with total amount of RMB 618,299 million, including 7 USD non-negotiable certificates deposit, of which the issued par value was USD 700 million (RMB 4,567 million) and the terms are within 1 year; 2 HKD interbank certificates of deposit, of which the issued par value is HKD 1 billion (RMB 842 million) and the terms are within 1 year; and 417 RMB interbank certificates of deposit, of which the issued par value is RMB 612,890 million and the terms are within 1 year. The annual rate is

1.60% to 3.35%. Except for interest of 8 interest-bearing debts being paid quarterly, the interest of rest is paid upon maturity.

(12) As at 31 December 2020, Hong Kong branch had 11 unpaid interbank certificates of deposit, of with a total the amount was RMB 6,221 million and the terms are within 1 year. The amount of 4 HKD certificates was HKD 3,050 million (RMB 2,567 million); the amount of 7 USD certificates was USD 560 million (RMB 3,654 million). The annual interest rate was between 0.67% to 1.40%. The interest of all certificates is paid upon maturity.

(13) In December 2018, March 2020 and April 2020, CIIT Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB 1 billion three-year fixed interest rate placement note with the annual rate of 4.85%, RMB 500 million three-year fixed interest rate placement note with the annual rate of 3.59% and RMB 500 million three-year fixed interest rate placement note with the annual rate of 4.85%, 3.59% and 3.19% respectively.

(14) In November 2019, CIIT Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB 500 milion 2+1 year fixed interest rate financial bond with the annual rate of 4.10% and RMB 500 million 3+2 year fixed interest rate Corporate bond with the annual rate of 4.25% respectively. As at 31 December 2020, the Bank holds “19 CIAMC 02” of RMB 60 million issued by CIIT Asset Management Co., Ltd. in November 2019.

(15) In March 2020, CIIT Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB 400 million 2-year fixed interest rate Corporate bond with the annual rate of 3.4% and RMB 450 million 3-year fixed interest rate Corporate bond with the annual rate of 3.65% respectively. In August 2020, CIIT Asset Management Co., Ltd., issued RMB 550 million “1+1 year fixed interest rate” Corporate bond with the annual rate of 3.65% and RMB 600 million 3-year fixed interest rate Corporate bond with the annual rate of 4% respectively. As at 31 December 2020, the Bank holds “20 CIAMC 01” and “20 CIAMC 02” of RMB 163 million respectively issued by CIIT Asset Management Co., Ltd., and holds “20 CIAMC 03” and “20 CIAMC 04” of RMB 100 million respectively issued by CIIT Asset Management Co., Ltd. in August 2020.

(16) In December 2019, March 2020 and July 2020, CIIT Asset Management Co., Ltd., a subsidiary of China Industrial International Trust Limited, the Group's subsidiary, issued RMB 1,900 milion 3+2 year fixed interest rate Corporate bond, RMB 1,500 milion 3+2 year fixed interest rate Corporate bond and RMB 3,100 milion 3+2 year fixed interest rate Corporate bond, with the annual rate of 4.4%, 3.5% and 4.38%. As at 31 December 2020, the Bank holds “19 CIIT 01” of RMB 268 million issued by CIIT Asset Management Co., Ltd. in December 2019.

24. Other liabilites

	The Group		The Bank	
	2020	2019	2020	2019
Continuing involvement liabilities (Note XII. 3.1)	**11,490**	13,400	**9,337**	10,472
Items in the process of clearance and settlement	**11,457**	6,979	**1,703**	1,650
Other accounts payable	**8,894**	7,201	**6,286**	6,628
Advance collection of financial leasing funds	**2,860**	4,536	**-**	-
Notes payable	**2,844**	1,963	**-**	-
Deferred income	**2,455**	2,667	**1,283**	1,076
Others	**793**	3,292	**347**	1,298
Total	**40,793**	40,038	**18,956**	21,124

25. Share capital

	The Group and the Bank		
	1 January 2020	Change for the period	31 December 2020
Shares without limited sales restrictions RMB ordinary shares (A shares)	**19,052**	**563**	**19,615**
Shares with limited sales restrictions RMB ordinary shares (A shares)	**1,722**	**(563)**	**1,159**
Total shares	**20,774**	**-**	**20,774**

As at 31 December 2020, the share capital of the Bank is RMB20,774 million (31 December 2019: RMB20,774 million) with par value of RMB 1 per share.

26. Other equity instruments

26.1 Outstanding preference shares and perpetual bonds in the end of the period are as follows:

				The Group and the Bank					
Outstanding financial instrument	Issue Date	Classification	Rate	Price RMB/ share	Quantity million share	Amount RMB million	Maturity date	Conversion condition	Conversion
Outstanding preference shares									
Preference shares	2014.12	Equity instrument	Note 1	100	130	13,000	N/A	Note 4	N/A
Preference shares	2015.6	Equity instrument	Note 2	100	130	13,000	N/A	Note 4	N/A
Preference shares	2019.4	Equity instrument	Note 3	100	300	30,000	N/A	Note 4	N/A
Perpetual bonds									
Perpetual bonds	2020.10	Equity instrument	Note 5	100	300	30,000	N/A	N/A	N/A

Note 1: For the initial issuance of the preference shares ("Xing Ye You 1"), every five year was an interest-bearing cycle starting from the payment deadline (i.e. 8 December 2014). The dividend rate was the same in every interest-bearing cycle. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.55%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread. the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM's arithmetic mean (rounded to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date which's the date of each 5 years of the deadline for payment of preference shares issued (which is 8 December). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank and investors will negotiate with the investor to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In December 2019, the dividend yield ratio of the "Xing Ye You 1" preferred stock for the second dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 3.00% rounded to 0.01%) of the yield to maturity of the 5-year treasury bond within the ChinaBond treasury bond yield curve (previously known as the ChinaBond interbank fixed interest rate treasury bond yield curve) in the 20 trading days (excluding the benchmark interest rate adjustment date) prior to the current benchmark interest rate adjustment date (8 December 2019) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.55%. Therefore, the dividend yield ratio of "Xing Ye You 1" for the second dividend period was changed to 5.55% from 8 December 2019.

Note 2: For the second issuance of the preference shares ("Xing Ye You 2"), every five year was an interest-bearing cycle starting from the payment deadline (i.e. 24 June 2015). The dividend rate was the same in every interest-bearing cycle. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 2.15%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread, the benchmark interest rate of current interest-bearing cycle is national debt (which period before payment is for 5 years) YTM's arithmetic mean (rounded to 0.01%), from the fixed-rate national debt yield curve in Bank Debt published on www.chinabond.com.cn (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited), 20 days before benchmark interest rate adjustment date which's the date of each 5 years of the deadline for payment of preference shares issued (which is 24 June). If the YTM regarding treasury bonds, with 5-year remaining terms is not available on the benchmark interest adjustment date, the Bank and investors will negotiate with the investor to determine the subsequent benchmark interest rate or its determining principles at the request of the regulatory authorities.

In June 2020, the dividend yield ratio of the “Xing Ye You 2” preferred stock for the second dividend period was adjusted in accordance with relevant provisions in the Prospectus. The current benchmark interest rate was the arithmetic mean (i.e. 2.48% rounded to 0.01%) of the yield to maturity of the 5-year treasury bond within the ChinaBond treasury bond yield curve (previously known as the ChinaBond interbank fixed interest rate treasury bond yield curve) in the 20 trading days (excluding the benchmark interest rate adjustment date) prior to the current benchmark interest rate adjustment date (24 June 2020) published on www.chinabond.com.cn or other websites recognised by China Central Depository & Clearing Co., Ltd., and the basic spread was 2.15%. Therefore, the dividend yield ratio of “Xing Ye You 2” for the second dividend period was changed to 4.63% from 24 June 2020.

Note 3: For the the preference shares (“Xing Ye You 3”) issued in 2019, every five year was an interest-bearing cycle starting from the payment deadline (i.e. 10 April 2019). The dividend rate was the same in every interest-bearing cycle. The dividend rate of first cycle was determined as 4.90% through inquiry by the Board of Directors authorized by shareholders’ meeting and was in accordance with factors such as national policy, market conditions, specific circumstances of the Bank and requirements from investors at that time. The dividend rate of preference shares of this issuance was not higher than the annual weighted average ROE of ordinary shareholders over the last two fiscal years. The dividend rate of preference shares of this issuance was the sum of benchmark interest rate and basic interest rate. The benchmark interest rate of the first interest-bearing cycle (i.e. 3.06%, rounded to 0.01%) was determined by calculating the arithmetic mean of 20 trading days (before 10 April 2019) of the YTM regarding treasury bonds, with 5-year remaining terms. The data was obtained from the interbank fixed-rate treasury bond yield curve published by ChinaBond Information Website (or any other websites approved by Central Securities Depository Trust and Clearing Corporation Limited). The benchmark interest rate was adjusted every 5 years from the deadline for payment of preference shares issued. The basic spread was the dividend rate of first cycle deducting the benchmark interest rate, i.e. 1.84%. The basic spread would no longer be adjusted after the issuance. The subsequent coupon interest rate was determined by the current benchmark interest rate plus the basis spread. The benchmark interest rate of current interest-bearing cycle was determined by calculating the arithmetic mean of 20 trading days (before the benchmark interest adjustment date) of the YTM regarding treasury bonds, with 5-year remaining terms (rounded to 0.01%). If the YTM of 5-year treasury bonds is not available on the benchmark interest adjustment day, the benchmark interest rate or its principle will be determined under negotiations between the Bank and investors required by the regulator.

Note 4: When the Bank's core tier 1 capital adequacy ratio falls to 5.125%, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by CBIRC in accordance with the relevant requirements of CBIRC. The conversion is irrevocable.

When triggered events of the secondary capital instruments issued by the Bank occur, the preference shares issued this time will be completely converted to A shares of ordinary shares with the mandatory price after the examination and determination made by CBIRC in accordance with the relevant requirements of CBIRC. The conversion is irrevocable. The secondary capital instruments triggering event is the earlier of the following two situations: 1) CBIRC considers the Bank unable to survive without conversion or written off; 2) Relevant departments considers the Bank unable to survive without the contribution from public departments or the same effect of support provided.

Note 5: Approved by the relevant regulators, the Bank issued the Non-fixed-term Capital Bonds of Industrial Bank Co., Ltd. (Perpetual Bonds or “the Bonds”) in the national inter-bank bond market on 13 October 2020. The Bank completed book building and the issuance of the Bonds on 13 October 2020 and 15 October 2020, respectively. The Bonds have a par value of RMB 100 per unit and a coupon rate of 4.73% for the first five years. The coupon rate will be adjusted every five years, and the issuer shall have a conditional redemption right on every dividend payment date from the fifth year onwards. Proceeds from the issuance of the Bonds will be used to replenish Additional tier 1 capital of the Bank in accordance with the applicable laws and the approval of the competent authorities.

26.2 The principal terms of disclosure

(i) Preference shares

The Bank will pay preference shares dividends in cash. The preference shares of this issuance uses a non-cumulative dividend payment, which means dividend that is not paid in full to preference shareholders will not accumulate to the next interest-bearing year. After the preference shareholders obtain distribution in accordance with the agreed dividend rate, they can no longer participate in the distribution of remaining profits with ordinary shareholders.

Under the premise of ensuring the capital adequacy ratio to satisfy the regulatory requirements, if there still is retained earnings in the Bank's financial statements caliber after covering losses, extracting statutory reserve and general reserve, the Bank could allocate dividends to preference shareholders. The priority of preference shareholders is higher than ordinary shareholders in dividend distribution. Payment of preference shares dividends is neither linked to ratings of the Bank, nor adjusted with the rating changes. The Bank can cancel payment of preference shares dividends in any case, which does not constitute an event of default. The Bank is entitled to arrange cancelled payment of preference shares dividends as repayment of other matured debts. Cancelling payment of dividends shall not constitute any further restrictions on the Bank except restrictions on profit distribution of ordinary shares. When the Bank exercises the aforesaid rights, it will take full account of the interests of preference shareholders. If payment of preference shares dividend is wholly or partly cancelled, the Bank shall not pay ordinary share dividend for the fiscal year.

The right of redemption for preference shares of this issuance belongs to the Bank. The Bank may exercise the right of redemption under the premise of obtaining CBIRC's approval. The Bank's preference shareholders do not have the right to request redemption of preference shares and should not expect that the preference shares will be redeemed.

The initial mandatory conversion price of the preference shares of this issuance is the arithmetic mean of 20 trading days of the Bank's A shares of ordinary shares before issuance of Board resolution which passed the issuance of the preference shares. Since the issuance plan of the preference shares is passed by the Bank's Board of Directors, when the Bank's shares change with the delivery of stock dividend, transferring of reserve to share capital, issuance of new shares (not including any share capital from conversion of financing instruments with terms that they could be converted to ordinary shares) or the allotment of shares, the mandatory conversion price of the preference shares will be accumulatively adjusted in turn in accordance with the established formula, and disclose relevant information in accordance with the provisions.

The Bank's preference shareholders are entitled with priority over ordinary shareholders of the remaining property distribution. The amount paid off is the sum of the neither cancelled nor paid dividends and the nominal amount of the preference shares; if it can not be paid in full, the remaining property will be distributed in proportion to preference shares.

(ii) Perpetual Bonds

The Bonds will keep continuing so long as the Bank's business continues operating. The Bonds sets conditional redemption rights for the issuer. Specifically, from the fifth anniversary since the issuance, the Bank can redeem the Bonds, in whole or in part, on each dividend payment date (including the fifth dividend payment date since the issuance).

The coupon rate of the Bonds will be adjusted at defined intervals, with an adjustment period every five years from the payment due date. The dividend shall be paid at the same agreed rate in each adjustment period of coupon rate. The coupon rate at the time of issuance is determined by book building and centralized allotment.

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the Bonds; and 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 additional tier 1 capital instruments of the Bank that rank pari passu with the Bonds.

If a Non-Viability Trigger Event occurs, the Bank has the right to write off, in whole or in part, the principal amount of the Bonds without the need for the consent of the Bondholders. The amount of the write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate outstanding principal amount of all additional tier 1 capital instruments under the identical trigger event.

The dividends on the Bonds are non-cumulative, any dividends unpaid to the Bondholders in full by the Bank will not accumulate or compound to the subsequent distribution period. The Bank have the right to cancel, in whole or in part, dividends on the Bonds and any such cancellation shall not constitute an event of default.

According to the applicable laws and approval of the competent authorities, the net proceeds from the issuance of the Bonds after deducting issuance costs will to be used to replenish the additional tier 1 capital of the Bank

26.3 Changes of outstanding preference shares and perpetual bonds are as follows:

The preferred shares issued by the Group and the Bank remained unchanged during the period.

	The Group and the Bank					
	1 January 2020		Additional / Less		31 December 2020	
	Quantity Million	Book value RMB million	Quantity Million	Book value RMB million	Quantity Million	Book value RMB million
Preference shares						
Preference shares	**560**	**56,000**	-	**-**	**560**	**56,000**
Fees	**-**	**(158)**	-	**-**	**-**	**(158)**
Subtotal	**560**	**55,842**	-	**-**	**560**	**55,842**
Perpetual Bonds						
Perpetual Bonds	**-**	**-**	300	**30,000**	**300**	**30,000**
Fees	**-**	**-**	-	**(40)**	**-**	**(40)**
Subtotal	**-**	**-**	300	**29,960**	**300**	**29,960**
Total	**560**	**55,842**	**300**	**29,960**	**860**	**85,802**

As at 31 December 2020, the Bank issued the above-mentioned other equity instruments to supplement tier 1 capital of RMB 85,802 million.

26.4 Attribution to holders of equity instrument:

	The Group	
	2020	2019
Equities attributable to shareholders of the Bank	**615,586**	541,360
Equities attributable to ordinary shareholders of the Bank	**529,784**	485,518
Equities attributable to preference shareholders of the Bank	**85,802**	55,842
Equity attributable to non-controlling shareholders	**9,217**	8,292
Equity attributable to non-controlling ordinary shareholders	**7,223**	6,298
Equity attributable to non-controlling shareholders of other equity instruments	**1,994**	1,994

27. Capital reserve

	The Group				The Bank			
	1 January 2020	Increase	Decrease	31 December 2020	1 January 2020	Increase	Decrease	31 December 2020
Share premium	**74,881**	-	-	**74,881**	**75,227**	-	-	**75,227**
Others	**33**	-	-	**33**	**33**	-	-	**33**
Total	**74,914**	-	-	**74,914**	**75,260**	-	-	**75,260**

28. Surplus reserve

	The Group and the Bank	
	2020	2019
Statutory surplus reserve	**10,387**	10,387
Discretionary surplus reserve	**297**	297
Total	**10,684**	10,684

Under relevant PRC law, the Bank is required to transfer 10% of its net profit to a nondistributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. As of 31 December 2020, the Bank ceased to make appropriations to the statutory surplus reserves since the balance of them have reached 50% of the share capital of the Bank.

29. General reserve

	The Group		The Bank	
	2020	2019	2020	2019
General reserve	**87,535**	78,525	**83,382**	74,829

Pursuant to (CJ[2012] No. 20) Measures on General Provision for Bad and Doubtful Debts for Financial Institutions promulgated by the MOF, the Bank is required to transfer certain percentage of its net profit to establish and maintain a general reserve within shareholders' equity, through the appropriation of profit to address unidentified potential impairment losses. In principle, the general reserve, accounted as profit distribution, should not be lower than 1.5% of the closing balance of gross risk-bearing assets since it is a part of shareholders' equity. Gross risk-bearing assets include Loans and advances to customers, Debt investments, Other debt investments, Other equity investments, Long-term equity investments, Deposits with banks and other financial institutions, Placements with banks and other financial institutions, Foreclosed assets and Other receivables and so forth. The subsidiaries of the Bank determine the general reserve according to the regulation.

30. Retained earnings

	The Group		The Bank	
	2020	2019	2020	2019
Opening balance	**297,389**	252,440	**281,875**	240,225
Net profit	**66,626**	65,868	**60,856**	62,299
Appropriations to general reserve	**(9,010)**	(5,103)	**(8,553)**	(4,833)
Dividends distribution of ordinary shares	**(15,830)**	(14,334)	**(15,830)**	(14,334)
Dividends distribution of preference shares	**(2,549)**	(1,482)	**(2,549)**	(1,482)
Closing balance	**336,626**	297,389	**315,799**	281,875

30.1 "2020 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 30 March 2021 and will be submitted for approval by the annual general meeting is as follows :

(i) Appropriation of RMB 8,553 million to general reserve. As at 31 December 2020, the proposed appropriation of general reserve has been included in the general reserve.

(ii) Distribute cash dividends of RMB 8.02 per 10 shares (tax inclusive) on the basis of 20,774,190,751 ordinary shares of the Bank at the issuance date of the financial statements.

(iii) The divided period of preference shares issued in 2014 is from 1 January 2020 to 31 December 2020 (the annual dividend rate is 5.55%), the divided period of preference shares issued in 2015 is from 1 January 2020 to 31 December 2020 (the nominal dividend yield of the first dividend period was 5.4%, and was adjusted to 4.63% for the second dividend period since 24 June 2020), the divided period of preference shares issued in 2019 is from 1 January 2020 to 31 December 2020 (the annual dividend rate is 4.9%), the dividends payable of preference shares are RMB 2,841 million in total.

The above profit distribution plan has not been approved by the Annual General Meeting of the Bank. The accounting treatment of dividend distribution scheme before the approval is not carried out.

30.2 "2019 Profit Distribution Proposal of the Bank" approved by the Board of Directors on 28 April 2020 and approved by the Annual General Meeting on 29 June 2020 is as follows :

(i) Appropriation of RMB 4,833 million to general reserve. As at 31 December 2019, the proposed appropriation of general reserve has been included in the general reserve.

(ii) Distribute cash dividends of RMB 7.62 per 10 shares (tax inclusive) on the basis of 20,774,190,751 ordinary shares of the Bank at the issuance date of the financial statements.

(iii) The divided period of preference shares issued in 2014 is from 1 January 2019 to 31 December 2019 (the nominal dividend yield of the first dividend period was 6%, and was adjusted to 5.55% for the second dividend period since 8 December 2019), the divided period of preference shares issued in 2015 is from 1 January 2019 to 31 December 2019 (the annual dividend rate is 5.4%), the divided period of preference shares issued in 2019 is from 10 April 2019 to 31 December 2019 (the annual dividend rate is 4.9%), the dividends payable of preference shares are RMB 2,549 million in total.

As at 31 December 2020, the above-mentioned dividend distribution has been completed.

30.3 Surplus reserve appropriated by subsidiaries

As at 31 December 2020, the balance of the Group's retained earnings include surplus reserve appropriated by subsidiaries amounting to RMB 2,487 million (31 December 2019: RMB 1,917 million).

31. Net interest income

	The Group		The Bank	
	2020	2019	2020	2019
Interest income				
Balances with Central Bank	**5,731**	6,209	**5,731**	6,209
Deposits with banks and other financial institutions	**1,659**	2,209	**1,568**	2,060
Placements with banks and other financial institutions	**6,849**	4,792	**7,073**	5,145
Financial assets purchased under resale agreements	**2,712**	2,676	**2,642**	2,651
Loans and advances to customers	**198,197**	172,454	**191,119**	166,758
Including: Corporate	**90,510**	83,952	**90,664**	84,114
Personal	**101,714**	81,831	**94,482**	75,973
Discounted bills	**5,973**	6,671	**5,973**	6,671
Bonds and other investment	**82,999**	94,976	**80,299**	92,314
Finance lease receivables	**5,159**	5,291	**-**	-
Others	**172**	371	**15**	115
Subtotal	**303,478**	288,978	**288,447**	275,252
Interest expense				
Borrowing from Central Bank	**(5,485)**	(7,215)	**(5,485)**	(7,215)
Deposits from banks and other financial institutions	**(30,631)**	(34,548)	**(30,831)**	(34,662)
Placements from banks and other financial institutions	**(4,463)**	(6,289)	**(1,357)**	(2,630)
Financial assets sold under repurchase agreements	**(2,843)**	(3,888)	**(2,528)**	(3,615)
Deposits from customers	**(88,617)**	(86,691)	**(88,645)**	(86,710)
Debt securities issued	**(27,757)**	(27,812)	**(26,494)**	(26,792)
Others	**(167)**	(246)	**(50)**	(83)
Subtotal	**(159,963)**	(166,689)	**(155,390)**	(161,707)
Net interest income	**143,515**	122,289	**133,057**	113,545

32. Net fee and commission income

	The Group		The Bank	
	2020	2019	2020	2019
Fee and commission income				
Bank card fee	**11,678**	10,873	**11,678**	10,872
Consultancy and advisory fee	**13,369**	9,104	**12,049**	8,133
Agency fee	**4,948**	3,269	**4,897**	3,074
Custodian fee	**2,969**	2,875	**2,969**	2,875
Settlement and clearing fee	**1,730**	1,395	**1,730**	1,396
Credit commitment fee	**1,612**	1,591	**1,612**	1,591
Transactional service fee	**1,326**	1,005	**1,326**	1,005
Trust service fee	**1,914**	2,469	**-**	-
Lease service fee	**701**	841	**-**	-
Others	**2,230**	911	**1,696**	881
Subtotal	**42,477**	34,333	**37,957**	29,827
Fee and commission expense	**(4,767)**	(3,955)	**(5,642)**	(3,767)
Net fee and commission income	**37,710**	30,378	**32,315**	26,060

33.Investment income

	The Group		The Bank	
	2020	2019	2020	2019
Trading assets	**20,254**	19,920	**20,049**	21,103
Other debt investments	**4,440**	4,554	**4,440**	4,553
Trading liabilities	**1,174**	(571)	**1,174**	(571)
Debt investments	**716**	393	**688**	250
Gains from long-term equity investments under the equity method	**154**	205	**210**	184
Other equity investments	**12**	9	**12**	9
Dividends declared by subsidiaries	**-**	-	**90**	267
Precious metal	**(832)**	430	**(832)**	430
Derivative financial instruments	**(871)**	(529)	**(821)**	(538)
Others	**1,107**	581	**1,070**	579
Total	**26,154**	24,992	**26,080**	26,266

34. Losses(gains) from changes in fair values

	The Group		The Bank	
	2020	2019	2020	2019
Precious metals	**118**	(84)	**119**	(84)
Trading liabilities	**(7)**	(16)	**42**	(16)
Derivative financial instruments and others	**(1,449)**	377	**(1,476)**	377
Trading assets	**(4,929)**	1,345	**(5,098)**	1,157
Total	**(6,267)**	1,622	**(6,413)**	1,434

35. Taxes and surcharges

	The Group		The Bank	
	2020	2019	2020	2019
City maintenance and construction tax	**1,008**	845	**931**	790
Education surcharge	**693**	568	**640**	529
Others	**385**	343	**345**	316
Total	**2,086**	1,756	**1,916**	1,635

36. General and administrative expenses

	The Group		The Bank	
	2020	2019	2020	2019
Employee benefits	**29,071**	28,008	**26,094**	25,844
Lease expenses	**3,134**	3,107	**2,972**	2,932
Depreciation and amortization	**2,433**	2,199	**2,330**	2,110
Others	**13,624**	13,243	**12,960**	12,116
Total	**48,262**	46,557	**44,356**	43,002

37. Credit impairment losses

	The Group		The Bank	
	2020	2019	2020	2019
Loans and advances to customers	**49,220**	46,692	**46,838**	44,949
Debt investments	**19,886**	4,633	**19,094**	3,980
Other debt investments	**2,483**	817	**2,418**	783
Finance lease receivables	**56**	626	**-**	-
Credit loss of off-balance sheet assets	**(840)**	1,277	**(840)**	1,277
Others	**4,496**	4,043	**4,377**	4,003
Total	**75,301**	58,088	**71,887**	54,992

38. Income tax expenses

	The Group		The Bank	
	2020	2019	2020	2019
Current income tax	**15,036**	14,115	**12,506**	12,369
Deferred income tax	**(6,064)**	(6,325)	**(5,799)**	(6,109)
Adjustment for prior years	**(16)**	11	**(12)**	5
Total	**8,956**	7,801	**6,695**	6,265

The tax charges can be reconciled to the profit as follows:

	The Group		The Bank	
	2020	2019	2020	2019
Accounting profit	**76,637**	74,503	**67,551**	68,564
Tax calculated at applicable statutory tax rate of 25%	**19,159**	18,626	**16,888**	17,141
Adjustments on income tax:				
Income not taxable for tax purpose	**(12,661)**	(12,324)	**(12,561)**	(12,286)
Expenses not deductible for tax purpose	**2,474**	1,488	**2,380**	1,405
Adjustment for prior years	**(16)**	11	**(12)**	5
Total	**8,956**	7,801	**6,695**	6,265

39. Other comprehensive income

	The Group						
		Year ended 31 December 2020					
	31 December 2019	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	Attributable to shareholders of the Bank after tax	Non-controlling interests after tax	31 December 2020
Other comprehensive income that will not be subsequently classified to profit and loss							
Including: Actuarial profits/ losses on defined benefit plans	997	**391**	-	-	**391**	-	**1,388**
Fair value changes of other equity investments	(122)	**(122)**	-	**30**	**(92)**	-	**(214)**
Subtotal	875	**269**	-	**30**	**299**	-	**1,174**
Other comprehensive income that may be subsequently classified to profit and loss							
Including: Fair value changes of other debt investments (Note 1)	301	**(6,092)**	**(1,563)**	**1,913**	**(5,722)**	**(20)**	**(5,421)**
Credit losses on other debt investments (Note 2)	2,025	**2,955**	**(985)**	**(492)**	**1,464**	**14**	**3,489**
Translation differences of financial statements denominated in foreign currencies	31	**(22)**	-	-	**(22)**	-	**9**
Subtotal	2,357	**(3,159)**	**(2,548)**	**1,421**	**(4,280)**	**(6)**	**(1,923)**
Total	3,232	**(2,890)**	**(2,548)**	**1,451**	**(3,981)**	**(6)**	**(749)**

	The Bank				
		Year ended 31 December 2020			
	31 December 2019	Amount incurred before income tax	Other comprehensive income transferred to profit and loss	Income tax expense	31 December 2020
Other comprehensive income that will not be subsequently classified to profit and loss					
Including: Actuarial profits/losses on defined benefit plans	997	**391**	**-**	**-**	**1,388**
Fair value changes of other equity investments	(122)	**(122)**	**-**	**30**	**(214)**
Subtotal	875	**269**	**-**	**30**	**1,174**
Other comprehensive income that may be subsequently classified to profit and loss					
Including: Fair value changes of other debt investments (Note 1)	378	**(5,993)**	**(1,565)**	**1,890**	**(5,290)**
Credit losses on other debt investments (Note 2)	1,939	**2,861**	**(960)**	**(475)**	**3,365**
Subtotal	2,317	**(3,132)**	**(2,525)**	**1,415**	**(1,925)**
Total	3,192	**(2,863)**	**(2,525)**	**1,445**	**(751)**

Note 1: Fair value changes of other debt investments include changes in fair value of issued loans and advances measured at fair value through other comprehensive income.

Note 2: Provision for credit impairments of other debt investments include provision for impairments of issued loans and advances measured at fair value through other comprehensive income.

40. Earnings per share

	The Group	
	2020	2019
Current net profit attributable to ordinary shareholders of the Bank (RMB million)	**64,077**	64,386
Weighted average ordinary shares issued by the Bank (shares in million)	**20,774**	20,774
Basic and diluted earnings per share (RMB)	**3.08**	3.10

When calculating the earnings per share, the current net profit attributed to ordinary shareholders did not include preference shares dividends announced of insurance during the year ended 31 December 2020 and 31 December 2019. The conversion characteristic of preference shares enables the existence or ownership of ordinary shares to be issued. As at 31 December 2020 and 31 December 2019, there was no trigger event for the conversion of shares, and the conversion characteristics of preference shares had no impact on the calculation of the basic and diluted earnings per share for the above period.

41. Supplementary information to the cash flow statement

41.1 Reconciliation of net profit to cash flows from operating activities

	The Group		The Bank	
	2020	2019	2020	2019
1.Reconciliation of net profit to cash flows from operating activities				
Net profit	**67,681**	66,702	**60,856**	62,299
Add: Allowance for impairment losses on assets	**75,426**	58,096	**71,981**	55,000
Depreciation of fixed assets	**1,967**	1,710	**1,666**	1,407
Amortization of intangible assets	**148**	124	**131**	112
Amortization of long-term deferred expenses	**560**	620	**533**	591
Gains from disposal of fixed assets, intangible assets and other long-term assets	**(7)**	(36)	**(7)**	(36)
Interest income of bonds and other investments	**(82,999)**	(94,976)	**(80,299)**	(92,314)
Interest income of impaired financial assets	**(1,289)**	(1,162)	**(1,289)**	(1,162)
Losses(gains) from changes in fair value	**6,267**	(1,622)	**6,413**	(1,434)
Investment income	**(26,154)**	(24,992)	**(26,080)**	(26,266)
Interest expense for debt securities issued	**27,757**	27,812	**26,494**	26,792
Increase in deferred tax assets	**(4,814)**	(7,060)	**(4,443)**	(6,706)
Increase (decrease) in deferred tax liabilities	**174**	(61)	**79**	(59)
Increase in receivables of operating activities	**(671,038)**	(783,178)	**(668,632)**	(759,854)
Increase in payables of operating activities	**572,093**	170,014	**546,806**	178,633
Net cash flow from operating activities	**(34,228)**	(588,009)	**(65,791)**	(562,997)
2.Net changes in cash and cash equivalents				
Closing balance of cash and cash equivalents	**956,795**	731,730	**933,105**	775,679
Less: opening balance of cash and cash equivalents	**731,730**	549,177	**775,679**	543,622
Net increase of cash and cash equivalents	**225,065**	182,553	**157,426**	232,057

41.2 Composition of cash and cash equivalents

Cash and cash equivalents stated in consolidated cash flow statement and cash flow statement comprise:

	The Group		The Bank	
	2020	2019	2020	2019
Cash on hand	**4,956**	4,848	**4,956**	4,843
Balances with Central Bank that can be withdrawn on demand	**55,289**	89,863	**55,285**	89,859
Original maturity less than three months:				
Deposits with banks and other financial institutions	**79,864**	82,306	**67,649**	77,403
Placements with banks and other financial institutions	**60,504**	85,391	**59,004**	85,754
Financial assets purchased under resale agreements	**120,668**	42,494	**115,528**	38,629
Bonds investment	**635,514**	426,828	**630,683**	479,191
Closing balance of cash and cash equivalents	**956,795**	731,730	**933,105**	775,679

42. Post-employment compensation

42.1 Defined contribution plans

The Group participates in the endowment insurance, unemployment insurance plans established by the government and the annuity plan established by the Group. According to these plans, the employees'salaries are paid to the plans proportionally each month. Except the expenses above, the Group undertakes no further payment duties. Certain expenses are charged in profit or loss of the period.

Expense recognized in profit or loss for the period:

	The Group		The Bank	
	2020	2019	2020	2019
Defined contribution plans	**1,955**	2,555	**1,800**	2,409

Amount of payable at the period-end:

	The Group		The Bank	
	2020	2019	2020	2019
Defined contribution plans	**84**	129	**47**	70

42.2 Defined benefit plans

The Group offers complementary retiring benefit plans to employees who start their service before 31 December 2007 and core personnel of grade 13 or above who join the Group after 31 December 2007 and are not due to retire for 10 or more years. The Group estimates the present value by actuary means based on expected cumulative benefits unit method. The project estimates the future cash outflow based on rate of inflation and rate of death, and recognizes its present value by discount rate. Discount rate is measured by the corresponding yield of the treasury bond which matches the period of defined benefit plans and currency on balance sheet date. The Group recognizes assets of this plan based on actuary results, related actuarial gains or losses recognized into other comprehensive income. Past service costs will be charged in profit or loss in the period of revising the plans. The interest net value is recognized by the defined benefit plans net liabilities or assets multiplying by appropriate discount rate.

The profit or loss charged by related influence from defined benefit plans is RMB 37 million. Actuary gains charging to other comprehensive income are RMB 391 million. Net assets of defined benefit plans are decreased by RMB 354 million for the period, and the balance at the end of the period is RMB 1,763 million, which is the net value of present value of defined benefit plans duties and fair value of defined benefit plans assets, and should be charged to other assets (Note VII.14).

As at 31 December 2020, the Group's defined benefit plans' average benefit obligation period was about 6 to 8 years (31 December 2019: about 6 to 8 years).

Defined benefit plan makes the Group face the actuarial risks that include interest rate risk and longevity risk. The decrease of the yield of government bond will lead to an increase in the present value of defined benefit plan obligations. The present value of defined benefit plan obligations is calculated based on the best estimate of the mortality rate of the employees participating in the scheme, and the increase in life expectancy will lead to an increase in plan liabilities.

Discount rate and mortality rate are the key actuarial factors in determining the present value of the defined benefit plan obligations. The discount rate is 3.25% as at 31 December 2020 (31 December 2019: 3.00%). Mortality assumptions are based on Male Pension Service Form and Female Pension Service Form of China Experience Life Table of Life Insurance (2010-2013) released by Chinese Insurance Regulatory Commission. The male workers retired at the age of 60 and female workers retired at the age of 55 are expected to have an average residual life of 25.34 years and 34.03 years respectively.

The following sensitivity analysis is based on the corresponding hypothesis with reasonable possible changes occurred at the end of the reporting period (assuming all other assumptions remain unchanged):

If the discount rate increases (decreases) by 25 basis points, then the present value of defined benefit plan obligations will be decreased by RMB 45 million (increased by RMB 46 million).

As part of hypothesis may have correlation and a hypothesis cannot be changed in an isolate way, the sensitivity analysis may not reflect the actual changes in the fair value of the defined benefit plan obligations.

In the aforesaid sensitivity analysis, the calculation method in determining the defined benefit plan obligations is the same as the recognition of the relevant liabilities in the balance sheet at the end of the reporting period.

Compared with the previous year, the method for sensitivity analysis and the hypothesis didn’t change.

43. Structured entities

Consolidated structured entities

The consolidated structured entities of the Group are fund products, asset-backed securities, trust plans and asset management plans. As the manager/initiator of the fund products, asset-backed securities, trust plans and asset management plans, the Group considers whether it has control over the structured entities, and determine whether the consolidation is necessary based on the scope of asset manager's decision, power of trust holder, reward from management service offering and the risk exposure of variable profit. In 2020, the Group didn't offer financial support to the consolidated structured entities (2019: Nil).

Unconsolidated structured entities

43.1 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 notes issued by these structured entities. Such structured entities include funds, trust plans, asset management plans, asset-backed financings and wealth management products 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 including the Group and are financed through the issue of investment products to investors. The Group earns interest income and investment income mainly through holding these structured entities equities. The Group does not consolidate these structured entities because the Group does not control them.

The following table sets out an analysis of the carrying amounts and the maximum risk exposure of interests held by the Group as at 31 December 2020 and 31 December 2019 in the structured entities sponsored by third party institutions:

	The Group					
	2020					
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	**529,381**	**-**	**-**	**529,381**	**529,381**	**Investment income**
Trust plans	**9,082**	**318,692**	**1,628**	**329,402**	**329,402**	**Investment income, interest income**
Asset management plans	**50,657**	**158,600**	**1,425**	**210,682**	**210,682**	**Investment income, interest income**
Asset-backed securities	**6,306**	**24,663**	**82,913**	**113,882**	**113,882**	**Investment income, interest income**
Wealth management products	**350**	**-**	**-**	**350**	**350**	**Investment income**
Total	**595,776**	**501,955**	**85,966**	**1,183,697**	**1,183,697**	

	2019					
	Trading assets	Debt investments	Other debt investments	Carrying amount	Maximum risk exposure (note)	Type of income
Funds	**403,969**	**-**	**-**	**403,969**	**403,969**	**Investment income**
Trust plans	**3,899**	**330,386**	**1,746**	**336,031**	**336,031**	**Investment income, interest income**
Asset management plans	**32,994**	**87,619**	**1,784**	**122,397**	**122,397**	**Investment income, interest income**
Asset-backed securities	**7,235**	**16,245**	**93,862**	**117,342**	**117,342**	**Investment income, interest income**
Wealth management products	**2,127**	**-**	**-**	**2,127**	**2,127**	**Investment income**
Total	**450,224**	**434,250**	**97,392**	**981,866**	**981,866**	

Note: Maximum loss exposure to funds, trust plans, asset management plans, asset-backed securities and wealth management products is the amortised cost or fair value at the reporting date as recognized in the balance sheet.

43.2 Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The Group acted as sponsors of structured entities that provide specialised investment opportunities to investors. These structured entities generally finance the purchase of assets by issuing units of the products. The Group did not control these structured entities and therefore, these structured entities were not consolidated. As at 31 December 2020, those structured entities sponsored by the Group consist primarily of wealth management products, trust plans, funds, asset management plans and asset-backed securities with principals not guaranteed by the Group. The Group earns commission income by providing management services to the investors of these structured entities.

As at 31 December 2020 and 31 December 2019, unconsolidated structured entities sponsored by the Group are set out as below:

	The Group	
	2020	2019
Wealth management products	**1,447,569**	1,311,051
Trust plans	**306,340**	477,028
Funds	**227,115**	194,736
Asset management plans	**95,062**	148,868
Asset-backed securities	**57,774**	70,612
Total	**2,133,860**	2,202,295

As at 31 December 2020, the commission income earned from offering management service to the investors of these structured entities by the Group is RMB12,545 million (As at 31 December 2019: RMB9,409 million).

43.3 Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2020

Unconsolidated structured entities sponsored after 1 January 2020 but matured before 31 December 2020 by the Group in which the Group does not have an interest at were mainly the non-principal-guaranteed wealth management products. As at 31 December 2020, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB406 million (As at 31 December 2019: RMB691 million).

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 RMB155,012 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 RMB208,686 million).

VIII. Segment reporting

Senior management of the Group evaluates the operations of the Group in accordance with their economic areas of the respective branches and subsidiaries. Each branch serves its local customers and few customers in other regions. The Group does not deeply depend on one single external customer. Through the review of internal reports, the management of the Group conducts performance evaluation and determines the allocation of resources. Segment reporting is presented in a manner consistent with the Group's internal management and reports.

Segment accounting policies are consistent with the accounting policies of the consolidated financial statements. Inter-segment transfer transactions are measured at the actual transaction prices.

The Group includes the head office (including the head office and the operating institutions of the head office), Fujian, Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu, northeast and other regions, western region, central region, a total of ten segments, of which branches within the northeast and other regions, western region, central region are presented in a consolidated manner.

Among them, the northeast and other regions includes: Harbin branch, Changchun branch, Shenyang branch, Dalian branch, Tianjin branch, Jinan branch, Qingdao branch, Haikou branch, Hong Kong branch and Industrial Bank Financial Leasing Co., Ltd.;

Western region includes: Chengdu branch, Chongqing branch, Guiyang branch, Xi'an branch, Kunming branch, Nanning branch, Urumqi branch, Lanzhou branch, Yinchuan branch, Xining branch and Lasa branch;

Central region includes: Hohhot branch, Shijiazhuang branch, Zhengzhou branch, Taiyuan branch, Hefei branch, Changsha branch, Wuhan branch and Nanchang branch.

	The Group											
	2020											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Western region	Central region	Eliminations	Total
Operating income	86,810	24,475	6,561	5,493	11,814	7,817	11,466	16,807	13,944	17,950	-	203,137
Net interest income	44,777	17,048	5,793	4,576	10,935	7,896	10,523	14,447	12,099	15,421	-	143,515
Including: Net inter-segment interest income	(50,726)	5,047	12,400	8,556	9,078	(534)	860	5,066	4,315	5,938	-	-
Net fee and commission income	24,835	4,762	720	776	746	(173)	788	1,783	1,492	1,981	-	37,710
Other income	17,198	2,665	48	141	133	94	155	577	353	548	-	21,912
Operating expenses	(62,135)	(13,535)	(5,224)	(1,621)	(3,966)	(4,181)	(3,699)	(15,262)	(7,373)	(9,594)	-	(126,590)
Operating profit	24,675	10,940	1,337	3,872	7,848	3,636	7,767	1,545	6,571	8,356	-	76,547
Add: Non-operating income	76	88	4	13	26	18	8	24	15	23	-	295
Less: Non-operating expenses	(62)	(28)	(24)	(9)	(28)	(10)	(8)	(12)	(17)	(7)	-	(205)
Total profit	24,689	11,000	1,317	3,876	7,846	3,644	7,767	1,557	6,569	8,372	-	76,637
Less: Income tax expenses												(8,956)
Net profit												67,681
Segment assets	4,008,433	676,075	662,730	473,182	800,186	358,129	464,891	876,124	603,146	747,166	(1,821,575)	7,848,487
Including: Investment in an associate												3,549
Undistributed assets												45,513
Total assets												7,894,000
Segment liabilities	3,540,677	626,039	660,546	467,383	792,306	354,430	456,860	856,987	596,766	738,704	(1,821,575)	7,269,123
Undistributed liabilities												74
Total liabilities												7,269,197
Supplemental information												
Credit commitments	444,176	74,318	19,363	38,775	127,444	78,953	131,018	241,753	158,872	236,008	-	1,550,680
Depreciation and amortization	604	288	91	206	155	98	152	309	230	300	-	2,433
Capital expenditures	712	318	44	102	139	161	220	1,369	387	303	-	3,755

	2019											
	Head office	Fujian	Beijing	Shanghai	Guangdong	Zhejiang	Jiangsu	Northeast and other regions	Western region	Central region	Eliminations	Total
Operating income	72,294	20,874	7,408	5,209	11,998	6,833	11,135	16,082	14,229	15,246	-	181,308
Net interest income	29,298	16,383	6,664	4,482	11,077	6,389	10,250	12,005	12,663	13,078	-	122,289
Including: Net inter-segment interest income	(64,404)	6,478	13,567	9,789	12,828	1,451	2,505	5,282	5,755	6,749	-	-
Net fee and commission income	17,408	4,266	663	647	717	360	675	2,511	1,307	1,824	-	30,378
Other income	25,588	225	81	80	204	84	210	1,566	259	344	-	28,641
Operating expenses	(40,129)	(13,033)	(2,358)	(3,676)	(5,423)	(2,683)	(3,529)	(21,723)	(6,554)	(7,934)	-	(107,042)
Operating profit	32,165	7,841	5,050	1,533	6,575	4,150	7,606	(5,641)	7,675	7,312	-	74,266
Add: Non-operating income	85	126	3	6	45	34	12	10	17	30	-	368
Less: Non-operating expenses	(19)	(24)	(8)	-	(17)	(5)	(6)	(32)	(7)	(13)	-	(131)
Total profit	32,231	7,943	5,045	1,539	6,603	4,179	7,612	(5,663)	7,685	7,329	-	74,503
Less: Income tax expenses												(7,801)
Net profit												66,702
Segment assets	3,758,609	584,804	576,641	435,959	742,110	305,298	423,548	826,411	598,404	762,898	(1,909,800)	7,104,882
Including: Investment in an associate												3,413
Undistributed assets												40,799
Total assets												7,145,681
Segment liabilities	3,331,015	559,210	577,274	431,364	735,430	300,988	415,581	808,977	590,718	755,272	(1,909,800)	6,596,029
Undistributed liabilities												-
Total liabilities												6,596,029
Supplemental information												
Credit commitments	355,436	63,821	20,964	62,984	100,214	74,462	111,846	232,049	153,244	228,867	-	1,403,887
Depreciation and amortization	475	269	96	85	141	94	153	315	249	322	-	2,199
Capital expenditures	1,089	370	78	128	228	120	167	1,549	882	1,273	-	5,884

IX. Related party relationship and transactions

1. Related Party Relationship

The Group

Related parties with no controlling interest

1.1 Shareholders holding more than 5% (inclusive) of the Bank's shares

Name	Economic nature	Place of registration	Registered capital (RMB hundred million)	Principal activities	Legal representative
The Finance Bureau of Fujian Province	Legal entity of government agencies	Fuzhou	-	Administration of Fujian provincial fiscal and tax policy	Yu Jun
People's Insurance Company of China (1)	Incorporated Company	Beijing	222.43	Insurance services	Miao Jianmin
China Life Insurance Company (1)	Incorporated Company	Beijing	257.61	Insurance services	Xiao Jianyou
China National Tobacco Corporation (1)	Owned by the whole people	Beijing	570.00	Production, and sales of tobacco products	Zhang Jianmin
Haisheng Investment Management Company of Fujian Tobacco (1)	Limited Company	Xiamen	26.47	Investment management	Lu Xiaodong
China Tobacco Hunan Investment Management Company (1)	Limited Company	Changsha	2.00	Investment management	Deng Yongzhi
The People's Insurance Company (Group) of China Limited (1)	Incorporated Company	Beijing	442.24	Investment management and insurance services	Luo Xi
China National Tobacco Fujian Corporation (1)	Owned by the whole people	Fuzhou	1.37	Sales of tobacco products	Li Mindeng
China National Tobacco Guangdong Corporation (1)	Owned by the whole people	Guangzhou	1.40	Production, and sales of tobacco products	Wang Deyuan
Fujian Sanhua Color Printing Co., Ltd. (1)	Limited Company	Longyan	0 .12	Trademark, advertisement and other printed matter production	Lu Dongfen

Related parties with no Number of shares held by Shareholders holding more than 5% (inclusive) of the Bank's shares: interest

Name	2020		2019	
	Shares (Million shares)	Proportion (%)	Shares (Million shares)	Proportion (%)
The Finance Bureau of Fujian Province	**3,902**	**18.78**	3,902	18.78
China Life Insurance Company [1]	**1,276**	**6.14**	1,276	6.14
People's Insurance Company of China [1]	**1,229**	**5.91**	1,229	5.91
China National Tobacco Corporation [1]	**1,110**	**5.34**	1,110	5.34
Haisheng Investment Management Company of Fujian Tobacco [1]	**441**	**2.13**	441	2.13
China Tobacco Hunan Investment Management Company [1]	**226**	**1.09**	226	1.09
The People's Insurance Company (Group) of China Limited [1]	**174**	**0.84**	174	0.84
China National Tobacco Fujian Corporation [1]	**132**	**0.64**	132	0.64
China National Tobacco Guangdong Corporation [1]	**99**	**0.48**	99	0.48
Fujian Sanhua Color Printing Co., Ltd.[1]	**46**	**0.22**	-	-
Total	**8,635**	**41.57**	8,589	41.35

Note: (1)Relationship between related parties: People's Insurance Company of China and China Life Insurance Company are both subsidiaries of The People's Insurance Company (Group) of China Limited. The aggregate proportion is 12.89%. Haisheng Investment Management Company of Fujian Tobacco, China Tobacco Hunan Investment Management Company, China National Tobacco Fujian Corporation, China National Tobacco Guangdong Corporation and Fujian Sanhua Color Printing Co., Ltd are subsidiaries of China National Tobacco Corporation. The aggregate proportion is 9.90%.

1.2 Associates

Details of general information and related information of associates are set out in Note VII.9.

1.3 Other related parties

Other related parties include key management personnel (director, supervisor, senior management of head office) and their close families, as well as other enterprises over which the key management personnel or their close families have control, common control or significant influence.

2. Related party transactions

The conditions and prices of related party transactions between the Group and the Bank are determined according to the Group's contract, and are examined and approved in accordance with the transaction type and content of transaction by corresponding decision-making authority.

2.1 Interest income

Related party	2020	2019
Associates	**274**	103
Fujian Yango Holdings Group and its related parties	**201**	178
Longyan Huijin Development Group Co., Ltd. and its related parties	**42**	1
China Tobacco and its related parties	**19**	-
Zhejiang Energy Group Co., Ltd. and its related parties	**6**	7
Other related parties	**12**	33
Total	**554**	322

2.2 Interest expense

Related party	2020	2019
China Tobacco and its related parties	**1,130**	553
The People's Insurance Company (Group) of China Limited and its related parties	**870**	960
Zhejiang Energy Group Co., Ltd. and its related parties	**21**	4
The Finance Bureau of Fujian Province and its subsidiaries	**20**	223
Fujian Yango Holdings Group and its related parties	**15**	8
Associates	**2**	13
Longyan Huijin Development Group Co., Ltd. and its related parties	**1**	4
Others	**-**	23
Total	**2,059**	1,788

2.3 Investment income

Related party	2020	2019
Longyan Huijin Development Group Co., Ltd. and its related parties	**168**	-
Associates	**-**	35
The People's Insurance Company (Group) of China Limited and its related parties	**-**	13
Total	**168**	48

2.4 Fee and commission income

Related party	2020	2019
The People's Insurance Company (Group) of China Limited and its related parties	**59**	18
Fujian Yango Holdings Group and its related parties	**24**	23
Zhejiang Energy Group Co., Ltd. and its related parties	**10**	-
The Finance Bureau of Fujian Province and its subsidiaries	**2**	1
Others	**17**	22
Total	**112**	64

2.5 Fees and commission expense

Related party	2020	2019
The People's Insurance Company (Group) of China Limited and its related parties	**5**	6
Longyan Huijin Development Group Co., Ltd. and its related parties	**2**	-
Others	**1**	-
Total	**8**	6

2.6 General and administrative expenses-insurance

Related party	2020	2019
The People's Insurance Company (Group) of China Limited and its related parties	**377**	450

In 2020, the Bank was paid RMB1 million in compensation from People's Insurance Company of China (2019: RMB10 million).

2.7 General and administrative expenses-rental expense

Related party	2020	2019
China Tobacco and its related parties	**21**	29

2.8 General and administrative expenses-others

Related party	2020	2019
Other	**20**	-

3. Unsettled amount of related party transactions

3.1 Deposits with banks and other financial institutions

Related party	2020	2019
Associates	**14**	643
Fujian Yango Holdings Group and its related parties	**-**	500
Total	**14**	1,143

3.2 Placements with banks and other financial institutions

Related party	2020	2019
Associates	**2,949**	2,198

3.3 Derivative financial instruments

Related party	Transaction type	2020		2019	
		Notional amount	Assets/ Liabilities	Notional amount	Assets/ Liabilities
Others	Interest Rate Derivative	**-**	**-**	20	-

3.4 Loans and advances to customers

Related party	2020	2019
Fujian Yango Holdings Group and its related parties	**6,592**	7,284
Associates	**2,543**	-
Longyan Huijin Development Group Co., Ltd. and its related parties	**867**	116
Zhejiang Energy Group Co., Ltd. and its related parties	**522**	100
China Tobacco and its related parties	**197**	-
Others	**9**	651
Total	**10,730**	8,151

3.5 Other debt investments

Related party	2020	2019
Longyan Huijin Development Group Co., Ltd. and its related parties	**100**	-

3.6 Debt investments

Related party	2020	2019
Associates	**7,009**	6,219
Fujian Yango Holdings Group and its related parties	**1,215**	4,675
Total	**8,224**	10,894

3.7 Deposits from banks and other financial institution

Related party	2020	2019
Zhejiang Energy Group Co., Ltd. and its related parties	**3,000**	-
Associates	**851**	479
Fujian Yango Holdings Group and its related parties	**367**	397
China Tobacco and its related parties	**54**	-
The People's Insurance Company (Group) of China Limited and its related parties	**38**	-
Others	**-**	770
Total	**4,310**	1,646

3.8 Deposits from customers

Related party	2020	2019
China Tobacco and its related parties	**82,535**	33,961
The People's Insurance Company (Group) of China Limited and its related parties	**24,063**	21,694
Fujian Yango Holdings Group and its related parties	**6,138**	1,289
The Finance Bureau of Fujian Province and its subsidiaries	**1,955**	7,811
Associates	**1,267**	479
Longyan Huijin Development Group Co., Ltd. and its related parties	**512**	378
Zhejiang Energy Group Co., Ltd. and its related parties	**36**	1
Others	**409**	740
Total	**116,915**	66,353

3.9 Credit line

Related party	2020	2019
The People's Insurance Company (Group) of China Limited and its related parties	**54,000**	54,000
Fujian Yango Holdings Group and its related parties	**22,000**	22,000
China Tobacco and its related parties	**15,000**	15,000
Zhejiang Energy Group Co., Ltd. and its related parties	**8,100**	8,000
Longyan Huijin Development Group Co., Ltd. and its related parties	**4,000**	1,000
Totall(i)	**103,100**	100,000

Note (i): Based on the principle of materiality, the above table only disclosed the credit lines of material related party annouced by the Group.

3.10 Off-balance sheet items

Related party	Bank acceptances	
	2020	2019
The People's Insurance Company (Group) of China Limited and its related parties	**294**	294
Fujian Yango Holdings Group and its related parties	**1,641**	897
China Tobacco and its related parties	**68**	46
Zhejiang Energy Group Co., Ltd. and its related parties	**113**	195
Longyan Huijin Development Group Co., Ltd. and its related parties	**30**	29
Associates	**1,237**	-
Total	**3,383**	1,461

Related party	Letters of guarantee	
	2020	2019
The People's Insurance Company (Group) of China Limited and its related parties	**470**	482
Fujian Yango Holdings Group and its related parties	**304**	216
China Tobacco and its related parties	**54**	-
Total	**828**	698

Related party	Letters of credit	
	2020	2019
Associates	**560**	-
Total	**560**	-

4. Key management personnel remuneration

	2020	2019
Salary and welfare	**14**	15

X. Contingencies and commitments

1. Pending litigations

As of the balance sheet date, the Group's management considers that there is no pending litigation which has a significant impact on the financial statements that needs to be disclosed.

2. Off-balance sheet items

	The Group and the Bank	
	2020	2019
Credit card commitments	**444,176**	355,436
Letters of credit	**148,465**	148,059
Letters of guarantee	**108,561**	120,318
Bank acceptances	**822,341**	761,032
Irrevocable loan commitments	**27,137**	19,042
Total	**1,550,680**	1,403,887

3. Capital commitments

	Contractual amount of the Group		Contractual amount of the Bank	
	2020	2019	2020	2019
Authorized but not contracted for	**156**	85	**155**	85
Contracted but not paid for	**406**	751	**388**	730
	562	836	**543**	815

4. Operating lease commitments

As a tenant, according to the non-cancellable lease contracts, the required minimum lease payments by the Group and the Bank are as follows:

	The Group		The Bank	
	2020	2019	2020	2019
Within one year	**1,572**	2,246	**1,328**	2,173
One to five years	**4,708**	4,180	**4,589**	4,102
Over five years	**4,801**	962	**4,767**	961
Total	**11,081**	7,388	**10,684**	7,236

5. Collateral

Assets pledged

5.1 The carrying amount of assets pledged as collateral under repurchase agreements is as follows:

	The Group		The Bank	
	2020	2019	2020	2019
Bonds	**85,015**	148,041	**73,080**	138,681
Bills	**41,035**	49,089	**41,035**	49,089
Total	**126,050**	197,130	**114,115**	187,770

As at 31 December 2020, included in Group's and the Bank's bills purchased under resale agreement, there was no bill used for carrying out business of sale under repurchase agreement (31 December 2019: Nil) .

5.2 As at 31 December 2020, the Group and the Bank have no pledged bonds to credit derivative transaction (31 December 2019: RMB518 million) .

Collateral accepted

In the resale agreement, the Group can sell pledged assets or transfer them in other transactions when the counterparty is not in breach of the contract. As at 31 December 2020, the fair value of pledged assets available for sale or convertible is RMB1,976 million (31 December 2019: RMB2,456 million).

6. Redemption commitment of certificate treasury bonds and saving treasury bonds

The Group entrusted by the MOF as its agent issues certificate treasury bonds and saving treasury bonds. Holders of certificate treasury bonds and saving treasury bonds can require advance redemption, and the Group has the obligation to execute the redemption responsibility. Redemption amount for the certificate treasury bonds and saving treasury bonds includes principal and interest payable till redemption date.

As of 31 December 2020 and 31 December 2019, the cumulative principal balances of the certificate treasury bonds and saving treasury bonds which are issued by the Group under trust prior to maturity and not been paid are as follows:

	The Group and the Bank	
	2020	2019
Certificate treasury bonds and saving treasury bonds	**2,682**	2,849

The Group believes the Group's redemption amount of these certificate treasury bonds and saving treasury bonds is not significant before their maturity.

7. Fiduciary Business

	The Group		The Bank	
	2020	2019	2020	2019
Fiduciary loans	**223,035**	307,446	**223,035**	307,446
Fiduciary wealth management products	**1,447,569**	1,311,051	**777,775**	1,311,051
Fiduciary investments	**73**	14,524	**73**	14,524

Fiduciary loans are loans that depositor designated specific third party as the loan party, and related credit risk of the loan is borne by depositors who designated borrowers.

Fiduciary wealth management products refer to a kind of service that the entrusted Group is responsible for the operation and management of customer assets. The investment risk of fiduciary wealth management products is borne by the trustor.

Fiduciary investments refers to a kind of service that the entrusted Group engaged in capital operation, investment management, investment advisory and other investment services based on the principal-agent relationship. The investment risk of fiduciary investment is borne by the trustor.

XI. Financial risk management

1.Overview

The Group is exposed to various types of risks due to its financing businesses including banking business. The Group identifies, assesses and monitors various risks on an on-going basis. The most significant types of risk to which the Group is exposed are credit risk, market risk, liquidity risk and operation risk, country risk, bank account interest rate risk, reputation risk, strategic risk, information technology risk.

The Group's risk management objectives are to achieve a proper balance between risks and benefits and run business safely and prudently under reasonable level of risk.

2. Risk management framework

Risk management is the basic safeguard of survival and development of commercial banks. The Group has taken risk management as one of its core competitiveness, formulated development strategy focus on business operation as well as risk management, established pre-during-post events risk control system with a core of risk asset management, and improved the risk management and operation instructions for various businesses; completed the mechanism of risk responsibilities and punishment, implemented credit business operation responsibilities, established risk fund for credit post personnel, enhanced risk constraints; including credit risk, market risk, liquidity risk, operational risk and other risks into the scope of risk management and continuously improve the risk management mechanism to wholly-owned and holding subsidiaries; Further defined the specific responsibilities of board of directors, board of supervisors, senior management and operation executives in respect of risk management, formed a defined, clear and effective overall risk management system. In daily risk management work, the Group's business sector, risk management department and internal audit department build up the “three defences”; they perform their respective functions and work together to achieve the objective of risk management. Among them, operation institutions and business sector form the first line of defences to conduct risk management according to the risk management rules and policies. Operation institutions take precautions against all the business and operating risk, while business sector is in charge of making its risk management policy, evaluating the effectiveness of risk management regularly and taking corrective actions if necessary. The risk management department is the second line of defences, which is responsible for the constitution of the Group's risk management strategy, policy, regulations and process, and supervision of the execution. Meanwhile, the risk management department is responsible for the identification, evaluation and supervision of the risk that the Group faces, assessing the Group's risk condition periodically, taking measures for continuously improvement, pushing forward the outspread of overall risk management work. The internal audit department is the third line of defences. It is responsible for all process audits, continuously providing independent and prospective audit and supervision with emphasis.

3. Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The Group's major credit risks come from loans and receivables (enterprises and personal credit loans), treasury operations (including debt investment) and off-balance sheet related credit risk exposures. The Group manages and controls credit risk according to the following processes: customer investigation before granting of credit limits, credit review and approval and post-disbursement loan monitoring and collection.

The Group establish the risk management department, which is responsible for organizing, implementing the credit risk management strategies and policies of the Group, it is also responsible for making basic rules for the Group risk management affairs, in addition, it is also professionally managing, evaluating, guiding the general operation of the Group risk management together with inspecting and supervising the activities mentioned above. As the leading party, the risk management department formulates unified standards, responsible for the credit management on the whole. All the actions taken are to ensure the overall credit risk under control. The Group set up risk management department and professional risk management desk in all the three major lines called enterprise financial line, retail financial line and investment banking and financial markets line. Each of the risk departments is responsible for the credit management in its own line or professional operating department, and it is also responsible for making detailed regulation and operating rules and approving projects within the approving authority. The Group also sets up several specialized committees such as Credit Approval Committee and Credit Accountability Committee. The first one is responsible for the examination and approval of the loans within the authority. The other one is responsible for determining the responsibility of related loans.

The Group has formulated a whole set of credit policies on approval process and management procedure, and implemented throughout the Group. The credit management procedure for corporate and personal loans can be classified as credit investigation, credit examination, credit approval, credit disbursement, and post disbursement monitoring and recovery process. In addition, the Group issued Due Diligence of Credit approval to clarify the duties of different positions, to effectively control the credit risk, and to strengthen compliance of credit business.

In accordance with the discriminative credit policy of "protecting, controlling, and compressing", the Group set up detailed rules for the implementation of credit policy, which has intensified the credit support for the real economy and optimized credit resources allocation. The Group preferentially develops credit businesses for industries which comply with national policy orientation, develop rapidly and have broad market prospects (including infrastructures, people's livelihood, strategic emerging industries and modern agriculture); actively practices green credit principle, preferentially supports green and environment friendly industry with obvious social benefits, mature technology application and commercial operation; supports short-term cycle and people's livelihood consumption industry like medical care, education, tourism and communication.

The Group has established a customer credit rating system which comprehensively and systematically investigated various factors and variation trends that influence customer solvency in future; disclosed and evaluated customers' credit risks and capabilities based on qualitative and quantitative analysis. Credit rating results become an important foundation to draw up credit service polices, adjust and optimize client structure, as well as identify credit service of individual customer. According to new Basel Capital Accord and relevant guides of CBRC, the Group developed and established customer internal rating system and has been continuously optimizing the model and system. Meanwhile, the related results of internal rating has continuously entered into various risk management areas including authorization management, industry access, limit management, economic capital measurement and asset impairment calculation. Since the credit risk weighted assets ("CRWA") measurement system was completed and launched, the Group had the capacity to measure CRWA using internal rating method. As the new capital accords related projects were completed successively, the Group got promoted in capacity of identification, measurement and control of credit risk.

The Group developed risk warning system, applying big data technology to fully integrate both internal and external risk information and analysing as per certain rules so as to form a warning indicator. With customers' potential risks disclosed in time by monitoring the indicator, the active push, tracking, feedback and report generating by level of warning indicator can be achieved and the timeliness and accuracy of risk warning can be improved effectively. The risk warning system realized the online posting of warning information and carried out system hard control over processes including warning adjustment, cancellation etc. and provided basic guarantee for credit management.

The Group accurately identified risks conditions of credit asset, reasonably reflected the income after risk adjustment to guide capital allocation optimization in operation institutions and allocation of credit resources to strengthen risk awareness in operation institutions. Therefore, Credit Asset Risks Classification Implementation Method and

Credit Asset Risks Classification Implementation Standards and others have been established to make sure branches adjust credit asset risks classification according to real conditions of projects. Based on 5 levels classified by CBRC, the Group has classified its credit asset risks into 9 levels as level 1(normal), level 2(normal), level 3(normal), level 1(attention), level 2(attention), level 3(attention), sublevel, doubtful and loss. The Group has various management policies to each level.

In 2020, the COVID-19 pandemic has caused a certain impact on China's overall economic operation and affected enterprises' normal operation differently, which has in turn affected the asset quality of the Group's credit assets to a certain extent. Despite the situation caused by the pandemic, the Group provided relief support for customers affected by the epidemic in accordance with government regulations. The Group has also further strengthened risk monitoring, increased the frequency of risk inspections, and performed risk tracking in respect of customers affected by the pandemic. Based on the intelligent risk control platform, the Group enhances the application of big data analysis in its risk management to proactively respond to changes in the external environment, and takes forward-looking risk control measures to effectively resolve hidden risks and prevent the accumulation of non-performing loans.

Risks arising from credit commitments are similar to risks of loans and advances to customers in substance. Therefore, requirements for application, post-loan management and pledge and guarantees are the same with those in loans and advances to customers. According to substanceover-form principle, the Group includes the non-standard credit loans in the comprehensive risk management system and manages them by comparing to traditional loans. The Group provides uniform credit, carries out general control on risks, executes uniform credit policy in nationwide, carries out whole-process responsibilities management by comparing to traditional loans, implements risk classification and provides risk reserves.

ECL measurement

Stage of financial asset risks

The Group adopted a three-stage ECL model for the impairment of financial assets in accordance with the new standard requirements. The model is summarised as follows:

• Financial assets that have not increased significantly since the initial recognition or have a low credit risk at the reporting date are included in stage 1, and the Group continuously monitors its credit risk;

• Financial assets that have a significant increase (excluding the low credit risk of such financial instruments at the reporting date), but without objective impairment evidence are included in stage 2. Criteria of the Group's significant increase in credit risk, see Significant increase in credit risk;

• Financial assets with objective evidence of impairment at the reporting date are included in stage 3. The Group's definition of credit impairment and default, see *Definition of asset defaulted and credit-impaired*.

• Financial assets classified in stage 1 make provisions for ECL caused by defaults that may occur within 12 months after the reporting date, and the financial assets classified in the stage 2 and 3 make provisions for the entire lifetime ECL; calculation of the interest income of financial assets classified in stage 1 and 2 is based on the total carrying value of the assets, and interest income of the financial assets classified in stage 3 is calculated based on the net amount after deducting provisions for credit losses. Inputs, assumptions and estimation techniques utilised in ECL measurement, see *Measurement of ECL – Explanation of inputs, assumptions and estimation techniques.*

• The Group takes into account forward-looking information when measuring ECLs. For a description of how the Group considers forward-looking information into the ECL model, please refer to Forward-looking information incorporated in the ECL model;

• Purchased or originated credit-impaired (POCI) financial assets refer to financial assets with credit impairment at initial recognition. Loss provision of these assets are lifetime ECLs.

The key judgements and assumptions adopted by the Group when measuring the ECLs in accordance with the new standard are as follows:

Significant increase in credit risk

The Group identifies whether the credit risk has increased significantly by comparing default risk at the reporting date with the risk of default on the day of initial recognition. Main factors include: 1. The PD of impairment losses, e.g. the internal credit rating of corporate loans declined by 3 levels or more, and the external credit rating of bond investment declined by 3 levels or more in principle. 2. Other significant increase in credit risk. Generally, if the credit business is overdue for over 30 days, it should be considered a significant increase in credit risk. The Group reviews whether the evaluation criteria are applicable to the current situation on a regular basis.

After the outbreak of the COVID-19 pandemic, the Group provided relief support for customers affected by the pandemic in accordance with government regulations. For customers who apply for loan relief, the Group strictly follows policy requirements related to deferred payment of principal and interest and regulates customers' eligibility. For customers who are eligible for loan relief, the Group provides support measures such as loan extensions, deferred interest payment, and adjustments to the repayment plans. The Group also evaluates whether the credit risk of such customers has increased significantly based on actual circumstances.

Definition of asset defaulted and credit-impaired

The Group carefully considers whether different standards represent client defaults. When a financial asset meets one or more of the following conditions, the Group recognizes the financial asset as defaulted, and the standard is consistent with the definition of the credit-impaired:

(1) Quantitative criteria:

• Payment overdue for more than 90 days. If the borrower violates the prescribed overdraft limit or the re-approved overdraft limit is less than the current balance, the overdraft will be deemed to be overdue.

(2)Qualitative criteria:

• Any loan to the debtor ceases to bear interest or accrue interest is included in the off-balance sheet accounting;

• After the occurrence of the credit relationship, due to the deterioration of the financial situation of the debtor, the Group wrote off the loan or has made a certain proportion of loan loss provisions;

• The Group sells the loan and assumes a certain percentage of the book loss;

• Due to the deterioration of the financial situation of the debtor, the Group agreed to restructure and make non-commercial adjustments to the terms of the loan contract, including but not limited to the following: (a) The contract term changes lead to a decline in the scale of the debt; (b) the debtor is unable to repay the loan; (c) extension due to the debtor's inability to repay;

• The Group classifies the debtor as a bankrupt enterprise or a similar status;

• The debtor filed for bankruptcy, or has gone bankrupt, or is in a similar state of protection, and thus will not perform or postpone the settlement of the debts of the Group;

• Other circumstances identified by the Group that may result in the debtor not being able to fully repay the debt.

The above criteria apply to all financial instruments of the Group and are consistent with the definition of default used in internal credit risk management. The definition of default has been consistently applied to the model of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) in the Group's ECL calculation process.

Measurement of ECL – Explanation of inputs, assumptions and estimation techniques

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different financial assets according to its current risk stage with ECL of 12 months or the entire lifetime respectively. The expected credit losses taken by the Group are obtained by Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), and discounted by discount factors. Definitions are as follows:

• PD refers to the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

• The exposure to default risk refers to the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period;

• LGD is the Group's estimation regarding the extent of the EAD.

The estimates for each risk parameter are as follows:

• Estimation of PD: For non-retail credit assets, the PD is obtained through the main benchmark mapping of internal rating and the macroeconomic forward-looking adjustment is applied to obtain the PD applicable under the new standard; for retail credit assets, it is based on PD of division of pool, and the macroeconomic forward-looking adjustment is conducted to obtain the PD applicable under the new standard; for bond assets, the PD is mapped to the main benchmark mainly through external rating, and the applicable PD under the new criterion is obtained through macroeconomic forward-looking adjustment; PD for the entire lifetime of more than 12 months is estimated by a 12M PD and a forward-looking adjustment factor;

• Estimation of EAD: The EAD of financial assets in the first and third stages is the amortised cost; the EAD of financial assets in the second stage is the amortised cost and the cash discount of capital recovered in the following years;

• Estimation of LGD: For non-retail credit assets, it uses the LGD after mitigation, and a macroeconomic forward-looking adjustment is made to obtain the LGD applicable under the new standard; for retail credit assets, it is based on LGD of division of pool, and a macroeconomic forward-looking adjustment is conducted to obtain the LGD applicable under the new standard; for the loss without historical data collection and write-off of data assets, it is based on peer experience and regulatory factors, combined with expert's judgement.

The ECL is multiplied by the above estimated PD, EAD and LGD, and discounted to the reporting date. The discount rate used in the ECL calculation is the initial actual effective interest rate.

The Group monitors and reviews assumptions related to the calculation of ECL on a regular basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL model

Risk parameters related to the calculation of ECL incorporates forward-looking information. The macroeconomic indicators considered by the Group include GDP growth rate, year-on-year growth of CPI , year-on-year growth of M2 monetary supply, cumulative year-on-year growth of fixed asset investment completion value, year-on-year growth of total cumulative value of retail sales of social consumer goods, year-on-year growth of cumulative value of real estate development investment, and the year-on-year growth of per capita disposable income of urban residents. The macroeconomic forward-looking adjustment factors are determined based on the historical situation of these macroeconomic indicators and the predicted values for the coming year. Considering that the changes in the future macro economy may differ from the estimations, the Group reviews and monitors the appropriateness of the estimation on a regular basis. In 2020, the Group maintains a conservative approach towards future economic forecasts when evaluating expected credit losses. The forward-looking information used has taken full account of the impact of COVID-19 on the macro economy and the banking sector.

3.1 Concentration of credit risk

Concentration of credit risk exists when changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Group's total exposures. The Group's portfolio of financial instrument is diversified along geographic, industry and product sectors.

The Group mainly operates the lending and guarantee business in the PRC mainland only. Since there are different economic development characteristics in the different regions in China, the characteristics of credit risks are also different.

For the geographical and industrial concentration of the loans and advances to customers please refer to Note VII. 6.

3.2 Maximum exposure to credit risk

Despite any usable collateral, and other credit enhancement measures, the maximum credit risk exposure that the Group and the Bank can afford on balance sheet date is the related financial assets (including derivative instruments and deducted equity instruments) plus the amount of off-balance sheet book value in Note X. 2. As at 31 December 2020, the maximum credit risk exposure of the Group amounted to RMB8,791,696 million (31 December 2019: RMB8,024,736 million); the maximum credit risk exposure of the Bank amounted to RMB8,556,258 million (31 December 2019: RMB7,811,204 million).

Credit exposure

Loans and advances to customers

	The Group				
	2020				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**3,861,722**	**6,903**	**821**	**-**	**3,869,446**
Medium risk	**-**	**45,350**	**9,455**	**-**	**54,805**
High risk	**-**	**-**	**49,774**	**-**	**49,774**
Total carrying amount	**3,861,722**	**52,253**	**60,050**	**-**	**3,974,025**
Allowance for impairment losses	**(68,662)**	**(7,485)**	**(31,921)**	**-**	**(108,068)**
Total	**3,793,060**	**44,768**	**28,129**	**-**	**3,865,957**

	The Group				
	2019				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	3,313,348	18,032	1,218	-	3,332,598
Medium risk	-	54,145	7,646	-	61,791
High risk	-	-	53,305	-	53,305
Total carrying amount	3,313,348	72,177	62,169	-	3,447,694
Allowance for impairment losses	(57,044)	(11,150)	(36,659)	-	(104,853)
Total	3,256,304	61,027	25,510	-	3,342,841

The Group classifies asset risk characteristics according to the quality of assets. “Low risk” means that the borrower can fulfill the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; “Medium risk” means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; “High risk” means that the borrower's repayment ability has obvious problems and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred. The above maximum credit risk exposure information for loans and advances does not include loans and advances that are measured at fair value through profit or loss.

Off-Balance Sheet Items

	The Group				
	2020				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**1,542,315**	**4,177**	**1,252**	**-**	**1,547,744**
Medium risk	**-**	**1,892**	**-**	**-**	**1,892**
High risk	**-**	**-**	**1,044**	**-**	**1,044**
Total carrying amount	**1,542,315**	**6,069**	**2,296**	**-**	**1,550,680**
Allowance for impairment losses	**(4,214)**	**(614)**	**(569)**	**-**	**(5,397)**
Total	**1,538,101**	**5,455**	**1,727**	**-**	**1,545,283**

	The Group				
	2019				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	1,392,362	3,961	625	-	1,396,948
Medium risk	-	3,754	1,100	-	4,854
High risk	-	-	2,085	-	2,085
Total carrying amount	1,392,362	7,715	3,810	-	1,403,887
Allowance for impairment losses	(4,818)	(148)	(1,287)	-	(6,253)
Total	1,387,544	7,567	2,523	-	1,397,634

Financial investments

	The Group				
	2020				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**2,036,218**	**9,442**	**-**	**-**	**2,045,660**
Medium risk	**-**	**22,059**	**12,371**	**-**	**34,430**
High risk	**-**	**-**	**17,911**	**-**	**17,911**
Total carrying amount	**2,036,218**	**31,501**	**30,282**	**-**	**2,098,001**
Allowance for impairment losses	**(14,162)**	**(3,420)**	**(13,920)**	**-**	**(31,502)**
Total	**2,022,056**	**28,081**	**16,362**	**-**	**2,066,499**

	The Group				
	2019				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	1,998,828	13,741	-	-	2,012,569
Medium risk	-	35,027	3,601	-	38,628
High risk	-	-	16,470	-	16,470
Total carrying amount	1,998,828	48,768	20,071	-	2,067,667
Allowance for impairment losses	(8,892)	(2,936)	(12,281)	-	(24,109)
Total	1,989,936	45,832	7,790	-	2,043,558

The Group classifies the credit ratings of financial assets included in the ECL measurement as "low risk", "medium risk" and "high risk" according to the characteristics of risk levels. "Low risk" means that the assets are of good quality, the possibility of future default is low, and it is less affected by external unfavourable factors; "medium risk" means the asset has certain solvency, but the persistent significant instability or poor commercial, financial or economic conditions may reduce its solvency; and "high risk" means the existence of unfavourable factors that have a material impact on solvency, a higher risk of default or assets that meet the definition of default by the Group.

Deposits with banks and other financial institutions

	The Group				
	2020				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	**412,419**	**-**	**-**	**-**	**412,419**
Medium risk	**-**	**-**	**-**	**-**	**-**
High risk	**-**	**-**	**25**	**-**	**25**
Total carrying amount	**412,419**	**-**	**25**	**-**	**412,444**
Allowance for impairment losses	**(1,923)**	**-**	**(25)**	**-**	**(1,948)**
Total	**410,496**	**-**	**-**	**-**	**410,496**

	The Group				
	2019				
	Stage 1	Stage 2	Stage 3	Purchased financial assets that have already been impaired	Total
Low risk	362,681	-	-	-	362,681
Medium risk	-	-	-	-	-
High risk	-	-	25	-	25
Total carrying amount	362,681	-	25	-	362,706
Allowance for impairment losses	(2,085)	-	(25)	-	(2,110)
Total	360,596	-	-	-	360,596

The Group classifies risk characteristics of deposits with banks and other financial institutions based on asset entry and internal rating changes. “Low risk” means that the issuer's initial internal rating is above the entry level, there are no reasons to suspect that the financial investment is expected to default; “Medium risk” means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the financial investment is expected to default; “high risk” means that there are obvious problems may cause a default, or the financial investment indeed is defaulted.

3.3 Analysis of exposure to credit risk of the Group about loans and advances to customers, inter-bank placements, investments and finance lease receivables

As at 31 December 2020, the credit risk stages of financial instruments are as follows:

	The Group							
	Gross carrying amount				Allowance for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Measured at amortised cost:								
Cash and balances with Central Bank	**411,147**	-	-	**411,147**	-	-	-	-
Deposits with banks and other financial institutions	**95,528**	-	**16**	**95,544**	**(321)**	-	**(16)**	**(337)**
Placements with banks and other financial institutions	**192,561**	-	**9**	**192,570**	**(622)**	-	**(9)**	**(631)**
Financial assets purchased under resale agreements	**124,330**	-	-	**124,330**	**(980)**	-	-	**(980)**
Loans and advances to customers								
- Corporate loans and advances	**1,963,313**	**42,567**	**41,751**	**2,047,631**	**(60,239)**	**(6,171)**	**(19,037)**	**(85,447)**
- Personal loans and advances	**1,690,748**	**9,672**	**18,271**	**1,718,691**	**(8,423)**	**(1,314)**	**(12,884)**	**(22,621)**
Financial investments	**1,524,446**	**28,497**	**28,690**	**1,581,633**	**(14,162)**	**(3,420)**	**(13,920)**	**(31,502)**
Finance lease receivables	**100,583**	**1,845**	**3,445**	**105,873**	**(1,894)**	**(556)**	**(2,807)**	**(5,257)**
Financial assets, Others	**54,466**	**287**	**2,020**	**56,773**	**(1,452)**	**(41)**	**(1,729)**	**(3,222)**
Total	**6,157,122**	**82,868**	**94,202**	**6,334,192**	**(88,093)**	**(11,502)**	**(50,402)**	**(149,997)**

	The Group							
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Fair value through other comprehensive income:								
Loans and advances to customers								
- Corporate loans and advances	**207,661**	**14**	**28**	**207,703**	**(576)**	-	**(17)**	**(593)**
Other debt investments	**511,772**	**3,004**	**1,592**	**516,368**	**(593)**	**(591)**	**(2,904)**	**(4,088)**
Total	**719,433**	**3,018**	**1,620**	**724,071**	**(1,169)**	**(591)**	**(2,921)**	**(4,681)**
Credit commitments	**1,542,315**	**6,069**	**2,296**	**1,550,680**	**(4,214)**	**(614)**	**(569)**	**(5,397)**

As at 31 December 2019, the credit risk stages of financial instruments are as follows:

	The Group							
	Gross carrying amount				Allowance for impairment losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Measured at amortised cost:								
Cash and balances with Central Bank	**486,444**	**-**	**-**	**486,444**	**-**	**-**	**-**	**-**
Deposits with banks and other financial institutions	**87,572**	**-**	**16**	**87,588**	**(312)**	**-**	**(16)**	**(328)**
Placements with banks and other financial institutions	**232,539**	**-**	**9**	**232,548**	**(1,064)**	**-**	**(9)**	**(1,073)**
Financial assets purchased under resale agreements	**42,570**	**-**	**-**	**42,570**	**(709)**	**-**	**-**	**(709)**
Loans and advances to customers								
- Corporate loans and advances	**1,687,624**	**60,288**	**50,769**	**1,798,681**	**(49,606)**	**(9,274)**	**(28,412)**	**(87,292)**
- Personal loans and advances	**1,430,079**	**11,745**	**11,365**	**1,453,189**	**(7,438)**	**(1,876)**	**(8,247)**	**(17,561)**
Financial investments	**1,402,836**	**45,931**	**19,518**	**1,468,285**	**(8,892)**	**(2,936)**	**(12,281)**	**(24,109)**
Finance lease receivables	**105,190**	**2,721**	**3,385**	**111,296**	**(1,358)**	**(982)**	**(2,683)**	**(5,023)**
Financial assets, Others	**27,210**	**351**	**1,274**	**28,835**	**(1,328)**	**(103)**	**(1,104)**	**(2,535)**
Total	**5,502,064**	**121,036**	**86,336**	**5,709,436**	**(70,707)**	**(15,171)**	**(52,752)**	**(138,630)**

	The Group							
	Gross carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Fair value through other comprehensive income:								
Loans and advances to customers								
- Corporate loans and advances	**195,645**	**144**	**35**	**195,824**	**(700)**	**(16)**	**(12)**	**(728)**
Other debt investments	**595,992**	**2,837**	**553**	**599,382**	**(703)**	**(74)**	**(1,205)**	**(1,982)**
Total	**791,637**	**2,981**	**588**	**795,206**	**(1,403)**	**(90)**	**(1,217)**	**(2,710)**
Credit commitments	**1,392,362**	**7,715**	**3,810**	**1,403,887**	**(4,818)**	**(148)**	**(1,287)**	**(6,253)**

3.3.1 Loans and advances to customers

As at 31 Demember 2020, loans and advances to customers were analysed by types of security as follows, excluding loans and advances measured at fair value through profit or loss:

	31 December 2020		31 December 2019	
	The Group	The Bank	The Group	The Bank
Stage 1				
Unsecured loans	**1,040,036**	**1,006,540**	866,123	837,259
Guaranteed loans	**772,877**	**772,877**	656,561	656,561
Collateralised loans				
- Secured by mortgage	**1,528,590**	**1,528,590**	1,303,528	1,303,528
- Secured by collaterals	**520,219**	**520,219**	487,136	487,136
Subtotal	**3,861,722**	**3,828,226**	3,313,348	3,284,484
Stage 2				
Unsecured loans	**10,895**	**10,493**	12,975	12,468
Guaranteed loans	**14,297**	**14,297**	29,390	29,390
Collateralised loans				
- Secured by mortgage	**24,639**	**24,639**	24,722	24,722
- Secured by collaterals	**2,422**	**2,422**	5,090	5,090
Subtotal	**52,253**	**51,851**	72,177	71,670
Stage 3				
Unsecured loans	**13,615**	**12,659**	9,414	8,391
Guaranteed loans	**25,448**	**25,448**	23,859	23,859
Collateralised loans				
- Secured by mortgage	**20,123**	**19,675**	24,725	24,725
- Secured by collaterals	**864**	**864**	4,171	4,171
Subtotal	**60,050**	**58,646**	62,169	61,146
Total	**3,974,025**	**3,938,723**	3,447,694	3,417,300
Fair value of collateral held against credit-impaired loans	**10,377**	**10,377**	14,454	14,454

The above collateral mainly includes land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

3.3.2 Deposits with banks and other financial institutions

Deposits with banks and other financial institutions include balances with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements of which counterparties are banks and non-bank financial institutions.

	31 December 2020		31 December 2019	
	The Group	The Bank	The Group	The Bank
Occurred credit impaired	**25**	**25**	25	25
Less: allowances for impairment losses	**(25)**	**(25)**	(25)	(25)
Guaranteed loans	**-**	**-**	-	-
Subtotal				
- Grade A to AAA	**264,653**	**263,629**	339,208	342,365
- Grade B to BBB	**609**	**609**	4,378	4,378
- Unrated	**146,108**	**146,108**	18,200	18,200
Total	**411,370**	**410,346**	361,786	364,943
Interest accrued	**1,048**	**1,149**	895	881
Less: allowances for im-pairment losses	**(1,922)**	**(1,912)**	(2,085)	(2,078)
Subtotal	**410,496**	**409,583**	360,596	363,746
Total	**410,496**	**409,583**	360,596	363,746

Deposits with banks and other financial institutions are analysed above according to the Group and the Bank's internal credit rating. Exposure limits are set for banks and non-bank financial institutions.

3.3.3 Distribution of investments analysed by rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located. The investments include debt investments in Financial investments.

	The Group					
	2020					
	Unrated	AAA	AA	A	Lower than A	Total
Occurred credit impaired						
- Other corporates	**21,223**	**643**	**1,676**	**-**	**5,032**	**28,574**
- Banks and non-bank	**-**	**-**	**-**	**-**	**-**	**-**
Financial institutions	**940**	**857**	**-**	**-**	**-**	**1,797**
Total	**22,163**	**1,500**	**1,676**	**-**	**5,032**	**30,371**
Allowance for impairment losses						**(13,920)**
Subtotal						**16,451**
Overdue nor credit impaired						
- Other corporates	**8,114**	**-**	**-**	**-**	**-**	**8,114**
Allowance for impairment losses						**(1,031)**
Subtotal						**7,083**
Neither overdue nor credit impaired						
- Government	**801,859**	**174,206**	**-**	**687**	**-**	**976,752**
- Policy banks	**22,844**	**-**	**-**	**916**	**-**	**23,760**
- Banking and non-banking financial institution	**125,360**	**115,865**	**13,220**	**8,244**	**1,665**	**264,354**
- Other corporates	**396,654**	**398,871**	**203,734**	**13,252**	**40,080**	**1,052,591**
Total	**1,346,717**	**688,942**	**216,954**	**23,099**	**41,745**	**2,317,457**
Allowance for impairment losses						**(16,551)**
Subtotal						**2,300,906**
Total						**2,324,440**

	The Group					
	2019					
	Unrated	AAA	AA	A	Lower than A	Total
Occurred credit impaired						
- Other corporates	15,953	858	454	-	2,806	20,071
Allowance for impairment losses						(12,281)
Subtotal						7,790
Overdue nor credit impaired						
- Other corporates	1,262	-	1,203	-	-	2,465
Allowance for impairment losses						(293)
Subtotal						2,172
Neither overdue nor credit impaired						
- Government	764,822	144,157	-	511	43	909,533
- Policy banks	28,621	-	-	419	-	29,040
- Banking and non-banking financial institution	176,982	58,449	2,254	10,988	3,079	251,752
- Other corporates	513,648	294,694	202,859	20,276	43,102	1,074,579
Total	1,484,073	497,300	205,113	32,194	46,224	2,264,904
Allowance for impairment losses						(11,535)
Subtotal						2,253,369
Total						2,263,331

3.4 Collateral and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. The pledge rate depends on the credit information, operation and management, and financial position of pledgers, the condition of collateral, the market price, the pledged periods, and the convertibility of collateral. In addition, the Collateral Guideline of the Group set an upper limit of the pledged rate. Furthermore, the Group classifies and manages collateral by the difficulty of appraisal and management, the stability of market price and the convertibility of collateral. Following are the main types of collateral:

・For reverse repurchase agreements, collateral mainly includes bills, loans and securities;

・For commercial loans, collateral mainly includes land, properties, equipment and shares, etc;

・For retail loans, collateral mainly includes properties.

The management will monitor the market value of the collateral, ask the borrowers to increase collateral if necessary according to the agreements and monitor the changes in the market value of the collateral when reviewing the adequacy of impairment.

3.5 Rescheduled loans

Rescheduled loans refer to the loan projects generated by the the Group to re-determine the terms of the loan at the discretion of the borrower who is unable to repay the loan according to the original loan terms. If conditions permit, the Group will seek to reschedule the loan instead of obtaining ownership of the collateral. The Group assessed the rescheduled loans as impaired loans manner when rescheduling. As at 31 December 2020, the carrying amount of the Group's rescheduled loans was RMB 3,840 million. (As at 31 December 2019, the amount is 4,769 million.)

4. Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's proprietary and customer driven business. The Group's market risk management objective is to control the market risk within a reasonable scope in order to achieve the optimal risk adjusted benefit.

According to the Group's market risk management structure, market risk management is critical for the management of the Group's assets and liabilities. Any major events should be reported to the Asset and Liability Management Committee for review and then authorized by President of the Bank. The planning and financial department is responsible for implementing the Group's asset and liability management policy, analysing and monitoring the implementation status of each type of indicators.

For daily control and management of treasury business, the risk management department of the treasure center built up mid-stage risk control system to carry out an implanting risk management and report to the risk management department of the Group.

4.1 Interest rate risk

The interest rate risk of the Group includes repricing risk, yield curve risk, benchmark risk and optional risk, among which repricing risk is the main risk. It is the risk arising from the mismatch between the agreed maturity date (fixed interest rate day) and the repricing date (floating interest rate) of interest bearing assets and interest payment liabilities. Currently, the Group has fully carried out the internal capital transfer pricing. The Group determined the transfer pricing by different products and terms, and gradually centralized the interest rate risk to the Head Office, so as to improve the efficiency of management and control the interest rate risk.

For the interest risk management of bank accounts, the Group mainly evaluates the interest rate risk of balance sheet through gap analysis. The Group dynamically monitors and controls the interest rate sensitive gap of balance sheet through information systems like assets-liabilities management system, and simply calculates the interest rate sensitivity affected by revenue and economic value on the basis of gap analysis. The revenue analysis emphasizes on the effect of the interest rate fluctuation on short-term income, while the economic value analysis emphasizes on the effect of the interest rate fluctuation on present value of net cash flow.

For the interest risk management of transaction accounts, the Group mainly achieves the real-time monitoring of the interest rate risk of the trading accounts through the quota system, the use of financial transactions and analysis system and the scientific exposure measurement models. According to regulatory requirement, the Group has strengthened the management of market risk measurement models, standardized the developing, testing and commissioning process, and built on regular evaluation mechanisms to ensure the accuracy of measurement models. The Group applies the on-line trading and analysis system to timely measure and control the interest rate risk exposure of transaction accounts, which provides effective technical support to control the interest rate risk of transaction accounts.

At the balance sheet date, an analysis of contractual reprising date or maturity date, whichever is earlier, of the financial assets and financial liabilities are as follows:

	The Group					
	2020					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	**406,191**	**-**	**-**	**-**	**4,956**	**411,147**
Deposits with banks and other financial institutions	**80,966**	**14,039**	**202**	**-**	**-**	**95,207**
Placements with banks and other financial institutions	**101,230**	**89,558**	**1,151**	**-**	**-**	**191,939**
Derivative financial assets	**-**	**-**	**-**	**-**	**59,396**	**59,396**
Financial assets purchased under resale agreements	**122,357**	**993**	**-**	**-**	**-**	**123,350**
Loans and advances to customers	**2,688,978**	**978,655**	**134,731**	**64,957**	**-**	**3,867,321**
Financial investments:						
Trading assets	**50,666**	**48,489**	**117,020**	**25,072**	**582,680**	**823,927**
Debt investments	**161,696**	**173,957**	**758,727**	**455,751**	**-**	**1,550,131**
Other debt investments	**108,938**	**63,264**	**235,320**	**108,846**	**-**	**516,368**
Other equity investments	**-**	**-**	**-**	**-**	**2,388**	**2,388**
Finance lease receivables	**15,443**	**54,777**	**29,533**	**863**	**-**	**100,616**
Other assets	**373**	**3,505**	**315**	**-**	**49,358**	**53,551**
Total financial assets	**3,736,838**	**1,427,237**	**1,276,999**	**655,489**	**698,778**	**7,795,341**
Financial liabilities:						
Borrowing from Central Bank	**36,655**	**253,743**	**-**	**-**	**-**	**290,398**
Deposits from banks and other financial institutions	**1,163,967**	**323,112**	**-**	**-**	**-**	**1,487,079**
Placements from banks and other financial institutions	**88,602**	**72,865**	**14,675**	**4,029**	**-**	**180,171**
Trading liabilities	**935**	**-**	**-**	**-**	**15,127**	**16,062**
Derivative financial liabilities	**-**	**-**	**-**	**-**	**61,513**	**61,513**
Financial assets sold under repurchase agreements	**99,358**	**24,209**	**-**	**-**	**-**	**123,567**
Deposits from customers	**2,576,935**	**535,237**	**969,812**	**-**	**2,258**	**4,084,242**
Debt securities issued	**227,918**	**537,319**	**180,126**	**2,030**	**-**	**947,393**
Other liabilities	**-**	**-**	**-**	**-**	**26,848**	**26,848**
Total financial liabilities	**4,194,370**	**1,746,485**	**1,164,613**	**6,059**	**105,746**	**7,217,273**
Net position	**(457,532)**	**(319,248)**	**112,386**	**649,430**	**593,032**	**578,068**

	The Group					
	2019					
	Within 3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial assets:						
Cash and balances with Central Bank	481,596	-	-	-	4,848	486,444
Deposits with banks and other financial institutions	85,636	1,624	-	-	-	87,260
Placements with banks and other financial institutions	117,798	113,173	504	-	-	231,475
Derivative financial assets	-	-	-	-	32,724	32,724
Financial assets purchased under resale agreements	41,861	-	-	-	-	41,861
Loans and advances to customers	2,628,868	655,404	53,633	7,275	-	3,345,180
Financial investments:						
Trading assets	29,045	63,092	69,914	47,907	442,076	652,034
Debt investments	334,500	146,971	567,403	395,302	-	1,444,176
Other debt investments	73,446	144,385	278,670	102,881	-	599,382
Other equity investments	-	-	-	-	1,929	1,929
Finance lease receivables	91,244	8,736	6,277	16	-	106,273
Other assets	1,494	-	-	-	24,807	26,301
Total financial assets	3,885,488	1,133,385	976,401	553,381	506,384	7,055,039
Financial liabilities:						
Borrowing from Central Bank	-	30,900	137,359	-	-	168,259
Deposits from banks and other financial institutions	902,769	256,482	74,686	-	-	1,233,937
Placements from banks and other financial institutions	85,769	89,041	15,400	2,100	-	192,310
Trading liabilities	261	191	8	-	3,754	4,214
Derivative financial liabilities	-	-	-	-	31,444	31,444
Financial assets sold under repurchase agreements	172,195	21,217	-	-	-	193,412
Deposits from customers	2,378,411	525,748	885,156	26	5,491	3,794,832
Debt securities issued	233,806	431,929	231,351	2,030	-	899,116
Other liabilities	242	5	7	-	25,256	25,510
Total financial liabilities	3,773,453	1,355,513	1,343,967	4,156	65,945	6,543,034
Net position	112,035	(222,128)	(367,566)	549,225	440,439	512,005

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all currencies' yield curves on the Group's net interest income and other comprehensive income, based on the Group's positions of financial assets and financial liabilities at the balance sheet date.

	The Group			
	2020		2019	
	Net interest income increase (decrease)	Other comprehensive income (decrease) increase	Net interest income increase (decrease)	Other comprehensive income (decrease) increase
+100 basis points	**(7,019)**	**(12,288)**	(755)	(11,200)
- 100 basis points	**7,019**	**13,146**	755	12,579

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged.

The sensitivity analysis on other comprehensive income is the effect on changes of fixed rate debt instruments at fair value through other comprehensive income at the period end after adjusting in accordance with the reasonably possible changes in interest rates.

The above prediction assumes that all yield curves of assets and liabilities, except demand deposit, shift upward or downward parallel. Therefore it does not reflect the potential impact of non-parallel shift in yield curves. The prediction also assumes that all positions are held to maturity. The Group anticipates that the amount of sensitivity analysis is insignificant if a position is not held to maturity.

The assumption does not represent the Group's capital and interest rate risk management policy. Therefore the above analysis may differ from the actual situation.

In addition, the impact of interest rate fluctuation is only for illustrating purpose, showing the anticipated net interest income and other comprehensive income of the Group under the current interest rate risk situation, and such impact has not taken into account the potential interest rate risk control activities carried out by the management.

4.2 Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain businesses denominated in USD or other currencies. RMB is the functional currency. The exchange rate for RMB converting to USD or other foreign currencies is regulated by the PBOC.

The Group is mainly exposed to currency risk resulting from currency mismatches of assets and liabilities, foreign currency transactions and foreign currency capital, etc.

The capital operation department of the Bank centrally manages the currency risk. The currency risk that arises from all types of foreign exchange transactions at the branch level should be centralized to head office to manage the risk exposure and squares positions through the core business system.

The currency risk exposure between foreign currencies is managed on the basis of "overnight position limit" and "day time self-trading positions". The positions are centralized to the capital operation department in a timely way and managed centrally. This kind of position is relatively small compared to the Group's asset scale and is controllable.

Regarding the currency risk exposure between RMB and foreign currencies, the Group is mainly exposed to currency risk resulting from the comprehensive positions of the RMB market maker and the position of the foreign currency capital. As an active RMB market maker, the Group controls the position limit properly. The comprehensive positions of the market maker are managed close to zero and the overnight positions are kept at low level.

The following tables are the structure analysis of the relevant financial assets and financial liabilities by currency.

	The Group			
	2020			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	**402,618**	**8,378**	**151**	**411,147**
Deposits with banks and other fi-nancial institutions	**38,056**	**56,913**	**238**	**95,207**
Placements with banks and other financial institutions	**158,942**	**32,741**	**256**	**191,939**
Derivative financial assets	**51,471**	**7,911**	**14**	**59,396**
Financial assets purchased under resale agreements	**122,646**	**704**	**-**	**123,350**
Loans and advances to customers	**3,721,039**	**86,496**	**59,786**	**3,867,321**
Financial investments:				
Trading assets	**797,980**	**25,854**	**93**	**823,927**
Debt investments	**1,506,665**	**40,018**	**3,448**	**1,550,131**
Other debt investments	**440,906**	**74,701**	**761**	**516,368**
Other equity investments	**2,327**	**61**	**-**	**2,388**
Finance lease receivables	**99,680**	**936**	**-**	**100,616**
Other assets	**52,450**	**1,005**	**96**	**53,551**
Total financial assets	**7,394,780**	**335,718**	**64,843**	**7,795,341**
Financial liabilities:				
Borrowing from Central Bank	**290,398**	**-**	**-**	**290,398**
Deposits from banks and other financial institutions	**1,374,364**	**107,331**	**5,384**	**1,487,079**
Placements from banks and other financial institutions	**111,375**	**65,456**	**3,340**	**180,171**
Trading liabilities	**16,062**	**-**	**-**	**16,062**
Derivative financial liabilities	**52,383**	**9,084**	**46**	**61,513**
Financial assets sold under repurchase agreements	**111,348**	**12,211**	**8**	**123,567**
Deposits from customers	**3,900,364**	**154,772**	**29,106**	**4,084,242**
Debt securities issued	**911,145**	**21,354**	**14,894**	**947,393**
Other liabilities	**26,675**	**86**	**87**	**26,848**
Total financial liabilities	**6,794,114**	**370,294**	**52,865**	**7,217,273**
Net position	**600,666**	**(34,576)**	**11,978**	**578,068**

	The Group			
	2019			
	RMB	USD equivalent to RMB	Other currencies equivalent to RMB	Total
Financial assets:				
Cash and balances with Central Bank	474,490	302	11,652	486,444
Deposits with banks and other fi-nancial institutions	51,631	35,345	284	87,260
Placements with banks and other financial institutions	172,056	59,101	318	231,475
Derivative financial assets	29,566	3,140	18	32,724
Financial assets purchased under resale agreements	41,179	682	-	41,861
Loans and advances to customers	3,175,265	103,576	66,339	3,345,180
Financial investments:				
Trading assets	606,234	44,904	896	652,034
Debt investments	1,403,414	37,273	3,489	1,444,176
Other debt investments	509,515	88,616	1,251	599,382
Other equity investments	1,872	57	-	1,929
Finance lease receivables	105,326	947	-	106,273
Other assets	23,213	336	2,752	26,301
Total financial assets	6,593,761	374,279	86,999	7,055,039
Financial liabilities:				
Borrowing from Central Bank	168,259	-	-	168,259
Deposits from banks and other fi-nancial institutions	1,094,788	138,929	220	1,233,937
Placements from banks and other financial institutions	97,358	94,823	129	192,310
Trading liabilities	4,053	161	-	4,214
Derivative financial liabilities	27,565	3,873	6	31,444
Financial assets sold under repur-chase agreements	178,461	14,933	18	193,412
Deposits from customers	3,558,885	50,432	185,515	3,794,832
Debt securities issued	870,580	22,539	5,997	899,116
Other liabilities	21,202	750	3,558	25,510
Total financial liabilities	6,021,151	326,440	195,443	6,543,034
Net position	572,610	47,839	(108,444)	512,005

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against all other currencies by 5% on the foreign exchange gains or losses:

	The Group	
	2020 Foreign exchange increase(decrease)	2019 Foreign exchange increase (decrease)
5% appreciation	**1,231**	677
5% depreciation	**(1,231)**	(677)

The above sensitivity analysis is measured on the basis that all assets and liabilities have a static currency risk structure. The relevant assumptions are:

(1) The exchange rate sensitivity represents the exchange gains or losses arisen from a 5% change of the closing exchange rates (middle price) of the different foreign currencies against RMB at the balance sheet date;

(2) The exchange rate changes of different foreign currencies against RMB move in the same direction simultaneously.

The aforesaid effect on foreign exchange gains or loss is based on the assumption that the Group's net positions of foreign exchange sensitivity and foreign exchange derivative instruments at the end of the reporting period remain unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures and appropriate use of derivative instruments, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ from the actual situation.

4.3 Other price risk

Other price risk mainly derives from equity investment, held-for-trading precious metals investment and other bonds and derivatives linked to commodity price.

The Group considers that the market risk of commodity price or stock price from portfolio is insignificant.

5. Liquidity risk

Liquidity risk refers to the risk of being unable to acquire sufficient funds in time or failing to acquire sufficient funds at a reasonable cost to meet repayment obligations for asset growth or other business. The Group's liquidity risk mainly derives from advanced or concertrated withdrawal, principal-guaranteed wealth management products redemption, deferred loan repayment and mismatches of assets and liabilities.

The assets and liabilities management committee of the Group monitors and manages the liquidity risk of the Group, ensuring effective liquidity management. The committee will determine the liquidity risk management strategy, the monitoring indicators and the alarming index, regularly analyse and discuss the liquidity risk assessment report submitted, and determine the liquidity risk management measures.

The financial planning department is responsible for: drafting liquidity risk management policies and measures; monitoring different types of liquidity ratios and exposure indicators. The planning and financial department monitors the liquidity risk ratios monthly by reviewing the assets’ and liabilities'structure. If there are any ratios close to or over the alarming limits, the department has to investigate the reasons and make recommendations to adjust the assets’ and liabilities'structure accordingly; analysing the liquidity risk and reporting to the assets and liabilities management committee regularly; and daily operation of liquidity management, establishment of a cash position forecast system at the Bank level in order to meet the cash payment needs and assure the liquidity for the business development requirements.

The Group regularly monitors the surplus reserve ratio, liquidity ratio, liquidity coverage ratio, net stable fund ratio, ratio of dependence on interbank liabilities and sets alarming and tolerance limits for each ratio. The Group also prepares general liquidity analysis report based on liquidity indicators recorded and net cash flow position of assets and liabilities, incorporating the consideration of macro economy and interbank liquidity status. The report is submitted to the assets and liabilities management committee for assessment. The assessment report will be submitted together with credit risk, liquidity risk and market risk to the risk management committee for the analysis of the Group's overall risk assessment to determine the management strategy accordingly.

5.1 Undiscounted contractual cash flows classified by the maturity date of contracts

The following tables are the structure analysis of non-derivative financial assets and financial liabilities by contractual maturities at the balance sheet date. The amounts disclosed in each term are the undiscounted contractual cash flows.

	The Group							
	2020							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	**411,147**	**-**	**-**	**-**	**-**	**-**	**-**	**411,147**
Deposits with banks and other financial institutions	**73,603**	**4,114**	**3,272**	**14,363**	**202**	**-**	**-**	**95,554**
Placements with banks and other financial institutions	**53**	**69,316**	**32,040**	**91,354**	**1,252**	**-**	**-**	**194,015**
Financial assets purchased under resale agreements	**-**	**121,913**	**506**	**1,001**	**-**	**-**	**-**	**123,420**
Loans and advances to customers	**-**	**561,675**	**256,378**	**1,027,759**	**1,222,118**	**2,086,767**	**55,793**	**5,210,490**
Financial investments:								
Trading assets	**541,907**	**14,090**	**14,945**	**53,185**	**142,582**	**18,792**	**85,975**	**871,476**
Debt investments	**-**	**26,142**	**74,679**	**201,903**	**846,133**	**693,967**	**35,058**	**1,877,882**
Other debt investments	**-**	**24,044**	**45,234**	**67,664**	**282,187**	**161,225**	**1,247**	**581,601**
Other equity investments	**-**	**-**	**-**	**-**	**-**	**-**	**2,388**	**2,388**
Financial lease receivables	**-**	**3,240**	**9,088**	**30,561**	**64,575**	**6,751**	**2,504**	**116,719**
Other non-derivative financial assets	**41,449**	**159**	**3,363**	**5,176**	**3,383**	**220**	**5**	**53,755**
Total non-derivative financial assets:	**1,068,159**	**824,693**	**439,505**	**1,492,966**	**2,562,432**	**2,967,722**	**182,970**	**9,538,447**
Non-derivative financial liabilities:								
Borrowing from Central Bank	**-**	**30,065**	**5,627**	**258,139**	**-**	**-**	**-**	**293,831**
Deposits from banks and other financial institutions	**734,981**	**241,543**	**188,486**	**327,354**	**-**	**-**	**-**	**1,492,364**
Placements from banks and other financial institutions	**-**	**51,964**	**36,677**	**72,923**	**14,732**	**4,029**	**-**	**180,325**
Trading liabilities	**16,195**	**682**	**12**	**50**	**-**	**-**	**304**	**17,243**
Financial assets sold under repurchase agreements	**-**	**79,595**	**19,789**	**24,215**	**-**	**-**	**-**	**123,599**
Deposits from customers	**2,258**	**316,356**	**2,240,041**	**576,311**	**1,052,113**	**-**	**-**	**4,187,079**
Debt securities issued	**-**	**113,770**	**114,789**	**504,988**	**138,909**	**121,630**	**-**	**994,086**
Other non-derivative financial liabilities	**5,553**	**766**	**1,217**	**2,836**	**6,704**	**543**	**10,399**	**28,018**
Total non-derivative financial liabilities	**758,987**	**834,741**	**2,606,638**	**1,766,816**	**1,212,458**	**126,202**	**10,703**	**7,316,545**
Net position	**309,172**	**(10,048)**	**(2,167,133)**	**(273,850)**	**1,349,974**	**2,841,520**	**172,267**	**2,221,902**

	The Group							
	2019							
	On demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Past due/ undated	Total
Non-derivative financial assets:								
Cash and balances with Central Bank	390,869	-	-	-	-	-	97,317	488,186
Deposits with banks and other financial institutions	53,074	27,611	5,030	1,663	-	-	-	87,378
Placements with banks and other financial institutions	77	94,837	23,074	115,862	540	-	-	234,390
Financial assets purchased under resale agreements	-	41,889	-	-	-	-	-	41,889
Loans and advances to customers	-	486,949	250,130	907,908	1,009,623	1,694,727	71,461	4,420,798
Financial investments:								
Trading assets	423,808	14,046	5,550	67,758	79,650	55,013	75,803	721,628
Debt investments	-	31,289	57,913	181,850	769,013	644,582	36,288	1,720,935
Other debt investments	-	10,436	24,517	149,622	322,986	165,454	7,429	680,444
Other equity investments	-	-	-	-	-	-	1,929	1,929
Financial lease receivables	-	4,060	9,490	35,459	62,093	8,826	3,287	123,215
Other non-derivative financial assets	17,262	1,230	2,907	533	1,531	158	6,736	30,357
Total non-derivative financial assets:	885,090	712,347	378,611	1,460,655	2,245,436	2,568,760	300,250	8,551,149
Non-derivative financial liabilities:								
Borrowing from Central Bank	-	-	-	30,958	140,189	-	-	171,147
Deposits from banks and other financial institutions	616,190	130,532	156,981	260,375	74,685	-	-	1,238,763
Placements from banks and other financial institutions	-	50,273	36,774	91,394	16,078	2,193	-	196,712
Trading liabilities	92	510	3,578	40	9	-	-	4,229
Financial assets sold under repurchase agreements	-	147,994	24,328	21,387	-	-	-	193,709
Deposits from customers	21,829	2,091,527	254,751	540,979	885,701	46	-	3,794,833
Debt securities issued	-	39,389	192,377	439,720	150,276	129,290	-	951,052
Other non-derivative financial liabilities	13,993	705	787	1,449	1,236	91	9,046	27,307
Total non-derivative financial liabilities	652,104	2,460,930	669,576	1,386,302	1,268,174	131,620	9,046	6,577,752
Net position	232,986	(1,748,583)	(290,965)	74,353	977,262	2,437,140	291,204	1,973,397

5.2 Liquidity risk analysis of derivative instruments

(1) Derivatives settled on a net basis

Derivatives that were settled on a net basis by the Group include: interest rate derivatives, exchange rate derivatives, credit derivatives and precious metal derivatives, etc. The tables below set forth the Group's net derivative financial instruments positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows:

	The Group					
	2020					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	**20**	**42**	**24**	**(84)**	**(287)**	**(285)**
Exchange rate derivatives	**(265)**	**183**	**(1,593)**	**38**	**-**	**(1,637)**
Other derivatives	**(198)**	**(12)**	**(172)**	**(66)**	**-**	**(448)**
Total	**(443)**	**213**	**(1,741)**	**(112)**	**(287)**	**(2,370)**

	2019					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Interest rate derivatives	2	(31)	208	(249)	(158)	(228)
Exchange rate derivatives	499	1,092	(211)	2	-	1,382
Other derivatives	34	835	86	285	-	1,240
Total	535	1,896	83	38	(158)	2,394

(2) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis refer to exchange rate derivatives. The tables below set forth the Group's positions by remaining contractual maturities at the balance sheet date. The amounts disclosed in the tables are the undiscounted contractual cash flows:

	The Group					
	2020					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	**489,362**	**493,225**	**896,814**	**75,483**	**476**	**1,955,360**
- Cash outflow	**(490,163)**	**(493,305)**	**(900,205)**	**(76,009)**	**(558)**	**(1,960,240)**
Total	**(801)**	**(80)**	**(3,391)**	**(526)**	**(82)**	**(4,880)**

	2019					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Exchange rate derivatives						
- Cash inflow	284,670	294,703	490,642	96,180	38,245	1,204,440
- Cash outflow	(285,264)	(295,237)	(491,279)	(97,683)	(38,311)	(1,207,774)
Total	(594)	(534)	(637)	(1,503)	(66)	(3,334)

5.3 Liquidity risk analysis of off-balance sheet items

The Group's off-balance sheet items mainly include credit card commitments, letters of credit, letters of guarantee and bank acceptances. The tables below set forth the liquidity of the off-balance sheet items:

	The Group							
	2020				2019			
	Less than 1 year	1-5 years	Over 5 years	Total	Less than 1 year	1-5 years	Over 5 years	Total
Credit card commitments	**444,176**	**-**	**-**	**444,176**	355,436	-	-	355,436
Letters of credit	**148,217**	**248**	**-**	**148,465**	147,815	244	-	148,059
Letters of guarantee	**74,225**	**32,234**	**2,102**	**108,561**	61,588	51,173	7,557	120,318
Bank acceptances	**822,341**	**-**	**-**	**822,341**	761,032	-	-	761,032
Irrevocable loan commitments	**6,271**	**12,766**	**8,100**	**27,137**	2,543	7,287	9,212	19,042
Total	**1,495,230**	**45,248**	**10,202**	**1,550,680**	1,328,414	58,704	16,769	1,403,887

6. Capital management

During the reporting period, the Group had conscientiously implemented the capital management policy according to the regulations of China Banking Regulatory Commission *Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)*. The Group will ensure capital adequacy ratio and the overall strategic development match with risk preference and risk management capabilities, in order to achieve healthy, sustainable and rapid development.

In 2020, the Group implemented capital intensive operation and management to continuously improve and optimize risk-weighted asset amount allocation and governing system: oriented by risk-weighted asset yields, the Group makes overall arrangements in operation institutions, risk-weighted assets scale of business lines to reasonably adjust industry structure and promote capital allocation.

According to related guidelines of CBRC, *"Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)"* and other regulations, the Group monitors its capital adequacy and capital application in real time.

	The Group	
	2020	2019
Net core tier 1 capital	**528,452**	484,935
Net tier 1 capital	**614,394**	540,887
Net capital	**762,803**	684,547
Total risk weighted assets	**5,663,756**	5,123,362
Core tier 1 capital adequacy ratio	**9.33%**	9.47%
Tier 1 capital adequacy ratio	**10.85%**	10.56%
Capital adequacy ratio	**13.47%**	13.36%

(1) The scope of consolidation for the purpose of calculating the Group's Capital Adequacy Ratio includes domestic and overseas operating units and other financial subsidiaries specified in the capital rules.

(2) The Group's core tier 1 capital includes ordinary shares, the capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings, non-controlling interests (to the extent permitted in the core tier 1 capital under the Regulation), and other qualified capital instruments.

(3) The Group's core tier 1 capital supervision deductions include the net amount of goodwill after deduction of related deferred tax liabilities and the net amount of other intangible assets (excluding land use rights) after deduction of related net deferred tax liabilities.

(4) The Group's other tier 1 capital includes preference shares and non-controlling interests to the extent permitted by the capital rules.

(5) The Group's tier 2 capital includes: tier 2 capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and non-controlling interests to the extent permitted by the capital rules.

(6) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets. The Group adopts risk weighting approach, standardized approach and basic indicator approach to measure Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets respectively.

7. Fair value of financial instruments

7.1 Method of fair value recognition

Part of the financial assets and financial liabilities of the Group is measured at fair value. Fair value are measured through appropriate method and parameters, and regularly reviewed by the Board of Directors to keep its applicability. The Group determined and disclosed the fair value of financial instruments based on:

Level 1 inputs: Unadjusted public quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: All parameters that have a significant impact on the valuation results are market information that can be directly or indirectly observable with the utilisation of valuation techniques; and

Level 3 inputs: Part of the parameters that have a significant impact on the valuation results are market information that are not observable with the utilisation of valuation techniques.

When recognizing the fair value of the financial instrument, to those financial instruments which can obtain unadjusted price of same assets and liabilities in the active market, the Group regards the unadjusted price in the active market as the best evidence of fair value. And then the Group recognizes the fair value and classifies it to level 1. The financial instruments of the Group divided into the first level include equity securities and public funds listed on the exchange.

If the parameters of the estimation are observable and acquirable in the active market, such financial instruments (including equity instrument and derivative financial instrument) should be classified to level 2. Financial instruments classified as level 2 by the Group were mainly bond investment, bill business, foreign exchange forwards and swaps, interest rate swaps, foreign exchange options and precious metal contracts, etc. In terms of the fair value of RMB bonds, the Group mainly adopted the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Corporation Limited according to the different bond exchange markets; the fair value of foreign currency bonds was based on the valuation results published by Bloomberg; bill business was discounted by a discounted cash flow model which uses the interbank lending rate as a benchmark to adjust the spread based on credit risk and liquidity to build an interest rate curve; non-derivative financial instruments and some derivative financial instruments (including interest rate swaps, foreign exchange forwards, etc.) that cannot obtain quotes from active markets were valued using a cash flow discount model which includes main parameters such as recent transaction price, relevant yield curve, exchange rate, early compensation rate and counterparty credit spread; and option derivative valuation valued using the Black-Scholes option pricing model which includes the relevant yield curve, exchange rate, volatility, and counterparty credit spread etc.. All significant valuation parameters are based on observable market information.

7.2 Financial assets and financial liabilities at fair value on recurring basis

For financial assets and financial liabilities at fair value on recurring basis, three levels of fair value measurement are analysed as follows:

	The Group							
	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets:								
Trading assets	**281,048**	**510,036**	**32,843**	**823,927**	246,522	383,604	21,908	652,034
Other debt investments	**-**	**513,762**	**2,606**	**516,368**	-	593,744	5,638	599,382
Other equity investments	**595**	**-**	**1,793**	**2,388**	716	-	1,213	1,929
Loans and advances to customers								
At fair value through profit or loss	**-**	**1,364**	**-**	**1,364**	-	2,339	-	2,339
At fair value through other comprehensive income	**-**	**207,703**	**-**	**207,703**	-	195,824	-	195,824
Derivative financial assets	**-**	**59,396**	**-**	**59,396**	-	32,724	-	32,724
Total	**281,643**	**1,292,261**	**37,242**	**1,611,146**	247,238	1,208,235	28,759	1,484,232
Financial liabilities:								
Trading liabilities	**972**	**14,786**	**304**	**16,062**	108	4,106	-	4,214
Derivative financial liabil-ities	**-**	**61,513**	**-**	**61,513**	-	31,444	-	31,444
Total	**972**	**76,299**	**304**	**77,575**	108	35,550	-	35,658

In 2020 and 2019, the Group did not transfer the fair value of financial instruments from level 1 and level 2 to level 3, nor did it transfer the fair value of financial instruments from level 1 to level 2.

Movement in level 3 financial instruments measured at fair value:

	The Group				
	Trading assets	Other debt investments	Other equity investments	Trading liabilities	Total
At 1 January 2020	**21,908**	**5,638**	**1,213**	**-**	**28,759**
Gains or losses					
- in profit or loss	**(76)**	**(345)**	**-**	**-**	**(421)**
- in other comprehensive income	**-**	**232**	**-**	**-**	**232**
Purchase	**18,306**	**556**	**580**	**(304)**	**19,138**
Sold and settle	**(7,295)**	**(3,475)**	**-**	**-**	**(10,770)**
At 31 December 2020	**32,843**	**2,606**	**1,793**	**(304)**	**36,938**
Unrealized gains or losses for the year ended 31 December 2020 included in profit or loss for assets held at 31 December 2020	**(53)**	**-**	**-**	**-**	**(53)**

	The Group			
	Trading assets	Other debt investments	Other equity investments	Total
At 1 January 2019	41,721	6,027	713	48,461
Gains or losses				
- in profit or loss	(1,174)	554	-	(620)
- in other comprehensive income	-	(963)	-	(963)
Purchase	13,818	5,495	500	19,813
Sold and settle	(32,457)	(5,475)	-	(37,932)
At 31 December 2019	21,908	5,638	1,213	28,759
Unrealized gains or losses for the year ended 31 December 2019 included in profit or loss for assets held at 31 December 2019	(1,468)	-	-	(1,468)

Information of Level 3 financial instruments:

	The Group	
Items	Fair value on 31 December 2020	Value Tech
Trading assets		
- Trust beneficiary rights and asset management plans	**11,215**	Discounted cash flow method
- Wealth management products	**-**	Discounted cash flow method
- Equity investments	**11,089**	Net asset value method
- Debt	**1,741**	Discounted cash flow method
- Others	**8,798**	Discounted cash flow method
Other debt investments		
- Trust beneficiary rights and asset management plans	**2,556**	Discounted cash flow method
- Debt	**50**	Discounted cash flow method
Other equity investments	**1,793**	Net asset value method
Trading liabilities	**(304)**	Note
Total	**36,938**	

	The Group	
Items	Fair value on 31 December 2019	Value Tech
Trading assets		
- Trust beneficiary rights and asset management plans	8,454	Discounted cash flow method
- Wealth management products	2,260	Discounted cash flow method
- Equity investments	5,218	Net asset value method
- Debt	43	Discounted cash flow method
- Others	5,933	Discounted cash flow method
Other debt investments		
- Trust beneficiary rights and asset management plans	4,278	Discounted cash flow method
- Debt	1,360	Discounted cash flow method
Other equity investments	1,213	Net asset value method
Total	28,759	

Note：Trading liabilities are the equity of other share holders in the consolidated structured entity, and the fair value is the amount attributable to the investors of the structured entity calculated based on the net value of the structured entity.

7.3 Financial assets and liabilities measured not by fair value

All financial instruments are carried at amounts not materially different from their fair value not measured at fair value except as follows:

	The Group				
	2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	**1,550,131**	**1,563,127**	**-**	**904,055**	**659,072**
Total	**1,550,131**	**1,563,127**	**-**	**904,055**	**659,072**
Financial liabilities:					
Debt securities issued	**947,393**	**949,491**	**-**	**949,491**	**-**
Total	**947,393**	**949,491**	**-**	**949,491**	**-**

	2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets:					
Debt investments	1,444,176	1,462,527	-	813,519	649,008
Total	1,444,176	1,462,527	-	813,519	649,008
Financial liabilities:					
Debt securities issued	899,116	894,531	-	894,531	-
Total	899,116	894,531	-	894,531	-

Quantitative information of level 2, 3 at fair value:

	The Group			
Items	Fair value at 31 December 2020	Fair value at 31 December 2019	Valuation Technique	Inputs
Debt investments	**1,563,127**	1,462,527	Discounted cash flow method	Yield rate of bonds,default rate, loss given default, discount rate
Debt securities issued	**949,491**	894,531	Discounted cash flow method	Yield rate of bonds

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.

XII. Other significant events

1. Financial assets and financial liabilities measured at fair value

	The Group				
	2020				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losse's for the year	Closing balance
Financial assets:					
Derivative financial assets	**32,724**	**26,672**	**-**	**-**	**59,396**
Loans and advances to customers measured at fair value through profit or loss	**2,339**	**1**	**-**	**-**	**1,364**
Loans and advances to customers measured at fair value through other comprehensive income	**195,824**	**-**	**(12)**	**135**	**207,703**
Trading assets	**652,034**	**(4,929)**	**-**	**-**	**823,927**
Other debt investments	**599,382**	**95**	**(7,247)**	**(2,483)**	**516,368**
Other equity investments	**1,929**	**-**	**(285)**	**-**	**2,388**
Total financial assets	**1,484,232**	**21,839**	**(7,544)**	**(2,348)**	**1,611,146**
Financial liabilities [(1)]	**(35,658)**	**(30,076)**	**-**	**-**	**(77,575)**

	The Bank				
	2020				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	Provision for impairment losses for the year	Closing balance
Financial assets:					
Derivative financial assets	**32,722**	**26,665**	**-**	**-**	**59,387**
Loans and advances to customers measured at fair value through profit or loss	**2,339**	**1**	**-**	**-**	**1,364**
Loans and advances to customers measured at fair value through other comprehensive income	**195,824**	**-**	**(12)**	**135**	**207,703**
Trading assets	**628,253**	**(5,098)**	**-**	**-**	**773,552**
Other debt investments	**597,801**	**95**	**(7,041)**	**(2,418)**	**514,919**
Other equity investments	**1,929**	**-**	**(285)**	**-**	**2,308**
Total financial assets	**1,458,868**	**21,663**	**(7,338)**	**(2,283)**	**1,559,233**
Financial liabilities (1)	**(35,548)**	**(30,021)**	**-**	**-**	**(76,226)**

(1) Financial liabilities include trading liabilities and derivative financial liabilities.

(2) The items of assets and liabilities listed on the above tables have no inevitable relationship.

2. Financial assets and financial liabilities denominated in foreign currencies

	The Group				
	2020				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	**11,954**	**-**	**-**	**-**	**8,529**
Deposits with banks and other financial institutions	**35,629**	**-**	**-**	**-**	**57,151**
Placements with banks and other financial institutions	**59,419**	**-**	**-**	**-**	**32,997**
Derivative financial assets	**3,158**	**4,767**	**-**	**-**	**7,925**
Financial assets purchased under resale agreement	**682**	**-**	**-**	**-**	**704**
Loans and advances to customers	**169,950**	**-**	**-**	**(2,908)**	**146,282**
Financial investments:					
Trading assets	**45,800**	**(1,002)**	**-**	**-**	**25,947**
Debt investments	**40,762**	**-**	**-**	**93**	**43,466**
Other debt investments	**89,867**	**-**	**(625)**	**564**	**75,462**
Other equity investments	**57**	**-**	**57**	**-**	**61**
Finance lease receivables	**947**	**-**	**-**	**(11)**	**936**
Other financial assets	**3,088**	**-**	**-**	**-**	**1,101**
Total of financial assets	**461,313**	**3,765**	**(568)**	**(2,262)**	**400,561**
Financial liabilities [(1)]	**(521,883)**	**(5,251)**	**-**	**-**	**(423,692)**

	The Bank				
	2020				
	Opening balance	Profit or loss arising from changes in fair value for the year	Accumulated changes in fair value included in other comprehensive income	(Charge) reversal for impairment losses for the year	Closing balance
Cash and balances with Central Bank	**11,954**	-	-	-	**8,529**
Deposits with banks and other financial institutions	**35,629**	-	-	-	**57,151**
Placements with banks and other financial institutions	**59,419**	-	-	-	**32,997**
Derivative financial assets	**3,158**	**4,767**	-	-	**7,925**
Financial assets purchased under resale agreement	**682**	-	-	-	**704**
Loans and advances to customers	**169,950**	-	-	**(2,908)**	**146,282**
Financial investments:					
Trading assets	**45,800**	**(1,002)**	-	-	**25,947**
Debt investments	**40,762**	-	-	**93**	**43,466**
Other debt investments	**89,867**	-	**(625)**	**564**	**75,462**
Other equity investments	**57**	-	**57**	-	**61**
Other financial assets	**3,088**	-	-	-	**1,101**
Total of financial assets	**460,366**	**3,765**	**(568)**	**(2,251)**	**399,625**
Financial liabilities (1)	**(517,004)**	**(5,251)**	-	-	**(417,775)**

(1) Financial liabilities include Borrowing from Central Bank, Deposits from banks and other financial institutions, Placements from banks and other financial institutions, Trading liabilities, Derivative financial liabilities, Financial assets sold under repurchase agreements, Deposits from customers and Debt securities issued, etc.

(2) The items of assets and liabilities listed on the above tables have no inevitable relationship.

3. Transfer of financial assets

3.1 Assets-securitized

The Group conducts asset-backed securities transactions during normal operations. The Group sells part of its financial assets to the special purpose trust established by the Group as an originating institution and then the special purpose trust issues asset-backed securities to investors. The Group determines whether it combines the special purpose trust based on whether it has power over such special purpose trust and whether it is involved in related activities of the special purpose trust to enjoy variable returns, and whether the Group has the ability to use its power over the special purpose trust to affect its returns.

Once a special purpose trust is established, it shall be distinguished from other property for which the Group has not set up a trust. When the Group is dissolved according to law, revoked according to law, and declared bankrupt, if the Group is the sole beneficiary, the special purpose trust shall be terminated and the trust property shall be deemed as the liquidation property; if the Group is not the sole beneficiary, the special purpose trust shall survive and the trust property shall not be deemed as the liquidation property; however, the trust beneficial rights held by the Group is its liquidation property.

In the course of the transfer of the aforesaid financial assets, the Group has not recognized the gains or losses since the transferring consideration is same as the book value of the transferred financial assets. Subsequently, the Group as a financial asset service institution will charge a certain service fee.

The Group analyses and judges if the relevant financial assets transferred to be derecognized based on the degree of transfer of risk and return:

• When the Group transfers substantially all the risks (mainly include credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of ownership of the financial assets to other investors in the course of the transfer of the underlying financial assets, the Group derecognizes the transferred financial assets. The Group has RMB 30,151 million securitized financial assets in 2020 (2019: Nil). Meanwhile, the Group subscribed for a certain percentage of asset-backed securities. As at 31 December 2020, the above asset-backed securities held by the Group amounted to RMB 4,447 million (31 December 2019: RMB 7,815 million).

• In 2020, the Group's transferred assets include financial assets with carrying amount of RMB 17,344 million (2019: RMB 50,571 million), where the Group neither transferred nor retained substantially all the risks (mainly include the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership, and retained the control and has continuing involvement in these financial assets. As at 31 December 2020, the Group continued to recognize the financial assets with carrying amount of RMB 11,490 million (31 December 2019: RMB 13,400 million) based on its extent of continuing involvement in the assets, and recognized assets and liabilities with continuing involvement as other assets and other liabilities.

3.2 Repurchase agreements

Repurchase agreements refer to agreements made by the Group and the counter-parities that financial assets (or financial assets that share the same substance) are settled a fixed price of repurchasing when they are sold at a fixed date. Due to the fixed repurchasing price, the Group shoulders almost all the credit and market risks and benefit of the assets. The sold financial assets (cannot be used within the period) should not be recognized in the financial statement, but should be regarded as guarantees because the Group retains all the risks and returns. Besides, the Group recognizes the financial liabilities by the price received. In these trading, the counter-parties' right to the Group is not limited within the transferred financial assets.

As at 31 December 2020 and 31 December 2019, the Group conducted trading of bonds and bills under repurchase agreements. The price of selling these financial assets is called financial assets sold under repurchase agreements price (Note VII. 18).

Included in the repurchase agreement, the book value of the financial assets which had been transferred but continued to be recognized by the Group and relevant liabilities are as follows:

Item	The Group			
	2020		2019	
	Bond	Bill	Bond	Bill
Assets book value	**85,015**	**41,330**	148,041	49,089
Liabilities book value	**82,358**	**41,035**	143,966	49,089

XIII. Comparative figures

Certain comparative figures have been re-presented by the Group to meet the presentation of the financial reporting.

XIV. Non-adjusting events after balance sheet date

In March 2021, Industrial Consumer Finance Co., Ltd., a subsidiary of the Group, issued RMB 1.5 billion 3-year fixed rate financial bonds with an annual interest rate of 3.85%

As at the approval date of the financial statements, there is no material post balance sheet date events which should be disclosed by the Group, except for the above contents and dividend distribution. For dividend distribution details, see Note VII. 30.

XV. Financial statements approved

The financial statements were approved by the Board of Directors of the Bank on 30 March 2021.

Supplementary Financial Information

(Expressed in millions of Renminbi, unless otherwise stated)

I. Breakdown of non-recurring profit or loss

The following table is in accordance with the requirement of Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 — Non-recurring Profit or Loss (2008) (ZJHGG [2008] No.43) issued by China Securities Regulatory Commission.

	The Group	
	2020	2019
Gains and losses on the disposal of non-current assets	**3**	36
Government grants recognized in profit or loss	**510**	363
Net non-operating income and expenses in addition to the above	**89**	239
Subtotal	**602**	638
Impact on income tax expenses	**(168)**	(177)
Total	**434**	461
Total non-recurring profit or loss attributable to ordinary shareholders of the Bank	**408**	410
Total non-recurring profit or loss attributable to non-controlling interests	**26**	51
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**63,669**	63,976

Non-recurring profit or loss refers to the profit or loss not related to normal business or the profit or loss which is related to normal business but affects the user of financial statements to make correct judgement for the Bank's financial position and financial performance because of its distinctiveness and non-recurring. Considering the nature of its normal business, Industrial Bank Co., Ltd. (hereinafter referred to as “the Bank”) does not include “Trading assets, Debt investments, Other debt investments and Other equity investments” in non-recurring profit or loss.

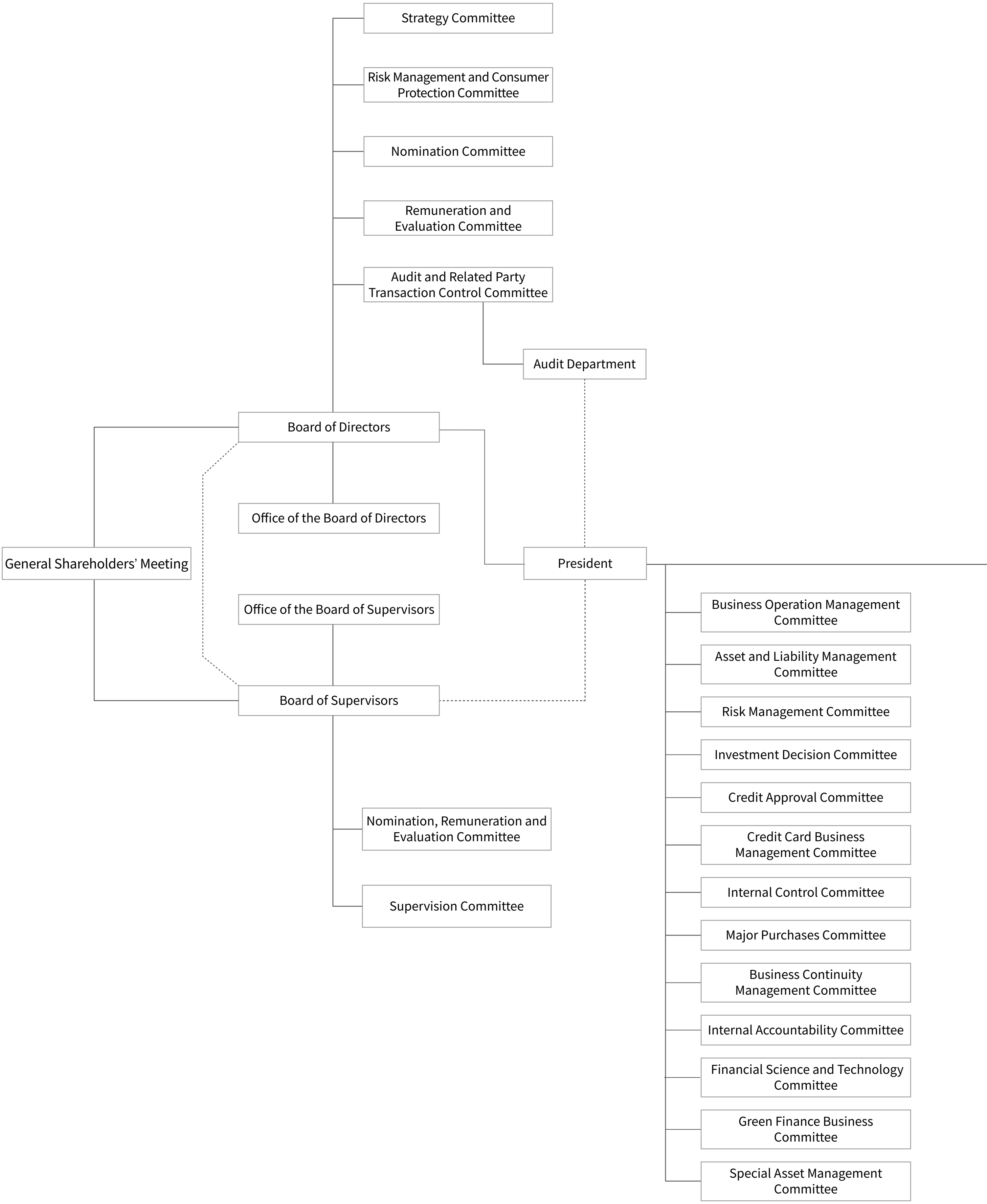
II. Return on net assets ("ROE") and earnings per share ("EPS")

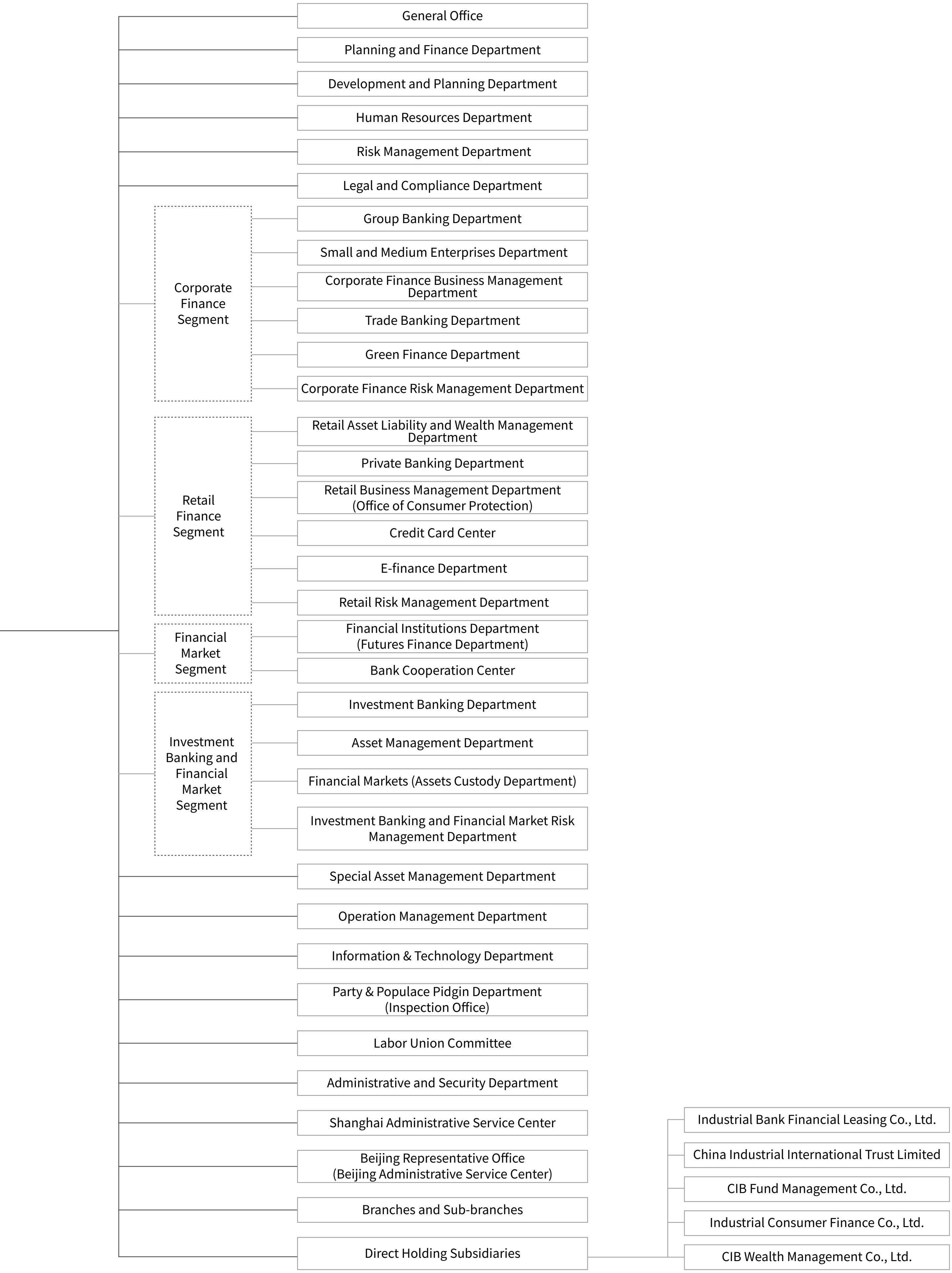
The related data is calculated in accordance with the provisions in the Rule No.9 for the Preparation of Information Disclosure of Companies with Public Offering – the Calculation and Disclosure of ROE and EPS (revised in 2010). In the related period, basic EPS is calculated by dividing net profit by weighted average ordinary shares issued.

	The Group	
2020	Weighted average ROE(%)	Basic EPS(RMB yuan)
Net profit attributable to ordinary shareholders of the Bank	**12.62**	**3.08**
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	**12.54**	**3.06**

2019	Weighted average ROE(%)	Basic EPS(RMB yuan)
Net profit attributable to ordinary shareholders of the Bank	14.02	3.10
Net profit attributable to ordinary shareholders of the Bank, after deduction of non-recurring profit or loss	13.93	3.08

The Company's Organizational Structure




General Office
Planning and Finance Department
Development and Planning Department
Human Resources Department
Risk Management Department
Legal and Compliance Department
Corporate Finance Segment
Group Banking Department
Small and Medium Enterprises Department
Corporate Finance Business Management Department
Trade Banking Department
Green Finance Department
Corporate Finance Risk Management Department
Retail Finance Segment
Retail Asset Liability and Wealth Management Department
Private Banking Department
Retail Business Management Department (Office of Consumer Protection)
Credit Card Center
E-finance Department
Retail Risk Management Department
Financial Market Segment
Financial Institutions Department (Futures Finance Department)
Bank Cooperation Center
Investment Banking and Financial Market Segment
Investment Banking Department
Asset Management Department
Financial Markets (Assets Custody Department)
Investment Banking and Financial Market Risk Management Department
Special Asset Management Department
Operation Management Department
Information & Technology Department
Party & Populace Pidgin Department (Inspection Office)
Labor Union Committee
Administrative and Security Department
Shanghai Administrative Service Center
Beijing Representative Office (Beijing Administrative Service Center)
Branches and Sub-branches
Direct Holding Subsidiaries
Industrial Bank Financial Leasing Co., Ltd.
China Industrial International Trust Limited
CIB Fund Management Co., Ltd.
Industrial Consumer Finance Co., Ltd.
CIB Wealth Management Co., Ltd.

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