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中国建设银行
China Construction Bank

中國建設銀行股份有限公司
CHINA CONSTRUCTION BANK CORPORATION

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

Stock Code: 939 (Ordinary H-share)

ANNOUNCEMENT OF ANNUAL RESULTS 2020

The board of directors of China Construction Bank Corporation (the “Bank”) is pleased to announce the audited results, which have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules of Hong Kong Stock Exchange”) and International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board, of the Bank and its subsidiaries (the “Group”) for the year ended 31 December 2020. The annual results for the year of 2020 have been reviewed by the audit committee of the Bank’s board of directors, and the external auditors of the Bank have provided audit report with unqualified audit opinion.

1 FINANCIAL HIGHLIGHTS

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

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

1. Adjusted income from credit card installment business and adjusted prior years' relative comparatives accordingly.

2. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.

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

1. Adjusted by dividing net profit by the average of total assets at the beginning and end of the year.

2. Adjusted income from credit card installment business and adjusted prior years' comparatives accordingly.

3. Operating expenses (after deduction of taxes and surcharges) divided by operating income.

4. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.

5. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and the NPLs do not include the accrued interest.

6. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and the total loans do not include the accrued interest.

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

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

2 Financial Statements

Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

| | <u>2020</u> | <u>2019</u> | <u>Change(%)</u> |
|--|------------------|-------------|------------------|
| Interest income | 989,509 | 909,885 | 8.75 |
| Interest expense | (413,600) | (372,819) | 10.94 |
| Net interest income | 575,909 | 537,066 | 7.23 |
| Fee and commission income | 131,512 | 126,667 | 3.82 |
| Fee and commission expense | (16,930) | (15,769) | 7.36 |
| Net fee and commission income | 114,582 | 110,898 | 3.32 |
| Net trading gain | 4,313 | 9,120 | (52.71) |
| Dividend income | 3,182 | 1,184 | 168.75 |
| Net gain arising from investment securities | 5,765 | 9,093 | (36.60) |
| Net gain on derecognition of financial assets measured at amortised cost | 4,649 | 3,359 | 38.40 |
| Other operating income, net: | | | |
| - Other operating income | 47,874 | 36,127 | 32.52 |
| - Other operating expense | (42,050) | (28,846) | 45.77 |
| Other operating income, net | 5,824 | 7,281 | (20.01) |
| Operating income | 714,224 | 678,001 | 5.34 |
| Operating expenses | (188,574) | (188,132) | 0.23 |
| | 525,650 | 489,869 | 7.30 |
| Credit impairment losses | (193,491) | (163,000) | 18.71 |
| Other impairment losses | 3,562 | (521) | (783.69) |
| Share of profits of associates and joint ventures | 895 | 249 | 259.44 |
| Profit before tax | 336,616 | 326,597 | 3.07 |
| Income tax expense | (63,037) | (57,375) | 9.87 |
| Net profit | 273,579 | 269,222 | 1.62 |

Consolidated statement of comprehensive income (continued)
(Expressed in millions of RMB, unless otherwise stated)

| | <u>2020</u> | <u>2019</u> | <u>Change(%)</u> |
|--|-----------------|---------------|------------------|
| Other comprehensive income: | | | |
| (1)Other comprehensive income that will not be reclassified to profit or loss | | | |
| Remeasurements of post-employment benefit obligations | 479 | 199 | 140.70 |
| Fair value changes of equity instruments designated as measured at fair value through other comprehensive income | (279) | 444 | N/A |
| Others | 24 | 59 | (59.32) |
| Subtotal | <u>224</u> | <u>702</u> | <u>(68.09)</u> |
| (2)Other comprehensive income that may be reclassified subsequently to profit or loss | | | |
| Fair value changes of debt instruments measured at fair value through other comprehensive income | (9,108) | 9,005 | N/A |
| Allowances for credit losses of debt instruments measured at fair value through other comprehensive income | (762) | 1,624 | N/A |
| Reclassification adjustments included in profit or loss due to disposals | (491) | (175) | 180.57 |
| Net loss on cash flow hedges | (61) | (292) | (79.11) |
| Exchange difference on translating foreign operations | (6,720) | 2,682 | N/A |
| Subtotal | <u>(17,142)</u> | <u>12,844</u> | <u>N/A</u> |
| Other comprehensive income for the year, net of tax | <u>(16,918)</u> | <u>13,546</u> | <u>N/A</u> |

Consolidated statement of comprehensive income (continued)
(Expressed in millions of RMB, unless otherwise stated)

| | <u>2020</u> | <u>2019</u> | <u>Change(%)</u> |
|---|-----------------------|-----------------------|----------------------|
| Total comprehensive income for the year | <u>256,661</u> | <u>282,768</u> | <u>(9.23)</u> |
| Net profit attributable to: | | | |
| Equity shareholders of the Bank | <u>271,050</u> | 266,733 | 1.62 |
| Non-controlling interests | <u>2,529</u> | 2,489 | 1.61 |
| | <u>273,579</u> | <u>269,222</u> | <u>1.62</u> |
| Total comprehensive income attributable to: | | | |
| Equity shareholders of the Bank | <u>254,112</u> | 280,268 | (9.33) |
| Non-controlling interests | <u>2,549</u> | 2,500 | 1.96 |
| | <u>256,661</u> | <u>282,768</u> | <u>(9.23)</u> |
| Basic and diluted earnings per share (in RMB Yuan) | <u>1.06</u> | <u>1.05</u> | <u>0.95</u> |

Consolidated statement of financial position
(Expressed in millions of RMB, unless otherwise stated)

| | 31 December | 31 December | |
|--|--------------------|-------------|------------------|
| | 2020 | 2019 | Change(%) |
| Assets: | | | |
| Cash and deposits with central banks | 2,816,164 | 2,621,010 | 7.45 |
| Deposits with banks and non-bank financial institutions | 453,233 | 419,661 | 8.00 |
| Precious metals | 101,671 | 46,169 | 120.21 |
| Placements with banks and non-bank financial institutions | 368,404 | 531,146 | (30.64) |
| Positive fair value of derivatives | 69,029 | 34,641 | 99.27 |
| Financial assets held under resale agreements | 602,239 | 557,809 | 7.97 |
| Loans and advances to customers | 16,231,369 | 14,542,001 | 11.62 |
| Financial investments | | | |
| Financial assets measured at fair value through profit or loss | 577,952 | 675,361 | (14.42) |
| Financial assets measured at amortised cost | 4,505,243 | 3,740,296 | 20.45 |
| Financial assets measured at fair value through other comprehensive income | 1,867,458 | 1,797,584 | 3.89 |
| Long-term equity investments | 13,702 | 11,353 | 20.69 |
| Fixed assets | 172,505 | 170,740 | 1.03 |
| Land use rights | 14,118 | 14,738 | (4.21) |
| Intangible assets | 5,279 | 4,502 | 17.26 |
| Goodwill | 2,210 | 2,809 | (21.32) |
| Deferred tax assets | 92,950 | 72,314 | 28.54 |
| Other assets | 238,728 | 194,127 | 22.98 |
| Total assets | 28,132,254 | 25,436,261 | 10.60 |

Consolidated statement of financial position (continued)
(Expressed in millions of RMB, unless otherwise stated)

| | 31 December | 31 December | Change(%) |
|--|--------------------|-------------|------------------|
| | 2020 | 2019 | |
| Liabilities: | | | |
| Borrowings from central banks | 781,170 | 549,433 | 42.18 |
| Deposits from banks and non-bank financial institutions | 1,943,634 | 1,672,698 | 16.20 |
| Placements from banks and non-bank financial institutions | 349,638 | 521,553 | (32.96) |
| Financial liabilities measured at fair value through profit or loss | 254,079 | 281,597 | (9.77) |
| Negative fair value of derivatives | 81,956 | 33,782 | 142.60 |
| Financial assets sold under repurchase agreements | 56,725 | 114,658 | (50.53) |
| Deposits from customers | 20,614,976 | 18,366,293 | 12.24 |
| Accrued staff costs | 35,460 | 39,075 | (9.25) |
| Taxes payable | 84,161 | 86,635 | (2.86) |
| Provisions | 54,114 | 42,943 | 26.01 |
| Debt securities issued | 940,197 | 1,076,575 | (12.67) |
| Deferred tax liabilities | 1,551 | 457 | 239.39 |
| Other liabilities | 545,240 | 415,435 | 31.25 |
| Total liabilities | 25,742,901 | 23,201,134 | 10.96 |

Consolidated statement of financial position (continued)
(Expressed in millions of RMB, unless otherwise stated)

| | <u>31 December</u> <u>2020</u> | 31 December <u>2019</u> | <u>Change(%)</u> |
|---|-----------------------------------|----------------------------|------------------|
| Equity: | | | |
| Share capital | 250,011 | 250,011 | - |
| Other equity instruments | | | |
| Preference shares | 59,977 | 79,636 | (24.69) |
| Perpetual bonds | 39,991 | 39,991 | - |
| Capital reserve | 134,263 | 134,537 | (0.20) |
| Other comprehensive income | 15,048 | 31,986 | (52.95) |
| Surplus reserve | 275,995 | 249,178 | 10.76 |
| General reserve | 350,228 | 314,389 | 11.40 |
| Retained earnings | 1,239,295 | 1,116,529 | 11.00 |
| | | | |
| Total equity attributable to equity shareholders of the Bank | 2,364,808 | 2,216,257 | 6.70 |
| Non-controlling interests | 24,545 | 18,870 | 30.07 |
| | | | |
| Total equity | 2,389,353 | 2,235,127 | 6.90 |
| | | | |
| Total liabilities and equity | 28,132,254 | 25,436,261 | 10.60 |

Consolidated statement of changes in equity
(Expressed in millions of RMB, unless otherwise stated)

| | Attributable to equity shareholders of the Bank | | | | | | | | | |
|--|---|-------------------|-----------------|-----------------|----------------------------|-----------------|-----------------|-------------------|---------------------------|------------------|
| | Share capital | Preference shares | Perpetual bonds | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Retained earnings | Non-controlling interests | Total equity |
| As at 1 January 2020 | 250,011 | 79,636 | 39,991 | 134,537 | 31,986 | 249,178 | 314,389 | 1,116,529 | 18,870 | 2,235,127 |
| Movements during the year | - | (19,659) | - | (274) | (16,938) | 26,817 | 35,839 | 122,766 | 5,675 | 154,226 |
| (1) Total comprehensive income for the year | - | - | - | - | (16,938) | - | - | 271,050 | 2,549 | 256,661 |
| (2) Changes in share capital | | | | | | | | | | |
| i Capital injection by other shareholders | - | - | - | - | - | - | - | - | 3,607 | 3,607 |
| ii Capital deduction by other equity instruments holders | - | (19,659) | - | (274) | - | - | - | - | - | (19,933) |
| iii Disposal of subsidiaries | - | - | - | - | - | - | - | - | (15) | (15) |
| iv Change in shareholdings in subsidiaries | - | - | - | - | - | - | - | - | 46 | 46 |
| (3) Profit distribution | | | | | | | | | | |
| i Appropriation to surplus reserve | - | - | - | - | - | 26,817 | - | (26,817) | - | - |
| ii Appropriation to general reserve | - | - | - | - | - | - | 35,839 | (35,839) | - | - |
| iii Dividends to ordinary shareholders | - | - | - | - | - | - | - | (80,004) | - | (80,004) |
| iv Dividends to other equity instruments holders | - | - | - | - | - | - | - | (5,624) | - | (5,624) |
| v Dividends to non-controlling interests holders | - | - | - | - | - | - | - | - | (512) | (512) |
| As at 31 December 2020 | 250,01 | 59,977 | 39,991 | 134,263 | 15,048 | 275,995 | 350,228 | 1,239,295 | 24,545 | 2,389,353 |

Consolidated statement of changes in equity (continued)
(Expressed in millions of RMB, unless otherwise stated)

Attributable to equity shareholders of the Bank

| | Other equity instruments | | | Capital reserve | Other comprehensive income | Surplus reserve | General reserve | Retained earnings | Non-controlling interests | Total equity |
|--|--------------------------|-------------------|-----------------|-----------------|----------------------------|-----------------|-----------------|-------------------|---------------------------|--------------|
| | Share capital | Preference shares | Perpetual bonds | | | | | | | |
| As at 1 January 2019 | 250,011 | 79,636 | - | 134,537 | 18,451 | 223,231 | 279,725 | 990,872 | 15,131 | 1,991,594 |
| Movements during the year | - | - | 39,991 | - | 13,535 | 25,947 | 34,664 | 125,657 | 3,739 | 243,533 |
| (1) Total comprehensive income for the year | - | - | - | - | 13,535 | - | - | 266,733 | 2,500 | 282,768 |
| (2) Changes in share capital | | | | | | | | | | |
| i Capital injection by other shareholders | - | - | - | - | - | - | - | - | 1,980 | 1,980 |
| ii Capital injection by other equity instruments holders | - | - | 39,991 | - | - | - | - | - | - | 39,991 |
| iii Change in shareholdings in subsidiaries | - | - | - | - | - | - | - | - | (196) | (196) |
| (3) Profit distribution | | | | | | | | | | |
| i Appropriation to surplus reserve | - | - | - | - | - | 25,947 | - | (25,947) | - | - |
| ii Appropriation to general reserve | - | - | - | - | - | - | 34,664 | (34,664) | - | - |
| iii Dividends to ordinary shareholders | - | - | - | - | - | - | - | (76,503) | - | (76,503) |
| iv Dividends to other equity instruments holders | - | - | - | - | - | - | - | (3,962) | - | (3,962) |
| v Dividends to non-controlling interests holders | - | - | - | - | - | - | - | - | (545) | (545) |
| As at 31 December 2019 | 250,011 | 79,636 | 39,991 | 134,537 | 31,986 | 249,178 | 314,389 | 1,116,529 | 18,870 | 2,235,127 |

Consolidated statement of cash flows
(Expressed in millions of RMB, unless otherwise stated)

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------|----------------|
| <i>Cash flows from operating activities</i> | | |
| Profit before tax | 336,616 | 326,597 |
| <i>Adjustments for:</i> | | |
| -Credit impairment losses | 193,491 | 163,000 |
| -Other impairment losses | (3,562) | 521 |
| -Depreciation and amortisation | 26,182 | 23,927 |
| -Interest income from impaired financial assets | (3,924) | (3,092) |
| -Revaluation loss/(gain) on financial instruments at fair value through profit or loss | 640 | (2,456) |
| -Share of profits of associates and joint ventures | (895) | (249) |
| -Dividend income | (3,182) | (1,184) |
| -Unrealised foreign exchange loss | 14,133 | 2,548 |
| -Interest expense on bonds issued | 16,669 | 16,418 |
| -Interest income from investment securities and net income from disposal | (215,482) | (198,282) |
| -Net loss/(gain) on disposal of fixed assets and other long-term assets | 319 | (42) |
| | <u>361,005</u> | <u>327,706</u> |

Consolidated statement of cash flows (continued)
(Expressed in millions of RMB, unless otherwise stated)

| | <u>2020</u> | <u>2019</u> |
|---|---------------------------|---------------------------|
| <i>Cash flows from operating activities (continued)</i> | | |
| <i>Changes in operating assets:</i> | | |
| Net (increase)/decrease in deposits with central banks and with banks and non-bank financial institutions | (392,876) | 183,478 |
| Net decrease/(increase) in placements with banks and non-bank financial institutions | 144,967 | (94,096) |
| Net increase in loans and advances to customers | (1,917,020) | (1,297,965) |
| Net increase in financial assets held under resale agreements | (45,096) | (355,758) |
| Net decrease/(increase) in financial assets held for trading purposes | 58,482 | (10,791) |
| Net increase in other operating assets | (77,590) | (75,045) |
| | <u>(2,229,133)</u> | <u>(1,650,177)</u> |
| <i>Changes in operating liabilities:</i> | | |
| Net increase/(decrease) in borrowings from central banks | 230,568 | (2,132) |
| Net (decrease)/increase in placements from banks and non-bank financial institutions | (152,997) | 96,186 |
| Net increase in deposits from customers and from banks and non-bank financial institutions | 2,519,121 | 1,461,277 |
| Net (decrease)/increase in financial assets sold under repurchase agreements | (56,949) | 83,663 |
| Net (decrease)/increase in certificates of deposit issued | (156,782) | 338,170 |
| Income tax paid | (82,457) | (65,793) |
| Net decrease in financial liabilities measured at fair value through profit or loss | (26,382) | (149,986) |
| Net increase in other operating liabilities | 174,691 | 142,373 |
| | <u>2,448,813</u> | <u>1,903,758</u> |
| Net cash from operating activities | <u>580,685</u> | <u>581,287</u> |

Consolidated statement of cash flows (continued)
(Expressed in millions of RMB, unless otherwise stated)

| | <u>2020</u> | <u>2019</u> |
|---|-------------------------|-------------------------|
| <i>Cash flows from investing activities</i> | | |
| Proceeds from sales and redemption of financial investments | 2,160,828 | 1,504,300 |
| Interest and dividends received | 208,372 | 192,870 |
| Proceeds from disposal of fixed assets and other long-term assets | 1,630 | 2,366 |
| Purchase of investment securities | (2,982,229) | (1,963,872) |
| Purchase of fixed assets and other long-term assets | (25,743) | (23,234) |
| Acquisition of subsidiaries, associates and joint ventures | (4,995) | (4,978) |
| Cash payment for other investing activities | (21) | - |
| Net cash used in investing activities | <u>(642,158)</u> | <u>(292,548)</u> |
| <i>Cash flows from financing activities</i> | | |
| Issue of bonds | 118,103 | 42,106 |
| Cash received from issuance of other equity instruments | - | 39,991 |
| Cash received from subsidiaries' capital injection by non-controlling interests holders | 676 | 1,980 |
| Dividends paid | (86,140) | (81,010) |
| Repayment of borrowings | (79,240) | (79,052) |
| Interest paid on bonds issued | (15,888) | (18,051) |
| Cash payment for redemption of other equity instruments | (19,933) | - |
| Cash paid by subsidiaries for purchase of non-controlling interests holders' equity | (44) | (196) |
| Cash payment for other financing activities | (7,494) | (7,609) |
| Net cash used in financing activities | <u>(89,960)</u> | <u>(101,841)</u> |

Consolidated statement of cash flows (continued)
(Expressed in millions of RMB, unless otherwise stated)

| | <u>2020</u> | <u>2019</u> |
|---|------------------|------------------|
| Effect of exchange rate changes on cash and cash equivalents | <u>(21,976)</u> | <u>4,740</u> |
| Net (decrease)/increase in cash and cash equivalents | (173,409) | 191,638 |
| Cash and cash equivalents as at 1 January | <u>1,052,340</u> | <u>860,702</u> |
| Cash and cash equivalents as at 31 December | <u>878,931</u> | <u>1,052,340</u> |
| Cash flows from operating activities include: | | |
| Interest received, excluding interest income from investment securities | <u>770,747</u> | <u>720,099</u> |
| Interest paid, excluding interest expense on bonds issued | <u>(325,900)</u> | <u>(337,478)</u> |

Notes:

(1) The financial statements of the Group for the year ended 31 December 2020 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622), and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Except for the new or revised IFRS and Interpretations effective for the year ended 31 December 2020 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2019.

(3) Unless otherwise stated, the financial figures are expressed in millions of RMB.

(4) For the purpose of this results announcement, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC and Taiwan.

(5) Net gain arising from investment securities

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|--------------|
| Net gain related to financial assets designated as measured at fair value through profit or loss | 5,121 | 8,699 |
| Net loss related to financial liabilities designated as measured at fair value through profit or loss | (10,300) | (9,399) |
| Net gain related to other financial assets and liabilities measured at fair value through profit or loss | 9,825 | 8,687 |
| Net gain related to financial assets measured at fair value through other comprehensive income | 168 | 711 |
| Net revaluation gain reclassified from other comprehensive income on disposal | 655 | 234 |
| Others | 296 | 161 |
| Total | <u>5,765</u> | <u>9,093</u> |

(6) Operating expenses

| | <u>2020</u> | <u>2019</u> |
|--|-----------------------|----------------|
| Staff costs | | |
| - Salaries, bonuses, allowances and subsidies | 71,356 | 69,862 |
| - Defined contribution plans | 12,261 | 14,275 |
| - Housing funds | 6,809 | 6,521 |
| - Union running costs and employee education costs | 2,624 | 2,948 |
| - Early retirement expenses | 17 | 19 |
| - Compensation to employees for termination of employment relationship | 5 | 6 |
| - Others | 11,281 | 12,153 |
| | <u>104,353</u> | <u>105,784</u> |
| Premises and equipment expenses | | |
| - Depreciation charges | 23,381 | 21,304 |
| - Rent and property management expenses | 4,299 | 4,952 |
| - Maintenance | 3,424 | 3,394 |
| - Utilities | 1,657 | 1,851 |
| - Others | 2,168 | 2,174 |
| | <u>34,929</u> | <u>33,675</u> |
| Taxes and surcharges | 7,325 | 6,777 |
| Amortisation expenses | 2,801 | 2,623 |
| Other general and administrative expenses | <u>39,166</u> | <u>39,273</u> |
| Total | <u>188,574</u> | <u>188,132</u> |

(7) Income tax expense
① Income tax expense

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|------------------------|-----------------|
| Current tax | 78,345 | 74,013 |
| - Mainland China | 75,721 | 71,045 |
| - Hong Kong | 1,252 | 1,340 |
| - Other countries and regions | 1,372 | 1,628 |
| Adjustments for prior years | 906 | 498 |
| Deferred tax | <u>(16,214)</u> | <u>(17,136)</u> |
| Total | <u>63,037</u> | <u>57,375</u> |

The provisions for income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the reporting period, respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

② Reconciliation between income tax expense and accounting profit

| | Note | <u>2020</u> | <u>2019</u> |
|--|------|-----------------------|----------------|
| Profit before tax | | <u>336,616</u> | <u>326,597</u> |
| Income tax calculated at the 25% statutory tax rate | | <u>84,154</u> | <u>81,649</u> |
| Effects of different applicable rates of tax prevailing in other countries/regions | | (116) | (234) |
| Non-deductible expenses | (i) | 21,454 | 11,891 |
| Non-taxable income | (ii) | (43,361) | (36,429) |
| Adjustments on income tax for prior years which affect profit or loss | | <u>906</u> | <u>498</u> |
| Income tax expense | | <u>63,037</u> | <u>57,375</u> |

(i) Non-deductible expenses primarily include non-deductible losses resulting from write-off of loans, and items that are in excess of deductible amount under the relevant PRC tax regulations such as staff costs and entertainment expenses.

(ii) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

(8) Earnings per share

Basic earnings per share for the years ended 31 December 2020 and 2019 have been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years.

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period and the perpetual bond interest paid in the period should be deducted from the amount attributable to equity shareholders of the Bank.

The conversion feature of preference shares are considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2020 and 2019, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculations.

| | <u>2020</u> | <u>2019</u> |
|--|----------------|-------------|
| Net profit attributable to equity shareholders of the Bank | 271,050 | 266,733 |
| Less: profit for the year attributable to other equity instruments holders of the Bank | (5,624) | (3,962) |
| Net profit attributable to ordinary shareholders of the Bank | 265,426 | 262,771 |
| Weighted average number of ordinary shares (in millions of shares) | 250,011 | 250,011 |
| Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan) | 1.06 | 1.05 |
| Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan) | 1.06 | 1.05 |

(9) Derivatives and hedge accounting

① Analysed by type of contract

| | Note | 31 December 2020 | | | 31 December 2019 | | |
|-------------------------|------|------------------|---------------|---------------|------------------|---------------|---------------|
| | | Notional amounts | Assets | Liabilities | Notional amounts | Assets | Liabilities |
| Interest rate contracts | | 650,225 | 1,802 | 4,168 | 535,745 | 1,187 | 2,088 |
| Exchange rate contracts | | 3,461,021 | 63,881 | 73,376 | 3,727,006 | 31,681 | 29,726 |
| Other contracts | (a) | 126,071 | 3,346 | 4,412 | 85,784 | 1,773 | 1,968 |
| Total | | 4,237,317 | 69,029 | 81,956 | 4,348,535 | 34,641 | 33,782 |

② Analysed by counterparty credit risk-weighted assets

| | Note | 31 December 2020 | 31 December 2019 |
|--|------|------------------|------------------|
| Counterparty credit default risk-weighted assets | | | |
| - Interest rate contracts | | 4,073 | 2,670 |
| - Exchange rate contracts | | 38,946 | 37,124 |
| - Other contracts | (a) | 10,015 | 1,500 |
| Subtotal | | 53,034 | 41,294 |
| Risk-weighted assets for credit valuation adjustment | | 14,739 | 14,194 |
| Total | | 67,773 | 55,488 |

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period, instead of the amount of risk assets. Since 1 January 2013, the Group has adopted Capital Rules for Commercial Banks (Provisional) and other related policies. According to the rules set out by the CBIRC, the counterparty credit risk-weighted assets included risk-weighted assets for credit valuation adjustments with the considerations of counterparty status and maturity characteristic, and included back-to-back client-driven transactions. The risk-weighted assets for counterparty credit risk of derivatives of the Group were calculated in accordance with the Rules on Measuring Derivative Counterparty Default Risk Assets since 1 January 2019.

(a) Other contracts mainly consist of precious metals and commodity contracts.

(9) Derivatives and hedge accounting (continued)
③ Hedge accounting

The following designated hedging instruments are included in the derivative financial instruments disclosed above.

| | 31 December 2020 | | | 31 December 2019 | | |
|------------------------|------------------|------------|----------------|------------------|------------|--------------|
| | Notional amounts | Assets | Liabilities | Notional amounts | Assets | Liabilities |
| Fair value hedges | | | | | | |
| Interest rate swaps | 29,692 | 62 | (1,131) | 39,801 | 83 | (344) |
| Cross currency swaps | 30 | - | (3) | 35 | - | - |
| Cash flow hedges | | | | | | |
| Foreign exchange swaps | 7,082 | 273 | (82) | 39,146 | 640 | (193) |
| Cross currency swaps | 654 | - | (95) | - | - | - |
| Interest rate swaps | 8,028 | - | (160) | 13,608 | 25 | (78) |
| Total | 45,486 | 335 | (1,471) | 92,590 | 748 | (615) |

(a) Fair value hedges

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of financial assets measured at fair value through other comprehensive income, debt securities issued, and loans and advances to customers arising from changes in interest rates and exchange rates.

Net (losses)/gains on fair value hedges are as follows:

| | 2020 | 2019 |
|-----------------------|-------|-------|
| Net (losses)/gains on | | |
| - hedging instruments | (837) | (664) |
| - hedged items | 824 | 661 |

The gain and loss arising from the ineffective portion of fair value hedges was immaterial for the year ended 31 December 2020 and 2019.

(b) Cash flow hedges

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from foreign exchange and interest rate risks of deposits from customers, loans and advances to customers, debt securities issued, placements from banks and non-bank financial institutions, and placements with banks and non-bank financial institutions. The maturities of hedging instruments and hedged items are both within five years.

(9) Derivatives and hedge accounting (continued)
③ Hedge accounting (continued)
(b) Cash flow hedges (continued)

For the year ended 31 December 2020, the Group's net loss from the cash flow hedges of RMB61 million was recognised in other comprehensive income (for the year ended 31 December 2019: net loss from cash flow hedges of RMB292 million), and the gain and loss arising from the ineffective portion of cash flow hedges was immaterial.

(10) Deposits from customers

| | <u>31 December 2020</u> | <u>31 December 2019</u> |
|---|-------------------------|-------------------------|
| Demand deposits | | |
| - Corporate customers | 6,354,893 | 6,001,053 |
| - Personal customers | 4,716,452 | 4,136,591 |
| Subtotal | 11,071,345 | 10,137,644 |
| Time deposits (including call deposits) | | |
| - Corporate customers | 3,596,898 | 3,239,657 |
| - Personal customers | 5,670,385 | 4,781,485 |
| Subtotal | 9,267,283 | 8,021,142 |
| Accrued interest | 276,348 | 207,507 |
| Total | 20,614,976 | 18,366,293 |
| Deposits from customers include: | | |
| | <u>31 December 2020</u> | <u>31 December 2019</u> |
| ① Pledged deposits | | |
| - Deposits for acceptance | 63,427 | 57,367 |
| - Deposits for guarantee | 42,540 | 52,351 |
| - Deposits for letter of credit | 17,760 | 11,593 |
| - Others | 190,387 | 180,387 |
| Total | 314,114 | 301,698 |
| ② Outward remittance and remittance payables | 17,542 | 19,805 |

(11) Commitments and contingent liabilities

① Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loan commitments and credit card overdraft commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the contractual amounts set out in the following table do not represent the expected future cash outflows.

| | 31 December 2020 | 31 December 2019 |
|---|-----------------------------|---------------------|
| Loan commitments | | |
| - with an original maturity within one year | 94,762 | 94,491 |
| - with an original maturity of one year or over | 488,350 | 373,227 |
| Credit card commitments | 1,068,582 | 1,063,718 |
| | 1,651,694 | 1,531,436 |
| Bank acceptances | 278,231 | 207,578 |
| Financing guarantees | 46,656 | 61,876 |
| Non-financing guarantees | 1,236,368 | 1,125,462 |
| Sight letters of credit | 43,329 | 36,629 |
| Usance letters of credit | 141,600 | 119,211 |
| Others | 15,652 | 3,615 |
| Total | 3,413,530 | 3,085,807 |



(11) Commitments and contingent liabilities (continued)

② Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBIRC and depends on the status of the counterparty and the maturity characteristics.

| | <u>31 December 2020</u> | <u>31 December 2019</u> |
|---|-------------------------|-------------------------|
| Credit risk-weighted amount of contingent liabilities and commitments | <u>1,108,129</u> | <u>1,050,190</u> |

③ Capital commitments

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

| | <u>31 December 2020</u> | <u>31 December 2019</u> |
|----------------|-------------------------|-------------------------|
| Contracted for | <u>15,004</u> | <u>20,077</u> |

④ Underwriting obligations

As at 31 December 2020, there was no unexpired underwriting commitment of the Group (as at 31 December 2019: RMB60 million).

⑤ Government bond redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the Ministry of Finance (“MOF”) and the People’s Bank of China (“PBOC”). The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2020, were RMB74,435 million (as at 31 December 2019: RMB86,794 million).

(11) Commitments and contingent liabilities (continued)**⑥ Outstanding litigations and disputes**

As at 31 December 2020, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB9,424 million (as at 31 December 2019: RMB9,593 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

⑦ Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies.

⑧ Impact of the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions

In accordance with the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions jointly issued by the PBOC and three other ministries as well as the PBOC's announcement to extend the transition period to 2021, the PBOC encourages financial institutions to dispose of legacy assets orderly using a range of methods such as replacing them with new products, market-based transfers, contract changes, and asset undertaking. The Group is pressing ahead with the rectification of legacy wealth management business and has assessed and recognised the impact of rectification on provisions and credit impairment losses in the financial statements. The Group will duly implement relevant policies and regulatory requirements, and continue to assess and disclose the relevant impact.



(12) Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

① Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

(12) Operating segments (continued)**① Geographical segments (continued)**

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

- “Yangtze River Delta” refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- “Pearl River Delta” refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- “Bohai Rim” refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the “Central” region refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;
- the “Western” region refers to the following areas where the tier-1 branches of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and
- the “Northeastern” region refers to the following areas where the tier-1 branches of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(12) Operating segments (continued)

① Geographical segments (continued)

| | Twelve months ended 31 December 2020 | | | | | | | | Total |
|---|--------------------------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|------------------|-------------------|
| | Yangtze River Delta | Pearl River Delta | Bohai Rim | Central | Western | Northeastern | Head Office | Overseas | |
| External net interest income | 64,500 | 60,987 | 36,662 | 76,140 | 62,290 | 7,353 | 257,261 | 10,716 | 575,909 |
| Internal net interest income/(expense) | 27,451 | 23,726 | 46,961 | 28,551 | 29,472 | 18,001 | (177,338) | 3,176 | - |
| Net interest income | 91,951 | 84,713 | 83,623 | 104,691 | 91,762 | 25,354 | 79,923 | 13,892 | 575,909 |
| Net fee and commission income | 16,620 | 24,764 | 18,337 | 15,896 | 11,799 | 4,050 | 20,056 | 3,060 | 114,582 |
| Net trading gain/(loss) | 96 | 204 | 174 | 324 | 104 | 16 | 4,126 | (731) | 4,313 |
| Dividend income | 88 | 7 | 1,927 | 650 | 10 | - | 89 | 411 | 3,182 |
| Net gain/(loss) arising from investment securities | 4,273 | (778) | (787) | (586) | (40) | (617) | 3,200 | 1,100 | 5,765 |
| Net (loss)/gain on derecognition of financial assets measured at amortised cost | (13) | 10 | 29 | - | - | - | 4,612 | 11 | 4,649 |
| Other operating (expense)/income, net | (3,576) | 377 | 1,569 | 64 | 1,585 | 7 | 3,503 | 2,295 | 5,824 |
| Operating income | 109,439 | 109,297 | 104,872 | 121,039 | 105,220 | 28,810 | 115,509 | 20,038 | 714,224 |
| Operating expenses | (28,835) | (24,624) | (29,637) | (34,160) | (30,153) | (11,692) | (15,452) | (14,021) | (188,574) |
| Credit impairment losses | (22,994) | (31,459) | (25,623) | (45,476) | (19,352) | (12,688) | (29,696) | (6,203) | (193,491) |
| Other impairment losses | 6 | (54) | (205) | - | (6) | (65) | 4,343 | (457) | 3,562 |
| Share of (losses)/profits of associates and joint ventures | (3) | - | 260 | 579 | - | - | - | 59 | 895 |
| Profit before tax | 57,613 | 53,160 | 49,667 | 41,982 | 55,709 | 4,365 | 74,704 | (584) | 336,616 |
| Capital expenditure | 3,280 | 1,401 | 2,638 | 2,559 | 1,899 | 1,031 | 5,321 | 7,363 | 25,492 |
| Depreciation and amortisation | 3,662 | 3,230 | 4,453 | 4,921 | 4,025 | 1,806 | 2,215 | 1,870 | 26,182 |
| | 31 December 2020 | | | | | | | | |
| Segment assets | 4,873,490 | 3,942,366 | 6,667,011 | 4,416,305 | 3,985,433 | 1,451,185 | 10,577,145 | 1,433,729 | 37,346,664 |
| Long-term equity investments | 604 | - | 4,850 | 7,196 | - | - | - | 1,052 | 13,702 |
| | 4,874,094 | 3,942,366 | 6,671,861 | 4,423,501 | 3,985,433 | 1,451,185 | 10,577,145 | 1,434,781 | 37,360,366 |
| Deferred tax assets | | | | | | | | | 92,950 |
| Elimination | | | | | | | | | (9,321,062) |
| Total assets | | | | | | | | | 28,132,254 |
| Segment liabilities | 4,836,646 | 3,915,742 | 6,596,879 | 4,397,877 | 3,963,977 | 1,453,094 | 8,585,097 | 1,313,100 | 35,062,412 |
| Deferred tax liabilities | | | | | | | | | 1,551 |
| Elimination | | | | | | | | | (9,321,062) |
| Total liabilities | | | | | | | | | 25,742,901 |
| Off-balance sheet credit commitments | 608,353 | 588,398 | 693,095 | 648,284 | 446,579 | 162,120 | - | 266,701 | 3,413,530 |

(12) Operating segments (continued)

① Geographical segments (continued)

| | Twelve months ended 31 December 2019 | | | | | | | | Total |
|---|--------------------------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| | Yangtze River Delta | Pearl River Delta | Bohai Rim | Central | Western | Northeastern | Head Office | Overseas | |
| External net interest income | 58,955 | 56,235 | 41,545 | 64,405 | 56,390 | 10,442 | 236,542 | 12,552 | 537,066 |
| Internal net interest income/(expense) | 19,231 | 16,158 | 36,168 | 26,827 | 25,367 | 13,445 | (136,338) | (858) | - |
| Net interest income | 78,186 | 72,393 | 77,713 | 91,232 | 81,757 | 23,887 | 100,204 | 11,694 | 537,066 |
| Net fee and commission income | 15,962 | 23,057 | 18,340 | 16,666 | 11,305 | 4,180 | 18,693 | 2,695 | 110,898 |
| Net trading gain | 97 | 202 | 180 | 188 | 111 | 6 | 8,319 | 17 | 9,120 |
| Dividend income | 77 | 5 | 138 | 30 | 11 | - | 74 | 849 | 1,184 |
| Net gain/(loss) arising from investment securities | 4,022 | (255) | (26) | 331 | (416) | 326 | 4,294 | 817 | 9,093 |
| Net gain/(loss) on derecognition of financial assets measured at amortised cost | 2 | - | 205 | (1) | - | - | 2,785 | 368 | 3,359 |
| Other operating (expense)/income, net | (1,177) | 545 | 1,199 | 423 | 1,179 | 301 | 209 | 4,602 | 7,281 |
| Operating income | 97,169 | 95,947 | 97,749 | 108,869 | 93,947 | 28,700 | 134,578 | 21,042 | 678,001 |
| Operating expenses | (28,961) | (24,439) | (29,414) | (34,827) | (30,911) | (12,046) | (14,972) | (12,562) | (188,132) |
| Credit impairment losses | (15,250) | (17,040) | (34,529) | (34,405) | (28,665) | (8,122) | (22,166) | (2,823) | (163,000) |
| Other impairment losses | (31) | (29) | (250) | (28) | 49 | (27) | (169) | (36) | (521) |
| Share of profits of associates and joint ventures | - | - | 8 | 225 | - | - | - | 16 | 249 |
| Profit before tax | 52,927 | 54,439 | 33,564 | 39,834 | 34,420 | 8,505 | 97,271 | 5,637 | 326,597 |
| Capital expenditure | 2,345 | 1,665 | 2,970 | 3,375 | 2,670 | 1,026 | 3,065 | 4,767 | 21,883 |
| Depreciation and amortisation | 3,516 | 3,066 | 3,802 | 4,489 | 3,756 | 1,739 | 2,044 | 1,515 | 23,927 |
| | 31 December 2019 | | | | | | | | |
| Segment assets | 4,749,944 | 3,767,856 | 5,570,438 | 4,480,717 | 3,670,832 | 1,286,929 | 9,745,744 | 1,722,267 | 34,994,727 |
| Long-term equity investments | 1 | - | 3,764 | 6,971 | - | - | - | 617 | 11,353 |
| | 4,749,945 | 3,767,856 | 5,574,202 | 4,487,688 | 3,670,832 | 1,286,929 | 9,745,744 | 1,722,884 | 35,006,080 |
| Deferred tax assets | | | | | | | | | 72,314 |
| Elimination | | | | | | | | | (9,642,133) |
| Total assets | | | | | | | | | 25,436,261 |
| Segment liabilities | 4,738,703 | 3,754,627 | 5,473,747 | 4,488,214 | 3,678,278 | 1,290,772 | 7,817,032 | 1,601,437 | 32,842,810 |
| Deferred tax liabilities | | | | | | | | | 457 |
| Elimination | | | | | | | | | (9,642,133) |
| Total liabilities | | | | | | | | | 23,201,134 |
| Off-balance sheet credit commitments | 546,411 | 506,947 | 640,521 | 557,471 | 407,151 | 149,396 | - | 277,910 | 3,085,807 |

(12) Operating segments (continued)**② Business segments**

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries..

(12) Operating segments (continued)

② Business segments (continued)

| | Twelve months ended 31 December 2020 | | | | |
|--|--------------------------------------|------------------|-------------------|------------------|-------------------|
| | Corporate banking | Personal banking | Treasury business | Others | Total |
| External net interest income | 187,158 | 174,543 | 190,605 | 23,603 | 575,909 |
| Internal net interest income/(expenses) | 69,181 | 92,384 | (152,742) | (8,823) | - |
| Net interest income | 256,339 | 266,927 | 37,863 | 14,780 | 575,909 |
| Net fee and commission income | 35,390 | 57,586 | 15,804 | 5,802 | 114,582 |
| Net trading (loss)/gain | (1,656) | (37) | 4,313 | 1,693 | 4,313 |
| Dividend income | - | - | 1 | 3,181 | 3,182 |
| Net (loss)/gain arising from investment securities | (5,746) | (2,512) | 5,729 | 8,294 | 5,765 |
| Net gain on derecognition of financial assets measured at amortised cost | - | 4,338 | 274 | 37 | 4,649 |
| Other operating income, net | 66 | 834 | 2,308 | 2,616 | 5,824 |
| Operating income | 284,393 | 327,136 | 66,292 | 36,403 | 714,224 |
| Operating expenses | (71,198) | (90,202) | (10,485) | (16,689) | (188,574) |
| Credit impairment losses | (146,460) | (30,887) | (4,219) | (11,925) | (193,491) |
| Other impairment losses | (120) | - | 4,327 | (645) | 3,562 |
| Share of profits of associates and joint ventures | - | - | - | 895 | 895 |
| Profit before tax | 66,615 | 206,047 | 55,915 | 8,039 | 336,616 |
| Capital expenditure | 6,179 | 8,725 | 762 | 9,826 | 25,492 |
| Depreciation and amortisation | 9,294 | 13,124 | 1,146 | 2,618 | 26,182 |
| | 31 December 2020 | | | | |
| Segment assets | 9,235,872 | 7,409,563 | 10,077,510 | 1,472,784 | 28,195,729 |
| Long-term equity investments | - | - | - | 13,702 | 13,702 |
| | 9,235,872 | 7,409,563 | 10,077,510 | 1,486,486 | 28,209,431 |
| Deferred tax assets | | | | | 92,950 |
| Elimination | | | | | (170,127) |
| Total assets | | | | | 28,132,254 |
| Segment liabilities | 11,502,039 | 10,639,882 | 1,693,095 | 2,076,461 | 25,911,477 |
| Deferred tax liabilities | | | | | 1,551 |
| Elimination | | | | | (170,127) |
| Total liabilities | | | | | 25,742,901 |
| Off-balance sheet credit commitments | 2,115,619 | 1,031,210 | - | 266,701 | 3,413,530 |

3 Unaudited supplementary financial information

3.1 Liquidity coverage ratio and net stable funding ratio

The liquidity coverage ratio equals to the qualified and high-quality liquid assets divided by net cash outflows in the future 30 days. Net stable funding ratio equals to the available stable funding divided by required stable funding. According to the regulatory requirements, definitions and accounting standards applicable in the current period, the average daily liquidity coverage ratio of the Group in the fourth quarter of 2020 was 158.53% and the net stable funding ratio was 127.15% as at the end of December 2020.

The following tables set the Group's liquidity coverage ratio for the fourth quarter of 2020.

| S/N | (In millions of RMB, except percentages) | Total Unweighted Value | Total Weighted Value |
|-----------------------------------|---|------------------------|----------------------|
| High-Quality Liquid Assets | | | |
| 1 | Total High-Quality Liquid Assets (HQLA) | | 4,719,927 |
| Cash Outflows | | | |
| 2 | Retail deposits and deposits from small business customers, of which: | | |
| 3 | Stable deposits | 9,836,595 | 861,301 |
| 4 | Less stable deposits | 2,445,788 | 122,220 |
| 5 | Unsecured wholesale funding, of which: | | |
| 6 | Operational deposits (excluding those generated from correspondent banking activates) | 7,390,807 | 739,081 |
| 7 | Non-operational deposits (all counterparties) | 10,326,756 | 3,355,510 |
| 8 | Unsecured debt | 6,795,090 | 1,687,314 |
| 9 | Secured funding | 3,395,272 | 1,531,802 |
| 10 | Additional requirements, of which: | | |
| 11 | Outflows related to derivative exposures and other collateral requirements | 136,394 | 136,394 |
| 12 | Outflows related to loss of funding on secured debt products | 90 | 90 |
| 13 | Credit and liquidity facilities | 1,825,123 | 238,154 |
| 14 | Other contractual funding obligations | 72,283 | 72,283 |
| 15 | Other contingent funding obligations | 5,222 | 5,222 |
| 16 | Total Cash Outflows | 1,747,618 | 160,649 |
| Cash Inflows | | | |
| 17 | Secured lending (including reverse repos and securities borrowing) | 47 | - |
| 18 | Inflow from fully performing exposures | 4,045,775 | 461,595 |
| 19 | Other cash inflows | 2,548,484 | 1,935,273 |
| 20 | Total Cash Inflows | | 4,916,650 |
| 21 | Total HQLA | | 4,719,927 |
| 22 | Total Net Cash Outflows | | 2,981,377 |
| 23 | Liquidity Coverage Ratio (%)¹ | | 158.53 |

1. The above quarterly daily means represent simple arithmetic means of the values for 92 calendar days in the latest quarter, calculated in accordance with the current applicable regulatory requirements, definitions and accounting standards.

3.1 Liquidity coverage ratio and net stable funding ratio (continued)

The following tables set the quantitative information on the net stable funding ratio at the end of the last two quarters.

| No. | (In RMB millions, except percentages) | The Fourth Quarter of 2020 | | | | | The Third Quarter of 2020 | | | | |
|-----------------|---|---------------------------------------|------------|-------------------|-----------|----------------|---------------------------------------|------------|-------------------|-----------|----------------|
| | | Unweighted value by residual maturity | | | | Weighted value | Unweighted value by residual maturity | | | | Weighted value |
| | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| ASF Item | | | | | | | | | | | |
| 1 | Capital: | - | - | - | 2,600,697 | 2,600,697 | - | - | - | 2,575,816 | 2,575,816 |
| 2 | Regulatory capital | - | - | - | 2,600,697 | 2,600,697 | - | - | - | 2,575,816 | 2,575,816 |
| 3 | Other capital instruments | - | - | - | - | - | - | - | - | - | - |
| 4 | Retail deposits and deposits from small business customers: | 5,780,486 | 4,823,406 | 183,365 | 777,057 | 10,613,001 | 4,635,916 | 5,608,531 | 168,614 | 842,460 | 10,315,154 |
| 5 | Stable deposits | 2,530,211 | 12,816 | 5,227 | 4,922 | 2,425,763 | 2,001,612 | 12,052 | 5,114 | 5,137 | 1,922,976 |
| 6 | Less stable deposits | 3,250,275 | 4,810,590 | 178,138 | 772,135 | 8,187,238 | 2,634,304 | 5,596,479 | 163,500 | 837,323 | 8,392,178 |
| 7 | Wholesale funding: | 6,719,511 | 4,697,042 | 1,093,831 | 576,277 | 6,230,642 | 6,725,091 | 5,309,940 | 893,973 | 793,738 | 6,567,956 |
| 8 | Operational deposits | 5,245,623 | 1,601,374 | 10,794 | 455 | 3,429,351 | 5,433,705 | 1,409,078 | 1,704 | 173,721 | 3,595,965 |
| 9 | Other wholesale funding | 1,473,888 | 3,095,668 | 1,083,037 | 575,822 | 2,801,291 | 1,291,386 | 3,900,862 | 892,269 | 620,017 | 2,971,991 |
| 10 | Liabilities with matching interdependent assets | - | - | - | - | - | - | 6 | - | - | - |
| 11 | Other liabilities: | - | 472,754 | 76,214 | 331,614 | 282,840 | - | 325,946 | 87,770 | 330,321 | 308,672 |
| 12 | NSFR derivative liabilities | - | - | - | 86,880 | - | - | - | - | 65,534 | - |

3.1 Liquidity coverage ratio and net stable funding ratio (continued)

| No. | (In RMB millions, except percentages) | The Fourth Quarter of 2020 | | | | Weighted value | The Third Quarter of 2020 | | | | Weighted value |
|-----------------------------|---|---------------------------------------|------------|----------------------|------------|-------------------|---------------------------------------|------------|----------------------|------------|-------------------|
| | | Unweighted value by residual maturity | | | | | Unweighted value by residual maturity | | | | |
| | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| ASF Item (continued) | | | | | | | | | | | |
| 13 | All other liabilities and equity not included in the above categories | - | 472,754 | 76,214 | 244,734 | 282,840 | - | 325,946 | 87,770 | 264,787 | 308,672 |
| 14 | Total ASF | | | | | 19,727,180 | | | | | 19,767,598 |
| RSF Item | | | | | | | | | | | |
| 15 | Total NSFR high-quality liquid assets (HQLA) | | | | | 1,602,834 | | | | | 1,547,708 |
| 16 | Deposits held at other financial institutions for operational purposes | 37,124 | 26,221 | 5,934 | 12,659 | 47,529 | 57,481 | 22,256 | 9,838 | 11,184 | 56,183 |
| 17 | Performing loans and securities: | 917,121 | 3,928,482 | 1,809,011 | 11,789,736 | 12,893,967 | 895,488 | 4,302,198 | 2,066,745 | 11,378,338 | 12,746,519 |
| 18 | Performing loans to financial institutions secured by Level 1 HQLA | - | 470,191 | 2,480 | - | 71,769 | - | 592,663 | 7,980 | - | 92,890 |
| 19 | Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions | - | 927,305 | 93,511 | 238,296 | 432,679 | - | 1,114,566 | 124,375 | 165,488 | 409,226 |

3.1 Liquidity coverage ratio and net stable funding ratio (continued)

| No. | (In RMB millions, except percentages) | The Fourth Quarter of 2020 | | | | | The Third Quarter of 2020 | | | | |
|-----|---|---------------------------------------|------------|-------------------|-----------|----------------|---------------------------------------|------------|-------------------|-----------|----------------|
| | | Unweighted value by residual maturity | | | | Weighted value | Unweighted value by residual maturity | | | | Weighted value |
| | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| | RSF Item (continued) | | | | | | | | | | |
| 20 | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which: | 831,442 | 2,290,304 | 1,528,065 | 5,808,782 | 7,252,146 | 809,614 | 2,346,891 | 1,741,715 | 5,585,893 | 7,197,581 |
| 21 | With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | - | 50,896 | 17,654 | 52,519 | 68,412 | - | 6,000 | - | - | 3,000 |
| 22 | Performing residential mortgages, of which: | - | 164,471 | 166,655 | 5,533,549 | 4,869,080 | - | 166,892 | 168,475 | 5,419,541 | 4,774,293 |
| 23 | With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk | - | - | - | - | - | - | - | - | - | - |
| 24 | Securities that are not in default and do not qualify as HQLA, including exchange-traded equities | 85,679 | 76,211 | 18,300 | 209,109 | 268,293 | 85,874 | 81,186 | 24,200 | 207,416 | 272,529 |
| 25 | Assets with matching interdependent liabilities | - | - | - | - | - | - | - | - | - | - |
| 26 | Other assets: | 101,681 | 217,094 | 109,927 | 342,109 | 781,760 | 108,487 | 240,157 | 121,569 | 232,308 | 733,928 |
| 27 | Physical traded commodities, including gold | 101,681 | | | | 86,429 | 108,487 | | | | 92,214 |

3.1 Liquidity coverage ratio and net stable funding ratio (continued)

| No. | (In RMB millions, except percentages) | The Fourth Quarter of 2020 | | | | Weighted value | The Third Quarter of 2020 | | | | Weighted value |
|-----------------------------|---|---------------------------------------|------------|-------------------|-------------------|----------------|---------------------------------------|------------|-------------------|---------|----------------|
| | | Unweighted value by residual maturity | | | | | Unweighted value by residual maturity | | | | |
| | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | | No maturity | < 6 months | 6 months to < 1yr | ≥ 1yr | |
| RSF Item (continued) | | | | | | | | | | | |
| 28 | Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs | | | 1,578 | 1,341 | | | 1,737 | 1,477 | | |
| 29 | NSFR derivative assets | | | 68,621 | - | | | 44,073 | - | | |
| 30 | NSFR derivative liabilities before deduction of variation margin posted ¹ | | | 17,419 | 17,419 | | | 13,125 | 13,125 | | |
| 31 | All other assets not included in the above categories | - | 217,094 | 109,927 | 271,910 | 590,892 | - | 240,157 | 121,569 | 186,498 | 541,238 |
| 32 | Off-balance sheet items | | | 5,553,705 | 189,010 | | | 5,227,967 | 181,863 | | |
| 33 | Total RSF | | | | 15,515,100 | | | | 15,266,201 | | |
| 34 | Net Stable Funding Ratio (%) | | | | 127.15 | | | | 129.49 | | |

1. The amount filled out in this account refers to derivative liabilities, i.e., the amount of NSFR derivative liabilities before deduction of variable reserves. This amount makes no distinction between durations, nor does it count towards the total in “26 Other Assets”.

According to the regulatory requirements, definitions and accounting standards applicable in the fourth quarter of 2020, the Group’s net stable funding ratio was 127.15%, from which the available stable funding was RMB19,727,180 million against the required stable funding of RMB15,515,100 million.

3.2 Leverage ratio

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

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

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

The following table sets forth the detailed items that constitute the on and off-balance sheet assets after adjustments used in the calculation of the Group's leverage ratio, and the reconciliation with the accounting items.

| (In millions of RMB) | As at 31 December 2020 | As at 31 December 2019 |
|--|-------------------------------|------------------------|
| Total on-balance sheet assets ¹ | 28,132,254 | 25,436,261 |
| Consolidated adjustment ² | (220,217) | (171,735) |
| Derivatives adjustment | 66,243 | 58,591 |
| Securities financing transactions adjustment | 680 | 899 |
| Off-balance sheet items adjustment ³ | 1,583,599 | 1,380,975 |
| Other adjustments ⁴ | (14,005) | (10,258) |
| On and off-balance sheet assets after adjustments | 29,548,554 | 26,694,733 |

1. Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.
2. Consolidated adjustment refers to the difference between regulatory consolidated total assets and accounting consolidated total assets.
3. Off-balance sheet items adjustment refers to the balance of off-balance sheet items after being multiplied by credit conversion factors in accordance with the Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised).
4. Other adjustments mainly comprise regulatory adjustments to Tier 1 capital

3.2 Leverage ratio (continued)

The following table sets forth the information related to the Group's leverage ratio, Tier 1 capital after regulatory adjustments, and on and off-balance sheet assets after adjustments and their relevant detailed items.

| (In millions of RMB, except percentages) | As at 31 December 2020 | As at 31 December 2019 |
|--|---------------------------------------|------------------------------|
| On-balance sheet assets (excluding derivatives and securities financing transactions) ¹ | 27,241,556 | 24,675,900 |
| Less: Regulatory adjustments to Tier 1 capital | (14,005) | (10,258) |
| On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions) | 27,227,551 | 24,665,642 |
| Replacement costs of various derivatives (excluding eligible margin) | 84,361 | 40,064 |
| Potential risk exposures of various derivatives | 50,403 | 52,930 |
| Nominal principals arising from sales of credit derivatives | - | - |
| Derivative assets | 134,764 | 92,994 |
| Accounting assets arising from securities financing transactions | 601,960 | 554,223 |
| Counterparty credit risk exposure arising from securities financing transactions | 680 | 899 |
| Securities financing transactions assets | 602,640 | 555,122 |
| Off-balance sheet assets | 4,507,842 | 3,735,906 |
| Less: Decrease in off-balance sheet assets due to credit conversion | (2,924,243) | (2,354,931) |
| Off-balance sheet assets after adjustments | 1,583,599 | 1,380,975 |
| Tier 1 capital after regulatory adjustments | 2,361,517 | 2,209,692 |
| On and off-balance sheet assets after adjustments | 29,548,554 | 26,694,733 |
| Leverage Ratio² | 7.99% | 8.28% |

1. These refer to on-balance sheet assets excluding derivatives and securities financing transactions on a regulatory consolidated basis.
2. Leverage ratio is calculated through dividing Tier 1 capital after regulatory adjustments by on and off-balance sheet assets after adjustments.

3.3 Currency concentrations

| | 31 December 2020 | | | Total |
|---------------------------|----------------------------|----------------------------|-------------------------------|-------------|
| | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | |
| Spot assets | 945,417 | 352,098 | 376,645 | 1,674,160 |
| Spot liabilities | (1,000,213) | (330,942) | (290,448) | (1,621,603) |
| Forward purchases | 1,826,299 | 75,051 | 137,233 | 2,038,583 |
| Forward sales | (1,758,605) | (60,684) | (203,639) | (2,022,928) |
| Net option position | (16,261) | (29) | (4) | (16,294) |
| Net (short)/long position | (3,362) | 35,494 | 19,787 | 51,919 |
| Net structural position | 34,141 | 2,313 | (6,959) | 29,495 |

| | 31 December 2019 | | | Total |
|-------------------------|----------------------------|----------------------------|-------------------------------|-------------|
| | USD (RMB equivalent) | HKD (RMB equivalent) | Others (RMB equivalent) | |
| Spot assets | 1,177,322 | 336,136 | 473,907 | 1,987,365 |
| Spot liabilities | (1,280,135) | (388,492) | (324,861) | (1,993,488) |
| Forward purchases | 2,126,358 | 174,874 | 185,347 | 2,486,579 |
| Forward sales | (1,988,021) | (79,784) | (309,671) | (2,377,476) |
| Net option position | (14,714) | - | (10) | (14,724) |
| Net long position | 20,810 | 42,734 | 24,712 | 88,256 |
| Net structural position | 41,583 | 1,487 | (15,465) | 27,605 |

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the “HKMA”). The net structural position of the Group includes the structural positions of the Bank’s overseas branches, banking subsidiaries and other subsidiaries substantially involved in the foreign exchange. Structural assets and liabilities include:

- investments in property and equipment, net of accumulated depreciation;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

3.4 International claims

The Group is principally engaged in business operations within Mainland China. The international claims of the Group are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the Group reduces its exposure to a particular country/region by an effective transfer of credit risk to a different country/region with the use of credit risk mitigation which include guarantees, collateral and credit derivatives.

| | 31 December 2020 | | | | Total |
|------------------------------------|-------------------------|-------------------------------|--------------------------------------|---------------|------------------|
| | Banks | Public sector entities | Non-bank private institutions | Others | |
| Asia Pacific | 223,982 | 127,130 | 611,168 | 23,060 | 985,340 |
| - of which attributed to Hong Kong | 8,974 | 58,527 | 324,489 | - | 391,990 |
| Europe | 12,496 | 33,635 | 70,933 | 1,209 | 118,273 |
| North and South America | 35,015 | 171,380 | 117,751 | - | 324,146 |
| Total | 271,493 | 332,145 | 799,852 | 24,269 | 1,427,759 |
| | 31 December 2019 | | | | |
| | Banks | Public sector entities | Non-bank private institutions | Others | Total |
| Asia Pacific | 428,976 | 65,572 | 703,741 | 28,957 | 1,227,246 |
| - of which attributed to Hong Kong | 41,970 | 8,987 | 337,889 | - | 388,846 |
| Europe | 32,647 | 63,025 | 67,410 | 101 | 163,183 |
| North and South America | 37,786 | 118,407 | 142,693 | - | 298,886 |
| Total | 499,409 | 247,004 | 913,844 | 29,058 | 1,689,315 |

3.5 Overdue loans and advances to customers by geographical sector

| | 31 December 2020 | 31 December 2019 |
|---------------------|-----------------------------|---------------------|
| Central | 36,547 | 33,505 |
| Pearl River Delta | 23,954 | 13,071 |
| Bohai Rim | 17,147 | 14,309 |
| Western | 16,262 | 26,066 |
| Yangtze River Delta | 13,995 | 16,404 |
| North eastern | 8,034 | 11,669 |
| Head office | 9,008 | 7,505 |
| Overseas | 2,977 | 1,787 |
| Total | 127,924 | 124,316 |

According to regulation requirements, the above analysis represents the gross amount of loans and advances to customers overdue for more than three months.

Loans and advances to customers with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances to customers repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances to customers repayable on demand are outside the approved limit that was advised to the borrower, they are also considered to be overdue.

3.6 Exposures to non-banks in Mainland China

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2020, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

4 MANAGEMENT DISCUSSION & ANALYSIS

4.1 FINANCIAL REVIEW

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

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

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

4.1.1 Statement of Comprehensive Income Analysis

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

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

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

Net interest income

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

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

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

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

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

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

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

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

Interest income

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

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

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

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

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

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

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

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

Interest expense

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

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

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

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

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

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

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

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

Net non-interest income

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

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

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

Net fee and commission income

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

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

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

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

Other net non-interest income

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

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

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

Operating expenses

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

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

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

Impairment losses

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

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

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

Income tax expense

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

4.1.2 Statement of Financial Position Analysis

Assets

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

| (In millions of RMB, except percentages) | As at 31 December 2020 | | As at 31 December 2019 | | As at 31 December 2018 | |
|---|------------------------|---------------|------------------------|------------|------------------------|------------|
| | Amount | % of total | Amount | % of total | Amount | % of total |
| Loans and advances to customers | 16,231,369 | 57.70 | 14,542,001 | 57.17 | 13,366,492 | 57.56 |
| Loans and advances to customers measured at amortised cost | 16,476,817 | 58.57 | 14,479,931 | 56.93 | 13,405,030 | 57.72 |
| Allowances for impairment losses on loans | (556,063) | (1.98) | (482,158) | (1.90) | (417,623) | (1.80) |
| Book values of loans and advances to customers at fair value through other comprehensive income | 259,061 | 0.92 | 492,693 | 1.94 | 308,368 | 1.33 |
| Book values of loans and advances to customers at fair value through profit or loss | 9,890 | 0.04 | 15,282 | 0.06 | 32,857 | 0.14 |
| Accrued interest | 41,664 | 0.15 | 36,253 | 0.14 | 37,860 | 0.17 |
| Financial investments | 6,950,653 | 24.71 | 6,213,241 | 24.43 | 5,714,909 | 24.61 |
| Cash and deposits with central banks | 2,816,164 | 10.01 | 2,621,010 | 10.30 | 2,632,863 | 11.34 |
| Deposits and placements with banks and non-bank financial institutions | 821,637 | 2.92 | 950,807 | 3.74 | 836,676 | 3.60 |
| Financial assets held under resale agreements | 602,239 | 2.14 | 557,809 | 2.19 | 201,845 | 0.87 |
| Others¹ | 710,192 | 2.52 | 551,393 | 2.17 | 469,908 | 2.02 |
| Total assets | 28,132,254 | 100.00 | 25,436,261 | 100.00 | 23,222,693 | 100.00 |

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

At the end of 2020, the Group's total assets stood at RMB28.13 trillion, an increase of RMB2.70 trillion or 10.60% over 2019. Specifically, the Group proactively promoted the resumption of work and production of enterprises and the high-quality development of the real economy. Loans and advances to customers increased by RMB1.69 trillion or 11.62% over 2019. The Group supported the proactive fiscal policy in China and vigorously subscribed to government bonds and local government bonds. Financial investments increased by RMB737,412 million or 11.87% over 2019. Cash and deposits with central banks increased by RMB195,154 million or 7.45% over 2019.

Deposits and placements with banks and non-bank financial institutions decreased by RMB129,170 million or 13.59% over 2019. The Group dynamically adjusted the size and structure of interbank assets. Financial assets held under resale agreements increased by RMB44,430 million or 7.97% over 2019. As a result, of the total assets, the proportion of net loans and advances to customers increased by 0.53 percentage points to 57.70%, that of financial investments increased by 0.28 percentage points to 24.71%, that of cash and deposits with central banks decreased by 0.29 percentage points to 10.01%, that of deposits and placements with banks and non-bank financial institutions decreased by 0.82 percentage points to 2.92%, and that of financial assets held under resale agreements decreased by 0.05 percentage points to 2.14%.

Loans and advances to customers

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

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

1. These comprise personal loans for daily production and operation purposes and online loans for business purposes.

2. These comprise personal commercial property mortgage loans and home equity loans, etc.

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

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

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

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

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

Distribution of loans by type of collateral

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

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

Allowances for impairment losses on loans and advances to customers

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

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

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

Financial investments

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

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

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

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

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

Debt securities

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

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

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

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

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

Repossessed assets

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

Liabilities

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

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

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

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

Deposits from customers

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

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

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

Debt securities issued

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

Shareholder's equity

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

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

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

Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives mainly include interest rate contracts, exchange rate contracts, precious metals and commodity contracts. Commitments and contingent liabilities include credit commitments, capital commitments, government bond redemption obligations, and outstanding litigations and disputes. Specifically, credit commitments were the largest component, including undrawn loan facilities which are approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of 2020, the balance of credit commitments was RMB3.41 trillion, an increase of RMB327,723 million or 10.62% over 2019.

4.1.3 Credit Quality Analyses

Distribution of loans by five-category classification

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

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

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

Distribution of loans and NPLs by product type

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

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

Distribution of loans and NPLs by industry

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

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

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

4.1.4 Differences Between the Financial Statements Prepared Under PRC GAAP and Those Prepared Under IFRS

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

4.1.5 Significant Accounting Estimates and Judgements and Changes in Accounting Policies

The Group's significant accounting estimates and judgements mainly include classification of financial assets, measurement of expected credit losses, fair value of financial instruments, income tax, employee retirement benefit obligations and scope of consolidation.

The Group has adopted the following amendments for the first time for the current year: Amendments to IAS 1 and IAS 8, Amendments to IFRS 3, Amendment to IFRS 16, and Amendments to IFRS 9, IAS 39 and IFRS 7. The adoption of the above amendments does not have a significant impact on the Group's consolidated financial statements.

4.2 BUSINESS REVIEW

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

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

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

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

Impact of COVID-19 pandemic and the Group's main countermeasures

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

Implementing regular COVID-19 prevention and control to ensure the smooth operation of business. The Group immediately set up a leading team for COVID-19 prevention and control, strengthened its organisational structure, optimised response mechanisms and improved emergency response plans. It enhanced its prediction of risks including credit risk and liquidity risk and strengthened the unified credit risk control at the group level. It also enhanced business continuity management and improved internal control measures such as rules, regulations and IT systems. The Group strengthened the care and safety protection of its associates, and ensured the provision of various prevention supplies. It quickly enabled remote working mode of the uniform staff platform, deployed more robotic process automation (RPA) applications, and took flexible

working arrangements such as working from home, rotating shifts and staggered shifts. After the prevention and control of COVID-19 was normalised in China, the Group conducted 19,000 in-house nucleic acid tests for employees in all.

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

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

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

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

4.2.1 Promotion of Three Major Strategies**House rental strategy**

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

Inclusive finance strategy

Adhering to the concept of innovation-driven development, platform-based operation and sharing and empowerment, the Group continuously improved the new mechanism of inclusive finance, focused on creating a new ecosystem for inclusive finance, and further improved inclusive finance services for customers. It diversified the digital product system, realised the rapid customisation of new products on demand, and launched a series of products with new pattern, such as “Quick Loan for Small and Micro Businesses”, “Yunong Quick Loan”, “Quick Loan for Transactions” and “Quick Loan for Personal Business”. By the end of 2020, loans granted by the Group had exceeded RMB3.6 trillion, benefiting more than 1.70 million customers. The Group deepened the platform-based operation, established a customer-oriented real-time interactive comprehensive service platform through the “Finance + Scenario” approach, greatly expanded customer coverage, and improved service efficiency and customer experience. It launched the “CCB Startup Station” to create an incubator platform for entrepreneurship and innovation. It continuously improved the

risk control ability, and built a “digital, whole-process, standardised” intelligent risk control and management system for inclusive finance to ensure the stable credit asset quality of inclusive finance. At the end of 2020, the Bank’s inclusive finance loans increased by RMB489.2 billion from 2019 to RMB1.45 trillion, and the interest rate of inclusive loans granted to small and micro businesses in 2020 was 4.31%, down 0.64 percentage points over 2019. The number of inclusive finance loan borrowers increased by 375,200 from 2019 to 1,700,300. The Bank set up new outlets preferentially in county regions, which had a total of 4,323 outlets at the county level.

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

FinTech strategy

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

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

4.2.2 Corporate Banking

Corporate financial service

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

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

Institutional business

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

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

International business

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

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

Asset custody services

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

income from custody service was RMB5,533 million, an increase of RMB841 million or 17.92% over the end of 2019.

Settlement and cash management business

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

4.2.3 Personal Banking

Personal financial service

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

In accordance with the requirements of China’s macro-control policies and long-term mechanism for the real estate market, the Bank strictly implemented differentiated credit policies for residential mortgages, supporting the reasonable housing consumption demand of families. The Bank continued to innovate personal consumption loans, to support consumption upgrading. At the end of 2020, domestic personal loans of the Bank increased by 11.68% over the end of 2019, to RMB7.23 trillion. Specifically, the balance of residential mortgages of the Bank increased by 9.91% over the end of 2019, to RMB5.83 trillion. The balance of self-service loans via e-channels,

i.e., “CCB Quick Loans”, was RMB246,427 million, an increase of RMB73,281 million, or 42.32% over the end of 2019, serving tens of millions of customers.

Entrusted housing finance business

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

Debit card business

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

Credit card business

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

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

Private banking

The Bank focused on meeting the needs of high-net-worth customers for their wealth management, assets allocation and quality services by constantly improving professional capabilities, and maintained a good development momentum. Adhering to the perspective of customers and focusing on wealth management, the Bank improved the professional service system of wealth planning, assets allocation, and legal and tax consulting, and innovated and customised family wealth management services such as fully entrusted asset management and family funds, and

consolidated its leading position in family trust advisory business among peers, with assets under management reaching RMB41,812 million. The Bank published professional reports on topics such as macro strategy analysis and legal and tax affairs, and held high-level salons such as family wealth forum. The Bank provided customers with customised services, enhanced customer trust, improved the integrated online and offline operation, optimised the layout of the private banking centres, and built a digital application system for private banking, all of which helping to improve customer experience. At the end of 2020, private banking customers' assets under management reached RMB1.78 trillion, up RMB270,063 million or 17.89% over the end of 2019. The number of private banking customers amounted to 160,794, up 18,055 or 12.65% over the end of 2019.

4.2.4 Treasury Business

Financial market business

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

Money market business

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

Debt securities business

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

Customer-based trading business

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

Precious metals and commodities

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

Assets management

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

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

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

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

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

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

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

Investment banking business

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

Financial Institutional business

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

4.2.5 Overseas Commercial Banking Business

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

CCB Asia

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

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

CCB London

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

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

CCB Russia

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

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

CCB Europe

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

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

CCB New Zealand

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

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

CCB Brasil

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

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

CCB Malaysia

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

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

CCB Indonesia

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

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

4.2.6 Integrated Operation Subsidiaries

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

CCB Principal Asset Management

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

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

CCB Financial Leasing

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

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

CCB Trust

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

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

CCB Life

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

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

Sino-German Bausparkasse

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

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

CCB Futures

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

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

CCB Pension

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

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

CCB Property & Casualty

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

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

CCB Investment

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

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

CCB Wealth Management

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

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

CCB International

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

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

4.2.7 Analysed by Geographical Segments

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

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

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

| (In millions of RMB, except percentages) | As at 31 December 2020 | | As at 31 December 2019 | |
|--|------------------------|---------------|------------------------|---------------|
| | Amount | % of total | Amount | % of total |
| Yangtze River Delta | 4,874,094 | 13.05 | 4,749,945 | 13.57 |
| Pearl River Delta | 3,942,366 | 10.55 | 3,767,856 | 10.76 |
| Bohai Rim | 6,671,861 | 17.86 | 5,574,202 | 15.92 |
| Central | 4,423,501 | 11.84 | 4,487,688 | 12.82 |
| Western | 3,985,433 | 10.67 | 3,670,832 | 10.49 |
| Northeastern | 1,451,185 | 3.88 | 1,286,929 | 3.68 |
| Head Office | 10,577,145 | 28.31 | 9,745,744 | 27.84 |
| Overseas | 1,434,781 | 3.84 | 1,722,884 | 4.92 |
| Total assets¹ | 37,360,366 | 100.00 | 35,006,080 | 100.00 |

1. Total assets exclude elimination and deferred tax assets.

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

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

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

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

4.3 CAPITAL MANAGEMENT

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

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

4.3.1 Capital Adequacy Ratios

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

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

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

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

Risk-Weighted Assets

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

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

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

4.3.2 Leverage Ratio

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

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

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

4.4 PROSPECTS

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

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

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

5 OTHER INFORMATION

5.1 DETAILS OF SECURITIES ISSUANCE AND LISTING

During the reporting period, the Bank did not issue any ordinary shares or convertible bonds.

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

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

5.2 DETAILS OF ISSUANCE, LISTING AND PROFIT DISTRIBUTION OF PREFERENCE SHARES

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

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

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

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

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

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

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

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

5.3 PURCHASE, SALE AND REDEMPTION OF SHARES

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

During the reporting period, there was no conversion of preference shares issued by the Bank.

Apart from the above, there was no purchase, sale or redemption by the Bank or any of its subsidiaries of the shares of the Bank during the reporting period.

5.4 CORPORATE GOVERNANCE

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

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

5.5 COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

5.6 EVENTS AFTER THE REPORTING PERIOD

On 26 January 2021, the Group issued in the domestic market a 3-year special financial bond for small and micro enterprise loans with a fixed interest rate of 3.30% and a total face value of RMB20.00 billion. The funds raised were specifically used to grant small and micro enterprise loans.

On 28 January 2021, the Group issued in the domestic market RMB6.00 billion subordinated bonds maturing in 2031. These bonds are fixed interest rate bonds with 10-year term. The Group has an option to redeem these bonds at the end of the fifth year upon meeting certain conditions.

5.7 DIVIDENDS

In accordance with the resolutions passed at the 2019 annual general meeting, the Bank paid an annual cash dividend for 2019 of RMB 0.320 per share (including tax), totalling RMB80,004 million, to all of its shareholders whose names appeared on the register of members after the closing of the stock market on 9 July 2020.

The board of directors recommends a cash dividend for 2020 of RMB 0.326 per share (including tax), totalling RMB 81,504 million, subject to consideration and approval of the 2020 annual general meeting. Subject to approval of the annual general meeting, the dividend will be distributed to the shareholders whose names appeared on the register of members of the Bank after the closing of the stock market on 14 July 2021. The expected payment date of the A-share annual cash dividend for 2020 is on 15 July 2021, and the expected payment date of the H-share annual cash dividend is on 5 August 2021.

5.8 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2020 annual general meeting will be held on 25 June 2021. In order to determine the holders of H-shares who are entitled to attend the annual general meeting, the Bank's register of members will be closed from 26 May 2021 to 25 June 2021 (both days inclusive), during which period no transfer of shares will be effected. In order to attend the 2020 annual general meeting, holders of H-shares must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 25 May 2021.

5.9 ANNUAL REPORT AND ANNOUNCEMENT

This results announcement is available on the “HKExnews” website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk), the websites of Shanghai Stock Exchange (www.sse.com.cn) and the Bank (www.ccb.com). The annual reports prepared in accordance with IFRS and PRC GAAP will be published on the above websites in due course.

By order of the board of directors

CHINA CONSTRUCTION BANK CORPORATION

Wang Jiang

Vice chairman, executive director and president

26 March 2021

As of the date of this announcement, the executive directors of the Bank are Mr. Tian Guoli, Mr. Wang Jiang and Mr. Lyu Jiajin; the non-executive directors of the Bank are Mr. Xu Jiandong, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang; and the independent non-executive directors of the Bank are Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain.