

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

**2020 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 both 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, and 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. At the end of 2020, the Bank had total assets of RMB27,205,047 million, loans and advances to customers of RMB15,170,442¹ million and deposits from customers of RMB20,372,901 million. Our capital adequacy ratio was 16.59%. The Bank achieved a net profit of RMB216,400 million in 2020.

As at the end of 2020, we had 22,938 domestic branch outlets, including the Head Office, Business Department of the Head Office, three specialized institutions managed by the Head Office, four training institutes, 37 tier-1 branches, 396 tier-2 branches, 3,372 tier-1 sub-branches, 19,073 foundation-level branch outlets and 51 other establishments. Our overseas outlets consisted of 13 overseas branches and three overseas representative offices. We 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 seven consecutive years since 2014. In 2020, the Bank ranked No. 35 in the Fortune's Global 500, and ranked No. 3 in The Banker's "Top 1000 World Banks" list in terms of tier 1 capital. At the date of this announcement, Standard & Poor's affirmed long-/short-

¹ Including accrued interest.

term issuer credit ratings of the Bank at A/A-1 with stable outlook. Moody's affirmed long-/short-term bank deposit 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.

1.2 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 2020, 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.

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

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 1.2A: Capital Adequacy Ratio				
Item	31 December 2020		31 December 2019	
	The Group	The Bank	The Group	The Bank
CET 1 capital, net	1,875,372	1,814,475	1,740,584	1,691,171
Additional Tier 1 capital, net	319,884	319,875	199,894	199,886
Tier 1 capital, net	2,195,256	2,134,350	1,940,478	1,891,057
Tier 2 capital, net	622,668	622,533	557,833	549,698
Total capital, net	2,817,924	2,756,883	2,498,311	2,440,755
Risk-weighted assets	16,989,668	16,434,275	15,485,352	14,914,138
Credit risk-weighted assets	15,754,228	15,220,155	14,319,045	13,767,354
Portion covered by IRB	10,540,513	10,540,513	9,485,001	9,485,001
Portion uncovered by IRB	5,213,715	4,679,642	4,834,044	4,282,353
Market risk-weighted assets	153,276	148,000	145,604	138,635
Portion covered by IMA	139,143	139,143	133,113	133,113
Portion uncovered by IMA	14,133	8,857	12,491	5,522
Operational risk-weighted assets	1,082,164	1,066,120	1,020,703	1,008,149
Additional risk-weighted assets due to the requirement of the capital floor	-	-	-	-
CET 1 capital adequacy ratio	11.04%	11.04%	11.24%	11.34%
Tier 1 capital adequacy ratio	12.92%	12.99%	12.53%	12.68%
Capital adequacy ratio	16.59%	16.78%	16.13%	16.37%

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 2021, the Board of Directors of the Bank considered and approved this report in the fifth meeting of 2021. On 30 March 2021, the Board of Supervisors of the Bank reviewed and approved this report in the second meeting of 2021.

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 Information on Composition of Capital

2.1 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 2020, 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 2.1A: 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 2.1B: 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 4,113,392,449	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 150,000,000	51	Banking
12	Agricultural Bank of China (Luxembourg) Limited	2014	Luxembourg, Luxembourg	EUR 20,000,000	100	Banking
13	Agricultural Bank of China (Moscow) Limited	2014	Moscow, Russia	RUB 7,556,038,271	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	Wealth management

Table 2.1C: 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

2.2 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.

2.3 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.

2.4 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.

Table 2.4: Balance Sheet as in Financial Statement and as under Regulatory Consolidation

Item	31 December 2020		31 December 2019		Code
	Financial Statement ¹	Regulatory Consolidation	Financial Statement	Regulatory Consolidation	
Assets					
Cash and balances with central banks	2,437,275	2,437,261	2,699,895	2,699,879	A01
Deposits with banks and other financial institutions	434,185	420,060	235,742	227,452	A02
Placements with and loans to banks and other financial institutions	546,948	546,948	523,183	523,183	A03
Financial assets at fair value through profit or loss	583,069	550,660	801,361	776,516	A04
Derivative financial assets	61,937	61,937	24,944	24,944	A05
Financial assets held under resale agreements	816,206	816,206	708,551	706,684	A06
Loans and advances to customers	14,552,433	14,551,120	12,819,764	12,818,664	A07
Debt instrument investments at amortized cost	5,684,220	5,662,210	4,946,741	4,929,034	A08
Other debt instrument and other equity investments at fair value through other comprehensive income	1,555,370	1,523,100	1,674,828	1,642,728	A09
Investment in associates and joint ventures	8,865	12,717	6,672	10,524	A10
Property and equipment	143,839	143,326	148,197	147,656	A11
Construction in progress	7,315	7,194	4,287	4,284	A12
Land use rights	19,340	19,339	19,889	19,888	A13
Deferred income tax assets	133,355	133,355	120,952	120,952	A14
Goodwill	1,381	-	1,381	-	A15
Intangible assets	4,154	3,889	3,229	2,987	A16
Other assets	215,155	219,980	137,875	148,671	A17
Total assets	27,205,047	27,109,302	24,877,491	24,804,046	A00
Liabilities					
Borrowings from central banks	737,161	737,161	608,536	608,536	L01
Deposits from banks and other financial institutions	1,394,516	1,406,664	1,503,909	1,516,009	L02
Placements from banks and other financial institutions	390,660	390,660	325,363	325,363	L03
Financial liabilities at fair value through profit or loss	27,817	27,817	30,234	30,234	L04

¹ For more information, please refer to the Bank's 2020 Annual Report.

Financial assets sold under repurchase agreements	109,195	101,357	53,197	49,560	L05
Due to customers	20,372,901	20,372,977	18,849,155	18,849,192	L06
Derivative financial liabilities	65,282	65,282	29,548	29,548	L07
Debt securities issued	1,371,845	1,366,594	1,108,212	1,104,523	L08
Employee salary payables	56,811	56,340	50,471	50,124	L09
Taxes payables	64,575	64,570	67,827	67,822	L10
Deferred income tax liabilities	334	143	520	173	L11
Provisions	42,100	42,100	30,558	30,558	L12
Other liabilities	361,104	271,282	266,100	192,210	L13
Total liabilities	24,994,301	24,902,947	22,923,630	22,853,852	L00
Equity					
Ordinary shares	349,983	349,983	349,983	349,983	E01
Other equity instruments	319,875	319,875	199,886	199,886	E02
of which: Preference shares	79,899	79,899	79,899	79,899	
Perpetual Bonds	239,976	239,976	119,987	119,987	
Capital reserve	173,556	173,556	173,556	173,556	E03
Surplus reserve	196,071	196,068	174,910	174,907	E04
General reserve	311,449	311,449	277,016	277,016	E05
Undistributed profits	828,240	828,044	741,101	741,175	E06
Minority interests	5,957	2,152	5,506	1,900	E07
Other comprehensive income	25,615	25,228	31,903	31,771	E08
of which: Foreign currency translation reserve	(372)	(372)	2,219	2,219	E09
Total equity	2,210,746	2,206,355	1,953,861	1,950,194	E00

2.5 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 2.5: Composition of Capital				
Item		31 December 2020	31 December 2019	Code
CET 1 capital				
1	Paid-in capital	349,983	349,983	E01
2	Retained earnings	1,335,561	1,193,098	

2a	Surplus reserve	196,068	174,907	E04
2b	General reserve	311,449	277,016	E05
2c	Undistributed profits	828,044	741,175	E06
3	Accumulated other comprehensive income and disclosed reserve	198,784	205,327	
3a	Capital reserve	173,556	173,556	E03
3b	Others	25,228	31,771	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	64	59	
6	CET 1 capital before regulatory adjustments	1,884,392	1,748,467	
CET 1 capital: regulatory adjustments				
7	Prudential valuation adjustments	-	-	
8	Goodwill (net of deferred tax liability)	-	-	A15
9	Other intangible assets other than land use rights (net of deferred tax liability)	3,889	2,987	A16
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	5	7	
11	Cash-flow hedge reserve to the items not calculated at fair value	(28)	-	
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	Deductible amount of 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: deductible amount of 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	5,154	4,889	
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	9,020	7,883	
29	CET 1 capital	1,875,372	1,740,584	
Additional Tier 1 capital				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	319,875	199,886	E02
31	of which: classified as equity	319,875	199,886	
32	of which: classified as liabilities	-	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-	
34	Additional Tier 1 instruments issued by subsidiaries and held by third parties	9	8	
35	of which: instruments issued by subsidiaries subject to phase out	-	-	
36	Additional Tier 1 capital before regulatory adjustments	319,884	199,894	
Additional Tier 1 capital: regulatory adjustments				

37	Investments in own Additional Tier 1 instruments	-	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-	
39	Deductible amount of 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	319,884	199,894	
45	Tier 1 capital (CET 1 capital + Additional Tier 1 capital)	2,195,256	1,940,478	
Tier 2 capital				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	269,918	244,900	
47	of which: Directly issued capital instruments subject to phase out from Tier 2	30,000	45,000	
48	Tier 2 instruments issued by subsidiaries and held by third parties	17	16	
49	of which: Portions not given recognition after the phase-out period	-	-	
50	Excess loan loss provisions	352,733	312,917	
51	Tier 2 capital before regulatory adjustments	622,668	557,833	
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	622,668	557,833	
59	Total capital (Tier 1 capital + Tier 2 capital)	2,817,924	2,498,311	
60	Total risk weighed assets	16,989,668	15,485,352	
Capital adequacy ratios and reserve capital requirements				
61	CET 1 capital adequacy ratio	11.04%	11.24%	
62	Tier 1 capital adequacy ratio	12.92%	12.53%	
63	Capital adequacy ratio	16.59%	16.13%	
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)	6.04%	6.24%	
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	136,317	90,081	
73	Significant investments in the common stock of unconsolidated financial institutions	617	632	
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)	133,207	120,772	

Applicable caps on the inclusion of excess loan loss provisions in Tier 2 capital				
76	Excess loan loss provisions actually provided under the Weighting Approach	57,890	66,766	
77	Excess loan loss provisions eligible for inclusion in Tier 2 capital under the Weighting Approach	57,890	59,680	
78	Excess loan loss provisions actually provided under the Internal Ratings-Based Approach	312,798	266,187	
79	Excess loan loss provisions eligible for inclusion in Tier 2 capital under the Internal Ratings-Based Approach	294,843	253,237	
Capital instruments subject to phase-out arrangements				
80	Amount included in CET 1 capital due to phase-out arrangements	-	-	
81	Amount excluded from CET 1 capital due to phase-out arrangements	-	-	
82	Amount included in Additional Tier 1 capital due to phase-out arrangements	-	-	
83	Amount excluded from Additional Tier 1 capital due to phase-out arrangements	-	-	
84	Amount included in Tier 2 capital due to phase-out arrangements	30,000	45,000	
85	Amount excluded from Tier 2 capital due to phase-out arrangements	70,000	55,000	

2.6 Main Features of Eligible Capital Instruments

At 31 December 2020, the eligible capital instruments of the Bank included ordinary shares, 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 November 2014 and March 2015, the Bank completed the issuance of a total of 800 million preference shares in two tranches, with RMB80 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. In August and September 2019, the Bank completed the two tranches 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. In May and August 2020, the Bank completed the two

tranches 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 2020, the amount that could be included in Tier 2 capital was 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 issuance 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 issuance expenses were all included into Tier 2 capital. The Bank issued Tier 2 capital bonds amounting to RMB40 billion in the PRC inter-bank bond market in May 2020, and the raised funds after deducting issuance expenses were all included into Tier 2 capital.

By the end of 2020, the following tables set the main features of eligible capital instruments of the Bank.

**Table 2.6A: Main Features of Eligible Tier 1 Capital Instruments
(Ordinary shares and Preference shares)**

		Ordinary share of A-shares	Ordinary share of H-shares	Preference shares	Preference shares
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	360009
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”, “the Administrative Measures on the Pilot Scheme of Preference Shares”, etc.
	Regulatory treatments				
4	of which: Application of	CET 1 capital	CET 1 capital	Additional Tier 1 capital	Additional Tier 1 capital

	<i>Capital Rules for Commercial Banks (Provisional)</i> transitional rules				
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	Preference shares
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	319,244	30,739	39,944	39,955
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	2015/03/06
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	Subject to call	Subject to call
15	of which: Optional call date, contingent call dates and redemption amount (in millions of RMB)	-	-	The first call date shall be 5 November 2019, fully or partially.	The first call date shall be 11 March 2020, fully or partially.
16	of which: Subsequent call dates, if applicable	-	-	5 November of each year after the first call date	11 March of each year after the first call date
	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	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.	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	Within 5 years from 5 November 2019, the coupon rate is 5.32%.	Within 5 years from 11 March 2020, the coupon rate is 4.84%.
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	Yes
24	of which: If convertible, specify conversion trigger(s)	-	-	Going concern trigger event or non-viability trigger event	Going concern trigger event or non-viability trigger event
25	of which: If convertible, fully or partially	-	-	Convert fully or partially when the going concern trigger event occurs; convert fully when non-viability trigger event occurs.	Convert fully or partially when the going concern trigger event occurs; convert fully when non-viability trigger event occurs.

26	of which: If convertible, determine methods for conversion price	-	-	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. 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, 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 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. 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, 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.
27	of which: If convertible, mandatory or optional conversion	-	-	Yes	Yes
28	of which: If convertible, specify instrument type convertible into	-	-	Ordinary Shares	Ordinary Shares
29	of which: If convertible, specify issuer of instrument convertible into	-	-	Agricultural Bank of China Limited	Agricultural Bank of China Limited
30	Write-down feature	No	No	No	No
31	of which: If write-down, specify write-down trigger(s)	-	-	-	-

32	of which: If write-down, full or partial	-	-	-	-
33	of which: If write-down, 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, 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, junior debt, prior to CET 1 capital instruments
36	Non-eligible transitioned features	No	No	No	No
37	of which: If yes, specify non-eligible features	-	-	-	-

Note: The Bank adjusted the disclosure basis for items related to preference shares. In particular, “original date of issuance” refers to the book-building date; “issuer call” is attached with “conditional call rights” and no call rights were exercised on the first call date for the two tranches of the Bank’s preference shares.

Table 2.6B: Main Features of Eligible Tier 1 Capital Instruments (Perpetual Bonds)

		Perpetual Bonds	Perpetual Bonds	Perpetual Bonds	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	1928021	1928023	2028017	2028032
3	Governing laws	“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.	“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.	“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.	“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</i>	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital

	(Provisional) transitional rules				
5	of which: Application of <i>Capital Rules for Commercial Banks (Provisional)</i> post-transitional rules	Additional Tier 1 capital	Additional Tier 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	Perpetual bonds	Perpetual bonds	Perpetual bonds	Perpetual bonds
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	84,991	34,996	84,992	34,997
9	Par value	RMB100	RMB100	RMB100	RMB100
10	Accounting classification	Equity	Equity	Equity	Equity
11	Original date of issuance	2019-8-16	2019-9-3	2020-05-/8	2020-08-20
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	Subject to call	Subject to call	Subject to call	Subject to call
15	of which: Optional call date, contingent call dates and redemption amount (in millions of RMB)	The first call date shall be 20 August 2024, fully or partially.	The first call date shall be 5 September 2024, fully or partially.	The first call date shall be 12 May 2025, fully or partially.	The first call date shall be 24 August 2025, fully or partially.

16	of which: Subsequent call dates, if applicable	20 August of each year after the first call date	5 September of each year after the first call date	12 May of each year after the first call date	24 August of each year after the first call date
	Bonus or Dividends				
17	of which: Fixed or floating dividends / bonus	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.	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.	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.	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	Within 5 years from 20 August 2019, the coupon rate is 4.39%.	Within 5 years from 5 September 2019, the coupon rate is 4.20%.	Within 5 years from 12 May 2020, the coupon rate is 3.48%.	Within 5 years from 24 August 2020, the coupon rate is 4.50%.
19	of which: Existence of a dividend stopper	Yes	Yes	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	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
31	of which: If write-down, specify write-down trigger(s)	Going concern trigger event or non-viability trigger event	Going concern trigger event or non-viability trigger event	Non-viability trigger event	Non-viability trigger event
32	of which: If write-down, full or partial	Write-down fully or partially when the going concern trigger event occurs; write-down fully when non-viability trigger event occurs.	Write-down fully or partially when the going concern trigger event occurs; write-down fully when non-viability trigger event occurs.	Full or Partial	Full or Partial
33	of which: If write-down, permanent or temporary	Permanent	Permanent	Permanent	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, 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.	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.	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.	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	-	-	-	-

Note: The Bank adjusted the disclosure basis for items related to perpetual bonds. In particular, “original date of issuance” refers to the book-building date; “issuer call” is attached with “conditional call right” and the call rights have not expired for all tranches of the Bank’s perpetual bonds.

Table 2.6C: Main Features of Eligible Tier 2 Capital Instruments

		Tier 2 capital instruments	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	Agricultural Bank of China Limited
2	Unique code	1728018	1828002	1928003	1928004	1928008	1928009	2028013
3	Governing laws	“Law of the People’s Republic of China on Commercial Banks”, “Capital Rules for Commercial Banks	“Law of the People’s Republic of China on Commercial Banks”, “Capital Rules for Commercial Banks	“Law of the Peoples Republic of China on Commercial Banks”, “Capital Rules for Commercial Banks	“Law of the People’s Republic of China on Commercial Banks”, “Capital Rules for Commercial Banks	“Law of the People’s Republic of China on Commercial Banks”, “Capital Rules for Commercial Banks	“Law of the People’s Republic of China on Commercial Banks”, “Capital Rules for Commercial Banks	“Law of the People’s Republic of China on Commercial Banks”, “Capital Rules for Commercial Banks

		(Provisional)” , “Measures for the Administra- tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc.	(Provisional)” , “Measures for the Administra- tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc.	(Provisional)” , “Measures for the Administra- tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc.	(Provisional)” , “Measures for the Administra- tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc.	(Provisional)” , “Measures for the Administra- tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc.	(Provisional)” , “Measures for the Administra- tion of the Issuance of Financial Bonds in the National Inter-bank Bond Market”, etc.	(Provisional)” , “Measures for the Administra- tion 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	Tier 2 capital
5	of which: Application of <i>Capital Rules for Commercial Banks (Provisional)</i> post- transitional rules	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 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	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	Tier 2 capital bonds
8	Recognized in regulatory capital (in millions of RMB, most recent reporting date)	39,978	39,972	9,998	49,991	19,995	39,992	39,992
9	Par value	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100	RMB100
10	Accounting classification	Liability	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	2020-5-6
12	Perpetual or dated	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	2030-5-6
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)	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	2025-5-06, redemption amount 40,000
16	of which: Subsequent call dates, if applicable	-	-	-	-	-	-	-
	Bonus or Dividends							
17	of which: Fixed or floating dividends / bonus	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	of which: coupon rate and any related index	4.45%	4.45%	4.53%	4.28%	4.63%	4.30%	3.10%
19	of which: Existence of a dividend stopper	No	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	Without discretionary
21	of which: Existence of step up or other incentives to redeem	No	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	Non-cumulative
23	Convertible or non-convertible	No	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	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.	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, partial or full	Partial or Full ¹	Partial or Full	Partial or Full	Partial or Full	Partial or Full	Partial or Full	Partial or Full
33	of which: If write-down, permanent or temporary	Permanent	Permanent	Permanent	Permanent	Permanent	Permanent	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 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	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	No
37	of which: If yes, specify non-eligible features	-	-	-	-	-	-	-

2.7 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

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

of consolidation and other net deferred tax assets that rely on future profitability of the Bank did not meet the threshold deduction limit, details of which are as follows.

In millions of RMB

Table 2.7A: 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:	136,317	10% of the CET 1 capital ¹ , net	187,537	51,220
CET 1 capital investment	5,077			
Additional Tier 1 capital	1,141			
Tier 2 capital	130,099			
CET 1 capital of significant minority capital investments in financial institutions outside the scope of consolidation	617	10% of the CET 1 capital ² , net	187,537	186,920
Other net deferred tax assets that rely on future profitability of the Bank	133,207		187,537	54,330
Un-deducted part of CET 1 capital of significant minority capital investments in financial institutions outside the scope of consolidation and other net deferred tax assets that rely on future profitability of the Bank	133,824	15% of the CET 1 capital ³ , net	281,306	147,482

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 scope of 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 scope of consolidation, CET 1 capital of significant minority capital investment in financial institutions outside scope of 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 of the CBIRC, 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. The Bank's provisions of excess loan loss that can be included into Tier 2 capital are as follows.

In millions of RMB

Table 2.7B: Limits of Excess Loan Loss Provisions that Could be Included into the Tier 2 Capital

Measurement method	Item	31 December 2020	31 December 2019
Portion uncovered by IRB approach	Provisions for loan loss	112,199	85,563
	The amount of provisions eligible for inclusion in Tier 2 capital	57,890	59,680
	The limit of provisions eligible for inclusion in Tier 2 capital	57,890	59,680
	If not reach the provision cap, the difference up to the cap	-	-
Portion covered by IRB approach	Provisions for loan loss	505,806	455,014
	The amount of provisions eligible for inclusion in Tier 2 capital	312,798	266,187
	The limit of provisions eligible for inclusion in Tier 2 capital	294,843	253,237
	If not reach the provision cap, the difference up to the cap	-	-

2.8 Changes in Paid-in Capital

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

2.9 Significant Capital Investments

In July 2018, we entered into the Promoters' Agreement on National Financing Guarantee Fund Co., Ltd., pursuant to which, we shall invest RMB3 billion in National Financing Guarantee Fund Co., Ltd., which shall be paid up in four years from 2018. In November 2018,

June 2019 and April 2020, we completed the first, second and third contributions with RMB0.75 billion each, respectively.

In July 2020, we entered into the Promoters' Agreement on the National Green Development Fund Co., Ltd., pursuant to which, we shall invest RMB8 billion in the National Green Development Fund Co., Ltd. Such investment is subject to the CBIRC's approval.

In August 2020, the Board of Directors of the Bank considered and approved to increase the share capital of ABC International Holdings Limited (a subsidiary of the Bank) by HKD4.25 billion. Such capital increase is subject to the CBIRC's approval.

In December 2020, the Board of Directors of the Bank considered and approved to increase the share capital of ABC Financial Asset Investment Co., Ltd. (a subsidiary of the Bank) by RMB10 billion. Upon CBIRC's approval in January 2021, the Bank has completed this capital increase.

3 Risk Management Framework

3.1 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.

Under the complex and challenging risk situation in 2020, we continued to improve the comprehensive risk management system and strengthen the foundation of our risk management to ensure effective risk management. We strengthened credit risk management and controlled our asset quality in key areas to reinforce the achievements of the Clean-up Plan. Industry-specific limit management was made, with our credit structure further optimized. The risk management of online credit businesses was enhanced by actively promoting the building of a full lifecycle management mechanism in our models. We conducted comprehensive assessment on business risk, improved the market risk management system and strengthened supervision on market risk exposure limits, so that our market risk arising from businesses remained stable overall. Prevention and control of operational risk and risk of case violations were further strengthened, risk management in relation to information technology was enhanced and our business continuity management was continuously well carried out. To improve our financial product innovation management, we standardized the procedures of assessment and examination on product innovation risk according to requirements of the implementing policies on product innovation. The construction of the risk data marts and the risk management information system was continued and aggregation of effective risk data and risk reporting to meet the requirements of regulation authorities were promoted. We enhanced risk analysis reports on key areas, industries, customers and businesses as well as conducted prospective analysis on the risk trends. To steadily implement the Basel III, we promoted the programs of the new measurements for credit risk, market risk and operational risk and reinforced our efforts to risk assessment under the internal capital adequacy assessment process (ICAAP).

3.2 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.

We adopts a prudent risk appetite, operates strictly in compliance with laws and regulations, and insists on maintaining a balance among capital, risks and gains, as well as consistency in security, profitability and liquidity. We seek to achieve moderate returns through undertaking an appropriate level of risk, and maintain sufficient risk provisions and capital adequacy, as well as good regulatory ratings and external ratings to provide assurance for realizing our strategic objectives and operation plans.

3.3 Structure and Organization of Risk Management

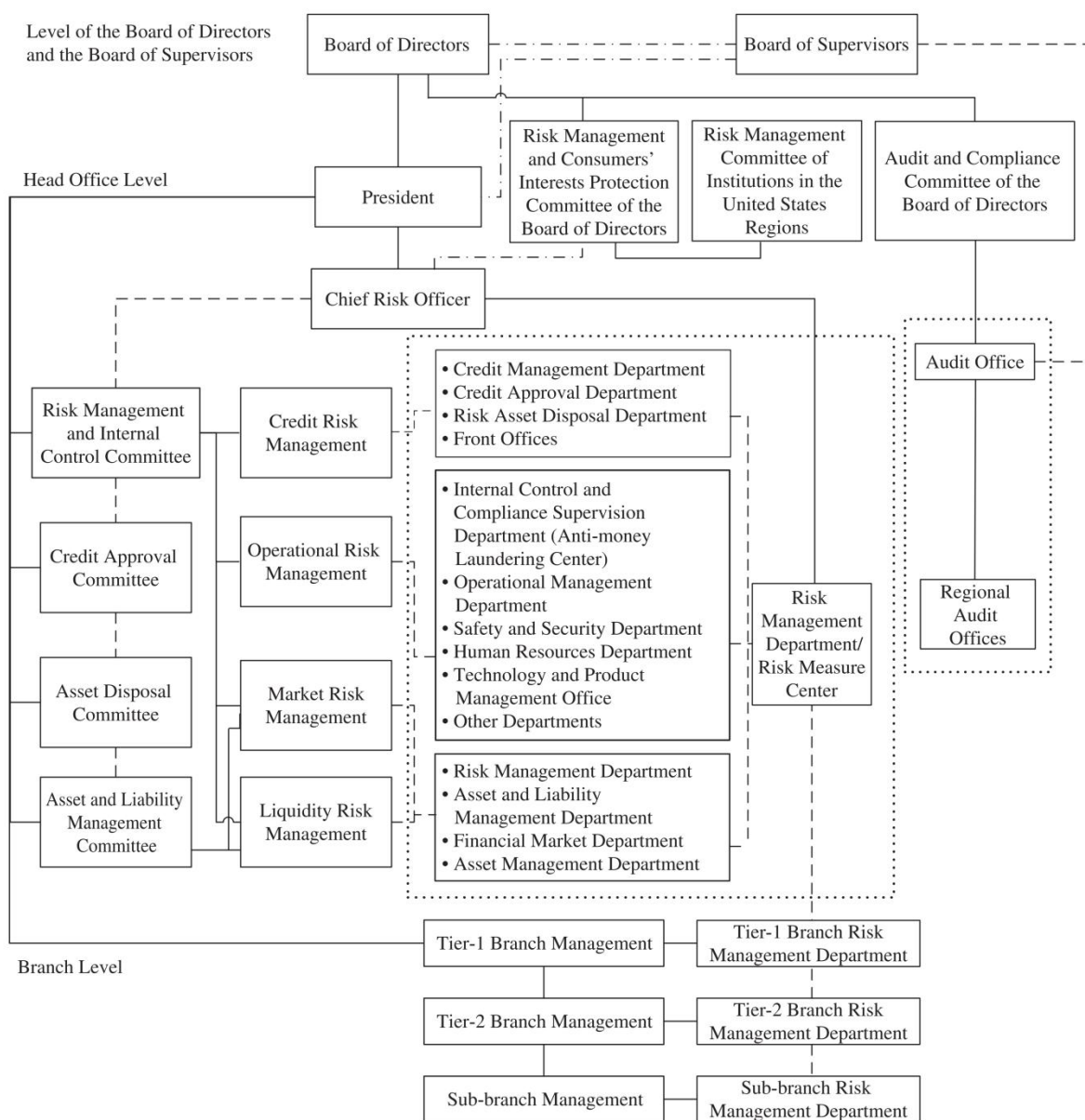
The Board of Directors assumes the ultimate responsibility for risk management. The Risk Management and Consumers' Interests Protection Committee, the Audit and Compliance Committee and the Risk Management Committee of Institutions in the United States Regions under the Board of Directors perform the 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, we have 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” for risk management comprised of the risk bearing departments, risk management departments and internal audit departments. In 2020, we further promoted the integration of risk management in the parent company and the subsidiaries, optimized the management frameworks of credit risk, market risk and operational risk.



Risk Management Structure

3.4 Risk Management Policies and Systems

In 2020, we continued to refine our risk management policies system. We formulated the management measures on risk assessment, specifying the working mechanism for bank-wide risk assessment. We revised the risk management measures for overseas branches and subsidiaries,

specifying the responsibilities of the Board of Directors, the Board of Supervisors, senior management and relevant departments of the Head Office in risk management for overseas branches and subsidiaries, and revised the risk management measures for subsidiaries to strengthen risk management in affiliates. For credit risk management, the basic credit management system and the operating rules of credit business for corporate customers were revised, and the post-disbursement management measures for online credit businesses was formulated to improve our credit rules system. For market risk, the risk management measures for proprietary trading and investment operations were revised and implemented. For operational risk management, the operational risk management policy was revised and the grading and classification standard of operational risk was formulated. We worked out annual risk management policies on customer rating, asset risk classification, industrial credit limit, capital transaction and market risk, interbank and agency distribution business as well as information technology to guide our daily risk management.

3.5 Risk Management Tools and IT Systems

Implementation of the advanced approaches of capital management

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 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, optimized the credit card special installment application rating model, develop a retail online loan post-loan

scoring model, and carry out prudential adjustments to credit card loss given default to further improve the risk identification capability and prudence of risk parameters in the retail scoring model; 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, optimized the access standards and credit strategies based on scores for online retail loan and credit card business, and strengthened the "hard threshold" role of rating models in the access link.

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 2020, the Bank conducted an overall assessment on IMA for market risk to further perfect its measurement mechanism. The measurement mechanism operated steadily throughout 2020 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 2020, 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 launched the Phase I Project of measuring system for new standardized approach of operational risk and continued to optimize the measuring methods and loss data management process in accordance with the implementary plans for new standardized approach of operational risk.

Internal Capital Adequacy Assessment Process (ICAAP). In 2020, according to the regulatory requirements, the Bank kept pushing forward the implementation of ICAAP, perfected management structure and working mechanism, formulated management measures on risk assessment, optimized assessment process, made efforts in application of assessment results,

and carried out the 2020 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 2020 special audit on ICAAP.

Information disclosure on capital adequacy ratio. In 2020, according to the requirements of the *Capital Rules for Commercial Banks (Provisional)* by the CBIRC, the Bank completed the *2019 Capital Adequacy Ratio Report*, which was published together with the Annual Report. The 2020 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 2020, based on the principle of “adhering to objective measurement while accurately reflecting the risks”, the Bank perfected the rules for economic capital measurement, which served as the guidelines for the Bank to strengthen the risk management. The Bank launched the measurement module of economic capital for small and micro enterprises, taking into account their risk characteristics.

The Bank continued to perfect the industry-specific limit management. In 2020, the Bank strictly implemented national policies and regulatory requirements, strengthened credit risk assets portfolio management, and implemented limit management for the Two-high-and-one Excessive industries and the real estate industry. At the end of the year, credits granted to all controlled industries were kept within limit, the concentration of housing-related loans met the regulatory standards, and the credit quality and structure of controlled industries has been constantly optimized.

The Bank’s risk management information system links up with other major business systems of the Bank, extracts risk management and measurement data, and the data pool based on the credit risk, market risk and operational risk has been established, meet the Bank’s unified

risk identification, monitoring, reporting, measurement and control requirements, established the foundation for the systematization and delicacy of the risk management and measurement of the Bank, and provided effective support for business operation and management decisions.

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 the credit risk management policy system, based on the needs of business development and comprehensive risk management of the Bank, 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 the 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 credit business process 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. 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 2020, in response to the impact of the COVID-19 epidemic, the Bank strictly implemented the regulatory requirements, adhered to the judgment of substantial risks, paid more attention to the prediction of the risk status and business prospects of individual customers, identified the loans that meet the non-performing standards as non-performing loans in a timely manner, and made prudent provision for loan impairment.

In 2020, the Bank conscientiously implemented the decisions and arrangements of the Government on the “stability on the six fronts (namely, employment, financial sector, foreign trade, foreign and domestic investments, and market expectations)” and “security in the six areas (namely, employment, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments)”, coordinated epidemic prevention, control and management, and strengthened the support for key areas and weak links of the real economy, such as “Sannong”, poverty alleviation, inclusive finance, and “new infrastructure, new urbanization initiatives and major projects”, manufacturing transformation and upgrading, and modern service industry. The Bank deepened

the application of credit asset portfolio models and industrial credit asset allocation models, and promoted the adjustment and optimization of credit structure by means of list management for corporate customers, default risk screening and rating adjustment, and industrial credit limit control. The Bank heightened credit risk prevention and control in key areas such as large group customers, customers affected by the outbreak of pandemic COVID-19 and real estate industry. The Bank intensified business monitoring and risk investigation, and prevented spreading and increasing of risk arising from on-balance sheet and off-balance sheet business. The Bank continuously promoted the construction of risk operation center, and built an integrated online and offline credit business risk operation centralized management model, thus 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 2020	31 December 2019
Companies	8,341,526	7,587,116
Sovereignty	-	-
Financial institutes	2,834,720	2,688,632
Retail	5,715,123	5,129,428
Assets Securitization	-	-
Equity	-	-
Others	-	-
Total	16,891,369	15,405,176

Table 4.2B: Credit Risk Exposure Uncovered by IRB Approach

Item	31 December 2020	31 December 2019
On-balance sheet credit risk exposure	11,175,962	10,395,858
Cash and cash equivalents	2,421,103	2,695,436
Debts issued by central governments and central banks	749,190	1,016,653
Loans to public sector entities	3,802,186	3,197,885
Loans to domestic financial institutions	1,231,736	1,346,785
Loans to foreign financial institutions	309,234	328,530
Loans to general enterprises	1,133,200	739,694
Loans to small and micro enterprises	333,146	126,938
Loans to individuals	427,949	314,443
Residual value of leasing assets	-	-
Equity investments	97,105	107,450
Real estate not for own use	1,052	579
Risk exposures from the settlement of securities, commodity and foreign currency transactions	-	-
Others	636,977	497,377
Asset securitization items on balance sheet	33,084	24,088
Off-balance sheet credit risk exposure	1,514,243	1,807,345
Counterparty credit risk exposure	30,738	47,328
Total	12,720,943	12,250,531

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 2020.

In millions of RMB, except for percentages

Table 4.3A: Non-retail Risk Exposure by Probability of Default

31 December 2020					
Probability of default	Exposure at default	Average PD	Weighted average LGD	Weighted average risk weight	Risk-weighted assets
Rating 1	1,650,436	0.03%	45.79%	19.28%	318,285
Rating 2	698,025	0.06%	45.03%	20.29%	141,625
Rating 3	1,407,439	0.14%	45.22%	41.51%	584,173
Rating 4	220,490	0.24%	44.52%	47.12%	103,885
Rating 5	301,896	0.34%	43.87%	55.29%	166,910
Rating 6	318,945	0.46%	45.72%	75.48%	240,736
Rating 7	892,741	0.63%	41.71%	70.09%	625,689
Rating 8	906,241	0.87%	42.55%	77.10%	698,671
Rating 9	1,087,256	1.23%	42.94%	86.48%	940,308
Rating 10	979,876	1.71%	42.22%	91.01%	891,743
Rating 11	998,342	2.40%	42.53%	101.71%	1,015,435
Rating 12	624,103	3.25%	42.12%	106.58%	665,149
Rating 13	373,253	4.43%	41.76%	115.98%	432,905
Rating 14	235,927	6.21%	42.11%	128.25%	302,577
Rating 15	124,323	8.88%	41.19%	141.44%	175,847
Rating 16	77,242	15.02%	42.08%	180.32%	139,284
Rating 17	25,628	37.14%	44.32%	217.57%	55,760
Rating 18	8,832	67.21%	41.72%	135.22%	11,943
Rating 19	9,207	87.17%	43.07%	62.50%	5,754
Rating 20	124,863	100.00%	43.48%	39.07%	48,783
Total	11,065,065			68.37%	7,565,462
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

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 2020.

In millions of RMB, except for percentages

Table 4.3B Retail Risk Exposure by Types

31 December 2020					
Item	Exposure at default	Average PD	Average LGD	Average risk weight	Risk-weighted assets
Personal residential mortgages	4,705,850	1.66%	25.64%	22.62%	1,064,537
Eligible circulation retail	567,431	1.81%	58.07%	31.04%	176,122
Other retail	441,842	2.71%	46.97%	54.84%	242,312
Total	5,715,123	1.80%	30.51%	25.95%	1,482,971
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

4.4 Credit Risk Exposure Uncovered by IRB Approach

As of the end of 2020, 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

Items	31 December 2020		31 December 2019	
	Risk exposure	Risk exposure before risk mitigation	Risk exposure	Risk exposure before risk mitigation
On-balance sheet credit risk exposure	11,175,962	10,348,850	10,395,858	9,934,561
Cash and cash equivalents	2,421,103	2,421,103	2,695,436	2,695,436
Debts issued by central governments and central banks	749,190	749,190	1,016,653	1,016,653
Loans to public sector entities	3,802,186	3,802,186	3,197,885	3,197,885
Loans to domestic financial institutions	1,231,736	515,565	1,346,785	974,897
Loans to foreign financial institutions	309,234	309,234	328,530	328,530
Loans to general enterprises	1,133,200	1,036,811	739,694	661,253
Loans to small and micro enterprises	333,146	329,114	126,938	125,527
Loans to individuals	427,949	417,452	314,443	304,886
Residual value of leasing assets	-	-	-	-
Equity investments	97,105	97,105	107,450	107,450
Real estate not for own use	1,052	1,052	579	579
Risk exposures from the settlement of securities, commodity and foreign currency transactions	-	-	-	-
Asset securitization items on balance sheet	33,084	33,084	24,088	24,088
Others	636,977	636,954	497,377	497,377
Off-balance sheet credit risk exposure	1,514,243	1,455,367	1,807,345	1,778,810
Counterparty credit risk exposure	30,738	30,738	47,328	47,328
Total	12,720,943	11,834,955	12,250,531	11,760,699

The table below sets forth the risk exposures classified by risk weights as of the end of 2020.

In millions of RMB

Table 4.4B: Risk Exposures by Risk Weights				
Risk weights	31 December 2020		31 December 2019	
	Risk exposure	Risk exposure before risk mitigation	Risk exposure	Risk exposure before risk mitigation
0%	3,643,578	3,643,578	4,421,355	4,421,355
20%	4,248,741	4,032,718	3,457,311	3,319,371
25%	531,023	512,592	766,684	761,154
50%	37,467	37,410	55,329	55,329
75%	844,199	825,732	462,902	451,459
100%	3,149,151	2,516,142	2,805,397	2,470,478
150%	141	140	-	-
250%	139,433	139,433	125,384	125,384
400%	84,279	84,279	86,939	86,939
1250%	12,193	12,193	21,902	21,902
Total	12,690,205	11,804,217	12,203,203	11,713,371

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 2020.

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 2020	31 December 2019
CET 1 capital instruments issued by other commercial banks	278	276
Additional Tier 1 capital instruments issued by other commercial banks	1,141	1,198
Tier 2 capital instruments issued by other commercial banks	114,449	73,733
Equity investments in industrial and commercial enterprises	90,269	102,820
Real estate not for own use	1,052	579
Total	207,189	178,606

4.5 Credit Risk Mitigation

In 2020, to comply with the regulatory requirements, the Bank proceeded to optimize the collateral management system, improve the collateral management policies, researched and created new collateral value assessment methods, and improved the functions of collateral management systems. The Bank mainly accepts such collaterals as financial collaterals, receivables, commercial and residential properties and other collaterals and pledges, and updates the management requirements of collateral catalogues every year. The Bank tightened collateral risk control through such measures as tougher collateral access, prudent assessment on the value of collateral, improved competence of collateral management personnel and performance of the accountability for collateral reassessment. The types of guarantor of the Bank are primarily corporates, other organizations or natural persons that have full civil capacity and the ability to pay off debts. The Bank upgraded its guarantor through enhancing guarantor access management 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 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 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 2020							
Risk exposure type	Covered by qualified collaterals and pledges				Covered by netting settlements	Covered by qualified guarantor	Covered by credit derivatives
	Commercial and residential properties	Financial collaterals	Receivables	Other collaterals and pledges			
Companies	802,684	211,793	6,463	16,591	-	384,499	-
Sovereignty	-	-	-	-	-	-	-
Financial institutes	108	3,858	304	238	-	1,776	-
Retail	-	-	-	-	-	-	-
Assets securitization	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	802,792	215,651	6,767	16,829	-	386,275	-
31 December 2019							
Risk exposure type	Covered by qualified collaterals and pledges				Covered by netting settlements	Covered by qualified guarantor	Covered by credit derivatives
	Commercial and residential properties	Financial collaterals	Receivables	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	-

Table 4.5B: Credit Risk Mitigation under Weighting Approach

Item	31 December 2020			31 December 2019		
	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	-	827,112	-	-	461,297	-
Cash and cash equivalents	-	-	-	-	-	-
Debts issued by central governments and central banks	-	-	-	-	-	-
Loans to public sector entities	-	-	-	-	-	-
Loans to domestic financial institutions	-	716,171	-	-	371,888	-
Loans to foreign financial institutions	-	-	-	-	-	-
Loans to general enterprises	-	96,389	-	-	78,441	-
Loans to small and micro enterprises	-	4,032	-	-	1,411	-
Loans to individuals	-	10,497	-	-	9,557	-
Residual value of leasing assets	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-
Others	-	23	-	-	-	-
Risk exposures from the settlement of securities, commodity and foreign currency transactions	-	-	-	-	-	-
Asset securitization items on balance sheet	-	-	-	-	-	-
Off-balance sheet credit risk exposure	-	58,876	-	-	28,535	-
Counterparty credit risk exposure	-	-	-	-	-	-
Total	-	885,988	-	-	489,832	-

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 of the Bank. As of the end of 2020, 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 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans and advances				
Head Office	350,679	3.9	318,970	4.0
Yangtze River Delta	1,996,025	22.4	1,710,643	21.6
Pearl River Delta	1,139,535	12.8	960,384	12.1
Bohai Rim	1,302,504	14.6	1,198,828	15.2
Central China	1,302,925	14.6	1,125,021	14.2
Western China	2,088,255	23.4	1,886,512	23.8
Northeastern China	344,039	3.9	316,802	4.0
Overseas and Others	393,322	4.4	404,759	5.1
Subtotal	8,917,284	100.0	7,921,919	100.0
Personal loans and advances				
Head Office	50	-	55	-
Yangtze River Delta	1,484,067	23.9	1,286,246	23.8
Pearl River Delta	1,331,142	21.4	1,175,768	21.7
Bohai Rim	912,175	14.7	802,153	14.8
Central China	997,845	16.0	857,033	16.0
Western China	1,265,565	20.4	1,083,958	20.0
Northeastern China	207,899	3.3	186,464	3.4
Overseas and Others	20,094	0.3	15,154	0.3
Subtotal	6,218,837	100.0	5,406,831	100.0
Total	15,136,121		13,328,750	

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 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans and advances				
Manufacturing	1,450,816	16.3	1,291,327	16.3
Production and supply of power, heat, gas and water	976,377	11.0	900,036	11.4
Real estate	798,017	8.9	704,973	8.9
Transportation, logistics and postal services	1,915,191	21.5	1,689,787	21.3
Wholesale and retail	469,831	5.3	386,064	4.9
Water, environment and public utilities management	621,772	7.0	517,448	6.5
Construction	222,858	2.5	233,961	2.9
Mining	206,502	2.3	212,201	2.7
Leasing and commercial services	1,261,700	14.1	1,047,843	13.2
Finance	556,342	6.2	623,570	7.9
Others	437,878	4.9	314,709	4.0
Subtotal	8,917,284	100.0	7,921,919	100.0
Personal loans and advances				
Residential mortgage	4,662,632	75.0	4,163,293	77.0
Personal business	380,305	6.1	264,980	4.9
Personal consumption	196,859	3.2	181,234	3.3
Credit card balances	542,563	8.7	474,205	8.8
Others	436,478	7.0	323,119	6.0
Subtotal	6,218,837	100.0	5,406,831	100.0
Total	15,136,121		13,328,750	

In millions of RMB

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

31 December 2020				
Item	Less than 1 year	1 to 5 years	Over 5 years	Total
Loans secured by mortgages	1,062,045	521,244	5,395,327	6,978,616
Loans secured by pledges	623,848	101,553	1,566,832	2,292,233
Guaranteed loans	619,901	428,989	640,554	1,689,444
Unsecured loans	1,537,763	958,928	1,679,137	4,175,828
Total	3,843,557	2,010,714	9,281,850	15,136,121
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	1,273,415	765,757	1,403,329	3,442,501
Total	3,484,677	1,717,088	8,126,985	13,328,750

In millions of RMB

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

31 December 2020					
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	52,283	33,540	26,513	6,636	118,972
Loans secured by pledges	2,596	3,803	5,274	481	12,154
Guaranteed loans	13,026	11,336	9,287	2,020	35,669
Unsecured loans	10,323	12,114	2,675	3,526	28,638
Total	78,228	60,793	43,749	12,663	195,433

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

In millions of RMB, except for percentages

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

Item	31 December 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	14,594,673	96.42	12,843,139	96.36
Special mention	304,335	2.01	298,401	2.24
Non-performing loans	237,113	1.57	187,210	1.40
Substandard	62,873	0.42	66,462	0.50
Doubtful	152,627	1.01	103,763	0.78
Loss	21,613	0.14	16,985	0.12
Subtotal	15,136,121	100.00	13,328,750	100.00
Accrued interest	34,321		31,592	
Total Loans and Advances to Customers	15,170,442		13,360,342	

In millions of RMB, except for percentages

Table 4.6F: Non-performing Loans by Product Type

Item	31 December 2020			31 December 2019		
	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Corporate loans	192,551	81.2	2.37	148,695	79.4	2.10
Short-term corporate loans	93,614	39.5	3.79	81,488	43.5	3.70
Medium-and long-term corporate loans	98,937	41.7	1.75	67,207	35.9	1.37
Discounted bills	-	-	-	21	-	-
Retail loans	38,300	16.2	0.62	31,699	16.9	0.59
Residential mortgage loans	17,655	7.5	0.38	12,386	6.6	0.30
Credit card balances	8,430	3.6	1.55	7,465	4.0	1.57
Personal consumption loans	3,647	1.5	2.04	1,746	0.9	1.04
Loans to private business	3,231	1.4	0.85	4,281	2.3	1.62
Loans to rural households	5,308	2.2	1.22	5,785	3.1	1.80
Others	29	-	4.26	36	-	4.92
Overseas and others	6,262	2.6	1.51	6,795	3.7	1.62
Total	237,113	100.0	1.57	187,210	100.0	1.40

In millions of RMB, except for percentages

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

Item	31 December 2020			31 December 2019		
	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Head Office	1,369	0.6	0.39	6	-	-
Yangtze River Delta	30,533	12.9	0.88	29,228	15.6	0.98
Pearl River Delta	18,451	7.8	0.75	16,805	9.0	0.79
Bohai Rim	65,405	27.6	2.95	46,883	25.1	2.34

Central China	46,009	19.4	2.00	35,969	19.2	1.81
Northeastern China	9,294	3.9	1.68	8,987	4.8	1.79
Western China	59,790	25.2	1.78	42,537	22.7	1.43
Overseas and Others	6,262	2.6	1.51	6,795	3.6	1.62
Total	237,113	100.0	1.57	187,210	100.0	1.40

In millions of RMB, except for percentages

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

Item	31 December 2020			31 December 2019		
	Amount	Percentage (%)	NPL ratio (%)	Amount	Percentage (%)	NPL ratio (%)
Manufacturing	67,523	35.1	5.08	60,529	40.7	5.06
Production and supply of power, heat, gas and water	9,641	5.0	1.04	5,725	3.8	0.67
Real estate	14,209	7.4	1.81	10,038	6.8	1.45
Transportation, logistics and postal services	22,000	11.4	1.18	12,630	8.5	0.77
Wholesale and retail	34,978	18.2	8.55	30,541	20.5	9.83
Water, environment and public utilities management	1,916	1.0	0.31	659	0.4	0.13
Construction	2,807	1.5	1.31	2,543	1.7	1.13
Mining	6,225	3.2	3.25	4,697	3.2	2.34
Leasing and commercial services	26,040	13.5	2.07	15,150	10.2	1.46
Finance	55	-	0.02	87	0.1	0.05
Information transmission, software and IT service	679	0.3	1.75	84	0.1	0.30
Others	6,478	3.4	2.34	6,012	4.0	2.92
Total	192,551	100.0	2.37	148,695	100.0	2.10

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		
1 January 2020	364,045	57,720	131,350	553,115
Transfers				
Stage 1 to Stage 2	(11,676)	11,676	-	-
Stage 2 to Stage 3	-	(31,112)	31,112	-
Stage 2 to Stage 1	4,310	(4,310)	-	-
Stage 3 to Stage 2	-	3,398	(3,398)	-
Originated or purchased financial assets	153,540	-	-	153,540
Remeasurement	(4,195)	35,145	81,888	112,838
Repayment and transfer	(95,061)	(11,815)	(32,036)	(138,912)
Write-offs	-	-	(49,375)	(49,375)
31 December 2020	410,963	60,702	159,541	631,206

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 2020, the Bank further improved the measurement function of market risk capital requirements, continued to carry out the work of model validation. The Bank strengthened its control on risk limit for market risk, adjusted risk limit setting based on the business development and risk control requirements, and increased the coverage of the system in terms of automatic control over the risk limit and improved system operating efficiency and convenience of use. In January 2017, the Bank's implementation of IMA was approved. The measurement model and system have been operating throughout 2020 with prudent and reliable results.

5.2 Market Risk Exposure

The following table sets forth the market risk capital requirement based on the measurement by the Bank at the end of 2020.

In millions of RMB

Table 5.2A: Market Risk Capital Requirements		
Item	31 December 2020	31 December 2019
Portion Covered by IMA	11,131	10,649
Portion Uncovered by IMA	1,131	999
Interest rate risk	709	470
Equity risk	-	-
Foreign exchange risk	422	529
Commodity risk	-	-

Option risk	-	-
Total	12,262	11,648

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	2020				2019			
	Average	Highest	Lowest	Period end	Average	Highest	Lowest	Period end
Value at risk (VaR)	1,318	1,800	1,020	1,457	1,214	1,561	942	1,165
Stressed value at risk (stressed VaR)	2,090	2,473	1,727	1,996	2,086	2,564	1,694	2,153

6 Operational Risk

6.1 Operational Risk Management

Operational risk refers to the risk of loss resulting from inadequate or problematic internal procedures, from human or information technology system related factors, or from external affairs, including legal risk, but not including strategy risk or reputational risk.

In 2020, we revised the basic rules on operational risk management and released the grading and classification standards for operational risk. We included key areas such as online credit and outsourcing into our self-assessment, and expanded the scope of operational risk self-assessment. We analyzed operational risk on a quarterly basis and carried out monitoring and analysis on major operational risk events. We optimized our information systems for operational risk management, to improve the efficiency of operational risk reporting and our capability of automated data aggregation. We guided subsidiaries to carry out operational risk management and strengthened evaluation and assessment on their operational risk management. The Bank optimized the economic capital measurement policies for operational risk and refined the measurement of operational risk in key fields. The Bank continued to establish a sound management system of IT risk, improved the IT management system, promoted the construction of IT infrastructure, conducted the R&D and testing of systems and their production and operation management properly, and strengthened network security protection to prevent the occurrence of bank-wide and regional production system interruptions and network information security incident. The Bank conducted bank-wide business impact analysis, continued to promote the revision of emergency plans, and widened the coverage of disaster recovery and emergency drills, so as to ensure the safe and stable operation of important information systems of the Bank.

6.2 Operational Risk Exposure

At the end of 2020, the Bank adopted standardized approach to measure the regulatory capital for operational risk, in which the regulatory capital requirement for the Group was RMB86,573 million, and for the Bank was RMB85,290 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 four credit asset securitization businesses in 2020, namely, “Nongying Lixin Non-performing Asset-backed Securities 2020 Issue I”, “Nongying Lixin Non-performing Asset-backed Securities 2020 Issue II”, “Nongying Lixin Non-performing Asset-backed Securities 2020 Issue III”, “Nongying Lixin Non-performing Asset-backed Securities 2020 Issue IV”. The underlying assets are all the Bank’s credit card non-performing assets, with a scale of RMB0.628 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).

At the end of 2020, the principal balance of the securitized underlying assets in the securitization for the Bank as the originator was RMB37,414 million (see Table 7.1A). 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)*. At the end of 2020, the risk exposure of the Bank was RMB33,205 million, and the capital requirement was RMB6,109 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 2020	External credit ratings institution
Nongying Lixin Non-performing Asset-backed Securities 2020 Issue IV	2020	1,636	1,468	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.

Nongying Lixin Non-performing Asset-backed Securities 2020 Issue III	2020	1,330	1,147	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Lixin Non-performing Asset-backed Securities 2020 Issue II	2020	1,437	1,251	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Lixin Non-performing Asset-backed Securities 2020 Issue I	2020	1,577	1,324	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Non-performing Asset-backed Securities 2019 Issue V	2019	1,516	1,250	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Personal Residential Mortgage-backed Securities 2019 Issue IV	2019	8,780	6,021	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Non-performing Asset-backed Securities 2019 Issue III	2019	1,822	1,506	China Bond Rating Co., Ltd, China Lianhe Credit Rating Co., Ltd.
Nongying Personal Residential Mortgage-backed Securities 2019 Issue II	2019	15,508	9,477	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Personal Residential Mortgage-backed Securities 2019 Issue I	2019	10,194	6,198	China Bond Rating Co., Ltd, China Lianhe Credit Rating Co., Ltd.
Nongying Non-performing Asset-backed Securities 2018 Issue VI	2018	1,613	1,300	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Personal Residential Mortgage-backed Securities 2018 Issue V	2018	10,316	5,248	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Non-performing Asset-backed Securities 2018 Issue III	2018	220	80	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.

Nongying Non-performing Asset-backed Securities 2018 Issue II	2018	1,173	505	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Non-performing Asset-backed Securities 2018 Issue I	2018	1,039	360	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Nongying Green Credit Asset-backed Securities 2017 Issue I	2017	1,434	279	China Bond Rating Co., Ltd, China Chengxin International Credit Rating Co., Ltd.
Total		59,595	37,414	

In millions of RMB

Table 7.1B: Balance of Risk Exposures of Securitization

Type	31 December 2020		31 December 2019	
	As originator ¹	As investor	As originator ¹	As investor
Risk exposure by transaction types				
Balance of risk exposures of traditional asset securitization	6,907	26,298	5,986	18,237
Balance of risk exposures of synthetic asset securitization	-	-	-	-
Risk exposure by risk exposure types				
Asset-backed securities	6,786	8,025	5,851	7,136
Mortgage-backed securities (MBS)	-	18,273	-	11,101
Credit enhancement	-	-	-	-
Liquidity facility	-	-	-	-
Interest rate or currency swap	-	-	-	-
Credit derivatives	-	-	-	-
Offset by tranche	-	-	-	-
Others	121	-	135	-

Note1: 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 2020		31 December 2019	
	Risk exposure	Capital requirement	Risk exposure	Capital requirement
Risk weights≤20%	25,894	414	7,831	125
20%<Risk weights≤50%	1,568	63	10,585	424
50%<Risk weights≤100%	121	10	135	11
100%<Risk weights≤350%	-	-	-	-
350%<Risk weights≤1250%	5,622	5,622	5,672	5,672
Total	33,205	6,109	24,223	6,232

In millions of RMB

Table 7.1D: Securitization Assets of Originator

31 December 2020				
Type	Balance of underlying assets	of which: Balance of the non-performing assets	of which: Balance of the overdue loans	Profits or losses recognized during the Reporting Period ¹
Loans to corporate customers	279	-	-	-
Personal residential mortgage loans	27,304	408	121	-
Other personal loans	585	585	-	-
Re-Securitization	-	-	-	-
Others	9,246	9,246	-	-
Total	37,414	10,239	121	-

31 December 2019				
Type	Balance of underlying assets	of which: balance of the non-performing assets	of which: 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

Note1: 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 the 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 purposes and reduce wrong-way risk. Collaterals were monitored periodically to keep abreast of changes in collateral.

As of the end of 2020, the Bank adopted the Standardised Approach for Measuring Counterparty Credit Risk Exposures of Derivatives. Details are shown in the following table.

In millions of RMB

Table 7.2A: Counterparty Credit Risk Exposures		
Item	31 December 2020	31 December 2019
Derivatives counterparty credit risk exposure	140,884	121,042
Total positive contractual fair value (without netting)	58,129	83,430
Total credit risk exposures (without netting)	140,884	121,042
Total credit risk exposures (after netting)	-	-
Less: Collaterals and pledges	-	-
Securities Financing Transactions counterparty credit risk exposure	1,036	-
Total	141,920	121,042

In millions of RMB

Table 7.2B: Distribution of Counterparty Credit Risk Exposures by Product Type

Item	31 December 2020	31 December 2019
Interest rate contract	4,263	2,469
Foreign exchange contract	133,853	117,833
Stock contract	-	-
Commodity contract	2,768	740
Credit derivatives contract	-	-
Derivatives counterparty credit risk exposure	140,884	121,042
Securities Financing Transactions counterparty credit risk exposure	1,036	-
Total	141,920	121,042

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 recognized 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 recognition 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 financial 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 2020, 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 2020			
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	3,158	3,151	1,977
Companies	3,112	102,783	(294)
Total	6,270	105,934	1,683
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

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 losses in income or economic value or of the banking book as a result of adverse changes of the interest rate level or term structure. The interest rate risk of the banking book (IRRBB) of the Bank primarily arises from the mismatch of the maturity or re-pricing dates of interest-rate-sensitive assets and liabilities in the banking book and inconsistencies in the change of the benchmark interest rate on which assets and liabilities are based. The Bank managed market risk of the banking book through comprehensive use of technical measures such as exposure limit management, stress testing, scenario analysis and gap analysis.

In 2020, the Bank paid close attention to macroeconomic and interest rate trends, carried out active countercyclical operations, flexibly adjusted the pricing strategies for internal and external interest rates, and optimized the products portfolio and term structure of assets and liabilities, to cope with the decline in interest rates and the impact of the pandemic and maintain overall stability of income. The conversion of loan interest rates benchmark was completed in accordance with the requirements under the LPR reform of the People's Bank of China. We strengthened the management of overseas institutions and subsidiaries, optimized the interest rate risk limit system, and improved the management of consolidated risk data. During the reporting period, our interest rate risk of the banking book was overall controllable, while all risk indicators were controlled within the scope of regulatory requirements and management objectives.

At the end of 2020, 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 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 2020				
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	(24,442)	(59,823)	24,442	59,823
USD and others	(13,114)	(8,118)	13,114	8,118
Total	(37,556)	(67,941)	37,556	67,941
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	(20,276)	(38,003)	20,276	38,003
USD and others	(5,591)	(4,576)	5,591	4,576
Total	(25,867)	(42,579)	25,867	42,579

7.5 Liquidity Risk

Liquidity risk refers to the risk of being unable to timely acquire sufficient funds at a reasonable cost by commercial banks to settle amounts due, fulfil other payment obligations and satisfy other funding needs during the ordinary course of business. The major factors affecting liquidity risk include negative impacts of market liquidity, deposit withdrawal by customers, loans withdrawal by customers, imbalance between asset and liability structures, debtor's default, difficulty in asset realization, weakening in financing ability, etc.

Liquidity Risk Management

The liquidity risk management governance structure of the Bank consists of a decision-making system, an execution system and a supervision system, among which, the decision-making system comprises the Board of Directors and its Risk Management and Consumers' Interest Protection Committee and the senior management; the execution system comprises departments of liquidity management, asset and liability businesses and information and technology departments, etc.; and the supervision system comprises the Board of Supervisors, the Audit Office, the Internal Control and Compliance Supervision Department and the Legal Affairs Department. The aforesaid systems perform their respective decision-making, execution and supervision functions based on the division of responsibility.

We adhered to a prudent liquidity management strategy. We formulated our liquidity risk management policy pursuant to the regulatory requirements, external macroeconomic environment and our business development. We effectively maintained balance among liquidity, security and profitability, on condition of the guaranteed security of liquidity.

The objectives of our liquidity risk management were to effectively identify, measure, monitor and report liquidity risk by establishing a scientific and refined liquidity risk management system, to promptly fulfill the liquidity needs of assets, liabilities and off-balance sheet businesses and perform the payment obligations under normal business environment or under operational pressure; and to effectively balance both capital efficiency and security of liquidity while preventing the overall liquidity risk of the Group.

We paid close attention to changes in economic and financial situation, monetary policies, and market liquidity, continued to monitor our bank-wide liquidity condition. We strengthened the asset-liability management to mitigate risks related to mismatch of maturity. We secured the sources of core deposits and facilitated the use of financial instruments, to keep our financing

channels smooth in the market. We improved the liquidity management mechanism through strengthening the monitoring, early warning, and overall allocation of liquidity position. With a moderate reserve level, we satisfied various payment demands. In addition, we refined the functions of the liquidity management system to improve our electronic management.

Based on the market condition and operation practice, we set liquidity risk stress scenarios based on full consideration of various risk factors which may affect the liquidity. We conducted stress testing quarterly. According to the testing results, under the prescribed stress scenarios, we have passed all the shortest survival period tests as required by regulatory authorities.

Liquidity Risk Analysis

During the reporting period, we managed cash flows brought by maturing fund properly and the overall liquidity was sufficient, secured and under control. At the end of 2020, we fulfilled the regulatory requirements with liquidity ratios for RMB and foreign currency of 59.15% and 122.98%, respectively. The average of the liquidity coverage ratio over the fourth quarter in 2020 increased by 6.7 percentage points to 116.3% as compared to the previous quarter. At the end of 2020, the net stable funding ratio was 125.5%.

In millions of RMB

Table 7.5: Liquidity Gap Analysis		
Term	31 December 2020	31 December 2019
Past due	26,848	26,042
On demand	(12,801,017)	(11,689,668)
In 1 month	579,070	567,445
1-3 months	(627,463)	(690,128)
3-12 months	215,455	36,494
1-5 years	2,442,985	3,066,681
Over 5 years	9,706,251	8,144,318
Not dated	2,411,233	2,291,250
Total	1,953,362	1,752,434

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 2020, 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 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 Plan 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*.

9 Remuneration

9.1 Nomination and Remuneration Committee under the Board of Directors

At the end of 2020, Nomination and Remuneration Committee under the Board of Directors of the Bank was composed of 7 Directors, including Executive Director Mr. ZHANG Qingsong, Non-executive Directors Mr. ZHU Hailin 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 of 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 3 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 2020 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, the Bank implemented 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, and continuously improved the remuneration system in line with the operational and management needs of a modern commercial bank. The employee remuneration policy applies to all contract

employees of the Bank, 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. 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 employees' personal ability, performance appraisal, without direct relation to their supervisory duties, while maintaining independence.

Remuneration and performance

In compliance with the requirements by the authorities in China, the Bank established a remuneration system based on the performance of the Bank and the performance appraisal. According to the remuneration management system, the remuneration of 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 included the assessment on performance indicator, 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 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 of a performance-based pay and deferred 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 2020 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 2021, facing the severe and complex economic and financial situation, the Bank will comply with the regulatory and compliance requirements at home and abroad, overall development and security, continue to implement the prudent risk appetite, continuously improve the firm-wide risk management system, enhance risk management capacity. The Bank will continuously strengthen asset quality control, solidly manage industry-specific limit, further enhance credit risk management in key areas, improve the risk management level of online credit business. The Bank will optimize the market risk management system, strengthen market transaction behavior management and risk limit control, strengthen risk monitoring and analysis. The Bank will continuously enhance operational risk management and case risk prevention and control, promote the construction of global anti-money laundering compliance system, improve the ability of operational risk control and compliance management. The Bank will also continue to promote the implementation of Basel Capital Accord, maintain a good capital adequacy level and risk-resisting ability, and ensure the sound and sustainable development of the Bank's business.