

中国农业银行

AGRICULTURAL BANK OF CHINA

**AGRICULTURAL BANK OF
CHINA LIMITED**

中國農業銀行股份有限公司

**2019 CAPITAL ADEQUACY
RATIO REPORT**

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1 Overview

1.1 Profile

The predecessor of the Bank was Agricultural Cooperative Bank established in 1951. Since the resumption of establishment in February 1979, the Bank has evolved from a state-owned specialized bank to a wholly state-owned commercial bank and subsequently a state-controlled commercial bank. The Bank was restructured into a joint stock limited liability company in January 2009. In July 2010, the Bank was listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

As one of the major integrated financial service providers in China, the Bank is committed to building an international first-class commercial banking group with featured operations, efficient and convenient services, diversified functions, as well as demonstrated value-creation capability. Capitalizing on its comprehensive business portfolio, extensive distribution network and advanced IT platform, the Bank provides a diverse portfolio of corporate and retail banking products and services for a broad range of customers, and conducts treasury operations and asset management. Our business scope also includes, among other things, investment banking, fund management, financial leasing and life insurance. As of the end of 2019, the Bank had total assets of RMB24,878,288 million, total loans and advances to customers of RMB13,360,188 million¹ and deposits from customers of RMB18,542,861 million. Our capital adequacy ratio was 16.13%. The Bank achieved a net profit of RMB212,924million in 2019.

The Bank had a total of 23,149 domestic branch outlets. As of the end of 2019, including the Head Office, the Business Department, three specialized business units managed by the Head Office, four Training Institutes, 37 tier-1 branches, 390 tier-2 branches, 3,445 tier-1 sub-branches, 19,216 branch outlets, and 52 other establishments. Our overseas branch outlets consisted of 13 overseas branches and 4 overseas representative offices. The Bank had 16 major subsidiaries, including 11 domestic subsidiaries and 5 overseas subsidiaries.

The Financial Stability Board has included the Bank into the list of Global Systemically Important Banks for six consecutive years since 2014. In 2019, the Bank ranked No. 36 in *Fortune*'s Global 500, and ranked No. 3 in *The Banker*'s "Top 1000 World Banks" list in terms of tier 1 capital. As at the date of this announcement, Standard & Poor's affirmed long-/short-term issuer credit ratings of the Bank at A/A-1 with stable outlook. Moody's affirmed long-/short-term bank deposits ratings of the Bank at A1/P-1 with stable outlook, and Fitch Ratings affirmed long-/short-term issuer default ratings of the Bank at A/F1+ with stable outlook.

¹ Including accrued interest.

1.2 Capital Adequacy Ratio

In 2014, the China Banking and Insurance Regulatory Commission¹ (hereinafter referred to as the “CBIRC”) approved the Bank’s use of foundation Internal Ratings-Based (IRB) approach for non-retail exposure, IRB approach for retail exposure and standardized approach for operational risk on bank and group levels. As a result, the Bank became one of the first batch of domestic banks implementing advanced approaches for capital management in China. In January 2017, the CBIRC officially approved our application of the Internal Models Approach (IMA) for market risks, unification of the major benchmarks of non-retail ratings among domestic and overseas branches, and abolishment of the regulatory restriction which provides that retail risk weighted assets shall not be less than those calculated using the weighted approach. In accordance with the *Capital Rules for Commercial Banks (Provisional)* (Decree of CBRC [2012] No. 1), the CBIRC determined a parallel implementation period for a commercial bank approved to adopt the advanced approaches of capital management. During the parallel implementation period, the banks shall calculate its capital adequacy ratios under both advanced approaches and other approaches, and shall comply with the capital floor requirements.

As of the end of 2019, the Bank adopted the foundation IRB approach for non-retail exposure and IRB approach for retail exposure to measure credit risk-weighted assets, weighting approach for credit risk-weighted assets uncovered by IRB approach, IMA for market risk-weighted assets, standardized measurement approach to measure market risk-weighted assets uncovered by IMA, and the standardized measurement approach to measure operational risk-weighted assets. Unless otherwise specified, such information as regulatory capital, risk exposure, capital requirement and risk-weighted assets contained herein were made by regulatory consolidation.

The table below sets out the net capital, risk-weighted assets and capital adequacy ratios calculated by the Bank pursuant to the *Capital Rules for Commercial Banks (Provisional)*.

In millions of RMB, except for percentages

Table 1.2: Capital Adequacy Ratio

Item	31 December 2019		31 December 2018	
	The Group	The Bank	The Group	The Bank
CET 1 capital, net	1,740,584	1,691,171	1,583,927	1,552,180
Additional Tier 1 capital, net	199,894	199,886	79,906	79,899
Tier 1 capital, net	1,940,478	1,891,057	1,663,833	1,632,079
Tier 2 capital, net	557,833	549,698	409,510	407,681
Total capital, net	2,498,311	2,440,755	2,073,343	2,039,760
Risk-weighted assets	15,485,352	14,914,138	13,712,894	13,496,681
Credit risk-weighted assets	14,319,045	13,767,354	12,621,847	12,419,843

¹ Refer to China Banking and Insurance Regulatory Commission, or its successors, the former China Banking Regulatory Commission (CBRC), the same below.

Portion covered by IRB	9,485,001	9,485,001	8,784,058	8,784,058
Portion uncovered by IRB	4,834,044	4,282,353	3,837,789	3,635,785
Market risk-weighted assets	145,604	138,635	127,313	122,295
Portion covered by IMA	133,113	133,113	117,183	117,183
Portion uncovered by IMA	12,491	5,522	10,130	5,112
Operational risk-weighted assets	1,020,703	1,008,149	963,734	954,543
Additional risk-weighted assets due to the requirement of the capital floor	-	-	-	-
CET 1 capital adequacy ratio	11.24%	11.34%	11.55%	11.50%
Tier 1 capital adequacy ratio	12.53%	12.68%	12.13%	12.09%
Capital adequacy ratio	16.13%	16.37%	15.12%	15.11%

1.3 Disclosure Statement

Since 2013, the Bank has been disclosing to investors and the public the Capital Adequacy Ratio Report through public channels in accordance with the requirements of the *Capital Rules for Commercial Banks (Provisional)* issued by the CBIRC. With a view to regulating such process, the Bank formulated the *Administrative Measures on Information Disclosure of Capital Adequacy Ratio*, which was considered and approved by the Board of Directors.

The information disclosure of capital adequacy ratio of the Bank can be classified into provisional disclosure and regular disclosure. When changes arise from the common stocks and other capital instruments of the Bank, a provisional disclosure will be made in a timely manner. The Bank makes regular quarterly, interim and annual disclosures. The quarterly and interim disclosures are included in the reports of the listed company as to the same period, while the annual disclosure is presented as a separate report. Investors and the public can visit the Investor Relations at the Bank's official website (<http://www.abchina.com>) to inquire the Bank's disclosures.

This report was prepared pursuant to the regulatory requirements including the *Capital Rules for Commercial Banks (Provisional)* and the *Notice of the China Banking Regulatory Commission on Issuing the Supporting Policy Documents for the Capital Regulation of Commercial Banks* (CBRC [2013] No.33). On 30 March 2020, the Board of Directors of the Bank considered and approved this report in the forth meeting of 2020. On 30 March 2020, the Board of Supervisors of the Bank reviewed and approved this report in the first meeting of 2020.

It should be noted that this report was prepared in accordance with the regulatory requirements of the CBIRC, and the annual report of the listed company was formulated in accordance with the PRC Accounting Standards and the International Financial Reporting

Standards. As such, certain disclosure in this report is not directly comparable to the Bank's annual report of the listed company.

The report contains forward-looking statements on the Bank's financial positions, operation results and risk profile. These statements are made on basis of existing plans, estimates and forecast. The Bank believes that the expectations made in these forward-looking statements are reasonable. However, the Bank considers that the actual operation conditions is related to future external events, internal finance, progress of business development, risk occurrence condition or other performance, therefore, investors shall not heavily rely on these statements.

2 Risk Management Framework

2.1 Firm-wide Risk Management

Firm-wide risk management refers to the timely identification, measurement, monitoring, control and reporting of risks in all aspects of business operations, processes and staff through the integration of elements of risk management including risk appetite, policies, Organizations, tools and models, IT systems and risk culture, so as to ensure the effective risk management in decision making, implementation and supervision.

In 2019, under the complex and challenging risk situation, we continued to improve the comprehensive risk management system to ensure effective risk management. We strengthened credit risk management in key areas and controlled our asset quality. The “Clean-up Plan” was successfully completed, with steady declines in both the balance and ratio of non-performing loans, and risk resilience level was increased. Industry-specific limit management was made, with our credit structure further optimizing. The market risk management system was further improved and supervision on market risk exposure limits was enhanced, so that our market risk arising from financial market businesses remained stable overall. Prevention and control of operational risk and cases of compliance violations were further strengthened, risk management in relation to information technology was enhanced and our business continuity management was continuously well carried out. We strengthened the construction of a risk management information system, promoting aggregation of effective risk data and risk reporting in accordance with the regulatory requirements.

2.2 Risk Appetite

Risk appetite is a term that refers to the levels and types of risks acceptable to and tolerable for the Bank as determined by the Board of Directors in order to achieve the strategic targets of the Bank, which depends on the expectations and constraints of our major stakeholders, external operating environment and actual conditions of the Bank.

The Bank adopts a prudent risk appetite, operates strictly in compliance with laws and regulations, and insists on maintaining a balance among capital, risk and gains, as well as consistency in security, profitability and liquidity. At the same time, by adopting a neutral risk bearing policy neither overly aggressive nor conservative, we seek to achieve moderate returns through undertaking an appropriate level of risk, and maintain sufficient risk provisions and capital adequacy for risk resilience. We improve the comprehensive risk management system continuously and actively facilitate the implementation of advanced approaches of capital management to maintain good regulatory ratings and external ratings to provide assurance for realizing the strategic objectives and operation plans of the Bank.

2.3 Structure and Organization of Risk Management

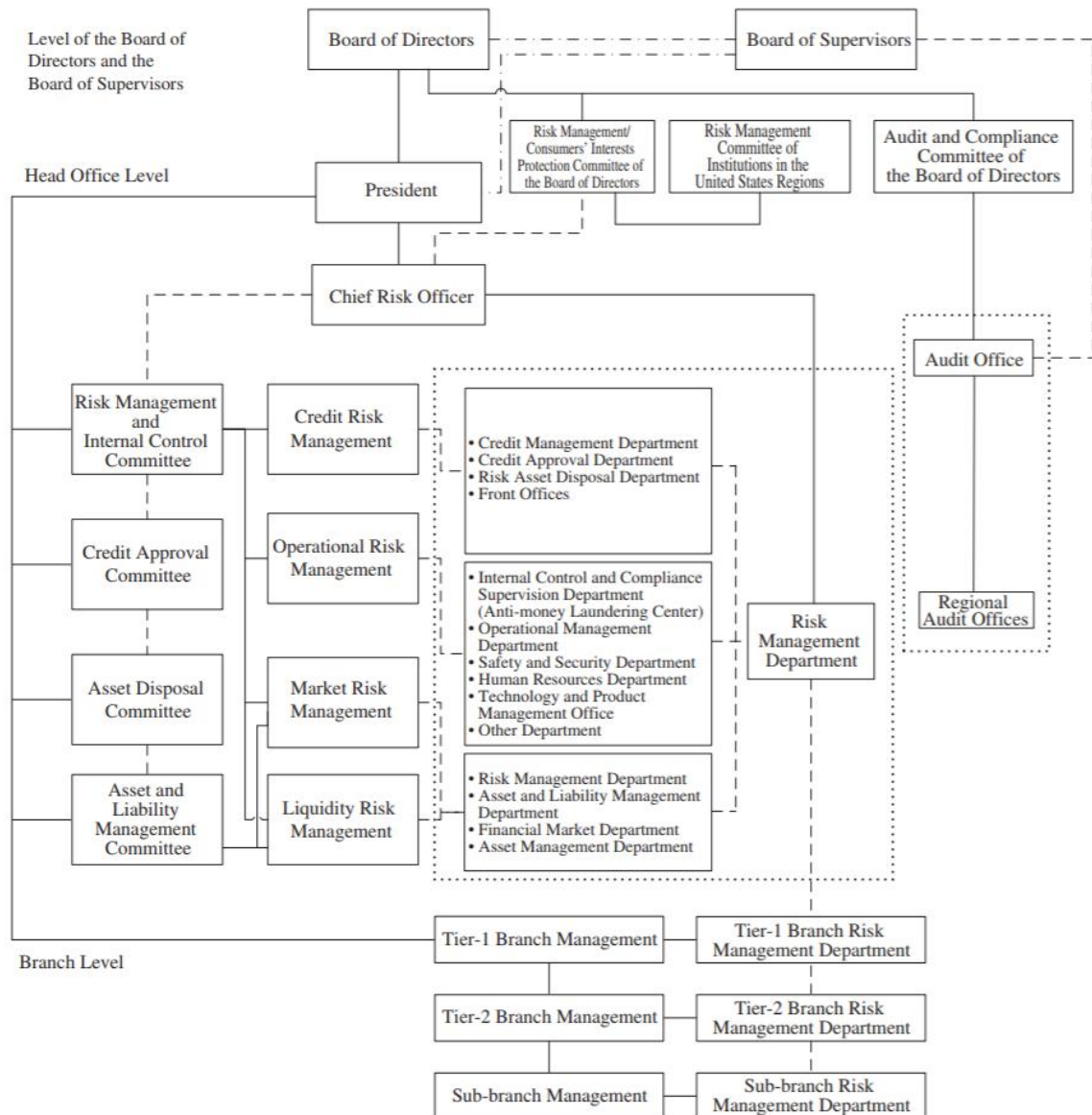
The Board of Directors assumes the ultimate responsibility for risk management. The Risk Management/Consumers' Interest Protection Committee, the Audit and Compliance Committee and the Risk Management Committee of Institutions in the United States Regions under the Board of Directors perform the relevant risk management functions, review the key risk management issues and supervise and evaluate the establishment of risk management system and the risk condition of the Bank.

The senior management is the organizer and executor of risk management of the Bank. Under the senior management, the Bank has various risk management committees with different functions, including Risk Management and Internal Control Committee, Credit Approval Committee, Asset and Liability Management Committee and Asset Disposal Committee. Among them, the Risk Management and Internal Control Committee is primarily responsible for organizing and coordinating risk management and compliance management across the Bank, considering and approving material risk management and compliance management issues.

The Board of Supervisors is responsible for risk management supervision. It supervises and inspects on due diligence of the Board of Directors and the senior management in risk management and urges them to make rectifications. It includes relevant supervision and inspection information into the work report of the Board of Supervisors and regularly reports to the shareholders' general meeting.

Based on the principle of "overall coverage", we established the "matrix" risk management organizational system and the "Three Lines of Defense" risk management comprised of the risk bearing departments, risk management departments and internal audit departments. In 2019, we further promoted integrated risk management of the parent company and the subsidiaries, optimized the management frameworks of credit risk, market risk and operational risk and made continuous efforts to improve the risk management mechanism for the business units directly operated by the Head Office.

Risk Management Organizational Structure



2.4 Risk Management Policies and Systems

In 2019, we continued to refine our risk management policies system. For comprehensive risk management, we formulated risk management fundamental policies, further specified the “Three Lines of Defense” for comprehensive risk management and management on certain type of risk and corresponding requirements, procedures and methods. We revised the management measures on risk reporting to further regulate the risk reporting work. For credit risk management, we formulated the management measures on unsecured loans to corporate customers, management measures on online credit business and management measures on credit risk reporting. We improved the credit and post-disbursement management rules system for the overseas branches and established the credit risk management framework for the subsidiaries. For market risk management, we revised the management measures on market risk monitoring

and reporting and management measures on market risk limits. Meanwhile, we worked out annual policies on customer rating, asset classification, capital transaction and market risk and IT risk management, so as to provide effective guidance for daily risk management.

2.5 Risk Management Tools and IT Systems

The Bank further reinforced the implementation of the advanced approaches of capital management. In respect of credit risk, the Bank launched the online application of the foreign and domestic non-retail Internal Ratings-Based (IRB) system in 2007 and 2009, respectively, and the retail IRB system was brought online in 2011. Since then, the quality of data gradually improved, while the model, risk parameters and risk identification capability have remained satisfactory, and widening use of risk rating has been evident. During the Reporting Period, the Bank proceeded to monitor and optimize the parameters of the model and further improved the risk-rating model for small and micro enterprises to enhance the application of the rating model. The Bank further strengthened the sensitivity management in credit ratings and the ability to timely detect potential default risk by conducting investigation on risk of default and enhancing the dynamic adjustment mechanism for credit ratings. The Bank strengthened the unified management on rating domestic and foreign customers to enhance coverage of the internal rating. The Bank strengthened the leading role of rating in risk prevention and control. The Bank assessed and optimized retail rating models, promoted the implementation of application scorecards for online retail loan, and launched post-loan scoring consulting projects for online retail loan; the Bank strengthened the scoring management for retail loan and the monitoring for the accuracy and prudence of scoring; the Bank also extended the application of retail loan scoring, further expanded the scope of automatic approval of residential loan applications and optimized strategies for adjustment of credit card limit.

In respect of market risk, the CBIRC formally approved the Bank's implementation of the Internal Models Approach (IMA) for market risks in 2017. The Bank has established an advanced measurement and management system for market risk with regard to Organizational structure, policies and procedures, measurement methods and IT systems. In addition, the Bank applied the measurement results of IMA to risk limit management and policy-making process in order to provide strong support to the risk analysis and investment decision-making in financial market business. In 2019, the Bank conducted an overall assessment on IMA for market risk to further perfect its measurement mechanism. The measurement mechanism operated steadily throughout 2019 with prudent and reliable results.

In respect of operational risk, the standardized approach of operational risk approved by regulatory bodies was used in the Bank's regulatory capital measurement of operational risk. The Bank continued to improve the operational risk management system in terms of Organization, policy system and tools and to deepen the internal application of measuring tools. In 2019, the standardized approach and advanced measurement approach(AMA) were used in measuring economic capital of operational risk; the operational risk management scorecard was improved according to the risk level and index parameters were calibrated, so as to strengthen

the sensibility to and early detection of operational risk. Meanwhile, the Bank carried forward the system construction of sub-items such as measuring methods and loss data management in accordance with the implementary plans for new standardized approach of operational risk.

Internal Capital Adequacy Assessment Process (ICAAP). In 2019, the Bank kept pushing forward the implementation of ICAAP, perfected management structure and working mechanism, optimized assessment process, made efforts in application assessment results, and carried out the 2019 ICAAP. The assessment report has been reviewed and approved by the Board of Directors and submit to CBIRC. The Bank organized and carried out the 2019 special audit on ICAAP.

Information disclosure on capital adequacy ratio. In 2019, according to the requirements of the *Capital Rules for Commercial Banks (Provisional)* by the CBIRC, the Bank completed the *2018 Capital Adequacy Ratio Report*, which was published together with the Annual Report. The quarterly and semi-annual information of capital adequacy ratio were included in Quarterly Report and Interim Report of the Bank.

Tools and measures for risk management

The Bank actively promoted the implementation of the advanced approaches for capital management, and established an operation and transmission mechanism of risk management to balance capital, risk and return. We reinforced the monitoring, analysis and warning of risks related to key areas, industries and customers. By using various risk management tools, such as economic capital, risk limits, credit ratings, risk classification, impairment provision, stress test and risk appraisal. As such, the capabilities of risk identification, measurement, monitoring, control and reporting have been extensively enhanced.

The Bank continually refined the management of economic capital. In 2019, based on the principle of “adhering to objective measurement while accurately reflecting the risks”, the Bank perfected the administrative measures for economic capital, which served as the guidelines for the Bank to strengthen the risk management. The Bank optimized the measurement model of economic capital for small and micro enterprises, taking into account their risk characteristics. The Bank also revised the economic capital measurement plan for operational risk, optimized the measurement scorecards for domestic and foreign institutions as well as the departments of Head Office, and strengthened risk management in key areas.

The Bank continued to strengthen industry-specific limit management. In 2019, the Bank continued to implement national policies to control industry-specific risk exposure and optimize industrial structure through limit management on industries with overcapacity and high risks. At the end of the year, credits granted to all controlled industries were kept within limit. The risk exposure of controlled industries has been effectively contained, and the credit quality and structure of controlled industries has been constantly optimized.

The Bank’s risk management information system links up with its core business system and the data pool for credit risk, market risk and operational risk has been established. The risk management tools, data pool and information system we built and used provided a solid base for

enhancing the delicacy and scientific quality of risk management and facilitated decision making for business operation and management.

3 Information on Composition of Capital

3.1 Scope for Calculating Capital Adequacy Ratio

The scope for calculating the Bank's consolidated capital adequacy ratio includes the Bank and the financial institutions in which the Bank has direct or indirect investments in compliance with the requirements of the *Capital Rules for Commercial Banks (Provisional)*. The scope for calculating the Bank's unconsolidated capital adequacy ratio covers all the domestic and overseas branches of the Bank.

The main difference between the scope of regulatory consolidation and the scope of accounting consolidation is that ABC Life Insurance Co., Ltd., which is controlled by the Bank, is not included in the scope of regulatory consolidation. As of the end of 2019, the Bank had 16 major subsidiaries. Pursuant to the *Capital Rules for Commercial Banks (Provisional)*, capital deduction was adopted for investments in ABC Life Insurance Co., Ltd., while the remaining 15 subsidiaries were included in the scope of regulatory consolidation.

Table 3.1A: Consolidation Treatments for Different Invested Entities

No.	Classification of Invested Entities	Consolidation Treatments
1	Financial institutions included in financial consolidation scope (excluding insurance companies)	Included into the scope of regulatory consolidation
2	Financial institutions not included in financial consolidation scope (excluding insurance companies)	Not included into the scope of regulatory consolidation
3	Insurance companies	Not included into the scope of regulatory consolidation
4	Other industrial and commercial enterprises	Not included into the scope of regulatory consolidation

The following table sets out the basic information of invested entities within the calculation scope of consolidated capital adequacy ratio according to the balance of equity investment.

Table 3.1B: Basic Information of the Invested Entities within the Calculation Scope of Consolidated Capital Adequacy Ratio

No.	Name of invested entity	Date of establishment	Place of incorporation	Paid-in capital	Total Shareholding ratio (%)	Business nature and principal activities
1	China Agricultural Finance Co., Ltd.	1988	Hong Kong, PRC	HKD 588,790,000	100	Investment
2	ABC-CA Fund Management Co., Ltd.	2008	Shanghai, PRC	RMB 1,750,000,001	51.67	Funds

3	ABC Hubei Hanchuan Rural Bank Limited Liability Company	2008	Hubei, PRC	RMB 31,000,000	50	Banking
4	ABC Hexigten Rural Bank Limited Liability Company	2008	Inner Mongolia, PRC	RMB 19,600,000	51.02	Banking
5	ABC International Holdings Limited	2009	Hong Kong, PRC	HKD 4,113,392,450	100	Investment
6	ABC Financial Leasing Co., Ltd.	2010	Shanghai, PRC	RMB 9,500,000,000	100	Leasing
7	ABC Jixi Rural Bank Limited Liability Company	2010	Anhui, PRC	RMB 29,400,000	51.02	Banking
8	ABC Ansai Rural Bank Limited Liability Company	2010	Shaanxi, PRC	RMB 40,000,000	51	Banking
9	Agricultural Bank of China (UK) Limited	2011	London, UK	USD 100,000,000	100	Banking
10	ABC Zhejiang Yongkang Rural Bank Limited Liability Company	2012	Zhejiang, PRC	RMB 210,000,000	51	Banking
11	ABC Xiamen Tong'an Rural Bank Limited Liability Company	2012	Fujian, PRC	RMB 100,000,000	51	Banking
12	Agricultural Bank of China (Luxembourg) Limited	2014	Luxembourg	EUR 20,000,000	100	Banking
13	Agricultural Bank of China (Moscow) Limited	2014	Moscow, Russia	RUB 1,400,000,000	100	Banking
14	ABC Financial Asset Investment Company Limited	2017	Beijing, PRC	RMB 10,000,000,000	100	Entity specialized in debt-to-equity swap business
15	Agricultural Bank of China Wealth Management Co., Ltd	2019	Beijing, PRC	RMB 12,000,000,000	100	Wealthy management

Table 3.1C: Basic Information about the Invested Entity Subjected to Deduction Treatment

No.	Name of invested entity	Date of establishment	Place of incorporation	Paid-in capital	Total shareholding ratio (%)	Business nature and principal activities
1	ABC Life Insurance Co., Ltd.	2005	Beijing, PRC	RMB 2,949,916,475	51	Insurance

3.2 Regulatory Capital Shortfall of Invested Entities

There was no regulatory capital shortfall of the invested entities in which the Bank has a majority equity interest or control.

3.3 Restrictions on Intra-group Capital Transfers

The Bank carried out intra-group capital transfers pursuant to the *Law of the People's Republic of China on Commercial Banks*, the *Measures for Implementation of Administrative Licensing Matters Concerning Chinese-funded Commercial Banks*, other related laws and regulations as well as related requirements of regulatory authorities.

3.4 Contrast between Regulatory Consolidation and Financial

Statement

The Bank compiled the balance sheet within the scope of regulatory consolidation in accordance with the *Capital Rules for Commercial Banks (Provisional)* and the *Notes of the China Banking Regulatory Commission on Issuing Supporting Policies for the Capital Regulation of Commercial Banks*. The contrast between the items of regulatory consolidation and financial statement is shown in the table below.

In millions of RMB

Table 3.4: Balance Sheet as in Financial Statement and as under Regulatory Consolidation					
Item	31 December 2019		31 December 2018		Code
	Financial Statement ¹	Regulatory Consolidation	Financial Statement	Regulatory Consolidation	
Assets					
Cash and balances with central banks	2,699,895	2,699,879	2,805,107	2,805,091	A01
Deposits with banks and other financial institutions	235,742	227,452	109,728	102,383	A02

¹ For more information, please refer to balance sheet in the Bank's 2019 Annual Report..

Placements with and loans to banks and other financial institutions	523,183	523,183	552,013	552,013	A03
Financial assets at fair value through profit or loss	801,361	776,516	643,245	621,621	A04
Derivative financial assets	24,944	24,944	36,944	36,944	A05
Financial assets held under resale agreements	708,551	706,684	371,001	370,305	A06
Loans and advances to customers	12,819,610	12,818,510	11,461,542	11,460,700	A07
Debt instrument investments at amortized cost	4,946,741	4,929,034	4,503,698	4,482,269	A08
Other debt instrument and other equity investments at fair value through other comprehensive income	1,674,828	1,642,728	1,738,132	1,708,259	A09
Investment in associates and joint ventures	6,672	10,524	4,005	7,857	A10
Property and equipment	152,484	151,940	152,452	151,885	A11
Land use rights	19,889	19,888	20,804	20,804	A12
Deferred income tax assets	120,952	120,952	113,293	113,293	A13
Goodwill	1,381	-	1,381	-	A14
Intangible assets	3,229	2,987	2,771	2,573	A15
Other assets	138,826	149,622	93,355	92,358	A16
Total assets	24,878,288	24,804,843	22,609,471	22,528,355	A00
Liabilities					
Borrowings from central banks	608,536	608,536	561,195	561,195	L01
Deposits from banks and other financial institutions	1,503,909	1,516,009	1,124,322	1,124,380	L02
Placements from banks and other financial institutions	325,363	325,363	325,541	325,541	L03
Financial liabilities at fair value through profit or loss	330,627	330,627	286,303	286,303	L04
Financial assets sold under repurchase agreements	53,197	49,560	157,101	150,049	L05

Due to customers	18,542,861	18,542,898	17,346,290	17,346,346	L06
Derivative financial liabilities	29,548	29,548	34,554	34,554	L07
Debt securities issued	1,108,212	1,104,523	780,673	777,000	L08
Employee salary payables	50,471	50,124	45,285	44,987	L09
Taxes payables	67,827	67,822	56,816	56,764	L10
Deferred income tax liabilities	520	173	139	139	L11
Provisions	30,558	30,558	25,883	25,883	L12
Other liabilities	266,897	193,007	190,582	122,140	L13
Total liabilities	22,918,526	22,848,748	20,934,684	20,855,281	L00
Equity					
Ordinary shares	349,983	349,983	349,983	349,983	E01
Other equity instruments	199,886	199,886	79,899	79,899	E02
of which: Preference shares	79,899	79,899	79,899	79,899	
Perpetual Bonds	119,987	119,987	-	-	
Capital reserve	173,556	173,556	173,556	173,556	E03
Surplus reserve	174,910	174,907	154,257	154,254	E04
General reserve	277,016	277,016	239,190	239,190	E05
Undistributed profits	741,101	741,175	652,944	653,979	E06
Minority interests	11,407	7,801	4,493	1,858	E07
Other comprehensive income	31,903	31,771	20,465	20,355	E08
of which: Foreign currency translation reserve	2,219	2,219	1,473	1,473	E09
Total equity	1,959,762	1,956,095	1,674,787	1,673,074	E00

3.5 Composition of Capital

Pursuant to the *Capital Rules for Commercial Banks (Provisional)*, the composition of the Bank's regulatory capital is shown in the table below.

In millions of RMB

Table 3.5: Composition of Capital				
Item		31 December 2019	31 December 2018	Code
CET 1 capital				
1	Paid-in capital	349,983	349,983	E01

2	Retained earnings	1,193,098	1,047,423	
2a	Surplus reserve	174,907	154,254	E04
2b	General reserve	277,016	239,190	E05
2c	Undistributed profits	741,175	653,979	E06
3	Accumulated other comprehensive income and disclosed reserve	205,327	193,911	
3a	Capital reserve	173,556	173,556	E03
3b	Others	31,771	20,355	E08
4	Directly issued capital subject to phase out from CET 1 capital (only applicable to non-joint stock companies, banks of joint stock companies just fill with “0”)	-	-	
5	Common share capital issued by subsidiaries and held by third parties	59	59	
6	CET 1 capital before regulatory adjustments	1,748,467	1,591,376	
CET 1 capital: regulatory adjustments				
7	Prudential valuation adjustments	-	-	
8	Goodwill (net of deferred tax liability)	-	-	A14
9	Other intangible assets other than land use rights (net of deferred tax liability)	2,987	2,573	A15
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	7	9	
11	Cash-flow hedge reserve to the items not calculated at fair value	-	-	
12	Shortfall of provisions to expected losses on loans	-	-	
13	Securitization gain on sale	-	-	
14	Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-	
15	Defined-benefit pension fund net assets (net of deferred tax liability)	-	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-	
17	Reciprocal cross-holdings in common equity	-	-	
18	Deductible amount of the CET 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	-	-	

19	Deductible amount of the CET 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	-	-	
20	Mortgage servicing rights	-	-	
21	Other deductible amount in the net deferred tax asset that rely on future profitability of the Bank	-	-	
22	Significant investments in the capital of financial institutions outside the scope of regulatory consolidation and other net deferred tax assets that rely on the Bank's future profitability (amount exceeding the 15% of the CET 1 capital)	-	-	
23	of which: significant investments in the capital of financial institutions	-	-	
24	of which: mortgage servicing rights	-	-	
25	of which: deductible amount in other net deferred tax assets that rely on the Bank's future profitability	-	-	
26a	Investment in CET 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	4,889	4,867	
26b	Shortfall of CET 1 capital of financial institutions outside the scope of regulatory consolidation but in which the Bank has the control	-	-	
26c	Total other items deductible from CET 1 capital	-	-	
27	Regulatory adjustments applied to CET 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-	
28	Total regulatory adjustments to CET 1 capital	7,883	7,449	
29	CET 1 capital	1,740,584	1,583,927	
Additional Tier 1 capital				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	199,886	79,899	E02
31	of which: classified as equity	199,886	79,899	
32	of which: classified as liabilities	-	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-	

34	Minority interest given recognition in Tier 1	8	7	
35	of which: instruments issued by subsidiaries subject to phase out	-	-	
36	Additional Tier 1 capital before regulatory adjustments	199,894	79,906	
Additional Tier 1 capital: regulatory adjustments				
37	Investments in own Additional Tier 1 instruments	-	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-	
39	Additional Tier 1 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	-	-	
40	Additional Tier 1 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	-	-	
41a	Investments in Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	-	-	
41b	Shortfall of Additional Tier 1 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	-	-	
41c	Other items deductible from Additional Tier 1 capital	-	-	
42	Amount deductible from Additional Tier 2 capital but not yet deducted	-	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	-	
44	Additional Tier 1 capital	199,894	79,906	
45	Tier 1 capital (CET 1 capital + Additional Tier 1 capital)	1,940,478	1,663,833	
Tier 2 capital				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	244,900	169,910	
47	of which: Directly issued capital instruments subject to phase out from Tier 2	45,000	60,000	
48	Tier 2 instruments (and CET 1 and AT 1 instruments not included in row 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	16	15	

49	of which: Portions not given recognition after the transition period	-	-	
50	Excess loan loss provisions	312,917	239,585	
51	Tier 2 capital before regulatory adjustments	557,833	409,510	
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments	-	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	-	
54	Tier 2 capital from insignificant minority capital investment of the financial institutions outside the scope of consolidation	-	-	
55	Tier 2 capital from significant minority capital investment of the financial institutions outside the scope of consolidation	-	-	
56a	Investments in Tier 2 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	-	-	
56b	Shortfall of Tier 2 capital of financial institutions outside the scope of consolidation but in which the Bank has the control	-	-	
56c	Other items deductible from Tier 2 capital	-	-	
57	Total regulatory adjustments to Tier 2 capital	-	-	
58	Tier 2 capital	557,833	409,510	
59	Total capital (Tier 1 capital + Tier 2 capital)	2,498,311	2,073,343	
60	Total risk weighed assets	15,485,352	13,712,894	
Capital adequacy ratios and reserve capital requirements				
61	CET 1 capital adequacy ratio	11.24%	11.55%	
62	Tier 1 capital adequacy ratio	12.53%	12.13%	
63	Capital adequacy ratio	16.13%	15.12%	
64	Institution specific buffer requirement	3.50%	3.50%	
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: countercyclical buffer requirement	0.00%	0.00%	
67	of which: G-SIBs buffer requirement	1.00%	1.00%	
68	CET 1 capital available to meet buffers (as a percentage of risk weighted assets)	6.24%	6.13%	
National minimum				
69	CET 1 minimum ratio	5%	5%	
70	Tier 1 minimum ratio	6%	6%	
71	Total capital minimum ratio	8%	8%	

Amounts not deducted from the thresholds for deduction				
72	Non-significant investments in the capital of other unconsolidated financial institutions	90,081	74,597	
73	Significant investments in the common stock of unconsolidated financial institutions	632	655	
74	Mortgage servicing rights (net of related tax liability)	Not applicable	Not applicable	
75	Other net deferred tax assets relying on the Bank's future profitability (net of deferred tax liabilities)	120,772	113,145	
Applicable caps on the inclusion of over-provision for loss on loans in Tier 2 capital				
76	Provisions for excess loan loss actually provided under the Weighting Approach	66,766	39,354	
77	The provision eligible for inclusion in Tier 2 capital excess loan loss under the Weighting Approach	59,680	47,480	
78	Provisions for loan loss actually provided under the Internal Ratings-Based Approach	266,187	200,231	
79	The provision eligible for inclusion in Tier 2 capital excess loan loss under the Internal Ratings-Based Approach	253,237	200,231	
Capital instruments subject to phase-out arrangements				
80	Amount included in CET 1 capital due to transitional arrangements	-	-	
81	Amount excluded from CET 1 capital due to transitional arrangements	-	-	
82	Amount included in Additional Tier 1 capital due to transitional arrangements	-	-	
83	Amount excluded from Additional Tier 1 capital due to transitional arrangements	-	-	
84	Amount included in Tier 2 instruments due to transitional arrangements	45,000	60,000	
85	Amount excluded from Tier 2 due to transitional arrangements	55,000	65,000	

3.6 Main Features of Eligible Capital Instruments

At 31 December 2019, the eligible capital instruments of the Bank included common stocks, preference shares, perpetual bonds, and Tier 2 capital bonds.

On 15 July 2010, A-shares of the Bank were listed on the Shanghai Stock Exchange, and H-shares of the Bank were listed on the Hong Kong Stock Exchange on 16 July 2010. In September 2014, the Bank was approved to conduct a private issue of no more than 800 million preference shares in China to raise no more than RMB80 billion with multiple issuances. In November 2014, the Bank completed the first issuance of 400 million preference shares, with RMB40 billion raised. In March 2015, the Bank completed the second issuance of 400 million preference shares, with RMB40 billion raised. All of the raised funds after deducting issuance expenses are used to replenish Additional Tier 1 capital. In June 2018, the Bank conducted the private issuance of 25,188,916,873 A-shares, with RMB100 billion raised. All of the raised funds after deducting issuance expenses are used to replenish CET Tier 1 capital. The Bank completed the first tranche of perpetual bonds in the amount of RMB85 billion in August 2019 and the second tranche in the amount of RMB35 billion in September 2019, after which the Bank completed the issuance of perpetual bonds in the total amount of RMB120 billion. All of the raised funds after deducting issuance expenses are used to replenish Additional Tier 1 capital.

During the period from 2009 to 2012, the Bank issued in aggregate subordinated bonds amounting to RMB150 billion in the PRC inter-bank bond market. Pursuant to the requirement of *Capital Rules for Commercial Banks (Provisional)*, since 2013, the amount of conventional subordinated bonds that can be included in regulatory capital shall be reduced year by year, and by the end of 2019, the amount that could be included in Tier 2 capital was RMB45 billion. In August 2014, the Bank issued Tier 2 capital bonds amounting to RMB30 billion in the PRC inter-bank bond market, which was all included into Tier 2 capital. In August 2019, the Bank fully redeemed the Tier 2 capital bond issued in August 2014 amounting to RMB30 billion. The Bank issued Tier 2 capital bonds amounting to RMB80 billion in the PRC inter-bank bond market in two tranches in October 2017 and April 2018 respectively, and the raised funds after deducting issue expenses were all included into Tier 2 capital. Besides, the Bank issued Tier 2 capital bonds amounting to RMB120 billion in the PRC inter-bank bond market in two tranches in March 2019 and April 2019 respectively, and the raised funds after deducting issue expenses were all included into Tier 2 capital.

By the end of 2019, the following tables set the main features of eligible capital instruments of the Bank.

Table 3.6A: Main Features of Eligible Tier 1 Capital Instruments

		Ordinary share of A-shares	Ordinary share of H-shares	Preference shares	Perpetual Bonds
1	Issuer	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited
2	Unique code	601288	1288	360001 and 360009	1928021 and 1928023
3	Governing laws	“Company Law of the People’s Republic of China”, “Securities Law of the People’s Republic of China”, “Law of the People’s Republic of China on Commercial Banks”, “Rules Governing the Listing of Stocks on Shanghai Stock Exchange”, etc.	“Company Law of the People’s Republic of China”, “Securities Law of the People’s Republic of China”, “Law of the People’s Republic of China on Commercial Banks”, “Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited”, etc.	“Company Law of the People’s Republic of China”, “Securities Law of the People’s Republic of China”, “the Administrative Measures on the Pilot Scheme of Preference Shares”, etc.	“Company Law of the People’s Republic of China”, “Securities Law of the People’s Republic of China”, “Capital Rules for Commercial Banks (Provisional)”, etc.
	Regulatory treatments				
4	of which: Application of <i>Capital Rules for Commercial Banks (Provisional)</i> transitional rules	CET 1 capital	CET 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
5	of which: Application of <i>Capital Rules for Commercial Banks (Provisional)</i> post-transitional rules	CET 1 capital	CET 1 capital	Additional Tier 1 capital	Additional Tier 1 capital
6	of which: Eligible at the Bank / the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Ordinary shares	Ordinary shares	Preference shares	Perpetual bonds

8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	319,244	30,739	79,899	119,987
9	Par value	RMB1	RMB1	RMB100	RMB100
10	Accounting classification	Equity	Equity	Equity	Equity
11	Original date of issuance	2010/07/15 and 2018/06/26	2010/07/16	2014/10/31 and 2015/03/06	2019/8/20 and 2019/9/5
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual
13	of which: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer call subject to prior regulatory approval	No	No	No	No
15	of which: Optional call date, contingent call dates and redemption amount (in millions of RMB)	-	-	-	-
16	of which: Subsequent call dates, if applicable	-	-	-	-
	Bonus or Dividends				
17	of which: Fixed or floating dividends / bonus	Floating	Floating	The coupon rate of the preference shares shall be adjusted every five years. The dividends of the issued preference shares will be paid at an agreed fixed coupon rate during each dividend adjustment period.	The coupon rate shall be adjusted every five years. The interests of the issued perpetual bond will be paid at an agreed fixed coupon rate during each dividend adjustment period.
18	of which: coupon rate and any related index	Subject to the Board's decision	Subject to the Board's decision	The coupon rate of the first dividend adjustment period of the	The coupon rate of the first dividend adjustment period of the

				first issuance of the preference shares is 6%. Coupon rate of the first dividend adjustment period of the second issuance of the preference shares is 5.5%.	first issuance of the perpetual bond is 4.39%. Coupon rate of the first dividend adjustment period of the second issuance of the perpetual bond is 4.20%.
19	of which: Existence of a dividend stopper	No	No	Yes	Yes
20	of which: Whether fully discretionary in cancellation of bonus or dividends	Full discretionary	Full discretionary	Full discretionary	Full discretionary
21	of which: Existence of step up or other incentives to redeem	No	No	No	No
22	of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	No	No	Yes	No
24	of which: If convertible, specify conversion trigger(s)	-	-	(1) If the CET 1 capital adequacy ratio of the Bank decreased to 5.125% (or below), the preference shares issued will be fully or partially transferred to ordinary shares of A-shares, in order to make the CET 1 capital adequacy ratio resumed to above 5.125%. In case of partial conversion, all	-

				<p>preference shares issued will be transferred in proportion on the same conditions.</p> <p>(2) All preference shares issued will be transferred into ordinary shares of A-share in case of the earlier occurrence of the following two situations: 1) the CBIRC considers that the Bank could not survive in case no conversion will be carried out; 2) relevant authority considers that the Bank could not survive in case no capital injection from public departments or provision of support with the same effectiveness. If the Bank mandatorily transfers the preference shares issued to ordinary shares, it shall report to the CBIRC for investigation and making decision, and shall perform the obligations of disclosure of temporary reports and announcements in accordance with the Securities Law of the People's Republic of China and relevant requirements of the CSRC.</p>	
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25	of which: If convertible, fully or partially	-	-	Fully or partially	-
26	of which: If convertible, determine methods for conversion price	-	-	<p>The initial conversion price of the issued preference shares shall be the average trading price of the ordinary shares of the A-share of the Bank in 20 trading days preceding the date of the Board resolution on the Issuance Plan (i.e. RMB2.43 per share).</p> <p>After the date of the Board resolution, in the event the Bank issues stock dividends, converts capital reserves to share capital, conducts follow-on issuances of shares (excluding the ordinary shares that may be transformed from the convertible capital instruments issued by the Bank such as preference shares and convertible corporate bonds), conducts a rights issue or acts under similar circumstances, the Bank will adjust the conversion price on a cumulative basis in accordance with the sequence of occurrences of the foregoing events. The specific</p>	-

				<p>adjustment measures are as follows:</p> <p>In the event of issuing stock dividends or transforming capital reserves to share capital:</p> $P1=P0/(1+n);$ <p>In the event of conducting follow-on issuances of shares or rights issue: $P1=P0 \times (N+Q \times (A/M))/(N+Q);$</p> <p>Among which: “P0” is the conversion price before the adjustment; “n” is the ratio of stock dividends or transforming capital reserves to share capital; “Q” is the number of ordinary shares issued in the follow-on issuances of shares or the rights issue; “N” is the total number of the Bank’s ordinary shares before the follow-on increases or rights issue; “A” is the subscription price of the follow-on issuances of shares or rights issue; “M” is the newly issued shares’ closing price on the trading day one day prior to the date of the effective and irrevocable announcement on offering results in the follow-on</p>	
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			<p>increases or rights issue; “P1” is the adjusted conversion price.</p> <p>When the above changes in the Bank’s shares and/ or shareholder’s interests occur, the Bank will adjust the conversion price in sequence, and will make corresponding information disclosure in accordance with relevant requirements. The mandatory conversion price of the preference shares issued will not be adjusted according to the Bank’s distribution of cash dividends on ordinary shares.</p> <p>In 2018, the Bank conducted a private issue of ordinary shares of A-share to specified subscribers, with RMB100 billion raised. On the basis of the calculation of mandatory conversion price of the first and the second batch of preference shares according to the formula of adjustment as stated under the terms of prospectus in relation to issue of preference shares, the mandatory conversion</p>	
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				price of the first and the second batch of preference shares issued by the Bank has been adjusted to RMB2.46 per share from RMB2.43 per share.	
27	of which: If convertible, mandatory or optional conversion	-	-	Yes	-
28	of which: If convertible, specify instrument type convertible into	-	-	Ordinary Shares	-
29	of which: If convertible, specify issuer of instrument convertible into	-	-	Agricultural Bank of China Limited	-
30	Write-down feature	No	No	No	Yes
31	of which: If write-down, specify write-down trigger(s)	-	-	-	Upon the occurrence of an Additional tier 1 capital instrument trigger event, namely the CET 1 capital adequacy ratio of the issuer decreased to 5.125% (or below), with the consent of the CBIRC and without the consent of the bondholders, the issuer has the right to write down all or part of the bonds issued and existing at that time in accordance with the total coupon value, in order to make the

					<p>CET 1 capital adequacy ratio resumed to above 5.125%. In case of partial write-downs, all bonds issued and existing at that time will be written down in the same proportion as the issuer's other write-down Additional tier 1 capital instruments with the same conditions in accordance with the total coupon value. Before the total coupon value of the bonds issued is written down, the issuer may make one or more partial write-downs, in order to make the CET 1 capital adequacy ratio resumed to above 5.125%.</p> <p>(2) Upon the occurrence of a Tier 2 capital instrument trigger event, without the consent of the bondholders, the issuer has the right to write down all of the above bonds issued and existing at that time in accordance with the total coupon value. Tier 2 capital instrument trigger event means either of the following circumstances (whichever is</p>
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					earlier): ①the CBIRC considers that the issuer could not survive if no write-down carried out; ②relevant authority considers that the issuer could not survive without capital injection from the public department or provision of support with the same effectiveness. When the principal of the bonds is written down, the bonds will be permanently canceled and will not be restored under any conditions.
32	of which: If write-down, full or partial	-	-	-	Full or partial
33	of which: If write-down, permanent or temporary	-	-	-	Permanent
34	of which: If temporary write-down, describe write-up mechanism	-	-	-	-
35	Position in subordination hierarchy in liquidation (instrument type Immediately senior to instrument)	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments	Subordinate to the depositors, creditors, junior debt and Additional Tier 1 capital instruments	Subordinate to the depositors, creditors, junior debt, prior to CET 1 capital instruments	Subordinate to the depositors, creditors, and junior debt that are above the bonds in rank, prior to all classes of shares held by shareholders of the issuer; the payout order of the bonds issued is <i>pari passu</i> with that of the issuer's other Tier 1 capital instruments. If

					the subsequent amendments to the <i>Law of the People's Republic of China on Enterprise Bankruptcy</i> or relevant laws and regulations are applicable to the issuer's payout order, they shall prevail.
36	Non-eligible transitioned features	No	No	No	No
37	of which: If yes, specify non-eligible features		-	-	-

Table 3.6B: Main Features of Eligible Tier 2 Capital Instruments

	Items	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments	Tier 2 capital instruments
1	Issuer	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited	Agricultural Bank of China Limited
2	Unique code	1728018	1828002	1928003	1928004	1928008	1928009
3	Governing laws	“Law of the People’s Republic of China on Commercial Banks”, “Capital Rules for Commercial Banks (Provisional)”, “Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc.	“Law of the People’s Republic of China on Commercial Banks”, “Capital Rules for Commercial Banks (Provisional)”, “Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc.	“Law of the People’s Republic of China on Commercial Banks”, “Capital Rules for Commercial Banks (Provisional)”, “Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc.	“Law of the People’s Republic of China on Commercial Banks”, “Capital Rules for Commercial Banks (Provisional)”, “Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc.	“Law of the People’s Republic of China on Commercial Banks”, “Capital Rules for Commercial Banks (Provisional)”, “Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc.	“Law of the People’s Republic of China on Commercial Banks”, “Capital Rules for Commercial Banks (Provisional)”, “Measures for the Administration of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc.
	Regulatory treatments						
4	of which: Application of <i>Capital Rules for Commercial Banks (Provisional)</i> transitional rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	of which: Application of	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital

	<i>Capital Rules for Commercial Banks (Provisional)</i> post-transitional rules						
6	of which: Eligible at the Bank / the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group	the Bank and the Group
7	Instrument type	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	39,967	39,959	9,998	49,990	19,995	39,991
9	Par value	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100
10	Accounting classification	Liability	Liability	Liability	Liability	Liability	Liability
11	Original date of issuance	2017/10/17	2018/4/27	2019/3/19	2019/3/19	2019/4/11	2019/4/11
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated
13	of which: Original maturity date	2027/10/17	2028/4/27	2034/3/19	2029/3/19	2034/4/11	2029/4/11
14	Issuer call subject to prior regulatory approval	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)	Yes (subject to prior regulatory approval)
15	of which: Optional call date, contingent call dates and redemption amount (in millions of RMB)	2022/10/17, redemption amount 40,000	2023/4/27, redemption amount 40,000	2029/3/19, redemption amount 10,000	2024/3/19, redemption amount 50,000	2029/4/11, redemption amount 20,000	2024/4/11, redemption amount 40,000
16	of which: Subsequent call dates, if applicable	-	-	-	-	-	-
	Bonus or Dividends						
17	of which:	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed

	Fixed or floating dividends / bonus						
18	of which: coupon rate and any related index	4.45%	4.45%	4.53%	4.28%	4.63%	4.30%
19	of which: Existence of a dividend stopper	No	No	No	No	No	No
20	of which: Whether fully discretionary in cancellation of bonus or dividends	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary	Without discretionary
21	of which: Existence of step up or other incentives to redeem	No	No	No	No	No	No
22	of which: Cumulative or non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	No	No	No	No	No	No
24	of which: If convertible, specify conversion trigger(s)	-	-	-	-	-	-
25	of which: If convertible, fully or partially	-	-	-	-	-	-
26	of which: If convertible, determine methods for conversion price	-	-	-	-	-	-
27	of which: If convertible, mandatory or optional conversion	-	-	-	-	-	-
28	of which: If convertible, specify instrument type convertible into	-	-	-	-	-	-

29	of which: If convertible, specify issuer of instrument convertible into	-	-	-	-	-	-
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes
31	of which: If write-down, specify write-down trigger(s)	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.	Triggers refer to the occurrence of the earlier of the following two events: (1) the CBIRC considers that the issuer could not survive if no write-down carried out; (2) relevant authority considers that the issuer could not survive in case no capital injection with the public department or provision of support with the same effectiveness.
32	of which: If write-down, full or partial	Full or Partial ¹	Full or Partial	Full or Partial	Full or Partial	Full or Partial	Full or Partial
33	of which: If write-down,	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent

¹ The Bank adjust write-down statement according to *Guidance on the innovation of capital instruments in commercial Banks (revised)*, the same below.

	permanent or temporary						
34	of which: If temporary write-down, describe write-up mechanism	-	-	-	-	-	-
35	Position in subordination hierarchy in liquidation (instrument type Immediately senior to instrument)	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument	Subordinate to the depositors and creditors, and prior to equity capital and Additional Tier 1 capital instrument
36	Non-eligible transitioned features	No	No	No	No	No	No
37	of which: If yes, specify non-eligible features	-	-	-	-	-	-

3.7 Threshold Deduction Limit and Limit of Excess Loan Loss

Provisions

According to the *Capital Rules for Commercial Banks (Provisional)*, the Bank's non-significant minority capital investments in financial institutions outside the scope of consolidation, significant minority capital investments in financial institutions outside the scope of consolidation and other deferred tax assets that rely on future profitability did not meet the threshold deduction limit, details of which are as follows.

In millions of RMB

Table 3.7A: Threshold Deduction Limit

Items applied to threshold deduction approach	Amount	Capital deduction limit		Difference up to the cap
		Item	Amount	
Non-significant minority capital investments in the financial institutions outside the scope of consolidation, of which:	90,081	10% of the CET 1 capital ¹ , net	174,058	83,977
CET 1 capital investment	2,800			
Additional Tier 1 capital	1,198			
Tier 2 capital	86,083			
CET 1 capital of significant minority capital investments in financial institutions outside the scope of consolidation	632	10% of the CET 1 capital ² , net	174,058	173,426
Other net deferred tax assets that rely on future profitability of the Bank	120,772		174,058	53,286
Un-deducted part of CET 1 capital of significant minority capital investments in financial institutions outside the scope of consolidation and additional net deferred tax assets that rely on the Bank's future profitability	121,404	15% of the CET 1 capital ³ , net	261,088	139,684

Notes: 1. The CET 1 capital, net of regulatory deduction refers to the balance after deducted all deductible items of the CET 1 capital.

2. The CET 1 capital, net of regulatory deduction refers to the balance after deducted all deductible items of the CET 1 capital and non-significant minority capital investments in financial institutions outside the consolidation.
3. The CET 1 capital, net of regulatory deduction refers to the balance after deducted all deductible items of the CET 1 capital, non-significant minority capital investments in the financial institutions outside the consolidation, CET 1 capital of significant minority capital investment in financial institutions outside the consolidation and other net deferred tax assets that rely on future profitability of the bank.

According to the *Capital Rules for Commercial Banks (Provisional)*, under the weighting approach, provisions of excess loan loss included in the Tier 2 capital is the excess of the provision of the loan loss actually provided by the Bank over the minimum requirement, which is not allowed to exceed 1.25% of the credit risk weighted asset. Under the Internal Ratings-Based approach, provisions of excess loan loss included in the Tier 2 capital is the excess of the provision of the loan loss actually provided by the Bank over the expected loss, which is not allowed to exceed 0.6% of the credit risk weighted asset. According to regulatory requirement, under the parallel implementation period for a commercial bank which is approved to adopt the advanced approaches of capital measurement the amount of provisions of excess loan loss with the coverage lower than 150% included into Tier 2 capital is not allowed to exceed 0.6% of the credit risk weighted asset, and the provisions of excess loan loss with the coverage higher than 150% could be all included into Tier 2 capital.

In millions of RMB

Table 3.7B: Limits of Excess Loan Loss Provisions that Could be Included into the Tier 2 Capital

Measurement method	Item	31 December 2019	31 December 2018
Portion uncovered by IRB approach	Provisions for loan loss	85,563	54,273
	The amount of provisions eligible for inclusion in Tier 2 capital	59,680	39,354
	The limit of provisions eligible for inclusion in Tier 2 capital	59,680	47,480
	If not reach the provision cap, the difference up to the cap	-	8,126
Portion covered by IRB approach	Provisions for loan loss	455,014	424,870
	The amount of provisions eligible for inclusion in Tier 2 capital	266,187	200,231
	The limit of provisions eligible for inclusion in Tier 2 capital	253,237	200,231
	If not reach the provision cap, the difference up to the cap	-	-

3.8 Changes in Paid-in Capital

There were no changes in the paid-in capital of the Bank during the reporting period.

3.9 Significant Capital Investments

In 2018, the Bank entered into the *Promoters' Agreement on the National Financing Guarantee Fund Limited Liability Company*, and would invest RMB3 billion, with a shareholding of 4.5386% , which will be paid up in four years since 2018. In November 2018, the Bank completed the first capital injection of RMB750 million. In June 2019, the Bank Completed the second capital injection of RMB750 million.

In November 2018, the Board of the Bank considered and approved the establishment of Agricultural Bank of China Wealth Management Co., Ltd. in which the Bank holds 100% interest, with a proposed capital injection of no more than RMB12 billion. In January 2019, the Bank received the CBIRC's written reply to the preparation application for the establishment of Agricultural Bank of China Wealth Management Co., Ltd. In July 2019, the CBIRC approved the establishment of Agricultural Bank of China Wealth Management Co., Ltd. The Bank complete the contribution of RMB12 billion, with a shareholding of 100%.

4. Credit Risk

4.1 Credit Risk Management

Credit risk refers to the risk of loss as a result of the default of obligators or counterparties, or the downgrading of credit ratings or the weakening of their contractual capability. The Bank is exposed to credit risk primarily from loan portfolio, investment portfolio, guarantee business and various other on- and off- balance sheet credit risk exposures. The Bank's objectives of credit risk management are to adhere to its risk appetite, and assume appropriate level of credit risk and earn returns commensurate with respective risks assumed based on its credit risk management capability and capital level, as well as to lower and control the loss for risk as a result of the default of obligators or counterparties, or the downgrading of credit ratings or the weakening of contractual capability.

The Bank has gradually established and consummated a clear, scientific and applicable and comprehensive credit risk management policy system which included basic policies, systems and measures, based on the needs of business development and comprehensive risk management of the Bank. The basic policies of credit risk management mainly covered organization structure, business type, industry-specific credit, professional reviewing and approval, risk categorization, transaction control, code of conduct, capital insurance, etc., which served as the fundamental standard for credit risk management of the Bank as well as the fundamental basis for setting out management measures. Under the basic policies, sound systems and measures of credit risk management including credit reviewing and approval, limit management, internal rating, credit authority, draw-down management, collateral management, post-lending management, disposal or write-offs, etc. were established to make sure each risk management activity complying with regulations. In addition, the Bank continuously clarified and perfected the specific management measures and operation procedures of each business, product, customer operation for each department and business line, ensuring that the credit risk management policy system is comprehensively implemented.

The Bank authorizes presidents of branches to conduct business and delegation according to the risk management capability of the branches, and all businesses undertaking credit risk shall be conducted in accordance with procedures and permissions. The Bank designs and implements the basic process of credit underwriting, i.e. customer's application and acceptance → business investigation (evaluation) → business examination, reviewed by credit approval committee and approval by authorized person → (filing) → business implementation → post-business management → (management of non-performing assets) → recovery of loans, based on credit scale, complexity, and risk characteristics on the basic principles of "separating the loan initiation from approval, adopting checks and balance, achieving symmetry between powers and responsibilities, and maintaining clarity and efficiency". The Bank implements customer layering management. Customer management bank is determined by the requirement of customer maintenance and risk management. The

business department of the customer management bank conducts daily management of customers. Credit management departments and risk management departments at all levels supervise and control customer risks, oversee the post-lending management of business departments, until the loan recovers upon the expiry of the business. Where there are non-performing assets (including loans), disposal departments of non-performing loans will take over the non-performing assets under required procedures and permissions by various disposal means.

The Bank assesses the recoverability of loans due and classifies the loans by taking account of factors including the borrower's repayment capacity, repayment record, willingness to repay the loan, profitability of the loan project, and the reliability of the secondary repayment source in accordance with the *Guidelines of Loan Credit Risk Classification* issued by the CBIRC. The Bank classifies its loans into five categories, namely normal, special mention, substandard, doubtful and loss, in which loans classified as substandard, doubtful and loss are regarded as non-performing loans. Overdue loans refer to loans that customers fail to repay the principal or interest in accordance with the maturity dates stipulated in the contracts. In accordance with *Accounting Standard for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments* issued by the Ministry of Finance, the Bank classifies various types of loans into different stages of loss according to the changes in credit risk and the evidence of objective impairment. The impairment test method based on the expected credit loss measurement is used for making provisions for loan loss.

In 2019, the Bank conscientiously implemented the directives and plans on deepening supply-side structural reforms and strengthened the adjustment of credit structure. Regarding serving national strategies and the real economy, the Bank made more efforts in providing credits to the areas dedicated to maintaining steady growth and benefiting people's livelihood, economic transformation and upgrading, and weak links in the real economy. The Bank proceeded to optimize and adjust credit structure and improved the quality of credit assets by strengthening the list management for corporate customers, industry-specific limit management and other means. The Bank heightened credit risk prevention and control in key areas such as local government credit business, hidden group customers, high asset-liability ratio enterprises and real estate industry. The Bank intensified business monitoring and risk investigation, and prevented spreading and increasing of market risk arising from on-balance sheet and off-balance sheet business. In addition, the Bank continuously promoted the establishment of credit underwriting review center, lending approval center and risk supervision center, thus comprehensively and solidly promoting credit compliance management and laying a solid foundation for credit management.

4.2 Credit Risk Exposure

During the Reporting Period, the Bank calculates the non-retail credit risk-weighted assets by foundation Internal Ratings-Based approach (IRB). As for risk exposure of company and financial institution, the adoption of foundation Internal Ratings-Based approach has been

approved by regulatory authorities. The Bank adopted the Internal Ratings-Based approach (IRB) for retail credit risk-weighted assets and the weighting approach for the part of credit risk-weighted assets not covered by IRB.

In millions of RMB

Table 4.2A: Credit Risk Exposure Covered by IRB Approach		
Item	31 December 2019	31 December 2018
Companies	7,587,116	7,227,638
Sovereignty	-	-
Financial institutes	2,688,632	2,127,429
Retail	5,129,428	4,547,894
Assets Securitization	-	-
Equity	-	-
Others	-	-
Total	15,405,176	13,902,961

In millions of RMB

Table 4.2B: Credit Risk Exposure Uncovered by IRB Approach		
Item	31 December 2019	31 December 2018
On-balance sheet credit risk exposure	10,395,858	9,216,350
Cash and cash equivalents	2,695,436	2,823,018
Debts issued by central governments and central banks	1,016,653	998,316
Loans to public sector entities	3,197,885	2,760,343
Loans to domestic financial institutions	1,346,785	905,868
Loans to foreign financial institutions	328,530	338,999
Loans to general enterprises	739,694	616,171
Loans to small and micro enterprises	126,938	18,995
Loans to individuals	314,443	242,422
Residual value of leasing assets	-	-
Equity investments	107,450	40,242
Real estate not for own use	579	1,060
Risk exposures from the settlement of securities, commodity and foreign currency transactions	-	-
Others	497,377	454,596
Asset securitization items on balance sheet	24,088	16,320
Off-balance sheet credit risk exposure	1,807,345	1,295,099
Counterparty credit risk exposure	47,328	10,333
Total	12,250,531	10,521,782

4.3 Internal Ratings-Based Approach

4.3.1 Introduction of Internal Ratings-Based Approach

Under the unified leadership of the Board of Directors and the senior management, the Bank implements the rating management mechanism of “initiated by customer department, reviewed by credit management department and monitored by risk management department”. Risk Management Department is the competent department of internal ratings, responsible for managing the general internal ratings for the Bank; departments of customers, credit management, audit, internal compliance, asset and liability management, science and technology, etc. perform their respective duties and jointly carry out the management of internal ratings. In recent years, the Board of Directors, senior management, and relevant departments of the Bank have actively performed their duties, effectively promoting the construction and implementation of the internal ratings system.

The Bank strengthened the rating management and enhanced its prudence in measuring the default risk. By leveraging the measuring results, the Bank improved its capability for risk decisions. Currently, the rating parameters have been widely used in, credit approval, loan pricing, economic capital measurement, performance appraisal, risk monitoring, risk reporting, loan clarification, limit management, risk appetite and reserve provision.

Customers with 90 days’ overdue or occurred advance on the Bank’s off-balance sheet credit assets such as letter of guarantee, acceptance, letter of credit, etc. will be deemed automatically as default by the system. As to circumstances of business deterioration or insolvency of debtor, it will be identified by the standardized and rigorous procedure.

The Bank has established a default database with the data longer than 10 years, including numerous types of data, providing a helpful data support for the development, validation, optimization of the rating model of the Bank, as well as for stress test and quantitative measurement.

Based on the statistical regression methods, after generally considering the fluctuation of systematic risk and individual risk during a full economic cycle, the Bank established a probability of default model for non-retail sector, and prediction models of probability of default (PD), loss given default (LGD), exposure at default risk for retail sector. All of the major models are supported by sufficient data, which effectively ensures the accuracy and reliability of the models. The clarification ability of the models remains at a relatively high level. Basic assumptions of the rating models mainly include that the internal and external environment has no material change, the structures of customers and assets of the Bank have no material adjustment and the historical data could be used to predict the future, etc.

4.3.2 Non-retail Credit Risk Exposure Covered by IRB Approach

Following table sets out the non-retail risk exposure of the Bank classified by levels of probability of default as of the end of 2019.

In millions of RMB, except for percentages

Table 4.3A: Non-retail Risk Exposure by Probability of Default					
31 December 2019					
Probability of default	Exposure at default	Average PD	Weighted average LGD	Weighted average risk weight	Risk-weighted assets
Rating 1	1,439,349	0.03%	45.87%	18.91%	272,160
Rating 2	590,342	0.05%	45.20%	20.39%	120,362
Rating 3	1,322,263	0.14%	45.09%	40.93%	541,190
Rating 4	368,047	0.24%	44.96%	53.42%	196,596
Rating 5	252,140	0.34%	44.47%	59.57%	150,188
Rating 6	219,721	0.47%	45.83%	70.01%	153,826
Rating 7	929,800	0.64%	43.08%	71.91%	668,590
Rating 8	752,679	0.87%	42.93%	78.72%	592,542
Rating 9	974,669	1.22%	42.60%	84.36%	822,198
Rating 10	891,911	1.70%	42.74%	91.72%	818,037
Rating 11	904,907	2.40%	42.28%	100.92%	913,198
Rating 12	545,854	3.19%	42.26%	107.02%	584,198
Rating 13	365,697	4.44%	41.86%	114.79%	419,784
Rating 14	241,909	5.69%	41.84%	128.42%	310,655
Rating 15	131,340	8.93%	41.59%	141.75%	186,176
Rating 16	91,821	15.38%	40.81%	174.42%	160,155
Rating 17	27,342	37.15%	43.75%	213.34%	58,331
Rating 18	5,370	67.20%	43.84%	147.48%	7,920
Rating 19	14,377	87.17%	42.47%	51.48%	7,402
Rating 20	132,495	100.00%	43.70%	68.35%	90,558
Total	10,202,033	-	-	69.34%	7,074,066
31 December 2018					
Probability of default	Exposure at default	Average PD	Weighted average LGD	Weighted average risk weight	Risk-weighted assets
Rating 1	1,035,666	0.03%	45.71%	18.40%	190,530
Rating 2	581,603	0.05%	45.04%	19.91%	115,771
Rating 3	1,287,359	0.14%	44.75%	41.67%	536,473
Rating 4	455,929	0.24%	45.04%	53.31%	243,065

Rating 5	216,704	0.34%	44.96%	57.78%	125,215
Rating 6	261,422	0.47%	44.26%	66.67%	174,288
Rating 7	617,794	0.63%	42.82%	72.53%	448,096
Rating 8	828,980	0.88%	42.81%	79.72%	660,894
Rating 9	857,586	1.22%	42.87%	85.72%	735,125
Rating 10	772,380	1.70%	42.38%	91.75%	708,675
Rating 11	782,000	2.40%	42.10%	102.24%	799,493
Rating 12	564,080	3.19%	42.13%	106.31%	599,648
Rating 13	373,335	4.43%	42.18%	116.12%	433,518
Rating 14	228,641	5.64%	40.74%	125.38%	286,670
Rating 15	126,201	8.94%	41.78%	142.28%	179,557
Rating 16	81,094	15.43%	41.83%	176.91%	143,467
Rating 17	27,605	37.33%	43.98%	215.31%	59,436
Rating 18	6,661	67.21%	42.92%	139.28%	9,277
Rating 19	19,166	87.17%	42.20%	59.48%	11,399
Rating 20	214,571	100.00%	43.87%	33.51%	71,910
Total	9,338,776	-	-	69.95%	6,532,508

Note: Counterparty credit risk exposure is excluded.

4.3.3 Retail Credit Risk Exposure Covered by IRB Approach

Following table sets out the retail risk exposure of the Bank by types as of the end of 2019.

In millions of RMB, except for percentages

Table 4.3B Retail Risk Exposure by Types					
31 December 2019					
Item	Exposure at default	Average PD	Average LGD	Average risk weight	Risk -weighted assets
Personal residential mortgages	4,194,825	1.51%	25.59%	22.50%	943,739
Eligible circulation retail	580,539	1.87%	49.31%	26.31%	152,732
Other retail	354,064	2.72%	45.94%	51.66%	182,917
Total	5,129,428	1.83%	29.68%	24.94%	1,279,388
31 December 2018					
Item	Exposure at default	Average PD	Average LGD	Average risk weight	Risk -weighted assets
Personal residential mortgages	3,681,748	1.48%	25.53%	22.30%	820,898
Eligible circulation retail	538,960	2.14%	49.65%	27.42%	147,779
Other retail	327,186	2.94%	45.58%	50.78%	166,159
Total	4,547,894	2.06%	29.83%	24.95%	1,134,836

4.4 Credit Risk Exposure Uncovered by IRB Approach

As of the end of 2019, the Bank calculated the credit risk exposure not covered by IRB approach by weighting approach, details of which are set out in the following table.

In millions of RMB

Table 4.4A: Credit Risk Exposure Uncovered by IRB Approach				
	31 December 2019		31 December 2018	
Items	Risk exposure	Risk exposure after risk mitigation	Risk exposure	Risk exposure after risk mitigation
On-balance sheet credit risk exposure	10,395,858	9,934,561	9,216,350	8,985,037
Cash and cash equivalents	2,695,436	2,695,436	2,823,018	2,823,018
Debts issued by central governments and central banks	1,016,653	1,016,653	998,316	998,316
Loans to public sector entities	3,197,885	3,197,885	2,760,343	2,760,343
Loans to domestic financial institutions	1,346,785	974,897	905,868	753,901
Loans to foreign financial institutions	328,530	328,530	338,999	338,998
Loans to general enterprises	739,694	661,253	616,171	550,439
Loans to small and micro enterprises	126,938	125,527	18,995	13,559
Loans to individuals	314,443	304,886	242,422	234,288
Residual value of leasing assets	-	-	-	-
Equity investments	107,450	107,450	40,242	40,199
Real estate not for own use	579	579	1,060	1,060
Risk exposures from the settlement of securities, commodity and foreign currency transactions	-	-	-	-
Asset securitization items on balance sheet	24,088	24,088	16,320	16,320
Others	497,377	497,377	454,596	454,596
Off-balance sheet credit risk exposure	1,807,345	1,778,810	1,295,099	1,248,955
Counterparty credit risk exposure	47,328	47,328	10,333	6,267
Total	12,250,531	11,760,699	10,521,782	10,240,259

The table below sets forth the risk exposures before and after risk mitigation classified by risk weights as of the end of 2019.

In millions of RMB

Table 4.4B: Risk Exposures before and after Risk Mitigation by Risk Weights				
Risk weights	31 December 2019		31 December 2018	
	Risk exposure	Risk exposure before risk mitigation	Risk exposure	Risk exposure before risk mitigation
0%	4,421,355	4,421,355	4,171,280	4,171,280
20%	3,457,311	3,319,371	2,842,892	2,823,932
25%	766,684	761,154	847,203	837,281
50%	55,329	55,329	56,255	56,255
75%	462,902	451,459	272,688	258,702
100%	2,805,397	2,470,478	2,162,626	1,928,080
150%	-	-	-	-
250%	125,384	125,384	117,381	117,381
400%	86,939	86,939	18,909	18,909
1250%	21,902	21,902	22,215	22,172
Total	12,203,203	11,713,371	10,511,449	10,233,992

Note: On-balance sheet and off-balance sheet credit risk exposures are included, but counterparty credit risk exposure is excluded.

The following table sets forth the risk exposures of capital instruments held by the Bank that were issued by other commercial banks, equity investments in industrial and commercial enterprises as well as real estate not for own use as of the end of 2019.

In millions of RMB

Table 4.4C: Risk Exposures for the Holdings of Capital Instruments Issued by Other Commercial Banks, Equity Investments in Industrial and Commercial Enterprises and Real Estate Not for Own Use		
Item	31 December 2019	31 December 2018
CET 1 capital instruments issued by other commercial banks	276	361
Additional Tier 1 capital instruments issued by other commercial banks	1,198	1,749
Tier 2 capital instruments issued by other commercial banks	73,733	55,200
Equity investments in industrial and commercial enterprises	102,820	35,690
Real estate not for own use	579	1,060
Total	178,606	94,060

4.5 Credit Risk Mitigation

In 2019, to comply with the regulatory requirements, the Bank further improved the collateral management system, proceeded to improve the collateral management policies, researched and created collateral assessment methods, and optimized the functions of collateral management systems. The Bank mainly accepts such collaterals as financial collateral, receivables, commercial and residential properties and other collaterals and pledges, and updates the collateral catalogues every year as required by the regulations. The Bank tightened collateral risk control through such measures as tougher collateral access, prudent assessment on the value of collateral, improved competence of collateral assessment personnel and performance of the accountability for collateral reassessment. The Bank researched and developed the functions for qualified collateral management system in order to enhance the application of the RWA system's identification results of qualified collaterals. The types of guarantor of the Bank are primarily corporates, other organizations or natural persons. The Bank upgraded its guarantor through enhancing guarantor access management, reasonable assurance of a guarantor's solvency and special management policies for financing guarantee companies, etc..

Under the IRB approach, the Bank acknowledged the mitigation effect of risk mitigation instruments, such as eligible collaterals and pledges, net amount settlement, and guarantees, in accordance with relevant requirements of the *Capital Rules for Commercial Banks (Provisional)*. The effect was reflected by the decrease of the loss at given default, exposure at default and probability of default. Qualified collaterals and pledges include financial pledges, receivables, commercial and residential properties, and other collaterals and pledges. Qualified guarantees mainly consist of guarantees provided by financial institutions and common companies. The Bank took a full consideration of the impact of currency mismatch and term mismatch on the value of the mitigation instruments and determined prudently result of mitigation. When a single risk exposure has various credit risk mitigation tools, the Bank will consider its risk mitigation effect by subdividing the risk exposure into exposure covered by each risk mitigation instrument..

Under the weighting approach, the Bank identified eligible credit risk mitigation tools, and confirmed that the risk mitigation effect of the eligible collaterals and pledges or of the guarantee provided by the eligible guarantors in accordance with the relevant requirements of the *Capital Rules for Commercial Banks (Provisional)*. Loans pledged by eligible collaterals and pledges have the same risk weights as the collateral, or take the risk weights of the direct creditor rights against the collateral's issuers or acceptors. For loans with partial pledges, the portion being protected by pledges has a relatively lower risk weight. Any loans being fully guaranteed by the eligible guarantors directly have the risk weight of the guarantor. For the loans that are partly guaranteed, the part guaranteed obtains a relatively lower risk weight.

In millions of RMB

Table 4.5A: Credit Risk Mitigation Quantitative Information under IRB Approach

31 December 2019							
Risk exposure type	Covered by qualified collaterals and pledges				Covered by netting settle-ments	Covered by qualified guarantor	Covered by credit derivatives
	Commercial and residential property	Financial collateral	Recei-vables	Other collaterals and pledges			
Companies	774,088	162,436	10,071	20,246	-	386,063	-
Sovereignty	-	-	-	-	-	-	-
Financial institutes	130	9,511	1,014	332	-	1,450	-
Retail	-	-	-	-	-	-	-
Assets securitization	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	774,218	171,947	11,085	20,578	-	387,513	-
31 December 2018							
Risk exposure type	Covered by qualified collaterals and pledges				Covered by netting settle-ments	Covered by qualified guarantor	Covered by credit derivatives
	Commercial and residential property	Financial collateral	Recei-vables	Other collaterals and pledges			
Companies	743,405	159,912	9,843	23,440	-	345,677	-
Sovereignty	-	-	-	-	-	-	-
Financial institutes	21	15,831	1,019	-	-	280	-
Retail	-	-	-	-	-	-	-
Assets securitization	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	743,426	175,743	10,862	23,440	-	345,957	-

Table 4.5B: Credit Risk Mitigation under Weighting Approach

Item	31 December 2019			31 December 2018		
	Covered by netting settlements	Covered by financial collaterals and guarantees	Covered by other eligible mitigations	Covered by netting settlements	Covered by financial collaterals and guarantees	Covered by other eligible mitigations
On-balance sheet credit risk exposure	-	461,297	-	-	231,313	-
Cash and cash equivalents	-	-	-	-	-	-
Debts issued by central governments and central banks	-	-	-	-	-	-
Loans to public sector entities	-	-	-	-	-	-
Loans to domestic financial institutions	-	371,888	-	-	151,967	-
Loans to foreign financial institutions	-	-	-	-	1	-
Loans to general enterprises	-	78,441	-	-	65,732	-
Loans to micro and small enterprises	-	1,411	-	-	5,436	-
Loans to individuals	-	9,557	-	-	8,134	-
Residual value of leasing assets	-	-	-	-	-	-
Equity investments	-	-	-	-	43	-
Others	-	-	-	-	-	-
Risk exposures from the settlement of securities, commodity and foreign currency transactions	-	-	-	-	-	-
Asset securitization items on balance sheet	-	-	-	-	-	-
Off-balance sheet credit risk exposure	-	28,535	-	-	46,144	-
Counterparty credit risk	-	-	-	4,066	-	-

exposure						
Total	-	489,832	-	4,066	277,457	-

4.6 Loans and Advances to Customers

The relevant data of loans and advances to customers in this section are prepared under the scope of the accounting consolidation. As of the end of 2019, the distribution of the loans and advances to customers of the Bank is shown in the table below.

In millions of RMB, except for percentages

Table 4.6A: Distribution of Loans and Advances to Customers by Geographical Area

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans and advances				
Head Office	318,970	4.0	303,637	4.2
Yangtze River Delta	1,710,643	21.6	1,548,750	21.4
Pearl River Delta	960,384	12.1	842,577	11.6
Bohai Rim	1,198,828	15.2	1,128,923	15.6
Central China	1,125,021	14.2	1,017,666	14.1
Western China	1,886,512	23.8	1,721,056	23.8
Northeastern China	316,802	4.0	296,755	4.1
Overseas and Others	404,759	5.1	376,997	5.2
Subtotal	7,921,919	100.0	7,236,361	100.0
Personal loans and advances				
Head Office	55	-	66	-
Yangtze River Delta	1,286,246	23.8	1,125,425	24.1
Pearl River Delta	1,176,564	21.8	1,019,760	21.8
Bohai Rim	802,153	14.8	705,802	15.1
Central China	857,033	15.9	731,709	15.6
Western China	1,083,958	20.0	919,657	19.7
Northeastern China	186,464	3.4	163,452	3.5
Overseas and Others	15,154	0.3	11,393	0.2
Subtotal	5,407,627	100.0	4,677,264	100.0
Total	13,329,546		11,913,625	

Note: The information does not include accrued interests of loans and advances to customers, the same below.

In millions of RMB, except for percentages

Table 4.6B: Distribution of Loans and Advances to Customers by Industry

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)

Corporate loans and advances				
Manufacturing	1,291,327	16.3	1,255,497	17.3
Production and supply of power, heat, gas and water	900,036	11.4	868,758	12.0
Real estate	704,973	8.9	619,101	8.6
Transportation, logistics and postal services	1,689,787	21.3	1,410,827	19.5
Wholesale and retail	386,064	4.9	385,639	5.3
Water, environment and public utilities management	517,448	6.5	438,208	6.1
Construction	233,961	2.9	245,584	3.4
Mining	212,201	2.7	201,790	2.8
Leasing and commercial services	1,047,843	13.2	923,992	12.8
Finance	623,570	7.9	600,813	8.3
Others	314,709	4.0	286,152	3.9
Subtotal	7,921,919	100.0	7,236,361	100.0
Personal loans and advances				
Residential mortgage	4,163,293	77.0	3,661,900	78.3
Personal business	264,980	4.9	216,588	4.6
Personal consumption	181,234	3.3	166,285	3.6
Credit card overdraft	475,001	8.8	380,720	8.1
Others	323,119	6.0	251,771	5.4
Subtotal	5,407,627	100.0	4,677,264	100.0
Total	13,329,546		11,913,625	

In millions of RMB

Table 4.6C: Distribution of Loans and Advances to Customers by Contractual Period and Collateral

31 December 2019				
Item	Less than 1 year	1 to 5 years	Over 5 years	Total
Loans secured by mortgages	861,640	418,293	4,618,803	5,898,736
Loans secured by pledges	657,142	102,480	1,371,476	2,131,098
Guaranteed loans	692,480	430,558	733,377	1,856,415
Unsecured loans	1,274,211	765,757	1,403,329	3,443,297
Total	3,485,473	1,717,088	8,126,985	13,329,546
31 December 2018				
Item	Less than 1 year	1 to 5 years	Over 5 years	Total
Loans secured by mortgages	791,952	399,413	4,260,910	5,452,275
Loans secured by pledges	626,118	90,126	1,168,102	1,884,346
Guaranteed loans	576,797	362,033	428,125	1,366,955
Unsecured loans	1,427,185	579,653	1,203,211	3,210,049

Total	3,422,052	1,431,225	7,060,348	11,913,625
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In millions of RMB

Table 4.6D: Distribution of Loans and Advances to Customers by Period Overdue

31 December 2019					
Item	1 to 90 days past due	91 to 360 days past due	361 days to 3 years past due	Over 3 years past due	Total
Loans secured by mortgages	43,407	25,747	25,865	8,396	103,415
Loans secured by pledges	1,974	2,687	6,817	1,665	13,143
Guaranteed loans	16,995	13,259	10,899	3,090	44,243
Unsecured loans	8,742	7,957	4,206	1,287	22,192
Total	71,118	49,650	47,787	14,438	182,993

31 December 2018					
Item	1 to 90 days past due	91 to 360 days past due	361 days to 3 years past due	Over 3 years past due	Total
Loans secured by mortgages	44,840	31,174	31,880	9,293	117,187
Loans secured by pledges	4,307	2,641	1,906	1,747	10,601
Guaranteed loans	15,775	16,181	16,401	4,060	52,417
Unsecured loans	14,536	7,030	445	716	22,727
Total	79,458	57,026	50,632	15,816	202,932

In millions of RMB, except for percentages

Table 4.6E: Five-category Classification of Loans and Advances

Item	31 December 2019		31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	12,843,935	96.36	11,397,204	95.67
Special mentioned	298,401	2.24	326,419	2.74
Non-performing loans	187,210	1.40	190,002	1.59
Substandard	66,462	0.50	45,388	0.38
Doubtful	103,763	0.78	126,274	1.06
Loss	16,985	0.12	18,340	0.15
Subtotal	13,329,546	100.00	11,913,625	100.00
Accrued interest	30,642	-	27,060	-
Total loans and advances to customers	13,360,188	-	11,940,685	-

In millions of RMB, except for percentages

Table 4.6F: Non-performing Loans by Product Type

Item	31 December 2019			31 December 2018		
	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Corporate loans	148,695	79.4	2.10	154,548	81.3	2.37
Short-term corporate loans	81,488	43.5	3.70	98,184	51.7	4.50
Medium- and long-term corporate loans	67,207	35.9	1.37	56,364	29.6	1.30
Discounted bills	21	-	-	-	-	-
Retail loans	31,699	16.9	0.59	30,196	15.9	0.65
Residential mortgage loans	12,386	6.6	0.30	11,285	5.9	0.31
Credit card overdraft	7,465	4.0	1.57	6,310	3.3	1.66
Personal consumption loans	1,746	0.9	1.04	1,276	0.7	0.81
Loans to private business	4,281	2.3	1.62	5,516	2.9	2.56
Loans to rural households	5,785	3.1	1.80	5,759	3.1	2.30
Others	36	-	4.92	50	-	5.18
Overseas and others	6,795	3.7	1.62	5,258	2.8	1.35
Total	187,210	100.0	1.40	190,002	100.0	1.59

In millions of RMB, except for percentages

Table 4.6G: Distribution of Non-performing Loans by Geographical Area

Item	31 December 2019			31 December 2018		
	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Head Office	6	-	-	7	-	-
Yangtze River Delta	29,228	15.6	0.98	27,776	14.6	1.04
Pearl River Delta	16,805	9.0	0.79	19,249	10.1	1.03
Bohai Rim	46,883	25.1	2.34	53,114	27.9	2.90
Central China	35,969	19.2	1.81	28,691	15.1	1.64
Northeastern China	8,987	4.8	1.79	9,419	5.0	2.05
Western China	42,537	22.7	1.43	46,488	24.5	1.76
Overseas and Others	6,795	3.6	1.62	5,258	2.8	1.35
Total	187,210	100.0	1.40	190,002	100.0	1.59

In millions of RMB, except for percentages

Table 4.6H: Non-performing Loans by Industry to Domestic Enterprises

Item	31 December 2019			31 December 2018		
	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Manufacturing	60,529	40.7	5.06	72,033	46.6	6.02
Production and supply of power, heat, gas and water	5,725	3.8	0.67	4,561	3.0	0.54
Real estate	10,038	6.8	1.45	8,450	5.5	1.38
Transportation, logistics and postal services	12,630	8.5	0.77	7,045	4.6	0.51
Wholesale and retail	30,541	20.5	9.83	34,687	22.4	10.73
Water, environment and public utilities management	659	0.4	0.13	1,082	0.7	0.25
Construction	2,543	1.7	1.13	4,935	3.2	2.06
Mining	4,697	3.2	2.34	5,994	3.9	3.06
Leasing and commercial services	15,150	10.2	1.46	7,871	5.1	0.86
Finance	87	0.1	0.05	142	0.1	0.09
Information transmission, software and IT service	84	0.1	0.30	111	0.1	0.37
Others	6,012	4.0	2.92	7,637	4.8	4.09
Total	148,695	100.0	2.10	154,548	100.0	2.37

In millions of RMB

Table 4.6I: Changes to the Allowance for Impairment Losses on Loans

Item	Stage 1	Stage 2	Stage 3	Total
	12-month Expected Credit Losses	Lifetime Expected Credit Losses		
31 December 2018	269,164	68,464	148,984	486,612
Transfers				
Stage 1 to Stage 2	(7,791)	7,791	-	-
Stage 2 to Stage 3	-	(24,546)	24,546	-
Stage 2 to Stage 1	6,921	(6,921)	-	-
Stage 3 to Stage 2	-	3,872	(3,872)	-
New financial assets originated or purchased	123,577	-	-	123,577

Remeasurements	37,603	21,276	54,182	113,061
Repayment and transfer	(65,429)	(12,216)	(41,092)	(118,737)
Write-offs	-	-	(51,398)	(51,398)
31 December 2019	364,045	57,720	131,350	553,115

5 Market Risk

5.1 Market Risk Management

Market risk refers to the risk of loss in the on- and off-balance sheet businesses of banks as a result of an adverse change in market prices (interest rates, exchange rates, commodity prices and stock prices, etc.). The major types of market risk that the Bank is exposed to are interest rate risk, exchange rate risk and commodity price risk. The Bank's objectives of market risk management are to adhere to the risk appetite, identify, measure, monitor and control market risk of all trading and non-trading business activities, ensure that the level of market risk is controlled within a reasonable range.

In 2019, the Bank further improved its market risk measurement systems, refined the *Administrative Measures on Distinction between Trading Activities and Banking Book Activities* and *Administrative Measures on Measurement of VaR*. The Bank strengthened its control on risk limit for market risk, and ensured adequacy of the risk limit based on the Volcker Rule, and enhanced the coverage of the system in terms of automatic control over the risk limit and optimized the market risk management system. The Bank also improved parameter settings and other functions of the system. In January 2017, the Bank's implementation of IMA was approved. The measurement model and system have been operating throughout 2019 with prudent and reliable results, while the Bank continued the validation of IMA.

5.2 Market Risk Exposure

The following table sets forth the market risk capital requirement based on the measurement by the Bank as of the end of 2019.

In millions of RMB

Table 5.2A: Market Risk Capital Requirements		
Item	31 December 2019	31 December 2018
Portion Covered by IMA	10,649	9,375
Portion Uncovered by IMA	999	810
Interest rate risk	470	493
Equity risk		-
Foreign exchange risk	529	317
Commodity risk		-
Option risk		-
Total	11,648	10,185

The following table sets forth the Bank's VaR and stressed VaR under IMA of market risk.

In millions of RMB

Table 5.2B: VaR and stressed VaR under IMA of market risk

Item	2019				2018			
	Average	Highest	Lowest	Period end	Average	Highest	Lowest	Period end
Value at risk (VaR)	1,214	1,561	942	1,165	1,332	1,685	784	1,529
Stressed value at risk (stressed VaR)	2,086	2,564	1,694	2,153	1,451	1,900	887	1,900

6 Operational Risk

6.1 Operational Risk Management

Operational risk refers to the risk of loss resulting from inadequate or problematic internal control procedures, people, information technology systems, and external events, including legal risk, but excluding strategic risk and reputational risk.

In 2019, the Bank further improved the implementation of the operational risk management rules system, and enhanced professional management of operational risk. The Bank optimized the operational risk management information system, and enhanced the ability of automatic aggregation of operational risk data. The Bank integrated and strengthened the use of operational risk management tools, performed self-assessment on the operational risk of business lines and special assessment on business outsourcing risk, and increased the perceptiveness and initiative of our risk prevention and control. The Bank conducted targeted monitoring, analyzing, tracking and supervising on major operational risk events, analyzed operational risk profile on quarterly basis, and continuously enhanced operational risk management in weak and high-risk areas. The operational risk metrics system was optimized so as to strengthen operational risk monitoring. In addition, the group-wide operational risk management was promoted as a whole, resulting from the reinforced supervision, guidance, assessment and evaluation on the operational risk of domestic and overseas operations as well as subsidiaries. The Bank optimized the economic capital measurement policies for operational risk and refined the measurement of cases of compliance violations and regulatory compliance risk. To foster a sound governance system of IT risk, the Bank regularly carried out IT risk assessment and security inspection, continually upgraded the IT infrastructure for the sake of security, and enhanced the R&D and testing of application systems as well as their production and operation management. The Bank further improved network information security management in order to make the important information systems working stable continuously. The Bank improved the business continuity management system, contributed disaster recovery system covering all important information systems, and proceeded to widen the coverage of disaster recovery and emergency drills, so as to enhance the capability to safeguard the Bank's business continuity.

6.2 Operational Risk Exposure

As of the end of 2019, the Bank adopted standardized approach to measure the regulatory capital for operational risk, in which the regulatory capital requirement for the Group was RMB81,656 million, and for the Bank was RMB80,652 million.

7 Other Risks

7.1 Securitization Risk

7.1.1 Information on Securitization Business

Securitization refers to that the originator packages and transfers the asset to the special purpose vehicle which generates future cash flows, and in turn issues securities supported by the future cash flow of the assets, with different payment order and credit ratings.

The Bank participates in securitization business, mainly serving as an originator, lending services provider and investor.

As Originator and Lending Services Provider

In the credit asset securitization business, the Bank, as the originator, participated in selection of the underlying assets, transaction structure design and road-show activities. As the lending services provider, the Bank provided post-lending management, receiving the principal and the interest, fund transfer and information disclosure for the assets pool.

To adjust the asset and liability proactively, enrich the risk management measures, promote operational transformation and mobilize non-performing asset, the Bank carried out five credit asset securitization businesses in 2019, namely, “Nongying Personal Residential Mortgage Loans Asset-backed Securities 2019 Issue I”, “Nongying Personal Residential Mortgage Loans Asset-backed Securities 2019 Issue II”, “Nongying Non-performing Asset-backed Securities 2019 Issue III”, “Nongying Personal Residential Mortgage Loans Asset-backed Securities 2019 Issue IV”, “Nongying Non-performing Asset-backed Securities 2019 Issue V”. The underlying assets include the Bank's credit card non-performing assets and normal personal residential mortgages, with a scale of RMB34.955 billion. All the assets of the above items in the assets pool have been off balance sheet at the Bank level (derecognized or continuously involved).

As the end of 2019, the principal balance of the securitized underlying assets in the securitization for the Bank as the originator was RMB46,536 million (see Table 7.1A), of which the principal balance of normal corporate loans was RMB466 million, the principal balance of normal personal residential mortgages was RMB34,807 million, the principal balance of non-performing corporate loans was RMB3,401 million, the principal balance of non-performing personal loans was RMB1,484 million, and the principal balance of non-performing credit card assets was RMB6,378 million. As an originator, the Bank had no unmatured securitization products that were amortized ahead of schedule.

As Investor

As an investor in the ABS market, the Bank generates investment returns through purchasing and holding assets-backed securities, and exposes to the relevant credit risk, market

risk and liquidity risk. The investment amount is determined with reference to the annual investment strategy and risk-adjusted returns.

7.1.2 Accounting Policies

In the normal course of business, the Bank enters into securitization transactions by selling credit assets to special purpose trust which issue asset-backed securities to investors.

The Bank may retain partial risk and return in its transferred credit assets as it may hold subordinated tranches of the asset-backed securities in its asset securitization business. The Bank will, according to the retention degree of risk, return and control, analyze and judge whether to terminate recognition of relevant credit assets. Those financial assets concerning the continuing involvement are recognized on the consolidated statement of financial position to the extent of the Bank's continuing involvement.. The extent of the Bank's continuing involvement is the extent to which the Bank is exposed to changes in the value of the transferred financial assets or the return from them.

7.1.3 Securitization Risk Exposure

The Bank adopted the standardized approach to measure the capital requirement of the risk-weighted assets in securitization in accordance with the Capital Rules for Commercial Banks (Provisional). As of the end of 2019, the risk exposure of the Bank was RMB24,223 million, and the capital requirement was RMB6,232 million.

In millions of RMB

Table 7.1A: Securitization Originated by the Bank, not Settled during the Reporting Period				
Asset Securitization product	Originating year	Balance of principal of underlying assets at origination	Balance of principal of underlying assets at the end of 2019	External credit ratings institution
Nongying Non-performing Asset-backed Securities 2019 Issue V	2019	1,516	1,339	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Personal Residential Mortgage-backed Securities 2019 Issue IV	2019	8,780	7,649	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Non-performing	2019	1,822	1,593	China Bond Rating Co., Ltd,

Asset-backed Securities 2019 Issue III				China Lianhe Credit Rating Co., Ltd.
Nongying Personal Residential Mortgage-backed Securities 2019 Issue II	2019	15,508	12,237	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Personal Residential Mortgage-backed Securities 2019 Issue I	2019	10,194	7,918	China Bond Rating Co., Ltd, China Lianhe Credit Rating Co., Ltd.
Nongying Non-performing Asset-backed Securities 2018 Issue VI	2018	1,613	1,351	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Personal Residential Mortgage-backed Securities 2018 Issue V	2018	10,316	7,004	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Non-performing Asset-backed Securities 2018 Issue IV	2018	931	763	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Non-performing Asset-backed Securities 2018 Issue III	2018	220	107	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Non-performing Asset-backed	2018	1,173	903	China Bond Rating Co., Ltd, China Chengxin

Securities 2018 Issue II				International Credit Rating Co., Ltd.
Nongying Non-performing Asset-backed Securities 2018 Issue I	2018	1,039	474	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Non-performing Asset-backed Securities 2017 Issue II	2017	1,568	1,331	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Green Credit Asset-backed Securities 2017 Issue I	2017	1,434	466	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Non-performing Asset-backed Securities 2016 Issue I	2016	10,154	3,401	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Total		66,268	46,536	

In millions of RMB

Table 7.1B: Balance of Risk Exposures of Securitization

Type	31 December 2019		31 December 2018	
	As originator ¹	As investor	As originator ¹	As investor
Risk exposure by transaction types				
Balance of risk exposures of traditional asset securitization	5,986	18,237	2,877	13,825
Balance of risk exposures of synthetic asset securitization	-	-	-	-

Risk exposure by risk exposure types				
Asset-backed securities	5,851	7,136	2,494	4,067
Mortgage-backed securities (MBS)	-	11,101	-	9,758
Credit enhancement	-	-	-	-
Liquidity facility	-	-	-	-
Interest rate or currency swap	-	-	-	-
Credit derivatives	-	-	-	-
Offset by tranche	-	-	-	-
Others	135	-	383	-

Notes: 1. Serving as originator refers to risk exposure arising from the asset securitization retained and issued by the Bank other than the aggregate amount of the assets securitization program issued by the Bank as originator.

In millions of RMB

Table 7.1C: Risk Exposures of Securitization Based on Risk Weights

Risk weights	31 December 2019		31 December 2018	
	Risk exposure	Capital requirement	Risk exposure	Capital requirement
Risk weights≤20%	7,831	125	4,535	73
20%<Risk weights≤50%	10,585	424	7,287	292
50%<Risk weights≤100%	135	11	383	31
100%<Risk weights≤350%	-	-	-	-
350%<Risk weights≤1,250%	5,672	5,672	4,497	4,497
Total	24,223	6,232	16,702	4,893

In millions of RMB

Table 7.1D: Securitization Assets of Originator

Type	31 December 2019			
	Balance of underlying assets	Balance of the non-performing assets	Balance of the overdue loans	Profits or losses recognized during the Reporting Period ¹
Loans to corporate customers	3,867	3,401	-	8
Personal residential mortgage loans	35,281	490	80	-
Other personal loans	-	-	-	-
Re-Securitization	-	-	-	-
Others	7,388	7,388	-	-
Total	46,536	11,279	80	8

31 December 2018

Type	Balance of underlying assets	Balance of the non-performing assets	Balance of the overdue loans	Profits or losses recognized during the Reporting Period ¹
Loans to corporate customers	4,940	4,083	-	26
Personal residential mortgage loans	9,493	618	17	-
Other personal loans	1,110	1,110	-	-
Re-Securitization	-	-	-	-
Others	3,623	3,623	-	-
Total	19,165	9,434	17	26

Note: 1. Losses recognized during the Reporting Period refer to the impairment and write-off of the securitization retained and issued by the Bank as originator during the reporting period.

7.2 Counterparty Credit Risk

Counterparty credit risk refers to the risk from the default of the counterparty to a transaction before the final settlement of the transaction's cash flows. The counterparty credit risk of Bank is mainly from Over-the-Counter (OTC) derivative transactions. During the Reporting Period, the Bank continuously improved the management of counterparty credit risk, prudently selected counterparties, and accurately measured the counterparty credit risk. The Bank developed relevant management measures, which required clients to accept a risk rating assessment and pay a corresponding proportion of margins before entering into derivative transactions. The clients should enter into derivative transactions on an as-required basis, so as to avoid clients conducting derivative transactions for speculative purpose and reduce wrong-way risk. Collateral were monitored periodically to keep abreast of changes in collateral.

As of the end of 2019, the Bank adopted the Current Exposure Method (CEM) to measure the counterparty credit risk exposure and took into account the risk mitigation effect of netting. Details are shown in the following table.

In millions of RMB

Table 7.2A: Net Credit Risk Exposures of Counterparties

Item	31 December 2019	31 December 2018
Total positive contractual fair value (without netting)	83,430	36,856
Total current credit risk exposures (without netting)	121,042	63,044
Total current credit risk exposures (after netting)	-	40,820
Less: Collaterals and pledges	-	-
Net credit risk exposure of derivatives	121,042	40,820

In millions of RMB

Table 7.2B: Distribution of Current Credit Risk Exposures by Product Type		
Item	31 December 2019	31 December 2018
Interest rate contract	2,469	23,330
Foreign exchange contract	117,833	39,714
Stock contract	-	-
Commodity contract	740	-
Credit derivatives contract	-	-
Total	121,042	63,044

7.3 Equity Risk of Banking Book

The equity investments of the Bank are classified into three types: long-term equity investments, equity investments at fair value through other comprehensive income and equity investments at fair value through profit or loss. Long-term equity investments are initially measured at initial investment costs, and are subsequently measured by cost method and equity method. Equity investments at fair value through other comprehensive income and equity investments at fair value through profit or loss are measured at fair value for both initial and subsequent measurement.

In accordance with the *Capital Rules for Commercial Banks (Provisional)*, for the non-significant minority capital investments in unconsolidated financial institutions, the Bank deducted the amount exceeding 10% of its CET 1 net capital in aggregate from the regulatory capital at all tiers respectively. For the significant minority capital investments in unconsolidated financial institutions, the Bank deducted the amount of investments in CET 1 capital exceeding 10% of its CET 1 net capital in aggregate from its CET 1 capital, and for investments in Additional Tier 1 capital and Tier 2 capital, deducted in full from the corresponding tiers of capital. Where the significant minority capital investments in unconsolidated institutions and the corresponding net deferred tax assets are not deducted from the CET 1 capital of the Bank, the aggregate amount shall not exceed 15% of the Bank's CET 1 net capital.

At the end of 2019, the Bank adopted the weighting approach for the measurement of equity investments in financial institutions and other equity investments in banking book that were not deducted. Details are shown in the following table.

In millions of RMB

Table 7.3: Risk Exposures of Equity in Banking Book			
31 December 2019			
Types of the invested entity	Risk exposures of publicly traded equity¹	Risk exposures of non-publicly traded equity¹	Unrealized profit or loss on potential risk²
Financial institutions	7,322	2,947	5,768
Companies	857	98,666	112

Total	8,179	101,613	5,880
31 December 2018			
Types of the invested entity	Risk exposures of publicly traded equity¹	Risk exposures of non-publicly traded equity¹	Unrealized profit or loss on potential risk²
Financial institutions	3,197	2,657	452
Companies	1,356	34,521	257
Total	4,553	37,178	709

Notes: 1. Risk exposures of publicly traded equity refer to the risk exposures of the listed companies, and risk exposures of non-publicly traded equity refer to the risk exposures of unlisted companies as invested entities.

2. Unrealized profit or loss on potential risk refers to gain or loss that has been recognized in the balance sheet but not yet been recognized in the income statement.

7.4 Interest Rate Risk of Banking Book

Interest rate risk refers to risk of loss to the Bank's income or economic value of the banking book arising from adverse changes in the interest rate level, term structure, and other interest-related factors. The interest rate risk of the banking book (IRRBB) mainly arises from a mismatch of the maturity or re-pricing dates of interest rate-sensitive assets and liabilities in the banking book and the inconsistencies in the change of the benchmark interest rate on which assets and liabilities are based.

The Bank adhered to prudent risk appetite, paid close attention to the changes in external interest rate environment and strengthened dynamic monitoring and risk forecast. By optimizing the product portfolio and term structure of assets and liabilities, the Bank controlled the adverse impact of interest rate change on economic value and overall income. The Bank took active actions in response to the LPR reform, improved its system construction and operation procedures and adjusted its internal and external pricing policies. During the reporting period, the overall interest rate risk was generally stable with all risk exposure limits and indicators in compliance with the regulatory requirements and management objectives.

As of the end of 2019, the details of IRRBB of the Bank are set forth in the table below. The analysis below is made on the assumption that there is a parallel shift in the yield curves and without taking into account assumptions of early repayment of loans and retained non-dated deposit and any risk management measures possibly adopted by the management to reduce interest rate risk.

In millions of RMB

Table 7.4: Sensitivity Analysis of Interest Rate Risk of Banking Book

31 December 2019				
Major currencies	Interest rate increased by 100 bps		Interest rate decreased by 100 bps	
	Impacts on the profit	Impacts on the equity	Impacts on the profit	Impacts on the equity

RMB	(14,120)	(38,003)	14,120	38,003
USD and others	167	(4,576)	(167)	4,576
Total	(13,953)	(42,579)	13,953	42,579

31 December 2018

Major currencies	Interest rate increased by 100 bps		Interest rate decreased by 100 bps	
	Impacts on the profit	Impacts on the equity	Impacts on the profit	Impacts on the equity
RMB	(15,522)	(44,337)	15,522	44,337
USD and others	(142)	(23,542)	142	23,542
Total	(15,664)	(67,879)	15,664	67,879

7.5 Liquidity Risk

Liquidity risk refers to the risk of being unable to timely acquire sufficient funds in time at a reasonable cost to settle amounts due, fulfill other payment obligations and satisfy other funding needs during the ordinary course of business. Major factors affecting liquidity risk include: negative impacts of market liquidity, withdrawal of deposits by clients, drawdown of loans by borrowers, mismatch of asset and liability structures, default by debtors, difficulties in realization of assets, weakening in financing capabilities, etc.

Liquidity Risk Management

The governance structure of the Bank's liquidity risk management consists of the decision-making system, the execution system and the supervision system, among which, the decision-making system consists of the Board of Directors and the Risk Management/Consumers' Interest Protection Committee under the Board of Directors, and Senior Management; the execution system consists of the liquidity management departments, the asset and liability business departments, and the information and technology departments of the Bank; the supervision system consists of the Board of Supervisors, the Audit Office, the Internal Compliance Department, Legal Affairs Department. The above systems conduct decision-making, execution and supervision functions respectively, in accordance with the division of responsibilities.

The Bank adhered to the strategy of prudent management on liquidity risk and formulated the policy on liquidity risk management in accordance with regulatory requirements and external macroeconomic environment and its business development, to effectively maintain the balance among liquidity, security and profitability, provided that the security of liquidity was guaranteed.

The aims of the Bank's liquidity risk management are to ensure that the Bank, in normal operating conditions or under stress, is able to fulfill the liquidity needs of assets, liabilities and off-balance sheet businesses on a timely basis, to perform the payment obligations, and to effectively balance both capital efficiency and security, while at the same time preventing the overall liquidity risk of the Group, by effective identification, measurement, monitoring and

reporting on the liquidity risk through the establishment of a scientific and comprehensive liquidity risk management system.

The Bank closely tracked the changes in external economic and financial situation, monetary policies and market liquidity, and continued to monitor the operation of the asset and liability businesses and liquidity conditions of the Bank. The Bank strengthened the asset-liability management, and mitigated risks related to mismatch of maturity. The Bank secured the sources of core deposits, made use of active liability instruments and unblocked financing channels in the market. To satisfy various payment demands, the Bank perfected the liquidity management mechanism, strengthened the monitoring, alerting and overall allocation of fund position, and maintained reasonable and moderate buffers. We upgraded the functions of the liquidity management system to improve our electronic management.

The Bank set up stress testing scenarios on liquidity risk based on the market conditions and actual business operation, as well as a full consideration of various risk factors which may affect liquidity. The Bank conducted stress testing on quarterly basis. According to the test results, the Bank has passed the shortest survival period testing under prescribed stress scenarios as required by regulatory authorities.

Liquidity Risk Analysis

During the reporting period, the Bank rationalized the arrangement of cash flows for due payment, and the liquidity position was adequate, safe and controllable in general. As of the end of 2019, the Bank fulfilled the regulatory requirements with liquidity ratio for RMB and foreign currency of 57.74% and 112.07% , respectively. The net stable funding ratio was 128.2%. The average of liquidity coverage ratio was 125.6% in the fourth quarter of 2019, increasing 5.5 percentage points from the previous quarter.

In millions of RMB

Table 7.5: Liquidity Gap Analysis		
Term	31 December 2019	31 December 2018
Past due	25,889	20,466
On demand	(11,586,444)	(10,794,068)
In 1 month	536,345	221,913
1-3 months	(724,010)	(979,235)
3-12 months	(800)	(71,719)
1-5 years	3,066,681	3,467,506
Over 5 years	8,144,318	7,108,745
Not dated	2,297,152	2,509,038
Total	1,759,131	1,482,646

8 Internal Capital Adequacy Assessment

8.1 Internal Capital Adequacy Assessment Methods and Process

The Bank coordinated and facilitated the construction of the Second Pillar, consolidated the foundation of capital governance, and established the Internal Capital Adequacy Assessment Process (ICAAP) with the features of the Bank. Based on the corporate governance principles of modern commercial banks, the Bank gradually optimized the management system of ICAAP, and further clarified the reporting lines and the responsibilities of the Board of Directors, senior management and various departments on capital management, thereby making the division of responsibilities and process clearer. The Board of Directors took the primary responsibility for capital management, the senior management was responsible for organizing and implementing the work of the capital management, and all relevant departments cooperated for the internal growth, conservation and release of capital. Based on the development strategy, the Bank strengthened its capital planning management and set reasonable budgets for short, medium- and long-term capital adequacy ratio, with balancing conformity to regulatory standard, risk coverage, value creation, and peer comparability. Through refining capital allocation, and enhancing monitoring and assessment, the Bank further improved capital management and had a sound control over the pace of capital consumption, and continued to strengthen the capacity of value creation.

In 2019, the Bank kept on improving of ICAAP, normalizing and refining the working mechanism. Additionally, the Bank carried out an annual assessment on internal capital adequacy, and completed the annual report of internal capital adequacy assessment. The report was reviewed and approved by the Board of Directors, and filed with the CBIRC. During the Reporting Period, the Bank carried out a special audit of ICAAP to ensure the compliance, effectiveness, and continuity of its capital management. In June 2019, the CBIRC conducted the first supervision and inspection of commercial bank on the Bank's Second Pillar. The CBIRC positively recognized the Bank's overall construction framework for the Second Pillar and its constant efforts to improve the management framework, the assessment process, the application of assessment results, and the valuable exploration and practices to improving comprehensive risk management capability and capital management efficiency since the first assessment in 2013. In the future, the Bank will further improve its delicacy of management, continuously increase assessment capability and promote the application of assessment results to its daily management in accordance with the CBIRC's requirements.

8.2 Capital Planning and Capital Adequacy Ratio Management

Plan

In 2013, the Bank formulated the *Compliance Plan of Capital Adequacy Ratios for 2013-2018 of Agricultural Bank of China*, which was reviewed and approved by the Board of Directors. In 2016, according to the relevant rules and regulations on commercial banks and requirements of corporate governance, the Bank formulated the *Capital Planning for 2016-2018 of Agricultural Bank of China*, which was reviewed and approved by the Board of Directors. The Bank continued to strengthen economic capital management, optimized allocation of economic capital, and refine the mechanism of capital control, raised efficiency of capital utilization, optimized the size and structure of risk-weighted assets, and improve the long-term capital management mechanism. During the Reporting Period, the Bank successfully realized the management objectives of capital planning. In 2018, the Bank formulated the *Capital Plan for 2019-2021 of Agricultural Bank of China*, which was reviewed and approved by the Board of Directors. The plan clarifies the objectives and principles of the Bank's future capital management and the main measures to improve capital management.

As the Global Systemically Important Banks (G-SIBs), in accordance with regulations of the Financial Stability Board (FSB) and other international and domestic regulatory requirements, the Bank had completed the annual update of the *Recovery Plan of Agricultural Bank of China Limited*, and the *Resolution Plan of Agricultural Bank of China Limited*. These documents have been examined and reviewed by the Board of Directors of the Bank, and reviewed and approved by the cross-border crisis management group composed of international and domestic regulatory authorities.

9 Remuneration

9.1 Nomination and Remuneration Committee under the Board of Directors

As of the end of 2019, Nomination and Remuneration Committee under the Board of Directors of the Bank was composed of 6 Directors, including Non-executive Directors Mr. XU Jiandong and Mr. LI Wei, Independent Non-executive Directors Ms. XIAO Xing, Mr. WANG Xinxin, Mr. HUANG Zhenzhong and Mr. LIU Shouying. Mr. WANG Xinxin is the chairman of Nomination and Remuneration Committee under the Board of Directors. The primary duties of the Nomination and Remuneration Committee are to formulate selection and appointment standards and procedures, the Bank's directors, chairperson and members of all special committees under the Board of Directors and the senior management, make recommendations to the Board of Directors on the candidates and qualifications of directors and senior management, formulate remuneration measures of directors and senior management, propose remuneration distribution plans and submit to the Board of Directors for reviewing. During the Reporting Period, the Nomination and Remuneration Committee under the Board of Directors convened 7 meetings.

For basic information about members of senior management and staff in positions that exert significant influence on risks, please refer to the section headed "Directors, Supervisors and Senior Management" in the Bank's 2019 Annual Report.

9.2 Remuneration Policy

Determination and distribution of remuneration

The Bank formulated and adjusted the remuneration policy in strict accordance with relevant regulatory requirements, laws and regulations, and requirements under the corporate governance of the Bank. In order to attract, retain and incentivize employees, a remuneration system in line with the operational and management needs of a modern commercial bank has been initially established. The Bank established a position-based wage system on the principles that the salary and bonus are determined based on positions, capabilities and performance, and varies with positions, whereby the employees' pay levels are determined based on such factors as post value, short-term and long-term performance.

Remuneration and risks

The remuneration of the Bank's employees primarily comprised of basic salary, position-based wage and performance-based pay. The Bank established and improved the remuneration distribution mechanism that reflected both current performance and covered responsibilities for long-term risk. The Bank established a performance-based salary deferred

payment and recall system for employees who assume responsibilities for material risk and have a material impact on the Bank's risk profile. Having considered the actual performance and time-lag risk, part of the payment would be made after expiry of deferred payment period, thereby linking the employees' current and long-term responsibilities for and contributions with the development and time-lag risk of the Bank. For persons receiving deferred payment, if significant losses of risk exposures are incurred within their responsibility during their employment, the Bank can recall part or all of performance-related remuneration paid in relevant period and stop further payments.

The remuneration of the staff of the risk and compliance departments of the Bank is determined based on factors such as personal ability, performance and dedication, without direct relation to their supervisory duties.

Remuneration and performance

In compliance with the requirements by the authorities in China, the Bank established a salary system based on the performance of the Bank and the employees. According to the remuneration management system, the remuneration of the the Bank's institutions was associated the operating results of the unit and the comprehensive appraisal results, and the remuneration of employees was associated with the performance appraisal results of the units and individuals. The performance appraisal of the Bank's institutions and employees at all levels included the assessment on performance, risk indicator and other indicators of sustainable development, reflecting long-term performance and risk profile in aggregate. According to the results of the performance appraisal, the Bank adjusted the pay level by means of salary distribution, deferred payment and other forms.

Variable remuneration

The Bank's variable remuneration primarily comprised of performance-based pay (including deferred salary payment, etc.), which was paid in cash. Variable remuneration was allocated based on factors including the current and long-term contributions of employees and risk profile. If a cut or issue of a performance-based pay and deferred salary payment is applicable under relevant rules and stipulations, the variable remuneration would be adjusted accordingly.

For the annual remuneration of the Directors, Supervisors and senior management of the Bank, please refer to the Bank's 2019 annual report "Directors, Supervisors and Senior Management - Annual Remuneration".

10 Outlook

The Bank adheres to the operation philosophy of modern commercial banks, implements the prudent risk appetite, and consistently works on improving the corporate governance mechanism, maintaining a balance among safety, liquidity and profitability and striking a balance among capital, risk and return. The Bank proactively pushes forward the development of firm-wide risk management system and implementation of advanced approaches for capital management, so as to ensure that the asset quality has been stable as a whole, the risk-resisting ability has kept strong, and the ability in risk management has been constantly enhanced.

In 2020, facing the complex and changing risk situation, the Bank will strictly comply with the regulatory and compliance requirements at home and abroad, further implement the prudent risk appetite, deepen the implementation of the advanced approach for capital management and utilization of its contributions, continuously improve the firm-wide risk management system, enhance the effectiveness of risk management. In order to consolidate the result of “Clean-up Plan”, the Bank will enhance credit risk management in key areas and industry-specific limit management on overcapacity and high-risk industries. The Bank will strengthen market risk management, closely alert the spreading and increasing of risk. The Bank will proceed to optimize the system for prevention and control of cases of compliance violation, intensify risk prevention and control in key areas, prevent operational risk and compliance risk, deepen the construction of global anti-money laundering compliance system, and enhance internal control and compliance management. The Bank will also continue to increase its management ability in risk consolidation, promote integrated risk management of parent company and subsidiaries. In addition, the Bank will further the implementation of Basel Capital Accord, strengthen capital adequacy level and risk-resisting ability, so as to escort the Bank’s operations and management.