

PING AN BANK CO., LTD.

2020 Annual Report

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

Important Notes

1. The Board of Directors (hereinafter referred to as the “Board”), the Supervisory Committee, the directors, the supervisors and senior management of the Bank guarantee the authenticity, accuracy and completeness of the contents of the 2020 Annual Report, in which there are no false representations, misleading statements or material omissions, and are severally and jointly take responsibilities for its contents.
2. The 16th meeting of the 11th session of the Board of the Bank deliberated the 2020 Annual Report together with its summary. The meeting required 15 directors to attend, and 15 directors attended the meeting. The Annual Report was approved unanimously at the meeting.
3. The 2020 annual financial report prepared by the Bank was audited by PricewaterhouseCoopers Zhong Tian LLP (hereinafter referred to as “PwC”) according to the China Standards on Auditing and PwC issued a standard unqualified auditors’ report.
4. Xie Yonglin (the Bank’s Chairman), Hu Yuefei (the President), Xiang Youzhi (the Vice President and the CFO) and Zhu Peiqing (the head of the Finance Department) guarantee the authenticity, accuracy and completeness of the financial reports included in the 2020 Annual Report.
5. The forward-looking statements such as plans for the future involved in the Report do not constitute a substantial commitment for investors. Investors and stakeholders shall be aware of risks therein and appreciate the distinctions between plans, forecasts and commitments.
6. The Bank advises investors to read the full text of the Annual Report with particular attention to the following risk factors: the risks the Bank is exposed to during its business activities mainly include credit risk, market risk, liquidity risk, operational risk, country risk, interest rate risk on its banking account, reputation risk, strategic risk, information technology risk and legal and compliance risk, and the Bank has taken various measures to effectively manage and control these business risks, as discussed in detail under Section III 3.6 Risk Management.
7. The Bank’s proposal for profit distribution of ordinary shares deliberated by the Board: cash dividend distribution of RMB1.80 per 10 shares (tax inclusive) to all shareholders based on the total share capital of the Bank of 19,405,918,198 shares as at 31 December 2020. There was no proposal to issue bonus shares or to convert public reserve to share capital.

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Interpretations

Item	refer(s) to	Interpretations
Ping An Bank, the Bank	refer to	the bank formed and so renamed following the integration of Shenzhen Development Bank Co., Ltd. (“Shenzhen Development Bank” or “Shenzhen Development”) and the former Ping An Bank Co., Ltd. (the “Former Ping An Bank”) in 2012 through the acquisition of the Former Ping An Bank by Shenzhen Development
The Group	refers to	Ping An Bank Co., Ltd. and its wholly-owned subsidiary Ping An Wealth Management Co., Ltd.
Shenzhen Development Bank or Shenzhen Development	refers to	the national joint-stock commercial bank established on 22 December 1987 and renamed to Ping An Bank after its acquisition of the Former Ping An Bank
Former Ping An Bank	refers to	the joint-stock commercial bank established in June 1995 and deregistered on 12 June 2012
China Ping An and Ping An Group	refer to	Ping An Insurance (Group) Company of China, Ltd.
Ping An Wealth Management	refers to	Ping An Wealth Management Co., Ltd.
Ping An Life Insurance	refers to	Ping An Life Insurance Company of China, Ltd.
PBOC	refers to	The People's Bank of China
CSRC	refers to	China Securities Regulatory Commission
CBIRC	refers to	China Banking and Insurance Regulatory Commission

Chairman's Statement

Remaining True to Our Original Aspiration, Getting Back to the Basics, and Seizing the Momentum

2020 was a bumpy year - the complicated international situation was compounded by the outbreak of COVID-19, reshaping the workings of economy and society. But behind such drastic changes are new order and opportunities. It was also the first year since Ping An Bank had started to deepen its transformation. Three years into the endeavour, we entered a new stage, with stronger foundation, greater confidence, better strategies and more stable mechanism.

Thanks to both external and internal factors, Ping An Bank did well in the market in 2020.

Encouraging results. The annual operating income increased by 11.3%, marking the third straight year of double-digit growth; the profit before provision increased by 12.0%; the asset under management (AUM) was close to RMB4.5 trillion, the average cost rate of liabilities was 2.32% with a year-on-year decrease of 32 basis points. The retail made up more than RMB2.6 trillion, an increase of 32.4%.

Steady quality. The NPL ratio was 1.18%, a decrease of 0.47 percentage point as compared to the end of last year; and the provision coverage ratio was 201.40%, an increase of 18.28 percentage points as compared to the end of last year, making the foundation for performance growth more solid.

Balanced structure. With in-depth breakthroughs in retail, the Bank's AUM operating income per retail outlet increased by 41.5% year on year on average, and the AUM and the number of customers of private banking achieved rapid growth; the Bank reinvented its corporate banking services, focused on the five key sections, built a unified customer management platform, created a new supply chain, and optimised bills services and complex investment and financing, and advanced ecological comprehensive expansion; we improved our interbank capital business by integrating international vision and local wisdom and leveraging the industry's leading technology platform to promote coordination between the retail banking and corporate banking, making it the new growth pole of the Bank.

In retrospect, we can see the business logic and management thought behind what we faced and achieved in the past four years. Only by remaining true to the original aspiration, getting back to the basics, and seizing the momentum, can we always "maintain strategic focus to avoid self-inflicted setbacks, clarify development priorities to avoid disorder and chaos, and accurately grasp the trend to keep abreast of the times."

As a financial institution, we are "real economy-oriented", which is our original aspiration. Under the current dual circulation development pattern centred on the domestic economy and aimed at integrating the domestic and global economy, the banking industry should serve the real economy in a more comprehensive and innovative manner.

The retail transformation is aimed at supporting entities from the consumer side. Four years ago, Ping An Bank initiated its retail transformation strategy, not only because Ping An Group, which backs the Bank, had strong retail gene, but also because consumption had become an increasingly important driver for the growth of the real economy in recent years. Under the current historical imperative of strengthening the domestic economic ecosystem, the intelligent inclusive retail service model created in the first phase of the transformation will have a greater role to play in promoting consumption, expanding domestic demand, and driving the prosperity of production.

On the one hand, we help customers to allocate assets and achieve wealth preservation and appreciation. The average yield of the recommended funds among our preference funds offerings reached 52.5% in 2020, with a higher increase of 38.7 percentage points than that of Shanghai Stock Exchange Index for the same period; on the other hand, the Bank has embedded its financial services in the ecology and scenarios, and used online and intelligent methods to optimise consumption experience and satisfy the people's pursuit of a better life.

For example, we cooperated with a domestic oil company to co-brand a credit card, which not only offers discounts on gasoline prices, but also allows cardholders to enjoy various rights such as insurance, car service, and point exchange, providing customers with a one-stop solution for car life.

Aiming at the financial problems facing small and micro enterprises, we created a new type of supply chain financial services. For a long time, the service model of traditional financial institutions presents many financing problems for small and micro enterprises, thus retarding their development. With the development of science and technology, financial institutions have developed new models for serving small and micro enterprises and private enterprises.

Ping An Bank has years of experience in supply chain financial services. In recent years, relying on IoT and blockchain technology, we created a series of new supply chain financial models, such as online, patterned and automated services. We built a data-based risk control system using intelligent models and data obtained from IoT for small and micro enterprises with no guarantee and credit; explore the value of digital assets of customers, and extend financial services to the upstream and downstream customers of the industrial chains that were not covered before. With these moves, we can make informed decisions when issuing loans. We firmly believe that only when the smallest units in the economic circulation are healthy, can our real economy develop in a more balanced and stable manner.

As a business, customer is our top priority. In the banking sector, we must improve our capabilities to serve customers. Only by focusing on customers, i.e. expanding the customer base, improving customer experience and adding value for customers, can we maintain sustainable development.

In terms of customer acquisition, we give full play to our comprehensive financial advantages. Relying on Ping An Group's "financial + ecological" strategy, we continue to dig deep into the comprehensive financial value through Group Comprehensive Financial Development Committee and Individual Comprehensive Financial Development Committee to strengthen ecological diversion and internal coordination. At the end of 2020, the number of retail customers of Ping An Bank exceeded 100 million, an increase of 10.4% from the end of last year, and the number of corporate customers also increased by 14.4% from the end of last year.

In terms of operation, the continuously upgraded platform is our core starting point. The Pocket Bank app for individual users has been upgraded from a financial app to a "finance + life" intelligent assistant, and currently has a MAU of over 40 million; the Digital Pocket for corporate users has a unified portal, a unified account, and a unified platform, thus converting customers to users; "Hang-E-Tong" for financial institution customers has opened up the entire chain of funds, products, assets, and services. The number of visits to the platform increased by 214.0% year on year, and online sales exceeded RMB300 billion, a year-on-year increase of 70.7%.

In terms of service, we adopt a tiered customer management strategy, taking into account customer experience and operation costs. For private banking customers, we serve high net-worth customers with technology empowerment; for wealth customers, we adopt the "manual + machine" service model; for mass customers, we have built an AI customer service team to provide customers with warm and non-disturbing financial services at any time. The same is true for corporate customers. We provide complex investment and financing services for large customers, such as help them optimise financing structure through "insurance capital + investment banking", and reduce financing costs through bond issuance; we adopt technology and online methods to serve small and micro enterprises to help them reduce financial transaction costs and financing costs.

In 2021, focusing on customer management, we have comprehensively upgraded our organisational structure, connected data middle platform and risk middle platform, implemented labelling, profiling and modelling, and effectively matched services to the full cycle of the customer journey through the data-driven method. In this way, customer management becomes more intelligent, customised and cost-effective, which in turn promoted the Bank's customer service management capabilities to a higher level.

As the pioneer of reform, we embrace technology. Among our transformation strategies, being technology-driven is the top priority, as well as the driving force behind our development.

Empowering the financial business with technology. Two years ago, we rolled out the digital operation project across the Bank, and made significant achievements in the following fields - being earlier in capturing information, decision-making and taking actions at the decision-making level; having improved effectiveness, efficiency and productivity at the operation level, and having reduced cost, risk and human resources at the management level. Our AI customer service team accounted for more than 90%. The per capita productivity of wealth management managers increased by 22.3% year on year by virtue of targeted marketing tools. “Xinyidai” loans could be granted in 10 seconds in the quickest case, credit card approval efficiency increased by 15 times, and the AI-empowered anti-fraud system prevented fraud attacks involving an amount of over RMB2.4 billion. The intelligent risk control system became the first domestic financial project that had won the “Gartner 2020 Financial Service Innovation Award”. As a commercial bank with distinctive retail characteristics, our cost/income ratio has been continuously optimised, breaking the conventional path that developing retail certainly mounts pressure on costs.

Innovating business models with technology. We use IoT and blockchain to create a new type of supply chain finance, which has changed the logic of traditional credit loans and explored new paths for serving small and micro enterprises; we have replaced SMS and telephone marketing with an AI customer manager team to realise personalised and non-disturbing service model; we use open banking to build an ecosystem and cooperate with external platforms; we forge high-frequency financial transaction capabilities into services to provide services to corporate customers in the fields of exchange rates, interest rates, commodities, etc., and help customers avoid risks and increase profits.

The trend of technological development is irreversible. Only by actively embracing and participating in technological innovation can we take advantage of the trend. The potential of technology not only brings us business achievements, but also allows us to enjoy the recognition from the capital market. Therefore, we will unswervingly continue to invest in technology, the Internet and other fields, and build up our competitiveness in more fields in advance. For example, the “PingAn-1” satellite we launched is aimed at bringing new ideas for digital economy, industrial Internet, and financial sector's ability to serve real economy; our cooperation with young Internet platforms is to study young customer groups and X generation, who will surely become the backbone of the future customer groups.

Four years into transformation, Ping An Bank’s two labels, “retail banking” and “technology banking”, have become more distinctive. Therefore, we have hardened our strategic determination in retail transformation, our strategic confidence in “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”, and business ambitions to build “a digital bank, an ecosystem, and a platform”.

In the future, Ping An Bank’s retail transformation will meet both challenges and opportunities. However, the fundamental rules apply. As long as we remain true to the original aspiration, get back to the basics, and seize the momentum, our intelligent retail banking business can become more solid, pragmatic and competitive, and Ping An Bank can truly take off in the stage of deep transformation and usher in the comprehensive victory of retail transformation.

Section I Company Profile

1.1 General information

1.1.1 Company information

Stock Abbreviation	Ping An Bank	Stock code	000001
Traded on	Shenzhen Stock Exchange		
Name of the Company in Chinese	平安银行股份有限公司		
Abbreviation in Chinese	平安银行		
Name of the Company in English	Ping An Bank Co., Ltd.		
Abbreviation in English	PAB		
Legal Representative of the Company	Xie Yonglin		
Place of Registration	No. 5047, Shennan Road East, Luohu District, Shenzhen, Guangdong, the PRC		
Postal Code	518001		
Office Address	No. 5047, Shennan East Road, Shenzhen, Guangdong, the PRC Building B, Ping An Financial Centre, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC		
Postal Code	518001, 518033		
Website	http://bank.pingan.com		
E-mail	PAB_db@pingan.com.cn		
Service Hotline	95511 ext. 3		

1.1.2 Contact information

	Secretary of the Board	Representative of Securities Affairs
Name	Zhou Qiang	Lv Xuguang
Address	Board Office of Ping An Bank, Block B, Ping An Financial Centre, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC	Board Office of Ping An Bank, Block B, Ping An Financial Centre, No. 5023, Yitian Road, Futian District, Shenzhen, Guangdong, the PRC
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1.1.3 Information disclosure and filing location

Newspapers designated by the company for information disclosure	<i>China Securities Journal, Securities Times, Shanghai Securities News, Securities Daily</i>
Website assigned by CSRC to publish the Annual Report	CNINFO http://www.cninfo.com.cn
Filing location of the Annual Report	Shenzhen Stock Exchange and Board Office of Ping An Bank

1.1.4 Change of registered information

Organization Code	91440300192185379H (Unified social credit code)
Change of main business after listing (if any)	None
Changes of all previous controlling shareholders (if any)	China Ping An is the controlling shareholder of the Bank. In May 2010, Newbridge Asia AIV III, L.P. (“Newbridge”), the then largest shareholder of the Bank, transferred all of its 520,414,439 shares of the Bank to China Ping An. In June 2010, the Bank issued 379,580,000 shares in a non-public manner to Ping An Life Insurance, a holding subsidiary of China Ping An. After the issuance, China Ping An and its holding subsidiary Ping An Life Insurance held a total of 1,045,322,687 shares of the Bank, approximately accounting for 29.99% of the total issued share capital of the Bank. In July 2011, the Bank completed the issuance of 1,638,336,654 shares to China Ping An to purchase 7,825,181,106 shares of Ping An Bank formerly held by it and raise RMB2,690,052,300 for its major asset reorganisation. After the completion of the major asset reorganisation, the total share capital of the Bank increased to 5,123,350,416 shares. China Ping An and its holding subsidiary Ping An Life Insurance held a total of 52.38% of the shares of the Bank and became the controlling shareholders of the Bank. In December 2013, the Bank issued 1,323,384,991 shares to China Ping An in a non-public manner. After the issuance, the total share capital of the Bank increased to 9,520,745,656 shares. China Ping An and its holding subsidiary Ping An Life Insurance, holding a total of 59% of the shares of the Bank, were the controlling shareholders of the Bank. In May 2015, the Bank issued 598,802,395 shares of the ordinary shares to eligible domestic investors in a non-public manner, and China Ping An subscribed 210,206,652 shares. After the issuance, the total share capital of the Bank increased to 14,308,676,139 shares. China Ping An and its holding subsidiary Ping An Life Insurance, holding a total of 58% of the shares of the Bank, were the controlling shareholders of the Bank. In January 2019, the Bank made a public issuance of RMB26 billion of convertible corporate bonds. China Ping An and Ping An Life Insurance, as shareholders of the Bank, had the priority in placement in full amount. In August 2019, the Bank exercised the conditional right to redeem the convertible corporate bonds. Due to the conversion of convertible bonds, the total share capital of the Bank increased from 17,170,411,366 shares to 19,405,918,198 shares. China Ping An and its holding subsidiary Ping An Life Insurance, holding a total of 58% of the shares of the Bank, were the controlling shareholders of the Bank.

Due to the conversion of convertible bonds, the registered capital of the Bank has increased accordingly. On 4 June 2020, the Bank was approved by CBIRC to increase the registered capital from RMB17,170,411,366 to RMB19,405,918,198 and modify relevant terms in the Articles of Association.

1.1.5 Other relevant information

Accounting firm employed by the company

Name of Accounting Firm	PricewaterhouseCoopers Zhong Tian LLP
Address of Accounting Firm	11/F, PwC Centre, Building 2, Link Square, 202 Hubin Road, Huangpu District, Shanghai
Names of Signing Accountant	Chen Anqiang and Liu Yufeng

The sponsor institution appointed by the company to perform the duty of continuous supervision during the reporting period

☒ Applicable ☐ Not applicable

Name of Sponsor Institution	Address of Sponsor Institution	Name of Signing Sponsor Representative	Period of Continuous Supervision
CITIC Securities Company Limited	North Building, Times Square Excellence (Phase II), No. 8, Zhongxin 3rd Road, Futian District, Shenzhen, Guangdong, the PRC	Zhao Wencong and Song Yiran	Public Issuance of A-share convertible corporate bonds: From 18 February 2019 to 31 December 2020
Ping An Securities Co., Ltd.	22-25/F, Building B, Ping An Financial Centre, No. 5023, Yitian Road, Futian Sub-district, Futian District, Shenzhen, Guangdong, the PRC	Li Yin and Wang Yao	

The financial advisor appointed by the company to perform the duty of continuous supervision during the reporting period

☐ Applicable ☒ Not applicable

1.2 Main businesses of the company during the reporting period

1.2.1 Main businesses of the Bank

Ping An Bank is a national joint-stock commercial bank. As approved by relevant regulatory bodies, the Bank engages in the following commercial banking activities: (I) absorption of public deposits; (II) advances of short, medium and long-term loans; (III) domestic and overseas settlement; (IV) bill acceptance and discounting; (V) issuance of financial bonds; (VI) agent of issuing, cashing and underwriting government bonds; (VII) trading of government bonds and financial bonds; (VIII) interbank lending and borrowing; (IX) trade foreign exchange on its behalf and as an agent; (X) bank cards; (XI) provision of letter of credit service and guarantee; (XII) agency for collection and payment and insurance agency; (XIII) safe deposit box service; (XIV) foreign exchange settlement and sale; (XV) off-shore banking; (XVI) asset custody; (XVII) gold service; (XVIII) financial advisor, credit investigation, consultation and witness services; and (XIX) other businesses approved by relevant regulatory bodies.

1.2.2 The development stage of the banking industry

The successful convening of 19th CPC National Congress marked that the entry of the China's economy has entered into a new era of socialism. The Long-Range Objectives Through the Year 2035 and main goals of economic and social development during the 14th Five-Year Plan period have been further specifically clarified in the fifth plenary session of the 19th CPC Central Committee, making clear directions and showing the way forward for the development of the banking business sector at present and in a long run. The top development priorities of the financial industry are to continuously increase support and reduce financing costs for the real economy, effectively optimise financial resource allocation, and comprehensively strengthen financial risk prevention and control, as well as the inevitable duties of the financial industry in support China's economic development. Commercial banks must remain true to their original purpose and stay committed to keep their mission in mind, closely following the major strategic principles and policies of the Party and the nation, fully returning to their true and primary mission to serve the real economy, vigorously supporting the development of private and small- and micro-sized enterprises, increasing assistance to manufacturing and technological enterprises and continuing to improve their financial service capability and quality, so as to make unremitting efforts to effectively support the "stability on the six fronts" and "security in the six areas", to promote speedy economic recovery, as well as to build the dual circulation

development pattern centred on the domestic economy and aimed at integrating the domestic and global economy.

1.3 Development strategy and core competence of the Bank

1.3.1 Development strategy of the Bank

Adhering to the strategic goal of building a “China’s most outstanding, world-leading smart retail bank”, the Bank continues to uphold the strategic principle of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”, and on this basis, it comprehensively upgrades the new three-year strategy to promote business development to a new level. Firstly, the Bank persists to the direction of retail transformation, the two core advantages of “comprehensive finance and technology empowerment”, and the idea of balanced and coordinated development. Then, it strives to turn itself into “a digital bank, an ecosystem, and a platform”: to be a digital bank, it is to be earlier in capturing information, decision-making and taking actions at the decision-making level; to improve effectiveness, efficiency and productivity at the operation level, and to reduce cost, risk and human resources at the management level; to be an ecosystem, it is to build a “moat”, give full play to its advantages, and get feedback; and to be a platform, it is to implement platform link, bulk customer acquisition and scenario-based operation. Finally, it builds and deepens “3 + 2 + 1” business strategy respectively for the retail business, the corporate business and the interbank capital business.

1. Being technology-driven

Attaching great importance to technology-driven, data-driven, model-driven and talent-driven, the Bank applies cutting-edge technologies to all links of operation and management including product innovation, customer service, business operation and risk control. It upgrades traditional businesses, innovates business models, optimises management decisions, improves operational efficiency and enhances customer experience, so that it can join the first echelon of joint-stock banks in terms of its overall scientific and technological capabilities and become an industry leader in some professional sectors.

Technology-driven. The Bank is building a distributed architecture technology system. Utilising cloud computing and distributed technology, Ping An Bank promotes the transformation of technology architecture from the traditional centrally deployed structure to a distributed framework with cloud services. The Bank constructs an integration of R&D, operation and maintenance, further strengthens the collaboration between development teams and operation teams, and improves the efficiency of delivering applications. The Bank also strengthens the application of lead-edge technologies. Relying on Ping An Group’s core technologies and resources in artificial intelligence (AI), biological recognition, blockchain and big data, it deeply implants new technologies into the entire process of financial services, promotes the multi-dimensional organic integration of leading technologies with user services, product marketing, risk control, compliance management, refined management, and achieves digitalised and intelligent business operations and management.

Data-driven. Setting up a data asset management system, the Bank comprehensively promotes digital operation transformation. Strengthening data governance, Ping An Bank improves data quality. Exploring the value of data, it deepens data applications, and improves the standardisation, labelling, granulation, process automation, and application intelligence of the underlying data. On the basis of the construction of platform-based data capabilities and data middle platform, it also advances data empowerment in business decision-making, product service, risk management and targeted marketing to support the operation management to be earlier in capturing information, decision-making and taking actions at the decision-making level, to improve effectiveness, efficiency and productivity at the operation level, and to reduce cost, risk and human resources at the management level.

Model-driven. The Bank updates the technology governance model and further reforms to become more flexible. It also tightens the ties between technology and business, hastens the pace of product development and iteration, and promotes delivery quality and customer experience in an all-around way. Enabled by technology and business, the technological teams have gradually transformed from technical service providers to partners of deep integration with the business. It improves the innovation system. Besides relying on Ping An Group’s technological innovation, the Bank motivates the innovation vitality of all staff, including scientific and technical personnel, through the Banking Innovation Committee and the “Innovation Garage” mechanism. It strengthens the safety management. Continuously adhering to the “information security first” principle that puts operation at the core, the Bank prepends security management, prepares operation scenarios, refines the processes, and comprehensively enhances the information security awareness of all employees.

Talent-driven. Benchmarking with the leading Internet technology companies, the Bank makes forward-looking

IT human resource planning. In addition, the Bank also establishes a competitive salary system and incentive mechanism to create a good career development channel for scientific and technical personnel. The Bank continues to bring in global top technology elites, forms leading talent teams in financial technology and accelerates the construction of “Finance + Technology” compound talent team.

2. Pursuing breakthroughs in retail banking

The Bank keeps on making resolute reform and transformation, continues to implement the retail “3 + 2 + 1” operation strategy; meanwhile, under the requirements of “a digital bank, an ecosystem, and a platform”, it deepens the four new strategies of “digital operation, online operation, comprehensive service and ecological development”, and focuses on strengthening the building of the three capabilities of “integration, differentiation, and openness”. Furthermore, it promotes innovation breakthroughs in credit card, private bank as well as banking and insurance business, continues to upgrade retail loan businesses such as auto financing and “Xinyidai”, actively activates mid-office functions, and innovates organisation model. In this way, its transformation and upgrading of retail business can be realised. All are for the purpose of building a “China’s most outstanding, world-leading smart retail bank”.

“Three” business segments -

Breakthroughs in basic retail. Ping An Bank supports customer operations of all kinds and is committed to becoming the basic hub of retail business. Actively promoting customer acquisition through all channels and all-round scenario-based operation, the Bank strives to achieve ecological development by pushing the process of open banking. The Bank also realises “customer acquisition” via “user acquisition”. Relying on the construction of intelligent master accounts, it creates Ping An Group’s comprehensive financial online and offline traffic portal, and promotes the implementation of integrated and funnel-style operations on the basis of traditional financial scenarios and new life scenarios. Furthermore, it establishes an integrated and unified broad-scale retail mid-office to connect the data capability and operation capability, and empower business growth, so as to provide a better experience for over 100 million of users.

Breakthroughs in private banking and wealth management. Adhering to the vision of building a “China’s smartest and international leading private bank”, the Bank implements the concept of asset allocation, continuously updates the “1 + N” online and offline business model of one PB (Private Banker, private financial advisor) and N expert teams to achieve the optimisation of the radius and professionalism of private customer service. It also opens the product platform. On the basis of the internal risk and with the help of Ping An Group’s resources and the ties between corporate banking and individual banking, it diversifies the introduction of high-quality assets to meet the diversified investment and financing needs of the customers. Meanwhile, it continues to strengthen technology empowerment, improves the investment advisory and interests system, and deepens the operation of ultra-high net-worth customers. In this way, a comprehensive upgrade of customer service capability and brand value can be achieved.

Breakthroughs in consumer finance. It reinforces the leading roles of the top three businesses of credit card, “Xinyidai” and auto financing, constantly promotes model innovation and makes the businesses expand continuously and rapidly through product diversification, online operated procedures and business platforms. It also intensifies management of unsecured loans through the establishment and development of credit products based on a system of tiered customer management and differentiated pricing. At the same time, it actively serves the real economy, focuses on the demands of two customer groups (middle-end and high-end customers along with small and micro enterprises), so as to realise the improvement of comprehensive benefits by providing comprehensive products and services.

“Two” core capabilities -

Risk control. Shifting from “product-centric” to “customer-centric”, the Bank establishes an intelligent risk management system for the entire process and products to support the continuous high-quality growth of the business.

Cost control. With the help of intelligent technologies, the Bank improves the level of refined management and innovates cost management models in multiple dimensions and with multiple means. While providing reasonable and sufficient resources to the business, it directs the development, strengthens process monitoring, and promotes continuous optimisation of operating cost, as well as effective improvement of management efficiency. Moreover, it implements differentiated resource allocation plans to guide great optimisation of mature businesses, precise delivery of growing businesses, and early deployment of potential businesses.

“One” ecosystem -

Based on an agile mechanism, the Bank uses AI Bank as the internal drive to actively build an open banking ecosystem, achieving the connection, empowerment and integration of customers and partners, and promoting the comprehensive innovation of business models.

“Four” new strategies -

Digital operation. The Bank achieves the automation, intelligence and smartness of data and AI-driven business processes and management decisions. And it can finally realise the goal of being earlier in capturing information, decision-making and taking actions at the decision-making level; improving effectiveness, efficiency and productivity at the operation level, and reducing cost, risk and human resources at the management level.

Online operation. The Bank comprehensively improves its online operation capabilities, including promoting the online operation of business process and management.

Comprehensive service. The Bank builds a new comprehensive service model and provides customers with comprehensive “finance + life” related products and services tailored to their needs via multiple channels by relying on the customer portraits, so as to further enhance customer value contributions.

Ecological development. With the vision of “making banking services everywhere”, externally, the Bank combines bank accounts, products and service capabilities with third-party scenario traffic through open banking to achieve “joint efforts to operate, to construct ecology and to assist entities”. Internally, it connects products and services through deep integration into Ping An Group’s “financial + ecological” strategy to form a closed end-to-end loop of services. Ultimately, the ecology-driven development can be achieved.

3. Reinventing its corporate banking

(1) Corporate business

Concentrating on the three main directions of “expanding customer scale, optimising asset and liability structure and improving operation quality”, the Bank comprehensively constructs the business model of “AUM + LUM + platform” for corporate business and practises the “3 + 2 + 1” corporate business strategy. Besides, giving full play to its unique advantages in comprehensive finance and financial technology, it puts efforts in enhancing its five trump cards in new supply chain finance, bill integration, customer management platform, complex investment and financing and ecological comprehensive expansion. Moreover, leveraging Ping An Group’s edges on ecological operation, product service and multi-business coordination, it reshapes asset-liability management and opens up a broader space for development. All are for the purpose of providing solid support for building a “China’s most outstanding, world-leading smart retail bank”.

“Three” business pillars -

The Bank adheres to the development towards industrialisation, professionalisation and specialisation, and focuses on refining the three business pillars of “industry banking, transaction banking and comprehensive finance”.

Industry banking. With a vision to become “the pioneer of ecological banking, the vanguard of strategic customer operation and the forerunner of complex investment and financing”, industry banking is committed to the in-depth management of strategic customers.

Transaction banking. Adhering to the development idea of “innovation-driven development, digital operation and industrial connectivity”, the Bank builds a digital economy service ecology under the assistance of satellites, IoT devices, Digital Pocket APP and treasury management platform, specifying a strategic operation of diversified customer contact, rapid product assembly, efficient operation implementation and high-speed asset transfer. Through strengthening online capabilities, mode-based services and automation, it improves the operation level of online and offline integration. In addition, the Bank highlights its brand advantages in the areas of customer management platform, new supply chain finance, cross-border finance, bills, etc.

Comprehensive finance. As an engine of Ping An Group’s comprehensive finance “1 + N” business, the Bank aims to create ecological comprehensive expansion, explore the value of the Bank’s corporate business channels,

and become an ecological joint between Ping An Group's internal and external resources. Cooperating with various professional companies within Ping An Group and external channels, the Bank conducts upgrade in technology and builds platforms to promote the two-way linkage of AUM (assets under management of corporate customers) and LUM (liabilities under management of corporate customers) of corporate customers, and continuously strengthens the service capability of its comprehensive finance to assist in a rapid breakthrough of its business.

“Two” core customer groups -

Being customer-centric and industry-oriented, the Bank lays stress on the two core customer groups of “strategic customers and small and micro enterprises customers”, strengthens solutions and deepens relationships to truly realise “one customer, multiple products and one-stop service”.

Strategic customers. The Bank leverages the product strategy of “Commercial bank + Investment bank + Investment”, draws the “customer graph, relationship graph and business graph”, so as to determine the comprehensive finance service plan of “one policy for one account” for the sake of strategic customers. With investment bank as a breakthrough, it provides all-round service for the strategic customers, their core subsidiaries and upstream and downstream customers through new supply chain finance and treasury management service, to achieve the improvement of AUM and LUM and the ecosystem.

Small and micro enterprise customers. Upholding the concept of “Finance + Technology”, the Bank deepens digital operation, enhances the leading role of data and attaches importance to technology empowerment, providing scenario-based and online services in batches for small and micro enterprise customers around the upstream and downstream of the industrial chain. It enhances the overall operation capabilities of private enterprises and small and micro enterprise customers through Digital Pocket APP and small enterprise digital finance, and continues to intensify support for private enterprises and small, medium and micro enterprise customers.

“One” lifeline -

Adhering to the road of sustainable and high-quality development, the Bank shifts its focus from controlling risk to actively managing risk, vigorously promotes business development, effectively coordinates risk management and business operation, and comprehensively improves the capabilities of serving the real economy. At the same time, it continues to strengthen risk prevention and control, so as to hold fast to the lifeline of asset quality.

It also strengthens early risk warning ability. Meanwhile, taking full advantage of such latest technologies as big data and AI, the Bank optimises the intelligent risk control platform to keep boosting risk management in advance and improve the efficiency and level of risk management comprehensively.

“Five trump cards” for corporate banking –

New supply chain finance. Looking deep into the industry and focusing on scenarios, the Bank fully leverages data derived from its “Nebula Platform”, and relies on “Ping An Good Chain Platform” to continuously innovate and upgrade financing products and modes, expand scope of supply chain finance service. And through online, model-based and automation services, we provide small, medium and micro enterprises with financing services in batches to help with the difficulty and high cost in financing for SMEs and reshape our brand in supply chain finance.

Bill integration. Through online, model-based and automated services, the Bank makes innovation and upgrading of products and services, so as to create ultimate customer experience throughout the life cycle of bills; with the bills business deeply embedded in the supply chain ecosystem, we turn it into credit cards for corporate customers of Ping An Bank.

Customer management platform. The Bank takes advantages of Digital Pocket for bulk customer acquisition, and makes use of the digital treasury management platform for better major customers service. Through such upgraded and optimised platforms, the Bank openly exploits, in modularised and standardised manner, its financial and technology capabilities and embeds such capabilities in scenarios, to establish an all-round and integrated customer management platform.

Complex investment and financing. Applying advantages of comprehensive finance, we utilise various intra-group funds from insurance fund to loans and private banking to design, in a first-party mindset, complex investment and financing products that satisfy customers' needs for comprehensive finance.

Ecological comprehensive expansion. With the help of technologies, the Bank realises all-round operation in the scenario-based ecosystem with internal and external resource of Ping An Group, and turns comprehensive expansion on corporate business into a new area for growth in risk-free revenue from intermediate business.

(2) Interbank capital business

Taking “promoting new growth and creating a new brand” as the interbank capital business’ development direction, the Bank comprehensively promotes the “3 + 2 + 1” business strategy for the interbank capital business to facilitate its further and deeper development.

“Three” major business directions -

New transactions. Aiming at “becoming the industry’s top financial trading expert”, the Bank continues to consolidate and expand the advantages of electronic transaction mode, upgrades trading technologies, enriches investment products, and strengthens risk management to ensure the continuously steady and sound development of the business; It also makes continuous improvement to “Ping An Risk Avoidance” service system, highly integrating risk avoidance business with market-making transaction business to build FICC (fixed income, currencies and commodities) business into a diversified business system with anti-cyclicality and stable income.

New interbank. With the goal of “becoming the industry’s leading financial sales service provider”, the Bank continuously optimises the construction of Hang-E-Tong and implements the “customer-centric” business philosophy in-depth to build a mutually beneficial ecosystem. Meanwhile, the Bank provides interbank customers with comprehensive solutions based on “product + service” portfolios and creates a new brand of interbank institution sales, so as to boost the deeper and wider development of its customer group operation.

New asset management. With the goal of “becoming the most distinctive alternative asset management”, the Bank pursues a market-oriented, specialised and segmented business strategy. While rolling out more net-value-based products that meet requirements of new asset management regulations, it also builds an industry-leading product system to maintain the stable and healthy development of the asset management business of Ping An.

“Two” core capabilities -

Strengthening the capability of sales. The Bank upgrades its sales mode and includes sales in ecosystem. With “Hang-E-Tong” as the platform entrance, by integrating product design, asset recommendation and sales services, and based on “Tong-E-Jia”, the Bank constructs a customer service loop, deepens the application of customer and product portraits; and at the same time, leveraging Ping An Group’s advantages of comprehensive financial businesses, it opens up the entire chain of funds, products, assets and services to provide customers with one-stop comprehensive financial service incorporating scenario-based product design, asset recommendation and sales channels.

Strengthening the capability of transactions. The Bank exploits its four trading advantages of “international professional team, leading trading system, real-time risk control capability and outstanding pricing capability” and further applies independently developed quantitative analysis tools in transactions to ensure constant optimisation of investment efficiency with more precise pricing technology, more agile transaction execution capability and more efficient real-time risk control capability; and meanwhile, it further intensifies outbound empowerment of transaction capabilities, comprehensively serves the interbank institutions, companies and retail customers, and gradually expands the service to customers within Ping An Wealth Management and Ping An Group’s ecosystem.

“One” smart capital system platform -

Taking full advantage of latest technologies, the Bank continuously upgrades and improves its capabilities of precise pricing, efficient execution and real-time risk control, so as to support more transaction varieties and markets, and provide more efficient transaction processing capability. Through quantitative analysis tools, the Bank well captures trading opportunities at the micro level, seizes swing trading opportunities for electronic transactions, and also strictly controls risk exposure by flexible and rich hedging instruments and real-time risk control system. As a result, new transactions, new interbank and new asset management are laying on a more solid foundation.

New business strategies –

Consolidating the transaction capability. The Bank upgrades the integration of its internationalised and localised teams to strengthen the capability of excess return and acquire a substantial increase in the percentage of strategic return.

Upgrading the sales transactions. The Bank incorporates in-depth service combination of interbank product sales and financial market transactions to form a service loop for sales transactions.

Empowering customer services with transactions. The Bank launches the professional brand of “Ping An Risk Avoidance”, which customises a full range of service solutions of risk avoidance in order to assist corporate customers in reducing market risks and financing costs. Meanwhile, the Bank drives the structured deposit products to the original purpose and provide more financial market product services for corporate and individual customers.

Reshaping the trusteeship. The Bank makes efforts to gain differentiating competitiveness through the integration of the effective and basic trusteeship and value-added services with unique Ping An characteristics such as tailor-made services, asset examination service, asset revitalisation, etc.

Pushing the development of subsidiary Ping An Wealth Management. The Bank devotedly pushes independent operation of Ping An Wealth Management and dedicatedly provides assistance in business linkage, marketing collaboration and team building in order to promote strategic synergy and drive the transformation of the wealth management business.

1.3.2 Core competence of the Bank

Under the circumstance of unabated pandemic and complicated and severe external situation, closely following the national strategy, actively staying within the trend of the era, and relying on its own advantages, the Bank always adheres to the “customer-centric” principle, builds and deepens “3 + 2 + 1” business strategy for the retail business, the corporate business and interbank capital business. In addition, it promotes data-based operations, strives to turn itself into “a digital bank, an ecosystem, and a platform”, fully supports stability on the six fronts and security in the six areas, prevents and controls financial risks, and enhances the capability of serving real economy comprehensively, gradually forming core competence with unique Ping An characteristics.

Clearly targeted development strategy. The Bank centres on serving real economy and the people, unswervingly pushes forward the retail strategy transformation and strives to become a “China’s most outstanding, world-leading smart retail bank”. Guided by the clear strategical goals, the Bank continues to uphold the strategic principle of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking” by building and deepening “3 + 2 + 1” business strategy respectively for the retail business, the corporate business and interbank capital business, and promoting data-based operations. It also strengthens the support to the development of private enterprises, small and micro enterprises, and manufacturing and technological enterprises, prevents and controls financial risks, and enhances the capability of serving real economy comprehensively, so as to actively participate in the construction of the dual circulation development pattern centred on the domestic economy and aimed at integrating the domestic and global economy.

Advantageous comprehensive finance. Based on the close combination of Ping An Group’s strong brand influence, cutting-edge operation management concept, huge individual customer base, perfect marketing channels, a completed set of financial licenses and other advantages with its actual situations, with resource integration capability and cooperative interaction, the Bank develops a prominent comprehensive financial advantage in the industry, establishes an integrated “on-line + off-line”, “finance + technology + ecology” comprehensive financial product system and service platform, forms a whole set of internal organisation management model that meets the requirements of comprehensive financial development, and builds a comprehensive financial operation mechanism with unique Ping An characteristics and industry competitiveness through resource integration and coordination, opening up new and broad space for the transformation and development of various businesses.

Inherent innovation culture. The Bank has “innovation” in its DNA, which has penetrated into every aspects. Since its establishment, the “Innovation Committee” has enhanced the ability to organise to promote innovation. With strong resource coordination and integration capabilities, it can flexibly coordinate all resources at the bank level, promote cross-line and cross-function resource management, allocation and integration, so as to gradually implement the innovation work and achieve practical results. In addition, the Bank has also set up a series of mechanisms that are conducive to innovation (e.g. the “agile organisation”, “innovation garage”, “innovation competition”) and continuously improves and optimises these mechanisms to arouse the enthusiasm and potential for innovation of employees across the Bank, thereby emerging and rapid iteration of various innovations in

thinking, products, mechanisms is promoted, providing strong support for timely response to quick changes in external environment and the fulfilment of customers' increasingly financial needs.

Strong and efficient execution capability. The Bank always highly emphasises and attaches great importance to a culture of excellence in execution in which efficient execution is the guarantee for achieving strategic goals. The Bank actively promotes the value-oriented performance assessment, and closely connects the target setting, work tracking, effect evaluation and the whole assessment process to build a scientific, fair and transparent performance assessment system and results utilisation model, which plays a great role in enhancing the execution capabilities of the teams and individuals, and effectively promoting the timely and efficient implementation of the Bank's development strategies.

Predominant financial technology. Upholding the principle of "being technology-driven", the Bank drives the strategic transformation by leading-edge technology. In terms of transformation of technology architecture, the Bank insists on independent innovation. Relying on Ping An Group's core technology, it continues to accelerate the integration of application scenarios and cutting-edge technologies such as big data, blockchain, artificial intelligence (AI), cloud computing and biometrics to promote "being technology-driven". Furthermore, the Bank constructs the platform-based data capabilities to advance data empowerment and support the operation management to be earlier in capturing information, decision-making and taking actions at the decision-making level, to improve effectiveness, efficiency and productivity at the operation level, and to reduce cost, risk and human resources at the management level, so as to promote "being technology-driven". Adhering to agile transformation, the Bank also tightens the ties between technology and business, and realises the motivation by technology and business to promote "being model-driven". The Bank cultivates a team with high-quality financial technology talents at home and attracts a large number of compound high-end technical talents from Silicon Valley and domestic and foreign leading Internet companies to promote "being talents-driven". These measures will help the Bank make better use of leading technology to innovate business model, upgrade traditional business, strengthen intelligent operation, improve team quality and production capacity, and form more core competence with unique characteristics.

Intelligent and convenient retail banking. The Bank utilises technology to promote retail banking transformation, and strives to provide more convenient, intelligent and comprehensive financial services. Thoroughly implementing the four new strategies of "digital operation, online operation, comprehensive service and ecological development", and further strengthening customer-oriented and scenario-based operation, it creates a new human-machine cooperative service model of "AI + T (remote webcasting) + Offline (offline team)" to provide customers with a full range of online and offline integrated services. Firstly, the Bank continuously upgrades offline outlets by establishing new off-line retail outlets under the "light, community-based, intelligent, and diversified" concept with community ecology around; secondly, it continuously and iteratively optimises the on-line Pocket Bank APP, focuses on the development of the "Finance + Life" online platform, and continue to enrich the external high-frequency life scenario service by driving the open retail banking layout; thirdly, integrating online and offline channels, it keeps on upgrading the intelligent OMO (Online Merge Offline) service system to achieve seamless connection between online Pocket Bank APP scenarios and new offline retail outlets with community ecology around. As a result, multiple on-line and off-line service scenarios are integrated to provide convenient and "warm" services to customers.

Specialised and strong corporate banking. Adhering to the customer-centric business philosophy, and concentrating on the three main directions of "expanding customer scale, optimising asset and liability structure and improving operation quality", the Bank constructs the business model of "AUM + LUM + platform" for corporate business based on customer needs, and continues to upgrade the three business pillars of "industry banking, transaction banking and comprehensive finance". Moreover, based on looking deep into the industrial chain, it realises specialised tiered customer management, constantly innovates scenarios, reshapes online, mode-based and automated business processes, and comprehensively upgrades services to enhance its five trump cards in corporate business. In so doing, the Bank can realise the optimisation of its operation scope, customer base and income composition, continue to increase the proportion of demand deposits and lower liability costs, forming a differentiated advantage with unique Ping An characteristics.

Continuously upgraded interbank capital business. Closely following the development trend of the financial market, the Bank relies on technologies to build a smart capital system platform, continues to optimise investment efficiency, expands investment categories, and improves "Ping An Risk Avoidance" trading service system; besides, it also makes full advantages of the comprehensive finance to build a mutually beneficial ecosystem with all stakeholders via the two online platforms of "Hang-E-Tong" and "Tong-E-Jia", as well as the institutional sales force. The capabilities of sales and transaction form integrated measures to build up the core competence of its interbank capital business.

1.4 Honours and awards

In 2020, the honours and awards the Bank won from domestic and foreign institutions are as follow:

- In March 2020, the private bank of the Bank was named “The Best Family Office” in “China Private Bank Awards of 2020” hosted by *Asiamoney*;
- In March 2020, Board Secretary Zhou Qiang and the Investment and PR Team of the Bank won the Gold Board Secretary Award and Top Ten Best IR Team Award respectively in the 16th Gold Board Secretary Award held by *New Fortune*;
- In May 2020, the private bank of the Bank was named “The Best Family Office of 2020” in the “Jinling Awards” at the 17th Annual Wealth Management & Private Banking Asia 2020 hosted by Shanghai Shine Consultant Co., Ltd. and jointly supported by CAIA Association, Association of Private Bankers in Greater China Region, Asia Family Offices Association (AFO) and Family Office Alliance;
- In May 2020, the Bank won the Best Investor Relation Company Award and the Award for the Best New Media Operation on the Main Board, and Board Secretary Zhou Qiang won the Best Board Secretary Award in “the 11th Tianma Award for Chinese Listed Company Investor Relations” released by *Securities Times*;
- In June 2020, the private bank of the Bank won the awards of “China’s Best Private Equity Investment Institution”, “China’s Best Foreign Private Equity Investment Institution” and “China’s Best Return Private Equity Investment Institution” in the “2019 CVINFO Annual List” released by CVINFO;
- In July 2020, the Bank won the award of “Asia’s Best Digital Bank” in the “Excellence Award of 2020” hosted by *Euromoney*;
- In July 2020, Ping An Bank was the only entrant as a listed bank in the 2nd List of New Fortune Best Listed Companies from *New Fortune*;
- In August 2020, the private bank of the Bank won the award of “Excellent Private Bank of 2020” at the 2020 (13th) China Asset Management Annual Conference and in the “Jinbei Award” election held by *21st Century Business Herald*;
- In August 2020, the Bank won the awards of “Outstanding Example for Promotion of Targeted Poverty Alleviation in 2019-2020” and “Outstanding Example for Promotion of Inclusive Finance in 2019-2020” in the 2020 China Financial Brand Influence Summit under the theme of “Jinnuo Ceremony Brand Power” held by *China Banking and Insurance News*;
- In August 2020, the Bank won the awards of “China’s Best Digital Bank” and “Best Mobile Banking APP in Asia Pacific” in the “2020 World’s Best Digital Bank” hosted by *Global Finance*;
- In August 2020, the Bank won eight awards, including “China’s Best Mobile Banking APP”, “China’s Best Customer Experience (category of frictionless awards)”, “China’s best business model”, “China’s Best Trade Finance Bank Award”, “Best Cyber Security and IT Risk Management Project”, in the “2020 China Award Program” organised by *Asian Banker*;
- In August 2020, Xie Yonglin, Chairman of Ping An Bank, was ranked 16th in the *2020 China’s Best CEO List* released by *Forbes China*;
- In September 2020, Ping An Bank’s intelligent risk control platform, “Ping An Good Chain” platform, distributed finance PaaS platform and online smart loan platform won the second prizes, and its Non-Inductive Data Security Control Project and Thoth Security Risk Dynamic Management Platform won the third prize in the “2019 Banking Technology Development Awards” organised by the People’s Bank of China;
- In September 2020, the Bank won the award of “Global Best Digital Bank” in the “Excellence Awards of 2020” hosted by *Euromoney*;
- In September 2020, the Bank won the “Top Ten Family Trust Management Innovation Award” and “Top Ten Private Enterprise Financial Service Innovation Award” in the “2020 China Financial Innovation Awards” jointly held by *the Chinese Banker*, the Chinese Academy of Social Science and Central University of Finance and Economics;
- In September 2020, “Digital Agriculture” Project of the private bank of the Bank won the bronze award in the “2020 China Charity Project Competition” hosted by China Charity Fair;
- In October 2020, the Bank was awarded “Best Interest Rate Solution Bank in China” in the “Best Investment Solution Awards of 2020” held by *Treasury*;
- In October 2020, the Bank was awarded Top Ten Innovation Cases of Fintech in the “Bund Summit” held by China Finance 40 Forum along with partner institutions;
- In November 2020, the Bank won a number of awards, such as “Excellent Consumer Finance Service Award of 2020”, “Credit Card Centre of 2020”, “Excellent Bank for Institutional Customer Service in 2020”, “Product Innovation Bank of 2020”, “Customer Service Bank Wealth Management Subsidiary of 2020” in the Asian Financial Competitiveness for the 21st Century held by *21st Century Business Herald*;
- In November 2020, the private bank of the Bank won the “Annual Deep Marketing Case Award” in the China International Advertising Festival Advertiser Award hosted by China Advertising Association;

- In November 2020, the private bank of the Bank won the award of “Best Short Video Marketing of the Year” in the Annual Digital Marketing Awards of iDigital hosted by GMTIC (Global MarTech Innovation Conference);
- In November 2020, the Bank won the champion of the “Gartner Financial Services Innovation Award” in the Asia-Pacific area for its intelligent risk control platform project in the final round of “Gartner Financial Services Innovation Award” final hosted by Gartner, a top IT research and consulting leader;
- In December 2020, the Bank won the “Best Inheritance Service Award for Family Offices of Financial Institutions” in the “TOP 50 Chinese Family Management Leaders” hosted by FOTT;
- In December 2020, the Bank won three awards, including “Outstanding Special Asset Management”, “Outstanding Risk Control”, and “Outstanding Financial Services for Small and Micro Enterprises”, in the 5th International Forum on Smart Finance and the 2020 Annual Ceremony of Navigation hosted by JRJ.com;
- In December 2020, the Bank won the “Excellent Award for Serving the Real Economy” of 2020 in the 4th China Securities Market Golden Horse Awards from *Securities Daily*;
- In December 2020, the Bank won two awards, including the “Outstanding Organiser Award for OTC Bonds” and the “Individual Award for Outstanding Undertaker for OTC Bonds”, in the 2020 Financial Bonds Recognition Conference hosted by China Development Bank;
- In December 2020, the Bank won two awards, including the “Best Transaction Bank” and the “Best Offshore Financial Bank”, in the 2020 Annual Conference of China Transaction Banking and the 10th award presentation for the Most Trusted Financial Service Providers of Trade & Economic Enterprises in China.
- In December 2020, the Bank won the top spots for “Core Dealer”, “Excellent Dealer in the Bond Market”, “Award for Innovation in Trading Mechanism (X-Bond)” and “Award for Innovation in Automated Trading”, in the ranking of the interbank currency market.

Section II Accounting Data and Financial Indicators

2.1 Key indicators

(In RMB million)

Item	2020	2019	Year-on-year change
Operating income	153,542	137,958	11.3%
Net profit attributable to shareholders of the Bank	28,928	28,195	2.6%
Cost/income ratio	29.11%	29.61%	-0.50 percentage point
Average return on total assets	0.69%	0.77%	-0.08 percentage point
Weighted average return on net assets	9.58%	11.30%	-1.72 percentage points
Net interest margin	2.53%	2.62%	-0.09 percentage point
Proportion of net non-interest income	35.10%	34.79%	+0.31 percentage point
	31 December 2020	31 December 2019	Change at the end of the year from the end of last year
Deposit principals due to customers	2,673,118	2,436,935	9.7%
Total principals of loans and advances to customers	2,666,297	2,323,205	14.8%
Non-performing loan (NPL) ratio	1.18%	1.65%	-0.47 percentage point
Provision coverage ratio	201.40%	183.12%	+18.28 percentage points
Deviation ratio of loans overdue for more than 60 days	0.92	0.96	-0.04
Capital adequacy ratio	13.29%	13.22%	+0.07 percentage point

2.2 Key accounting data and financial indicators

Whether the company needs to adjust or restate prior years' figures retrospectively

☐Yes ☒No

(In RMB million)

Item	31 December 2020	31 December 2019	31 December 2018	Change at the end of the year from the end of last year
Total assets	4,468,514	3,939,070	3,418,592	13.4%
Shareholders' equity	364,131	312,983	240,042	16.3%
Shareholders' equity attributable to ordinary shareholders of the Bank	294,187	273,035	220,089	7.7%
Share capital	19,406	19,406	17,170	-
Net asset per share attributable to ordinary shareholders of the Bank (RMB/share)	15.16	14.07	12.82	7.7%

Item	2020	2019	2018	Year-on-year change
Operating income	153,542	137,958	116,716	11.3%
Operating profit before impairment losses on credit and other assets	107,327	95,816	80,176	12.0%
Impairment losses on credit and other assets	70,418	59,527	47,871	18.3%
Operating profit	36,909	36,289	32,305	1.7%
Profit before tax	36,754	36,240	32,231	1.4%
Net profit attributable to shareholders of the Bank	28,928	28,195	24,818	2.6%
Net profit attributable to shareholders of the Bank after non-recurring gains/losses	28,840	28,086	24,700	2.7%
Net cash flows from operating activities	(16,161)	(40,025)	(57,323)	Negative amount for the previous year
Ratio per share (RMB/share):				
Basic earnings per share (EPS)	1.40	1.54	1.39	(9.1%)

Diluted earnings per share (EPS)	1.40	1.45	1.39	(3.4%)
Basic EPS after non-recurring gains/losses	1.40	1.53	1.39	(8.5%)
Diluted EPS after non-recurring gains/losses	1.40	1.44	1.39	(2.8%)
Net cash flows from operating activities per share	(0.83)	(2.06)	(3.34)	Negative amount for the previous year
Financial ratios (%):				
Return on total assets	0.65	0.72	0.73	-0.07 percentage point
Average return on total assets	0.69	0.77	0.74	-0.08 percentage point
Weighted average return on net assets	9.58	11.30	11.49	-1.72 percentage points
Weighted average return on net assets (net of non-recurring gains/losses)	9.55	11.25	11.44	1.70 percentage points

Note: The return on net assets and EPS are calculated in accordance with the *Rule 9 on Information Disclosure and Report for Companies Offering Their Securities to the Public - Calculation and Disclosure of Net Assets Margin and Earnings Per Share* (2010 revised) and *Accounting Standard for Business Enterprises No. 34 - Earnings per Share*. In these calculations:

(1) The calculation of “EPS” and “weighted average return on net assets” has excluded from the numerators the amount of RMB874 million for dividends paid for the non-cumulative preference shares of RMB20 billion issued in private placement on 7 March 2016.

(2) The calculation of “diluted EPS” for 2019 has considered the diluting effect of the RMB26 billion A-share convertible corporate bonds issued in January 2019 and fully converted to ordinary shares in September 2019.

(3) The calculation of “EPS” and “weighted average return on net assets” has excluded from the numerators the amount of RMB820 million for interest paid for the first batch of RMB20 billion capital bonds with no maturity date (“perpetual bonds”) issued in December 2019.

Total share capital of the company as at the trading day prior to disclosure

Total share capital of the company as at the trading day prior to disclosure (in shares)	19,405,918,198
Dividends paid for preference shares (RMB)	874,000,000
Fully diluted EPS calculated based on the latest share capital (RMB/share)	1.40

Whether there are corporate bonds

☐ Yes ☒ No

Whether the company suffered sustained losses in recent two years

☐ Yes ☒ No

Differences in accounting data under domestic and overseas accounting standards

1. Differences in net profit and net assets between financial reports under the international accounting standards and the Chinese accounting standards

☐ Applicable ☒ Not applicable

During the reporting period, there was no difference in net profit and net assets between financial reports under the international accounting standards and the Chinese accounting standards.

2. Differences in net profit and net assets between financial reports under the overseas accounting standards and the Chinese accounting standards

☐ Applicable ☒ Not applicable

During the reporting period, there was no difference in net profit and net assets between financial reports under the overseas accounting standards and the Chinese accounting standards.

3. Reasons for differences in accounting data under domestic and overseas accounting standards

☐ Applicable ☒ Not applicable

Quarterly financial indicators

(In RMB million)

Item	First Quarter of 2020	Second Quarter of 2020	Third Quarter of 2020	Fourth Quarter of 2020
Operating income	37,926	40,402	38,236	36,978
Net profit attributable to shareholders of the Bank	8,548	5,130	8,720	6,530
Net profit attributable to shareholders of the Bank after non-recurring gains/losses	8,506	5,080	8,730	6,524
Net cash flows from operating activities	17,989	(43,655)	56,364	(46,859)

Have the above financial indicators or their totals differed significantly from the relevant financial indicators in the quarterly report and half-year report disclosed by the company?

☐Yes ☒No

Information of loans and deposits

(In RMB million)

Item	31 December 2020	31 December 2019	31 December 2018	Change at the end of the year from the end of last year
Deposit principals due to customers	2,673,118	2,436,935	2,128,557	9.7%
Including: Corporate deposits	1,988,449	1,853,262	1,666,966	7.3%
Personal deposits	684,669	583,673	461,591	17.3%
Total principals of loans and advances to customers	2,666,297	2,323,205	1,997,529	14.8%
Including: Corporate loans	1,061,357	965,984	843,516	9.9%
General corporate loans	948,724	871,081	801,814	8.9%
Discounted bills	112,633	94,903	41,702	18.7%
Personal loans	1,604,940	1,357,221	1,154,013	18.3%

Note: Pursuant to the *Circular on Revising and Issuing 2018 Versions of Financial Statement Templates for Financial Enterprises* (Cai Kuai [2018] No. 36), interests accrued using the effective interest method are included in the carrying amount of financial instruments, and interests not received or paid as at the balance sheet date are presented in “Other assets” or “Other liabilities”. Unless otherwise stated, “Loans and advances to customers”, “Deposits due to customers” and their breakdowns shown in this Annual Report are all amounts net of interests.

Non-recurring gains/losses

During the reporting period, no items of non-recurring gains/losses as defined/stated pursuant to the *Explanatory Announcement on Information Disclosure by Companies Publicly Offering Securities No. 1 – Non-recurring Gains/Losses* were defined as recurring gains/losses.

(In RMB million)

Item	2020	2019	2018	Year-on-year change
Net gains or losses on disposal of non-current assets	92	(30)	98	Negative amount for the previous year
Gains/losses on contingencies	(6)	(3)	1	Negative amount for the previous year
Others	25	173	54	(85.5%)
Income tax effect	(23)	(31)	(35)	(25.8%)
Total	88	109	118	(19.3%)

Note: The non-recurring gains/losses shall refer to the meaning as defined in the *Explanatory Announcement on Information Disclosure by Companies Publicly Offering Securities No. 1 – Non-recurring Gains/Losses*.

2.3 Supplementary financial ratios

(Unit: %)

Item	2020	2019	2018	Year-on-year change
Cost/income ratio	29.11	29.61	30.32	-0.50 percentage point
Credit costs	1.73	2.54	2.35	-0.81 percentage point
Deposit-loan spread	3.84	4.12	3.98	-0.28 percentage point
Net interest spread	2.43	2.53	2.26	-0.10 percentage point
Net interest margin	2.53	2.62	2.35	-0.09 percentage point

Notes: Credit costs = impairment losses on loans for the period/average loan balance (including discounted bills) for the period.

In 2020, average loan balance (including discounted bills) of the Group was RMB2,497,111 million (2019: RMB2,096,394 million). Net interest spread (NIS) = average yield of interest-earning assets – average cost rate of interest-bearing liabilities; and net interest margin (NIM) = net interest income/average balance of interest-earning assets.

2.4 Supplementary regulatory indicators

2.4.1 Key regulatory indicators

(Unit: %)

Item	Standard level of indicator	31 December 2020	31 December 2019	31 December 2018
Liquidity ratio (RMB and foreign currency)	≥ 25	62.05	62.54	60.86
Liquidity ratio (RMB)	≥ 25	60.64	61.46	59.23
Liquidity ratio (foreign currency)	≥ 25	96.43	91.18	96.40
Liquidity coverage ratio	≥ 100	141.21	142.26	142.53
Capital adequacy ratio	≥ 10.5	13.29	13.22	11.50
Tier 1 capital adequacy ratio	≥ 8.5	10.91	10.54	9.39
Core tier 1 capital adequacy ratio	≥ 7.5	8.69	9.11	8.54
Ratio of loans to the single largest customer to net capital	≤ 10	1.96	3.80	5.13
Ratio of loans to top 10 customers to net capital	N/A	14.02	16.96	21.45
Ratio of accumulated foreign exchange exposure position to net capital	≤ 20	2.67	1.93	1.55
Pass loans flow rate	N/A	2.30	3.24	3.73
Special mentioned loans flow rate	N/A	30.17	31.44	37.91
Substandard loans flow rate	N/A	76.39	31.49	66.56
Doubtful loans flow rate	N/A	92.68	99.37	99.44
Non-performing loan ratio	≤ 5	1.18	1.65	1.75
Provision coverage ratio	≥ 120 (Note 2)	201.40	183.12	155.24

Provision to loan ratio	≥ 1.5 (Note 2)	2.37	3.01	2.71

Note: (1) Above-mentioned regulatory indicators are calculated in accordance with the regulatory requirements. Except for the capital adequacy ratio indicator, which represents the Group level position, all other indicators represents the Bank level positions as reported to the regulatory authorities.

(2) In accordance with the *Provisions of Circular on Adjusting the Regulatory Requirements for Loss Provisions for Loans of Commercial Banks* (Yin Jian Fa [2018] No. 7), various joint-stock banks have implemented regulatory policies of differentiated and dynamically adjusted provision.

2.4.2 Capital adequacy ratio

(In RMB million)

Item	31 December 2020		31 December 2019	
	The Group	The Bank	The Group	The Bank
Net core tier 1 capital	273,791	268,100	253,646	253,646
Other tier 1 capital	69,944	69,944	39,948	39,948
Net tier 1 capital	343,735	338,044	293,594	293,594
Tier 2 capital	75,032	75,032	74,599	74,599
Net capital	418,767	413,076	368,193	368,193
Total risk-weighted assets	3,151,764	3,150,828	2,784,405	2,784,405
Credit risk-weighted assets	2,808,573	2,807,985	2,508,004	2,508,004
On-balance-sheet risk-weighted assets	2,444,338	2,443,750	2,223,516	2,223,516
Off-balance-sheet risk-weighted assets	348,043	348,043	275,106	275,106
Risk-weighted assets of counterparty credit risk exposure	16,192	16,192	9,382	9,382
Market risk-weighted assets	88,891	88,779	51,320	51,320
Operational risk-weighted assets	254,300	254,064	225,081	225,081
Core tier 1 capital adequacy ratio	8.69%	8.51%	9.11%	9.11%
Tier 1 capital adequacy ratio	10.91%	10.73%	10.54%	10.54%
Capital adequacy ratio	13.29%	13.11%	13.22%	13.22%
Balance of mitigated risk exposures of credit risk asset portfolio:				
Balance of mitigated risk exposures of on-balance sheet credit risk asset portfolio	3,904,261	3,902,170	3,528,250	3,528,250
Risk exposures of off-balance-sheet assets after conversion	780,298	780,298	611,856	611,856
Counterparty credit risk exposures	6,102,592	6,102,592	3,807,400	3,807,400

Note: The Bank adopted the weighted approach, standardized approach and basic indicator approach to measure capital requirements for its credit risk, market risk and operational risk, respectively; during the reporting period, there were no material changes in the measurement approaches, risk measurement systems and corresponding capital requirements for credit risk, market risk and operational risk. For more details on capital management, please refer to the Bank's website (<http://bank.pingan.com>).

2.4.3 Leverage ratio

(In RMB million)

Item	31 December 2020	30 September 2020	30 June 2020	31 March 2020
Leverage ratio	6.48%	6.59%	6.57%	6.85%
Net tier 1 capital	343,735	335,602	328,049	332,400
Balance of on-and off-balance sheet assets after adjustment	5,301,708	5,096,164	4,993,293	4,852,047

Note: The above data represents the Group level performance. At the end of the reporting period, the decrease in leverage ratio of the Group from the end of September 2020 was mainly due to an increase in the adjusted balance of on- and off-balance sheet assets. For more details on leverage ratio, please refer to the Bank's website (<http://bank.pingan.com>).

2.4.4 Liquidity coverage ratio

(In RMB million)

Item	31 December 2020	30 September 2020	31 December 2019
Liquidity coverage ratio	127.68%	127.71%	143.02%
Qualified current assets	512,772	483,418	497,673
Net cash outflow	401,618	378,536	347,984

Note: The above data represents the Group level performance. The Group discloses information on liquidity coverage ratio according to the *Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks* issued by CBIRC.

2.4.5 Net stable funding ratio

(In RMB million)

Item	31 December 2020	30 September 2020	31 December 2019
Net stable funding ratio	105.50%	104.53%	109.03%
Available stable funding	2,592,754	2,435,748	2,249,567
Stable funding required	2,457,675	2,330,093	2,063,215

Note: The above data are under the standards of the Group. The Group discloses the information on net stable funding ratio according to the *Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks* issued by CBIRC.

2.5 Data on operations of segments

2.5.1 Profit and scale

(In RMB million)

Item		Retail banking business		Wholesale banking business		Others		Total	
		2020	2019	2020	2019	2020	2019	2020	2019
Operating income	Amount	88,578	79,973	55,843	51,955	9,121	6,030	153,542	137,958
	%	57.7	58.0	36.4	37.6	5.9	4.4	100.0	100.0
Operating expenses	Amount	30,854	27,888	15,361	14,254	-	-	46,215	42,142
	%	66.8	66.2	33.2	33.8	-	-	100.0	100.0
Impairment losses on credit and other assets	Amount	35,213	27,043	35,280	33,000	(75)	(516)	70,418	59,527
	%	50.0	45.4	50.1	55.5	(0.1)	(0.9)	100.0	100.0
Profit before tax	Amount	22,452	25,055	5,178	4,706	9,124	6,479	36,754	36,240
	%	61.1	69.1	14.1	13.0	24.8	17.9	100.0	100.0
Net profit	Amount	17,674	19,493	4,075	3,661	7,179	5,041	28,928	28,195
	%	61.1	69.1	14.1	13.0	24.8	17.9	100.0	100.0

Item	31 December 2020		31 December 2019		Change at the end of the year from the end of last year
	Amount	%	Amount	%	
Total assets	4,468,514	100.0	3,939,070	100.0	13.4%
Including: Retail banking business	1,544,067	34.6	1,294,376	32.9	19.3%
Wholesale banking business	1,872,302	41.9	1,713,281	43.5	9.3%
Others	1,052,145	23.5	931,413	23.6	13.0%

Note: The retail banking business segment covers the provision of financial products and services to individual customers, including personal loans, deposits, bank cards and various intermediary businesses.

The wholesale banking business segment comprises corporate business, interbank capital business and small enterprise business (including individuals and legal entities), and covers the provision of financial products and services to corporate customers, government organisations and banks and other financial institutions. The products and services include corporate loans, deposits, trade financing, various corporate intermediary businesses, various interbank capital businesses and Ping An wealth management business.

The others segment refers to the bond investments and some monetary market activities carried out by the head office of the Bank to meet its liquidity management needs, as well as the centrally managed non-performing assets, equity investments, and assets, liabilities, income and expenses not directly attributable to any business segment.

(In RMB million)

Item	31 December 2020		31 December 2019		Change at the end of the year from the end of last year
	Amount	%	Amount	%	
Deposit principals due to customers	2,673,118	100.0	2,436,935	100.0	9.7%
Including: Corporate deposits	1,988,449	74.4	1,853,262	76.0	7.3%
Personal deposits	684,669	25.6	583,673	24.0	17.3%
Total principal of loans and advances to customers	2,666,297	100.0	2,323,205	100.0	14.8%
Including: Corporate loans (including discounted bills)	1,061,357	39.8	965,984	41.6	9.9%
Personal loans (including credit cards)	1,604,940	60.2	1,357,221	58.4	18.3%

Note: Items in the above table are classified based on the nature of the customers, where corporate services to small enterprises is attributable to corporate deposits and corporate loans business, while individual services to small enterprises is attributable to personal deposits and personal loans, and the same approach applies below.

2.5.2 Asset quality

Item	31 December 2020	31 December 2019	Change at the end of the year from the end of last year
Non-performing loan (NPL) ratio	1.18%	1.65%	-0.47 percentage point
Including: Corporate loans (including discounted bills)	1.24%	2.29%	-1.05 percentage points
Personal loans (including credit cards)	1.13%	1.19%	-0.06 percentage point

2.6 Change of core technical team or key technicians during the reporting period (exclusive of directors, supervisors and the senior management)

☐Applicable ☒ Not applicable

2.7 Significant changes in major assets

Significant changes in major assets

Major Assets	Explanations on Significant Changes
Equity assets	There were no significant changes during the reporting period
Property and equipment	There were no significant changes during the reporting period
Intangible assets	There were no significant changes during the reporting period
Construction in progress	There were no significant changes during the reporting period

Status of major overseas assets

☐Applicable ☒ Not applicable

Section III. Discussion and Analysis of Operations

3.1 Overall analysis of operations

2020 was the first year of the Bank implementing its new three-year strategy, with its strategic goal of building a “domestic best performer and world-leading intelligent retail bank”, the Bank adheres to the strategic principles of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking” and the operational strategies of “3 + 2 + 1” to build and deepen retail, corporate and treasury and interbank business, as well as to promote balanced development of business, strive to achieve its branding goals as “a digital bank, an ecosystem, and a platform”, as part of its overall efforts to persistently optimise the assets and liabilities structure, constantly consolidate the foundation for transformation and upgrade, and effectively promote the banking businesses to a higher level.

Since the start of 2020, in the face of complicated and severe international situation, arduous tasks for stability of domestic development and reform, especially the severe impact of the COVID-19 pandemic (the “COVID-19 pandemic”), the Chinese government has maintained strategic determination, decisively issued a series of policies to prevent and control the COVID-19 pandemic and develop its economy and society with accurate judgement on the situation, and careful planning and deployment. Under the resolute leadership of the CPC Central Committee and the State Council, all people in the nation have been united and made great efforts to effectively overcome the adverse impact from the COVID-19 pandemic. China's economy has recovered steadily, becoming the only major economy achieve positive economic growth worldwide. Major breakthroughs are made in reform and opening up, and people's livelihood is effectively guaranteed.

Over the past year, the Bank acting upon the strategic decisions and planning of the CPC Central Committee and the State Council, “fight against the pandemic” on the one hand and “maintaining productivity” on the other, actively promote the implementation of various strategic measures, vigorously support to the development of private enterprises, small and micro enterprises, and strengthen its support to manufacturing and technological enterprises, as well as comprehensively promoted digital and online operations, resumed businesses within a short period and effectively ensured continuous provision of premium services to customers. Meanwhile, the Bank attached great importance to risk management, comprehensively strengthen its financial risk control and prevention under the impact of the COVID-19 pandemic, proactively fulfilled its social responsibilities, including fully support the landing of national policy of “stability on the six fronts” and “security in the six areas”, as well as making unremitting efforts to practically meet various financial service demands of customers, promote rapid work resumption, support continuous transformation and upgrading of real economy, as well as foster to build the dual circulation development pattern centred on the domestic economy and aimed at integrating the domestic and global economy. Operations in 2020 have the following characteristics:

Stable growth of operating income. In 2020, the Group recorded operating income of RMB153,542 million, representing a year-on-year increase of 11.3%; the operating profit before impairment losses was RMB107,327 million, representing a year-on-year increase of 12.0%. Considering the uncertainties arising from the COVID-19 pandemic as well as the economy trends and the domestic and overseas economic environments, the Group increased the allotted amount of impairment losses on loans and advances for customers and non-credit assets, and increased the write-off and disposal of non-performing assets, which gradually improved the profitability that to realise a net profit of RMB28,928 million, representing a year-on-year increase of 2.6%.

Continuous optimisation of liability costs. In 2020, the Group's NIM decreased by 9 basis points to 2.53% as compared with 2019; the average cost of liability was down by 32 basis points to 2.32% as compared with 2019, among which the average cost of deposit-taking was 2.23%, decreasing 23 basis points as compared with 2019 by restructuring of assets and liabilities structure and enhancement of control over deposits so that demand deposits were effectively increased.

Stable growth of non-interest income. In 2020, the Group recorded a net non-interest income of RMB53,892 million, representing a year-on-year increase of 12.3%, mainly due to the increase in the non-interest income derived from personal agency funds and trust plans, coupled with that of trading financing, corporate agency business, bonds underwriting and wealth management; the net non-interest income accounted for 35.10%, with a year-on-year increase of 0.31 percentage point.

Steady growth in the scale of assets and liabilities. As at the end of 2020, the Group's total assets amounted to RMB4,468,514 million, up 13.4% over the end of last year, including the total loans and advances to customers of RMB2,666,297 million, up by 14.8% as compared with the end of last year. The total liabilities amounted to RMB4,104,383 million, representing an increase of 13.2% as compared with the end of last year, including the balance of deposit principals due to customers of RMB2,673,118 million, up 9.7% over the end of the previous year.

Comprehensive improvement on risk indicators. At the end of 2020, the NPL ratio was 1.18%, down 0.47 percentage point as compared with the end of last year, and 0.14 percentage point as compared with the end of September. Special mention loans, loans overdue for more than 60 days and loans overdue for more than 90 days accounted for 1.11%, 1.08% and 0.88% respectively, down by 0.90, 0.50 and 0.47 percentage point as compared with the end of last year, and 0.48, 0.19 and 0.22 percentage point as compared with the end of September. The deviation ratios of loans overdue for more than 60 days and 90 days were both below 1. The provision coverage ratios of non-performing loans, loans overdue for more than 60 days and loans overdue for more than 90 days were 201.40%, 219.78% and 268.74% and up by 18.28, 29.44 and 45.85 percentage points respectively as compared with the end of last year.

Stronger capital base. In February 2020, the Bank completed the issuance of RMB30 billion perpetual capital bonds, which effectively supplemented other tier 1 capital. At the end of 2020, the Group's core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 8.69%, 10.91% and 13.29% respectively, all satisfying the regulatory requirements.

3.2 Analysis of financial statements

3.2.1 Analysis of income statement items

3.2.1.1 Composition of and changes in operating income

In 2020, the Group recorded an operating income of RMB153,542 million, representing a year-on-year increase of 11.3%, which included a net interest income of RMB99,650 million, representing a year-on-year increase of 10.8%, and a net non-interest income was RMB53,892 million, with a year-on-year increase of 12.3%.

(In RMB million)

Item	2020		2019		Year-on-year change
	Amount	%	Amount	%	
Net interest income	99,650	64.9%	89,961	65.2%	10.8%
Interest income from balances with the Central bank	3,379	1.8%	3,345	1.9%	1.0%
Interest income from transactions with financial institutions	7,850	4.2%	9,681	5.5%	(18.9%)
Including: Interest income from deposits with banks and other financial institutions	1,824	1.0%	2,962	1.7%	(38.4%)
Interest income from placements with banks and other financial institutions	941	0.5%	2,132	1.2%	(55.9%)
Interest income from loans and advances to customers	144,415	77.2%	133,610	75.2%	8.1%
Interest income from financial investments	31,543	16.8%	30,913	17.4%	2.0%
Subtotal of interest income	187,187	100.0%	177,549	100.0%	5.4%
Interest expenses on borrowings from the Central bank	3,745	4.3%	4,290	4.9%	(12.7%)
Interest expenses for transactions with financial enterprises	11,495	13.1%	12,615	14.4%	(8.9%)
Interest expense on deposits due to customers	56,170	64.2%	56,002	63.9%	0.3%
Interest expenses on debt securities issued	15,909	18.2%	14,477	16.6%	9.9%
Other interest expenses	218	0.2%	204	0.2%	6.9%

Subtotal of interest expenses	87,537	100.0%	87,588	100.0%	(0.1%)
Net fee and commission income	43,481	28.3%	36,743	26.6%	18.3%
Other net non-interest income	10,411	6.8%	11,254	8.2%	(7.5%)
Total operating income	153,542	100.0%	137,958	100.0%	11.3%

3.2.1.2 Net interest income

In 2020, the Group recorded net interest income of RMB99,650 million, representing a year-on-year increase of 10.8%. On one hand, with capital replenishment in the second half of 2019, the Group continued to grant more loans to the real economy, and the average daily balance of loans and advances to customers (excluding discounted bills) amounted to RMB2,371,043 million, representing an increase of 17.1% as compared with 2019. On the other hand, due to giving more support to the real economy, reducing financing costs, and accelerating the restructuring of the business to efficiently lower the liability costs on the basis of the change in market interest rates as well as the asset and liability management objective, the Group's yield of interest-earning assets decreased at a higher rate than the cost rate of interest-bearing liabilities, the deposit-loan spread and NIS were 3.84% and 2.43% respectively, decreasing by 28 and 10 basis points compared with those of 2019 respectively; and the NIM decreased by 9 basis points to 2.53% as compared with 2019.

1. Average daily balance and average yield/cost rate of the major asset and liability items

(In RMB million)

Item	Jan. - Dec. 2020			Jan. - Dec. 2019		
	Average daily balance	Interest income/ expenses	Average yield/ cost rate	Average daily balance	Interest income/ expenses	Average yield/ cost rate
Assets						
Loans and advances to customers (excluding discounted bills)	2,371,043	143,812	6.07%	2,025,073	133,278	6.58%
Bond investment	754,056	22,947	3.04%	642,686	21,415	3.33%
Balances with the Central Bank	225,278	3,379	1.50%	222,097	3,345	1.51%
Bills discounting and interbank business	594,053	17,049	2.87%	543,900	19,511	3.59%
Total interest-earning assets	3,944,430	187,187	4.75%	3,433,756	177,549	5.17%
Liabilities						
Deposits due to customers	2,517,798	56,170	2.23%	2,274,753	56,002	2.46%
Debt securities issued	540,981	15,909	2.94%	405,019	14,477	3.57%
Including: Interbank certificates of deposits	436,046	11,786	2.70%	303,490	10,023	3.30%
Interbank business and others	717,508	15,458	2.15%	640,636	17,109	2.67%
Total interest-bearing liabilities	3,776,287	87,537	2.32%	3,320,408	87,588	2.64%
Net interest income		99,650			89,961	
Deposit-loan spread			3.84%			4.12%
NIS			2.43%			2.53%
NIM			2.53%			2.62%

(In RMB million)

Item	Oct. - Dec. 2020			Jul. - Sep. 2020		
	Average daily balance	Interest income/ expenses	Average yield/ cost rate	Average daily balance	Interest income/ expenses	Average yield/ cost rate
Assets						
Loans and advances to customers (excluding discounted bills)	2,456,848	35,872	5.79%	2,380,982	35,133	5.85%
Bond investment	703,935	5,651	3.18%	765,462	5,654	2.93%
Balances with the Central Bank	226,073	850	1.49%	220,628	829	1.49%
Bills discounting and interbank business	597,278	4,033	2.68%	606,701	4,179	2.73%
Total interest-earning assets	3,984,134	46,406	4.62%	3,973,773	45,795	4.57%
Liabilities						
Deposits due to customers	2,518,060	13,356	2.10%	2,478,386	13,296	2.13%
Debt securities issued	593,972	4,336	2.90%	558,399	3,850	2.74%
Including: Interbank certificates of deposits	486,488	3,313	2.70%	446,515	2,799	2.49%
Interbank business and others	757,322	4,218	2.21%	749,864	3,800	2.01%
Total interest-bearing liabilities	3,869,354	21,910	2.25%	3,786,649	20,946	2.19%
Net interest income		24,496			24,849	
Deposit-loan spread			3.69%			3.72%
NIS			2.37%			2.38%
NIM			2.44%			2.48%

2. Average daily balance and yield of loans and advances to customers

(In RMB million)

Item	Jan. - Dec. 2020			Jan. - Dec. 2019		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	938,857	40,227	4.28%	793,555	38,004	4.79%
Personal loans (including credit cards)	1,432,186	103,585	7.23%	1,231,518	95,274	7.74%
Loans and advances to customers (excluding discounted bills)	2,371,043	143,812	6.07%	2,025,073	133,278	6.58%

Item	Oct. - Dec. 2020			Jul. - Sep. 2020		
	Average daily balance	Interest income	Average yield	Average daily balance	Interest income	Average yield
Corporate loans (excluding discounted bills)	937,188	9,701	4.11%	943,586	10,104	4.25%
Personal loans (including credit cards)	1,519,660	26,171	6.83%	1,437,396	25,029	6.91%
Loans and advances to customers (excluding discounted bills)	2,456,848	35,872	5.79%	2,380,982	35,133	5.85%

In 2020, the Group's average yield of loans and advances to customers was 6.07%, a decrease of 51 basis points compared with 2019. The average yield of corporate loans was 4.28%, a year-on-year decrease of 51 basis points, mainly due to the fact that the Group continued to grant more loans to the manufacturing and other real economies to slash the financing costs in a practical way with the steady reduction of interest rates, and as a result, the yield of corporate loans dropped; the average yield of personal loans was 7.23%, a year-on-year decrease of 51 basis

points, mainly due to the Group's increase in the grant of title deed-secured loans products with lower risk and unsecured loans for high-quality customers to optimise the customer structure in response to the impact of the pandemic on consumer market requirements.

3. Average daily balance and cost rate of deposits due to customers

(In RMB million)

Item	Jan. - Dec. 2020			Jan. - Dec. 2019		
	Average daily balance	Interest expenses	Average cost rate	Average daily balance	Interest expenses	Average cost rate
Corporate deposits	1,898,373	41,163	2.17%	1,762,693	42,574	2.42%
Including: Demand deposits	586,383	3,771	0.64%	538,268	3,383	0.63%
Time deposits	937,248	28,547	3.05%	979,628	33,131	3.38%
Including: Treasury deposits and agreement deposits	79,419	2,914	3.67%	106,653	4,556	4.27%
Margin deposits	374,742	8,845	2.36%	244,797	6,060	2.48%
Personal deposits	619,425	15,007	2.42%	512,060	13,428	2.62%
Including: Demand deposits	207,279	617	0.30%	169,289	512	0.30%
Time deposits	385,847	13,481	3.49%	318,506	11,815	3.71%
Margin deposits	26,299	909	3.46%	24,265	1,101	4.54%
Deposits due to customers	2,517,798	56,170	2.23%	2,274,753	56,002	2.46%

Item	Oct. - Dec. 2020			Jul. - Sep. 2020		
	Average daily balance	Interest expenses	Average cost rate	Average daily balance	Interest expenses	Average cost rate
Corporate deposits	1,886,602	9,569	2.01%	1,848,214	9,639	2.07%
Including: Demand deposits	626,197	1,038	0.66%	592,224	950	0.64%
Time deposits	926,244	6,873	2.94%	871,494	6,411	2.92%
Including: Treasury deposits and agreement deposits	87,410	788	3.58%	70,881	634	3.55%
Margin deposits	334,161	1,658	1.97%	384,496	2,278	2.35%
Personal deposits	631,458	3,787	2.38%	630,172	3,657	2.30%
Including: Demand deposits	214,681	163	0.30%	216,893	163	0.30%
Time deposits	385,120	3,346	3.45%	383,332	3,238	3.35%
Margin deposits	31,657	278	3.48%	29,947	256	3.39%
Deposits due to customers	2,518,060	13,356	2.10%	2,478,386	13,296	2.13%

In 2020, the Bank launched the new three-year strategic measures to promote the transformation of corporate business and retail business, reshape the structure of assets and liabilities, and raise the management and control of liability cost to the strategic height of the entire bank. Specifically, the strategy was promoted via strengthening pricing management, proactively reducing high-cost deposits, relying on the advantages of "finance + technology" to expand low-cost deposits.

In 2020, the average cost rate of the Group's deposits was 2.23%, decreasing by 23 basis points compared with 2019, while the average cost rates of various deposits reduced effectively. The average cost rate of corporate deposits and corporate time deposits were 2.17% and 3.05% respectively, decreasing by 25 and 33 basis points respectively compared with 2019; the daily average corporate demand deposit was RMB586,383 million, up 8.9% from 2019, and accounted for 30.9% of daily average corporate deposit, up 0.4 percentage point from 2019. The average cost rate of personal deposits and personal time deposits were 2.42% and 3.49% respectively, decreasing by 20 and 22 basis points compared with 2019; the daily average personal demand deposit was RMB207,279 million, up 22.4% from 2019, and accounted for 33.5% of daily average personal deposit, up 0.4 percentage point from 2019.

3.2.1.3 Net non-interest income

In 2020, the Group recorded net non-interest income of RMB53,892 million, representing a year-on-year increase of 12.3%.

1. Net fee and commission income

In 2020, the Group recorded fee and commission income of RMB53,296 million, representing a year-on-year increase of 16.1%, among which, the agency and trusteeship business fee income was RMB9,426 million, representing a year-on-year increase of 37.8%, mainly due to that the active promotion of private banking business development resulted in an increase in the commission income of personal agency funds and trust plans; bank card business fee income was RMB32,775 million, up 8.5% year on year, mainly due to the increase of corresponding fee and commission income resulting from increase in credit card transaction volume; other fees and commissions income was RMB6,214 million, representing a year-on-year increase of 59.7%, mainly due to the increase in fee income from trade financing, bonds underwriting and wealth management business.

(In RMB million)			
Item	2020	2019	Year-on-year change
Settlement fee income	2,692	2,789	(3.5%)
Agency and trusteeship business fee income	9,426	6,841	37.8%
Bank card business fee income	32,775	30,200	8.5%
Asset trusteeship fee income	2,189	2,181	0.4%
Others	6,214	3,892	59.7%
Fee and commission income	53,296	45,903	16.1%
Fee and commission expenses	9,815	9,160	7.2%
Net fee and commission income	43,481	36,743	18.3%

2. Other net non-interest income

Item	2020	2019	Year-on-year change
Investment income	9,921	9,710	2.2%
Gains and losses on changes in fair value	(614)	49	(1,353.1%)
Net gains from foreign exchange and foreign exchange products	762	1,196	(36.3%)
Other operating income	111	110	0.9%
Gains or losses on disposal of assets	57	(30)	Negative amount for last year
Other income	174	219	(20.5%)
Other net non-interest income	10,411	11,254	(7.5%)

Other net non-interest income included investment income, gains and losses on changes in fair value, net gains from foreign exchange and foreign exchange products, other operating income, gains or losses on disposal of assets and other income. In 2020, the Bank recorded other net non-interest income of RMB10,411 million, representing a year-on-year decrease of 7.5%, resulting from a decrease in changes in fair value of financial assets held for trading and decrease in exchange gains and losses due to exchange rate fluctuation.

3.2.1.4 Operating and administrative expense

In 2020, operating and administrative expense of the Group was RMB44,690 million, a year-on-year increase of 9.4%; the cost/income ratio was 29.11% in 2020, decreasing by 0.50 percentage point year on year. The Group increased investments in technology R&D and strategy for the comprehensive promotion of its digital and online operations as well as the stimulation of business and management innovation according to the new three-year strategic measures. Meanwhile, the Group strengthened the active management, refined resource allocation, and optimised daily and fixed expenses; gradually converted outlets into light modes to have an effective control on workplace cost; it effectively saved operating costs and continuously optimised the efficiency of input and output as the business model turned intelligent and mobile.

3.2.1.5 Impairment losses on credit and other assets

In 2020, the Bank continued to adjust and optimise its business structure, further increased the amount of provision for impairment losses on credit and other assets and strengthened the write-off and disposal of non-performing assets, including wealth management assets re-included into the balance sheet that were non-credit non-performing assets, and the indicators for asset quality were continuously improved. In 2020, the Bank's provision for impairment losses on credit and other assets amounted to RMB70,418 million, with a year-on-year increase of RMB10,891 million, which included provision for impairment losses on non-credit assets of RMB27,270 million, an increase of RMB21,031 million year on year.

(In RMB million)

Item	Provision/(Reversal) in 2020	Provision in 2019	Year-on-year change
Deposits with banks and other financial institutions	(183)	502	(136.5%)
Placements with and loans to banks and other financial institutions	54	64	(15.6%)
Financial assets held under resale agreements	(33)	50	(166.0%)
Loans and advances to customers	43,148	53,288	(19.0%)
Debt investments (Note)	27,259	2,185	1,147.6%
Other debt investments	261	946	(72.4%)
Expected loss of credit commitment for off-balance sheet items	(779)	868	(189.7%)
Foreclosed assets	807	794	1.6%
Others	(116)	830	(114.0%)
Total	70,418	59,527	18.3%

Note: Credit impairment provision was mainly made for financial investments carried at amortised cost, including asset management plan/right to yields of asset management plan, and trust plan/right to yields of trust plan.

3.2.1.6 Income tax expenses

In 2020, the Group's provision on income tax expenses amounted to RMB7,826 million, with a year-on-year decrease of 2.7%, and the effective income tax rate was 21.29%, decreased by 0.91 percentage point on a year-on-year basis, due to additional tax exemption income such as interest income from government bonds.

(In RMB million)

Item	2020	2019	Year-on-year change
Profit before tax	36,754	36,240	1.4%
Income tax expenses	7,826	8,045	(2.7%)
Effective income tax rate	21.29%	22.20%	-0.91 percentage point

3.2.1.7 Regional segment of operating income and expense

See "IV. Operating Segment Information" in "Section X Financial Report" for details about regional segment of operating income and expense of the Group in 2020.

3.2.2 Analysis of balance sheet items

3.2.2.1 Asset composition and changes

At the end of 2020, the Group's total assets amounted to RMB4,468,514 million, up 13.4% over the end of last year, which included the total loans and advances to customers of RMB2,666,297 million, representing an increase of 14.8% as compared with the end of last year.

(In RMB million)

Item	31 December 2020		31 December 2019		Change at the end of the year from the end of last year
	Amount	%	Amount	%	
Total loans and advances to customers	2,673,662	59.8%	2,328,909	59.1%	14.8%

Including: Principal of loans and advances to customers	2,666,297	59.7%	2,323,205	59.0%	14.8%
Accrued interest on loans and advances to customers	7,365	0.1%	5,704	0.1%	29.1%
Impairment provision of loans and advances to customers measured at amortised cost	(62,821)	(1.4%)	(69,560)	(1.8%)	(9.7%)
Net loans and advances to customers	2,610,841	58.4%	2,259,349	57.3%	15.6%
Financial assets classified as investments (Note)	1,180,218	26.4%	1,065,580	27.1%	10.8%
Cash and balances with the Central bank	283,982	6.4%	252,230	6.4%	12.6%
Deposits with banks and other financial institutions	106,174	2.4%	85,684	2.2%	23.9%
Precious metals	31,340	0.7%	51,191	1.3%	(38.8%)
Placements with and loans to banks and other financial institutions and financial assets held under resale agreements	166,310	3.7%	141,585	3.6%	17.5%
Investment properties	573	0.0%	247	0.0%	132.0%
Property and equipment	10,893	0.2%	11,092	0.3%	(1.8%)
Right-of-use assets	7,149	0.2%	7,517	0.2%	(4.9%)
Intangible assets	3,852	0.1%	4,361	0.1%	(11.7%)
Goodwill	7,568	0.2%	7,568	0.2%	-
Deferred tax assets	39,034	0.9%	34,725	0.9%	12.4%
Other assets	20,580	0.4%	17,941	0.4%	14.7%
Total assets	4,468,514	100.0%	3,939,070	100.0%	13.4%

Note: “Financial assets classified as investments” include the “derivative financial assets, financial assets held for trading, investment on debts, other investment on debts and other equity investment” on the balance sheet. See “3.2.3.1 Investment portfolio and overall situation” in this section for details.

1. Loans and advances to customers

See “3.2.7 Analysis on asset quality of loans” in this section for details about loans and advances to customers.

2. Goodwill

The Bank acquired goodwill from its acquisition of the former Ping An Bank in July 2011. The goodwill balance was RMB7,568 million on 31 December 2020. See “III. Notes to key items in the financial statements 16. Goodwill” in “Section X Financial Report” for details on the goodwill and its impairment test.

(In RMB million)

Item	Balance	Impairment provision
Goodwill	7,568	-

3. Other assets - foreclosed assets

(In RMB million)

Item	31 December 2020	31 December 2019	Change at the end of the year from the end of last year
Lands and buildings	3,573	4,879	(26.8%)
Others	116	16	625.0%
Subtotal	3,689	4,895	(24.6%)
Impairment provision for foreclosed assets	(1,271)	(925)	37.4%
Net amount of foreclosed assets	2,418	3,970	(39.1%)

3.2.2.2 Liability structure and changes

At the end of 2020, the Group's total liabilities were RMB4,104,383 million, representing an increase of 13.2% over the end of the previous year; which included the balance of deposits due to customers of RMB2,673,118 million, up 9.7% over the end of the previous year.

(In RMB million)

Item	31 December 2020		31 December 2019		Change at the end of the year from the end of last year
	Balance	%	Balance	%	
Deposits due to customers	2,695,935	65.7%	2,459,768	67.8%	9.6%
Including: Deposit principals due to customers	2,673,118	65.1%	2,436,935	67.2%	9.7%
Accrued interest on deposits due to customers	22,817	0.6%	22,833	0.6%	(0.1%)
Borrowings from the Central Bank	124,587	3.0%	113,331	3.1%	9.9%
Deposits from banks and other financial institutions	469,551	11.4%	368,691	10.2%	27.4%
Placements from banks and other financial institutions	41,034	1.0%	26,071	0.7%	57.4%
Financial liabilities held for trading	31,505	0.8%	29,691	0.8%	6.1%
Derivative financial liabilities	41,485	1.0%	21,404	0.6%	93.8%
Financial assets sold under repurchase agreements	35,286	0.9%	40,099	1.1%	(12.0%)
Salaries and welfare payable	16,959	0.4%	14,218	0.4%	19.3%
Taxes payable	11,444	0.3%	12,031	0.3%	(4.9%)
Debt securities issued	611,865	14.9%	513,762	14.2%	19.1%
Lease liabilities	7,346	0.2%	7,600	0.2%	(3.3%)
Others (Note)	17,386	0.4%	19,421	0.6%	(10.5%)
Total liabilities	4,104,383	100.0%	3,626,087	100.0%	13.2%

Note: "Others" include provisions, deferred income tax liabilities and other liabilities as shown in the financial statements.

1. Distribution of deposits due to customers as per customer type

(In RMB million)

Item	31 December 2020	31 December 2019	Change at the end of the year from the end of last year
Corporate deposits	1,988,449	1,853,262	7.3%
Personal deposits	684,669	583,673	17.3%
Total deposit principals due to customers	2,673,118	2,436,935	9.7%

2. Distribution of deposits due to customers as per regions

(In RMB million)

Item	31 December 2020		31 December 2019		Change at the end of the year from the end of last year
	Balance	%	Balance	%	
Eastern Region	778,838	29.1%	639,014	26.2%	21.9%
Southern Region	958,494	35.9%	812,790	33.4%	17.9%
Western Region	198,291	7.4%	198,661	8.2%	(0.2%)
Northern Region	506,169	18.9%	459,606	18.9%	10.1%
Head office	219,570	8.3%	324,428	13.2%	(32.3%)
Overseas	11,756	0.4%	2,436	0.1%	382.6%

Total deposit principals due to customers	2,673,118	100.0%	2,436,935	100.0%	9.7%

3.2.2.3 Changes in shareholders' equity

At the end of 2020, the Group's shareholders' equity was RMB364,131 million, up 16.3% over the end of last year, among which, other equity instrument amounted to RMB69,944 million, representing an increase of 75.1% over the end of the previous year, due to capital bonds without fixed terms issued by the Bank included in other equity instrument after deducting issuance costs; and retained earnings amounted to RMB131,186 million, up 15.7% over the end of the previous year primarily due to net profit recorded and distributed of the year.

(In RMB million)

Item	Beginning balance	Increase in the current year	Decrease in the current year	Ending balance
Share capital	19,406	-	-	19,406
Other equity instrument	39,948	29,996	-	69,944
Including: Preference shares	19,953	-	-	19,953
Perpetual bonds	19,995	29,996	-	49,991
Capital surplus	80,816	-	-	80,816
Other comprehensive income	2,314	-	(1,852)	462
Surplus reserve	10,781	-	-	10,781
General reserve	46,348	5,188	-	51,536
Retained earnings	113,370	28,928	(11,112)	131,186
Including: Dividend of ordinary shares proposed for distribution	4,230	3,493	(4,230)	3,493
Total shareholders' equity	312,983	64,112	(12,964)	364,131

3.2.2.4 Fair value measurement

See "VII. Risk disclosure 4. Fair value of financial instruments" and "XI. Other significant items - Assets and liabilities measured at fair value" in the "Section X Financial Report" for the Group's fair value measurement and items measured at fair value at the end of 2020.

3.2.2.5 Restrictions on major asset rights by the end of the reporting period

☐ Applicable ☒ Not applicable

3.2.3 Investment situation

3.2.3.1 Investment portfolio and overall situation

☒ Applicable ☐ Not applicable

(In RMB million)

Item	31 December 2020		31 December 2019		Change at the end of the year from the end of last year
	Balance	%	Balance	%	
Derivative financial assets	36,607	3.1%	18,500	1.7%	97.9%
Financial assets held for trading	311,270	26.4%	206,682	19.4%	50.6%
Investment on debts	633,619	53.7%	656,290	61.6%	(3.5%)
Other debt investments	197,073	16.7%	182,264	17.1%	8.1%
Other equity investments	1,649	0.1%	1,844	0.2%	(10.6%)
Total financial assets classified as investments	1,180,218	100.0%	1,065,580	100.0%	10.8%

3.2.3.2 Significant equity investment acquired in the reporting period

□Applicable √ Not applicable

3.2.3.3 Significant non-equity investment ongoing in the reporting period

□Applicable √ Not applicable

3.2.3.4 Financial bonds held

At the end of 2020, the carrying amount of financial bonds (policy bank bonds, various general financial bonds, subordinated financial bonds, excluding enterprise bonds) held by the Group was RMB179,603 million, among which ten financial bonds with the highest book value were detailed as follows:

(In RMB million)

Name of bonds	Par value	Annual coupon rate (%)	Maturity date	Impairment provision
2020 Policy Bank Bonds	6,020	2.25	12/03/2022	-
2011 Policy Bank Bonds	3,030	2.35	17/02/2021	-
2020 Commercial Bank Financial Bonds	3,000	3.80	09/06/2021	39.88
2016 Commercial Bank Financial Bonds	3,000	3.25	07/03/2021	4.50
2019 Commercial Bank Financial Bonds	3,000	3.50	27/03/2022	20.44
2016 Commercial Bank Financial Bonds	3,000	3.20	29/03/2021	5.67
2020 Commercial Bank Financial Bonds	2,530	3.18	07/08/2023	15.02
2015 Policy Bank Bonds	2,310	4.21	13/04/2025	-
2020 Commercial Bank Financial Bonds	2,300	3.20	05/08/2021	0.91
2018 Policy Bank Bonds	2,200	4.88	09/02/2028	-

3.2.3.5 Derivative financial instruments held

Derivative investment

Risk analysis and control measures for derivative positions in the reporting period (including but not limited to market risk, liquidity risk, operational risk, legal risk, etc.)	The Bank carried out capital transactions and investment covering derivatives within the overall limit framework of risk preference and market risk established by the Board of Directors. The Bank built a targeted system for risk management and internal control to effectively identify, measure, monitor, report and control the risks associated with derivative investment.
For changes in market price or fair value of products during the reporting period of invested derivatives, analysis of the fair value of derivatives shall disclose the specific measures used and related hypotheses and parameter setting	In the reporting period, changes in the fair value of the derivatives invested by the Bank were within reasonable and controllable range. The Bank adopted valuation methods generally recognised by market players and verified to be reliable by the previous actual market transaction price, and market observable parameters to determine the fair value of the derivatives.
Description of whether the specific principles of the accounting policies and accounting for the company's derivatives during the reporting period changed significantly compared with those in the previous reporting period	The Bank developed the accounting policies and accounting measures for derivatives according to the <i>Accounting Standards for Business Enterprises</i> and there was no significant change in relevant policies during the reporting period.
Special opinions of independent directors on the derivative investment and risk control of the company	The Bank's derivative trading is a commercial bank business approved by regulatory authorities. The Bank has set up a special risk management organisation and established a targeted risk management

	system to effectively manage the risk of derivative investment business.

Positions of derivative investment

(In RMB million)

Contract type	Beginning contract amount (Nominal amount)	Ending contract amount (Nominal amount)	Changes in fair value during the reporting period
Foreign exchange derivatives	496,223	1,275,175	(1,771)
Interest rate derivatives	4,768,243	6,693,080	808
Precious metals derivatives	89,851	99,743	1,018
Total	5,354,317	8,067,998	55

Note: The nominal amount of derivative financial instruments only demonstrated the trading volume, but did not reflect the actual risk exposure. The Bank mainly adopted hedging strategy to the foreign exchange and interest rate derivative business, so there was little actual risk exposure of foreign exchange rate and interest rate.

3.2.3.6 Usage of raised funds

The company had no usage of raised funds during the reporting period.

3.2.3.7 The Bank sold no significant assets and equities during the reporting period and since previous period lasting to the reporting period.

3.2.3.8 Analysis on main holding companies and joint stock companies

✓ Applicable ☐ Not applicable

There is no net profit of a single subsidiary of the Bank or investment income of a single joint stock company that affects the net profit of the Bank by more than 10%. See “3.3 Discussion and analysis of the main businesses” in this section for details about business development of the Bank’s wholly-owned subsidiary Ping An Wealth Management Co., Ltd.

Shares held in other listed companies

(In RMB million)

Security code	Security abbreviation	Initial investment amount	Shareholding proportion in the company as at the end of the period	Ending carrying amount	Investment gains/losses during the reporting period	Changes in owners' equity during the reporting period	Accounting items	Source of shares
601975	Zhaoshang Nanyou	83	0.72%	91	(20)	-	Financial assets held for trading	Debt-to-equity
600725	ST Yunwei	158	0.85%	18	(9)	-		Debt-to-equity
601916	Zheshang Bank	59	0.05%	41	(1)	-		Debt-to-equity
400053	Jiazhi 3	11	1.76%	11	-	-		Debt-to-equity
900951	ST Dahua B	4	0.50%	1	-	(2)	Other equity investments	Debt-to-equity
-	Visa Inc.	-	0.01%	13	-	2		Historical investment
Total		315		175	(30)	-		

Shares held in unlisted financial companies and Pre-IPOs

(In RMB million)

Invested entities	Investment amount	Changes in fair value	Ending net value
China UnionPay Co., Ltd.	74	-	74
Shares of SWIFT member	1	-	1
Clearing Centre for City Commercial Banks	1	-	1
Total	76	-	76

3.2.3.9 Structured entities controlled by the company

At the end of 2020, the Bank's balance of non-principal-guaranteed WMPs was RMB648,185 million, increasing by 9.8% compared with the end of last year. See "III. Notes to key items in the financial statements - Note 52. Structured entities" in "Section X Financial Report" for details about the Group's structured entities.

3.2.4 Balance of off-balance sheet items which may have significant influences on business performance at the end of the reporting period

See "V. Commitments and contingent liabilities" in "Section X Financial Report" for the Group's items, such as "capital expenditure commitments and credit commitments".

3.2.5 Analysis on items with changes over 30% in comparative accounting statement

(In RMB million)

Item	Amount for the period	Amount of change	Rate of change	Analysis on reasons of change
Precious metals	31,340	(19,851)	(38.8%)	Decrease in receivables of tradable gold lease
Derivative financial assets	36,607	18,107	97.9%	Changes in the scale and fair value of foreign exchange and interest rate derivative transactions
Financial assets held under resale agreements	95,314	33,098	53.2%	Increase in the scale of bonds held under resale agreements
Financial assets held for trading	311,270	104,588	50.6%	Increase in the scale of investments in bonds and funds held for trading
Investment properties	573	326	132.0%	Increase in the properties converted from fixed assets for leasing purposes in the current period
Placements from banks and other financial institutions	41,034	14,963	57.4%	Increase in placements from domestic and overseas banks and financial institutions
Derivative financial liabilities	41,485	20,081	93.8%	Changes in the scale and fair value of foreign exchange and interest rate derivative transactions
Provisions	958	(776)	(44.8%)	Reversal of expected credit losses of financial guarantee contracts
Deferred income tax liabilities	2	2	Nil at the end of last year	Small base amount, nil at the end of last year
Other equity instrument	69,944	29,996	75.1%	Inclusion net of cost of perpetual capital bonds issued by the Bank in other equity instrument
Other comprehensive income	462	(1,852)	(80.0%)	Decrease in fair value of other debt investments
Gains and losses on changes in fair value	(614)	(663)	(1,353.1%)	Decrease in changes in fair value of financial assets held for trading
Net gains from foreign exchange and foreign exchange products	762	(434)	(36.3%)	Changes in net gains from foreign exchange and foreign exchange products due to fluctuations in exchange rate
Gains or losses on disposal of assets	57	87	Negative amount for last year	Small base amount of RMB-30 million for last year
Non-operating expenses	232	84	56.8%	Increase in non-profit donation expenses

3.2.6 Cash flows

In 2020, the Group's net cash flows generated from operating activities amounted to RMB-16,161 million, a year-on-year increase of RMB23,864 million, primarily due to the year-on-year increase in cash inflow as a result of increase in amount of deposits from customers; net cash flows generating from investing activities amounted to RMB15,944 million, a year-on-year increase of RMB118 billion, mainly due to the year-on-year increase in cash inflow from investment recovered; net cash flows generated from financing activities amounted to RMB103,401 million, a year-on-year decrease of RMB55,266 million, primarily due to the increase in cash outflow arising from principal repayment of debt securities.

3.2.7 Analysis of loan quality

In 2020, the Bank fully supported the pandemic control and prevention and the stability of the financial market, and offered differentiated emergency solutions for financial services to help enterprises and individuals affected to weather the storm of COVID-19 and effectively support the development of small, medium and micro enterprises. At the same time, it kept on adjusting and optimising business structure and strengthened the recovery and disposal of problematic assets, key indicators for asset quality was thus continuously improved. Balance and proportion of non-performing loans, loans overdue for more than 60 days and 90 days both declined compared with the end of last year, and the deviation ratios of loans overdue for more than 60 days and 90 days were both below 1.

At the end of 2020, the NPL ratio was 1.18%, down 0.47 percentage point from the end of last year; the special mention loans, loans overdue for more than 60 days and loans overdue for more than 90 days accounted for 1.11%, 1.08% and 0.88% respectively, down 0.90, 0.50 and 0.47 percentage point from the end of last year; major indicators for assets quality were improved significantly. Meanwhile, the risk compensation capability of the Bank was further enhanced. The provision coverage ratio of NPL, loans overdue for more than 60 days and loans overdue for more than 90 days were 201.40%, 219.78% and 268.74%, up 18.28, 29.44 and 45.85 percentage points over the end of last year respectively.

In 2020, the Bank recovered a total of RMB26,068 million, increasing by 22.0% compared with the same period of last year, including credit assets (loan principal) of RMB24,848 million; recovered principals of loans included written-off loans of RMB13,099 million and unwritten-off NPL of RMB11,749 million; 98.2% of recovered amount for non-performing assets was recovered in cash and the rest was recovered in repayment by collaterals.

3.2.7.1 Five-tier classification of loans and advances to customers

(In RMB million)

Item	31 December 2020		31 December 2019		Change at the end of the year from the end of last year
	Balance	%	Balance	%	
Pass loans	2,605,204	97.71%	2,238,307	96.34%	16.4%
Special mention loans	29,703	1.11%	46,665	2.01%	(36.3%)
Non-performing loans	31,390	1.18%	38,233	1.65%	(17.9%)
Including: Substandard	14,205	0.53%	18,891	0.81%	(24.8%)
Doubtful	5,942	0.22%	6,272	0.27%	(5.3%)
Loss	11,243	0.43%	13,070	0.57%	(14.0%)
Total principal of loans and advances to customers	2,666,297	100.00%	2,323,205	100.00%	14.8%
Impairment provision for loans and advances to customers	(63,219)		(70,013)		(9.7%)
Including: Impairment provision for loans and advances to customers measured at amortised cost	(62,821)		(69,560)		(9.7%)
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	(398)		(453)		(12.1%)
NPL ratio	1.18%		1.65%		-0.47 percentage point
Deviation ratio of loans overdue for more than 90 days (Note 1)	0.75		0.82		-0.07
Deviation ratio of loans overdue for more than 60 days (Note 2)	0.92		0.96		-0.04
Provision coverage ratio	201.40%		183.12%		+18.28 percentage points
Provision coverage ratio for loans overdue for more than 90 days	268.74%		222.89%		+45.85 percentage points
Provision coverage ratio for loans overdue for more than 60 days	219.78%		190.34%		+29.44 percentage points

Provision to loan ratio	2.37%		3.01%		-0.64 percentage point

Note: (1) Deviation ratio of loans overdue for more than 90 days=Balance of loans overdue for more than 90 days/Balance of non-performing loans.

(2) Deviation ratio of loans overdue for more than 60 days=Balance of loans overdue for more than 60 days/Balance of non-performing loans.

3.2.7.2 Structural distribution and quality of loans and advances to customers as per products

(In RMB million)

Item	31 December 2020			31 December 2019			Increase/decrease in NPL ratio
	Balance	%	NPL ratio	Balance	%	NPL ratio	
Corporate loans	1,061,357	39.8%	1.24%	965,984	41.6%	2.29%	-1.05 percentage points
Including: General corporate loans	948,724	35.6%	1.39%	871,081	37.5%	2.54%	-1.15 percentage points
Discounted bills	112,633	4.2%	-	94,903	4.1%	-	-
Personal loans	1,604,940	60.2%	1.13%	1,357,221	58.4%	1.19%	-0.06 percentage point
Including: Personal residential mortgage loans and title deed-secured loans (Note 1)	528,384	19.8%	0.31%	411,066	17.7%	0.30%	+0.01 percentage point
Xinyidai	146,293	5.5%	1.13%	157,364	6.8%	1.34%	-0.21 percentage point
Auto finance loans	246,416	9.2%	0.70%	179,224	7.7%	0.74%	-0.04 percentage point
Credit card receivables	529,251	19.9%	2.16%	540,434	23.3%	1.66%	+0.50 percentage point
Others (Note 2)	154,596	5.8%	1.16%	69,133	2.9%	3.55%	-2.39 percentage points
Total principal of loans and advances to customers	2,666,297	100.0%	1.18%	2,323,205	100.0%	1.65%	-0.47 percentage point

Note: (1) “Personal residential mortgage loans and title deed-secured loans” included the balance of “property mortgage” of RMB239,467 million at the end of 2020 (RMB199,371 million at the end of 2019).

(2) “Others” include personal business loans, small consumer loans and other guaranteed or secured loans.

1. Corporate NPL ratio decreased by 1.05 percentage points as compared to the end of the last year, maintaining a continuously downward trend. The Bank kept refining the corporate business, continuously optimised the enterprise credit structure, enhanced the asset quality management and control mechanism, intensified the efforts to recover and dispose of the non-performing, and empowered technology to risk management and control work in order to comprehensively strengthen asset quality of corporate business. The details are as follows:

(1) The Bank continued to improve the risk entry standard and policy requirement for industries, regions, products and customers of corporate credit business and promote the optimisation of the enterprise credit business structure in order to control the asset quality of corporate business from the source.

(2) The Bank kept on reinforcing the establishment of quality management system for corporate assets, improved the post-loan management action system, performed continuous risk screening and implemented targeted risk control measures to achieve early detection, anticipation and control.

(3) The Bank also accelerated risk mitigation and handling on problematic loans, made customised suitable plans for each problematic loan and assigned specific person to manage the loans, and also fully exploited its special asset management department’s centralised and professional advantage for asset liquidation and recovery, to ensure the effect of risk handling.

(4) The Bank promoted the platform construction of intelligent corporate risk control, and continued to iteratively establish intelligent corporate risk control scenario functions such as intelligent approval, intelligent charge-off and intelligent warning, empowering risk control work with technology application.

2. The asset quality of personal loans fluctuated due to the effect of COVID-19, but the overall NPL remained steady and controllable with the NPL ratio of the Bank’s personal loans decreased by 0.06 percentage point over the end of last year, and the details were as follows:

(1) The Bank further adjusted the customer structure of personal residential mortgage loans and title deed-secured loans to grant more to high-quality customers while executing diversified risk management and control measures based on the city level of the area in which the collateral locates; intensified the efforts in collection and recovery, adopted diversified strategies for collection and recovery; timely bailed out the customers affected by the pandemic and provided comprehensive bail-out solutions to reduce the impact of the pandemic on the Bank’s retail customers.

(2) Regarding the “Xinyidai”, the Bank checked at all levels of the whole process including sales, on-site negotiation and contract conclusion, loan approval and post-loan management, and dynamically adjusted risk

policies with the advanced scoring card technology and multi-dimensional risk monitoring system. The Bank proactively controlled common debt customers, comprehensively upgraded the means of investigation, prevention and control while enhancing and detailing multi-dimensional collection and recovery measures with more resources invested in, and utilised multiple bail-out strategies for the customers affected by the pandemic to defuse risks. The asset quality has been improved significantly.

(3) Through technology empowerment, the Bank's auto financing business used industry-leading quantification model technologies and multi-dimensional risk warning and monitoring to proactively and strictly control the proportion of risk customers with high liabilities, which ensured stable development of the asset portfolios. For collection, the Bank continued to implement national laws and regulations and related regulatory requirements, carrying out operations compliantly via judicial litigation as the main means of collection, while continuously intensifying efforts in collection and recovery and improving operation efficiency. In addition, under the guidance of regulatory policies, the Bank provided the customers affected by the pandemic with an online bail-out solution by technology means, effectively reduced the impact of the pandemic and maintained the overall asset quality stable and sound.

(4) The Bank continued to implement whole-process risk management concept for credit card business, and made full use of quantitative tools to effectively manage and control risks. On the one hand, the Bank actively introduced external data and used big data technology to further improve the risk identification capacity of risk models, and make more accurate judgements on customer qualifications, so that, the quality of customers acquired were guaranteed, and the quality of credit card portfolios was continuously optimised. On the other hand, actively responding to the national call, the Bank provided bail-out solutions for customers affected by the pandemic to reduce the risk brought by the pandemic, while further upgrading the application of finance technology in differentiated collection strategies and maintaining stable asset quality by assessment, incentive, resource integration and other management means for non-performing loans.

(5) Other types of personal loans of the Bank mainly included operating loans issued to small enterprise customers and personal small consumer loans. In order to support the operation of inclusive business, on the one hand, the Bank actively developed the small business digital finance products and applied big data to build and continuously iterate the credit models of small enterprises, which had effectively improved risk control access and post-loan early risk warning ability; on the other hand, the Bank actively developed new supply chain businesses for core enterprises, continuously optimised business process and made a comprehensive and objective evaluation of borrowers' operations based on the credit enhancement of core enterprises or the actual operation data among core enterprises and their upstream and downstream customers, to provide the core enterprises and their upstream and downstream small customers with a variety of supply chain financing products.

3.2.7.3 Structural distribution and quality of loans and advances to customers as per industries

(In RMB million)

Item	31 December 2020			31 December 2019			Increase/Decrease in NPL ratio
	Balance	%	NPL ratio	Balance	%	NPL ratio	
Husbandry and fishery	3,087	0.1%	-	5,550	0.2%	0.09%	-0.09 percentage point
Mining	24,448	0.9%	15.93%	34,857	1.5%	12.40%	+3.53 percentage points
Manufacturing	145,939	5.5%	3.37%	118,524	5.1%	3.32%	+0.05 percentage point
Energy	20,856	0.8%	-	20,036	0.9%	0.87%	-0.87 percentage point
Transportation, post and telecommunications	51,644	1.9%	0.07%	45,277	1.9%	2.98%	-2.91 percentage points
Wholesale and retail	74,257	2.8%	2.43%	102,067	4.4%	6.63%	-4.20 percentage points
Real estate	271,963	10.2%	0.21%	228,663	9.8%	1.18%	-0.97 percentage point
Social services, science and technology, culture and sanitary	166,000	6.2%	0.88%	168,134	7.2%	1.16%	-0.28 percentage point
Construction	42,568	1.6%	1.13%	40,739	1.8%	2.19%	-1.06 percentage points
Personal loans (Note)	1,604,940	60.2%	1.13%	1,357,221	58.4%	1.19%	-0.06 percentage point
Others	260,595	9.8%	0.01%	202,137	8.8%	0.03%	-0.02 percentage point
Total principal of loans and advances to customers	2,666,297	100.0%	1.18%	2,323,205	100.0%	1.65%	-0.47 percentage point

Note: The industry statistics involve loans and bank acceptance notes discounting.

In 2020, the Bank adhered to refining its corporate banking, kept up with the major national strategic planning, actively supported the development of real economy, focused on advantaged industries and key customers and made more efforts in taking reduction measures on high-risk customers to further optimise asset portfolio allocation. During the reporting period, benefiting from constant strengthening of risk management and control over new businesses, and enhancement of mitigation and handling on stock risks, the asset quality was improving. Reeling from the macroeconomic downturn, NPL ratios of the mining industry and manufacturing industry increased slightly compared to those at the end of the previous year, which were caused by reduction in the scale of loans and increase in individual major corporate customers. However, the overall risks were controllable.

3.2.7.4 Quality of loans and advances to customers as per regions

(In RMB million)

Item	31 December 2020			31 December 2019			Increase/Decrease in NPL ratio
	Balance	%	NPL ratio	Balance	%	NPL ratio	
Eastern Region	520,865	19.5%	1.12%	452,166	19.5%	2.32%	-1.20 percentage points
Southern Region	560,237	21.0%	0.62%	434,909	18.7%	1.01%	-0.39 percentage point
Western Region	244,223	9.2%	1.53%	213,246	9.2%	2.51%	-0.98 percentage point
Northern Region	403,723	15.1%	1.29%	338,676	14.6%	2.69%	-1.40 percentage points
Head Office	929,599	34.9%	1.41%	883,511	38.0%	1.01%	+0.40 percentage point
Overseas	7,650	0.3%		697	0.0%	-	-
Total principal of loans and advances to customers	2,666,297	100.0%	1.18%	2,323,205	100.0%	1.65%	-0.47 percentage point

3.2.7.5 Restructured and overdue loans

(In RMB million)

Item	31 December 2020		31 December 2019	
	Balance	% of total loans	Balance	% of total loans
Restructured loans	15,627	0.59%	19,707	0.85%
Loans with principal and interest overdue for no more than 90 days	14,340	0.54%	17,139	0.74%
Loans with principal and interest overdue for more than 90 days	23,524	0.88%	31,411	1.35%

At the end of 2020, the balance of restructured loans was RMB15,627 million, down 20.7% over the end of last year. The Bank continuously intensified the dissolving for collection and restructure on problematic credit corporates, adjusted and optimised credit business plan step by step to mitigate and dissolve credit risks.

At the end of 2020, the Bank's balance of loans overdue for no more than 90 days (including loans with principal paid and interest overdue for no more than 90 days) was RMB14,340 million, accounting for 0.54% of total principal of loans and advances to customers, with a decrease of 0.20 percentage point over the end of last year; the balance of loans overdue for more than 90 days (including loans with principal paid and interest overdue for more than 90 days) was RMB23,524 million, accounting for 0.88% of total principal of loans and advances to customers, with a decrease of 0.47 percentage point over the end of last year; the balance of loans overdue for more than 60 days (including loans with principal paid and interest overdue for more than 60 days) was RMB28,765 million, accounting for 1.08% of total principal of loans and advances to customers, with a decrease of 0.50 percentage point over the end of last year. In respect of overdue loans, the Bank took multiple targeted management and control actions and developed recovery and restructuring conversion plans based on the actual conditions of customers. The Bank actively communicated with each related party to actively promote risk management and dissolving. Currently, overall risks were controllable.

3.2.7.6 Movements in impairment provision of loans

The Bank started to implement new accounting standards for financial instruments from 1 January 2018 and set up an expected credit loss model to accurately measure expected credit losses. In 2020, the Bank's provision for credit impairment losses on loans and advances to customers amounted to RMB43,148 million.

(In RMB million)

Item	Amount

Beginning balance	70,013
Add: Provision for the year	43,148
Less: Write-offs for the year	(59,360)
Add: Written-off loans recovered for the year	13,099
Less: Transfer upon asset disposal for the year	(3,238)
Less: Decrease in loans due to increase in discounted value	(260)
Add: Other changes	(183)
Ending balance	63,219

Non-performing loans fully provided will be written off to the extent that they conform to the write-off conditions and complete relevant write-off procedures; written-off loans will be managed in accordance with the principle of “filing after witting-off and continuous recovery”; the recovery and disposal of written-off loans proceed. For recovery of written-off loans, litigation fees due from borrower advanced from the Bank will be withheld first. For the remaining amount, principal amount of the loans was deducted before the debit interest was deducted. The recovery of loan principals would be used to increase the provision for loss of loans of the Bank, and the recovered interest and expenses would be used to increase interest income in the current period and bad-debt provision.

3.2.7.7 Balances of loans to the top ten borrowers and their proportions in total loans

At the end of 2020, the Bank’s loan balance to the top ten borrowers amounted to RMB57,899 million, accounting for 2.2% of the year-end loan balance, and the Bank’s loan balance to the top five borrowers was RMB34,474 million, accounting for 1.3% of the year-end loan balance. Among the Bank’s top five borrowers, the balance of loans to related parties in which China Ping An and its subsidiaries held equity interests amounted to RMB7,161 million, accounting for 0.3% of the year-end loan balance. The other top five borrowers are not related parties of the Bank.

3.2.7.8 Government financing platform loans

At the end of 2020, the Bank’s balance of government financing platform loans (including those reclassified as general corporate loans and those still managed as government financing platform loans) was RMB59,754 million, an increase of RMB8,341 million or 16.2% as compared with the end of last year, and accounted for 2.2% of the total loans, roughly the same as that in the end of last year.

The balance included RMB58,307 million loans reclassified as general corporate loans, accounting for 2.2% of the total loans, and the loans of RMB1,447 million still managed as government financing platform loans, accounting for approximately 0.1% of the total loans. The Bank’s government financing platform loans were good-quality loans and none had become non-performing.

3.2.7.9 Distribution of loans by collateral type

For information of “distribution of loans by type of collateral”, please refer to “III. Notes to key items in the financial statements 6.3 Loans and advances to customers--Analysis of distribution of loans by type of collateral” in “Section X Financial Report” for details.

3.2.7.10 Green credit

In 2020, following the development requirements of “building a beautiful China” of report at the 19th CPC National Congress and the principles and requirements of *Guidance on Green Credit* formulated by China Banking and Insurance Regulatory Commission (CBIRC), to meet the people’s increasing demand for a better life, the Bank developed and implemented the *Green Credit Guidelines of Ping An Bank*. According to the common practice of international leading banks’ implementation of the “Equator Principles” and adhering to the concept of sustainable development, the Bank further promoted the construction of green finance relevant systems, clearly proposed to organically unify economic, social and ecological benefits and integrate low carbon, green and environmental protection and biodiversity conservation into credit policies and business philosophy. It strengthened environmental and social risk management, speeded up the adjustment and optimisation of the credit structure, and restricted the involvement of the industries that did not meet the national policies for environmental protection and industries. Furthermore, the Bank strengthened credit limit management of “Non-green Industries” (industries with high pollution and high energy consumption and excess capacity) combination, enhanced support to green and environmental protection, clean energy, low-carbon economy, circular economy, energy-saving and emission reduction and other green economy, proactively carried out the innovation of green finance and provided

preferential credit support in loan pricing and distribution of economic capital. At the same time, the Bank continued to strengthen the perspective study in the field of green finance, kept in line with international standards, constantly improved the construction of green credit policy system framework and mechanism, and strived to build a green bank.

With the increasing improvement of the green credit policy system, the social and environmental benefits of green finance was further revealed. The Bank was committed to building an internationally leading green bank. Benchmarking with international best practices, it established a complete green credit policy system, and implemented green credit development strategy in the whole bank to enhance support in this regard and take the lead in green financial products creation by integrating green low-carbon concept into the entire process of financial services, which has been included in the *Three-year Development Strategic Plan of Ping An Bank (2019-2021)*. The Bank formulated the *Risk Policy Guidance of Ping An Bank in 2020* and implemented quota management on credit facilities granted to “Non-green Industries” and backward production capacity on the grouping basis. The Bank took strict control over risks from high pollution and high energy consumption business and strictly abided by the national industry policy compliance bottom line. For projects eliminated by the *Guiding Catalog for Adjustment in the Structure of Industries*, environmentally illegal projects and other projects not compliant with national policy of energy-saving and emission reduction, the Bank would not provide any form of new credit. The Bank steadily practised its firm commitment of supporting the development of green finance and the transformation of green economy.

It specified key sectors under the support of green credit, and advanced the development of green finance into depth. In terms of industry selection, the Bank focused on supporting environmentally-friendly and clean energy projects; provided support for pollution prevention and control projects that helped improve the quality of air, water and soil; and also supported enterprises in adopting new equipment and technologies for energy conservation and emission reduction to promote the restructuring of traditional industries and technological upgrading. The Bank had focused on the green credit business boundary, including, green and environmental protection, clean energy industry, green transportation and green building industry, and put forward the target customers and credit program guidelines. Additionally, the Bank strengthened professional advantages of business units, with which the energy finance business unit strategically focused on clean energy, green and environmentally friendly businesses, and increased support for clean energy industries such as hydropower, nuclear power, wind power, solar power and garbage power. It also actively supported the energy-saving and emission reduction technology innovation, technological transformation, technical services and product promotion, so as to promote orderly progress of green credit. It strived to make new contributions to the high-quality and sustainable development of green finance in China.

3.3 Discussion and analysis of the main businesses

3.3.1 Transformation and upgrading of retail business

2020 was the starting year of the new three-year period for the retail business transformation and development, the Bank continued to implement its “3 + 2 + 1” retail strategy, and made full efforts to develop the three business segments of “basic retail, private banking and wealth management, and consumer finance”, improve its two core capabilities of “risk control and cost control”, and build its “one ecosystem”. Meanwhile, with the new branding goal of the Bank as “a digital bank, an ecosystem, and a platform”, the Bank has launched four new strategies of “digitalised operations, online operations, comprehensive services and ecologically-driven development” (the DOCE strategies) to promote the transformation and upgrade of its retail business and continuously establish differentiated completeness.

In light of the COVID-19 pandemic, the Bank's retail business has demonstrated strong resilience in its ongoing development. Thanks to its strong technology capabilities which have been built over the years through continued investments in technologies and the speedy implementation of the DOCE strategies, the Bank has effectively met the financial needs of a large number of customers during the COVID-19 pandemic, and has been able to rapidly resume its various businesses, maintain a steady growth and manage its overall operational risks when the situation eases.

Operational efficiency remained stable and production efficiency continuously improved. In 2020, the operating income from retail reached RMB88,578 million, representing a year-on-year increase of 10.8%, accounting for 57.7% of the total operating income of the Bank; and the operating profit before impairment losses reached RMB57,724 million, increasing by 10.8% year-on-year. At the same time, the Bank increased its allotted amount for retail assets, and the net profit for retail business amounted to RMB17,674 million, slightly down 8.0 percentage points to 61.1% accounting for the total net profit, remained in the reasonable range. In 2020, the Bank

took active actions to upgrade retail cost management to become “digitally driven” and fuel cost reduction and efficiency improvement. While the Bank continued to intensify investment in strategies, the cost/income ratio of the retail business declined by 0.06 percentage point compared with that in 2019.

Successive breakthroughs in private banking with the AUM scale topping the one trillion mark. In 2020, the Bank kept on enhancing the construction of professional teams for investment research, investment advisory and family office, and upgrading the “1 + N” online and offline business model, with further enhancement on the operation capabilities of high net worth customers. Private banking qualified customers reached 57,300, maintaining at a relatively high level, increasing by 30.8% as compared with the end of last year. The AUM scale of private banking customers topped the one trillion mark to RMB1,128,897 million, representing an increase of 53.8% as compared with the end of the previous year. Driven by the private banking business, the overall AUM balance of the Bank maintained a rapid growth, amounted to RMB2,624,762 million, up 32.4% compared with the end of 2019.

Better performance in both the quantity and quality of deposit business, with further improvement of the average cost. The Bank actively implemented the new three-year strategies in respect of asset and liability, continued to optimise the asset and liability structure of the retail business and made efforts to expand low-cost deposits in order to reduce the costs of liabilities. In 2020, retail deposits achieved high-quality growth despite the steady decrease in interest rates. The average daily balances of personal deposits amounted to RMB619,425 million, representing a year-on-year increase of 21.0%, and the average cost of personal deposits was 2.42%, decreasing by 20 basis points as compared with the average level of last year.

Fast resumption of lending with the quality of assets remaining strong. The Bank continued to reinforce its leading roles in the credit card, “Xinyidai” and auto financing businesses, increasing the release of title deed secured loans with lower risk and unsecured loans for high-quality customers to optimise the business structure and customer structure. Due to the covid-19 pandemic at the beginning of the year, there was a fall in lending business, but it had continuously recovered with a sound growth since the second quarter. The auto financing grew rapidly against the trend. At the end of 2020, the balance of auto finance loans increased 37.5% as compared with the end of the previous year, which the Bank has maintained a leading position in the industry. As at the end of 2020, the balance of personal loans amounted to RMB1,604,940 million, up 18.3% as compared with the end of the last year. Asset quality remained sound even during the COVID-19 pandemic. As at the end of 2020, the NPL ratio of personal loans was 1.13%, representing a decrease of 0.06 percentage point and 0.19 percentage point as compared with the end of the previous year and the end of September respectively. Since August, new monthly NPLs had showed a downward trend, and the NPL ratios of main products hit the inflection point, approaching the pre-pandemic level.

Accelerated deployment of key strategic projects and continued strengthening of the ability to drive business growth through comprehensive finance and technology. For business model innovation, in 2020, the Bank continued to strengthen the open banking strategy through enhanced collaboration with internet scenario partners to promote “joint efforts to operate, to construct ecology and to assist entities”. In 2020, open banking acquired 4,056.3 thousand customers from the Internet, accounting for 39.0% of the total customers acquired by the retail business; meanwhile, the Bank continued to deepen its innovation and upgrading of the Member-Get-a-Member (MGM) online operation model. The cumulative volume for the current year of sharing and forwarding by VIP customers through the SAT system a year on year increase of 320.9% and the volume of AUM transactions attributable to SAT sharing accounted for 45.3% of the total MGM business. For technology innovation, the new core system of Credit Card A+ was successfully switched and put into operation, becoming the first successful case in the industry that the core business system was seamlessly transferred to the distributed PC server architecture in the uninterrupted services situation.

Looking to the future, the retail strategy will be fully upgraded, and the transformation and development will enter a new level. The current period is critical for identifying and pursuing development opportunities in the new three-year retail business strategy, the Bank will continue to thoroughly implement its positioning as a “a digital bank, an ecosystem and a platform” and the established DOCE strategies. Moreover, it will push forward innovation and breakthroughs in credit card, private bank, banking and insurance businesses, as well as continuously upgrade its retail loan businesses such as auto financing and “Xinyidai” through operation upgrading, so to inject new momentum for the second take-off of the retail business. For operation upgrading, by focusing on the operation of eight key customer groups, the Bank promotes in-depth cooperative interaction between product services, channels and teams and comprehensive online operations to strengthen advantages of comprehensive finance; by implementing the operation model of “AI + T + Offline”, the Bank also improves customer experience and management efficiency in an all-round way which will enhance the Bank’s leading position in respect of

technology. Besides, by deepening the construction of open banking, the Bank accelerates its planning in respect of the ecological layout for large retails and strengthens the advantages of scenario-based customer operation. For mid-office function integration, the Bank further upgrades the data middle platform and risk middle platform to effectively respond to frontline operations, and maximise the operating efficiency. For organisation innovation, with the concept of comprehensive digitisation and online operation, the Bank keeps upgrading the organisational structure and operation model to maintain the agility and advancement of the organisation, so as to consolidate the organisation and talent foundation for its new three-year transformation and development.

Key indicators of the retail business (Selected)

(In RMB million)

Dimensions	Item	2020	2019	Movements in the current year
Scale	Assets under management (AUM) of retail customers	2,624,762	1,982,721	32.4%
	Personal deposits	684,669	583,673	17.3%
	Personal loans	1,604,940	1,357,221	18.3%
Profit or loss	Operating income from retail business	88,578	79,973	10.8%
	Proportion of operating income from retail business	57.7%	58.0%	-0.3 percentage point
	Net profit from retail business	17,674	19,493	(9.3%)
	Proportion of net profit from retail business	61.1%	69.1%	-8.0 percentage points
	Operating profit of retail business before impairment losses	57,724	52,085	10.8%
Asset quality	NPL ratio of personal loans	1.13%	1.19%	-0.06 percentage point

1. “Three” business segments

(1) Basic retail

At the end of 2020, the balance of assets under management (AUM) of retail customers of the Bank amounted to RMB2,624,762 million, representing an increase of 32.4% as compared with the end of last year; the number of retail customers was 107,149,300, representing an increase of 10.4% as compared with the end of last year; the number of registered users of Ping An Pocket Bank APP was 113,175,300, representing an increase of 26.5% as compared with the end of last year.

Key indicators of basic retail (Selected)

(In RMB million)

Dimensions	Item	2020	2019	Movements in the current year
Customers/ Users	Number of Retail Customers (in 10,000 accounts)	10,715	9,708	10.4%
	Registered users of Pocket Bank APP (in 10,000 accounts)	11,318	8,947	26.5%
	Monthly active users of Pocket Bank APP (in 10,000 accounts)	4,033	3,489	15.6%
Deposits	Personal demand deposits	242,269	199,949	21.2%
	Average daily balances of personal deposits	619,425	512,060	21.0%
	Average daily balances of personal demand deposits	207,279	169,289	22.4%
	Average cost rate of personal deposits	2.42%	2.62%	-0.20 percentage point
Agency	AUM balance brought from customers of agency and batch business	386,449	269,218	43.5%
	Deposit balance brought from customers of agency and batch business	108,230	88,645	22.1%
Funds	Agency sales of non-monetary public funds	149,406	58,417	155.8%

The Bank’s basic retail business continued to focus on its customers, strengthened customer acquisition through multiple channels and expanded all-round scenario-based operation, consistently pursued the technology empowerment and big data-driven business strategy, promoted the efficiency in customer acquisition and customer

operation as well as the overall productivity while continuing to upgrade the customer service system and striving to create best customer experience.

For innovation of customer acquisition channel, the Bank actively promoted the establishment of open banking and continued to strengthen customer acquisition through multiple channels. By continuously strengthening cooperation with external scenario providers and under the premise of strictly complying to administrative regulations in particular the standards on protecting users' data and privacy, the Bank promoted ecological development and achieve "joint efforts to operate, to construct ecology and to assist entities". In November 2020, the Bank launched Ping An Digital Account (MAX Card), which provided personalised, online, and seamless financial solutions for users and cooperative enterprises by deepening financial service and integrating them with various production and life scenarios. On the one hand, "Digital Account" helps partners to achieve more thorough and more accurate flow and conversion; on the other hand, it can satisfy a series of financial service demands from the users, including investment and wealth management, inclusive credit, credit payment, and balance financial payment. In 2020, the open bank acquired 4,056.3 thousand customers through the internet channel, accounting for 39.0% of the total customers acquired by the retail business.

For operation model innovation, the Bank actively promoted the implementation of the new model and continued to strengthen all-round scenario-based operations. Relying on leading technology advantages, the Bank actively promoted the new model of "AI + T + Offline" by strengthening human-machine cooperation, built unified mid-office capabilities, upgraded the tiered customer management model, improved customer experience and management efficiency. Also, the Bank focused on the scenario-based operation of the eight key customer groups and enhanced refined management of customers. The eight key customer groups that the Bank focuses on include "directors and supervisors", "ultra-high net worth customers", "small enterprise owners", "wealth management gold-collar workers", "sagacious regular customers", "senior citizens", "the young hipsters", "car owners". For managing the elderly customer groups, the Bank precisely satisfied the demands of elderly customer groups by continuously perfecting preferential rights, exclusive products and targeted services, and launched the promotion of "Shenzhen Intelligent Pension Yinian Card" which had received extensive compliments with the accumulated cards issued reaching over 610,000 as at the end of 2020. For managing the young customer groups, the Bank launched the Bilibili co-branded debit card jointly with "Bilibili", and continuously enriched application scenarios, created fashion trends and constantly improved the recognition of young customer groups through actively integrating into the youth social scenario. For constructing the intelligent customer management platform, the Bank focused on the development of the Ping An Pocket Bank APP's "Finance + Life" online platform. On the one hand, it continued to promote function iteration, offered personalised and customised experience for the customer groups including "senior citizens", "the young hipsters" and "small enterprise owners" and achieved the personalised tiered management throughout the Pocket Bank APP; On the other hand, the Bank actively promoted omni-channel and full-traffic online ecological operation. In addition to the development of its own channel ecology, it cooperated with external channels such as applets of WeChat to jointly build an ecology and introduce external high-frequency life scenarios for continuous enhancement of users' activeness and stickiness. As a result, the statistical standards for the number of monthly active users of APP had been adjusted accordingly to include the number of active users of external cooperation applets. At the end of 2020, the number of monthly active users (MAU) of Ping An Pocket Bank APP reached 40,331,400, representing an increase of 15.6% as compared with the end of last year based on the same standards, among which, the number of monthly active users of the life scenarios was over 21,819,700, representing an increase of 79.1% as compared with the end of last year, accounting for 54.1% of the total active users.

For customer services innovation, the Bank strived to build its integrated customer service experience system and continued to optimise the end-to-end services. By creating a "1 + N" on-premise and mobile customer service model (1 comprehensive customer service team plus N expert teams), the Bank continuously promoted high-tech standardised and comprehensive one-stop online consulting services. In response to the impact of the COVID-19 pandemic, in the first half of 2020, the Bank had comprehensively upgraded online operation capacity and launched the new "Financial Channel" and "Life Channel" in the Ping An Pocket Bank APP. The Bank speedily launched the "Banking at Home" zone to provide online financial products and easily accessible services to customers for prompt response to customer needs and promote the resumption of work and production. In December 2020, the Bank's customer services obtained a Net Promoter Score (NPS)¹ of over 82%, while the physical outlets reported an NPS of over 90%. With the advantage of best user experience achieved through fintech, the Bank was named the "World's Best Digital Bank for the Year of 2020" by *Euromoney*.

¹ NPS = (Number of Promoters - Number of Detractors) / Total Number of the Sample Population × 100%. It is an index that measures the probability that a customer will recommend a certain company or service to others. Depending on different survey channels, the index may be divided into NPS for customer services and NPS for physical outlets.

Leveraging the deep exploration and innovation in the aspects of customer acquisition channels, operation models and customer services, the Bank constantly consolidated the retail customer base, expanded the business scale and improved the performance of key businesses, which are mainly reflected in the following aspects:

For deposit business operations, the Bank continued to promote “stable growth, structure adjustment and cost reduction” of retail deposits. Firstly, the Bank strengthened the management of key customer groups, expanded the source channels of deposits, integrated deposit business into contact with customers through a comprehensive analysis of customers’ journeys and intensified the efforts in managing the customer groups including the middle and old-aged, children and overseas students, to effectively consolidate the customer base. Secondly, the Bank strengthened scenario-based operation and increased the balance of demand deposits, increased the deposits from assets under management by continuously expanding its AUM portfolio, improved the percentages of customer deposits retained by binding credit cards or other repayment accounts, and continued to expand its batch processing businesses, including agency issues and card acquiring services, to drive the growth of settlement deposits. Thirdly, the Bank reduced the scale of structured deposits, and accepted such funds orderly through strengthening the operation of time deposits and other measures. At the end of 2020, the balances of personal deposits and personal demand deposits amounted to RMB684,669 million and RMB242,269 million respectively, up 17.3% and 21.2% as compared with the end of the previous year respectively. In 2020, the average daily balances of personal deposits and personal demand deposits amounted to RMB619,425 million and RMB207,279 million respectively, representing a year-on-year increase of 21.0% and 22.4% respectively. In 2020, the average cost rate of personal deposits decreased by 20 basis points to 2.42% as compared with the average level of last year.

For agency business development, the Bank concentrated on promoting the “Ping An Salary” service platform, which provided basic services such as “wages distribution agency” and non-financial services such as attendance management, professional training, travel management, benefits purchase and enterprise remote clinic, and continuously iterated and optimised its functions. At the end of 2020, the AUM balance brought from customers of agency and batch business amounted to RMB386,449 million, up 43.5% as compared with the end of the previous year; the balance of deposits from customers of agency and batch business amounted to RMB108,230 million, increasing by 22.1% as compared with the end of the previous year.

For the sales of key products, the Bank actively seized the opportunities arising from the capital market reforms, attached great importance to the construction of the sales capability of fund products, focusing on building the “Ping An Preference” brand of mutual funds, strengthening online operations and technological applications. The funds’ sales volume increased significantly. The 2020 witnessed excellent performance of Ping An preference funds. The “Ping An Preference” stocks and hybrid funds produced an average yield of 52.5%, representing an excess return of 38.7% against the Shanghai (Securities) Composite Index; the agency sales of non-monetary public funds amounted to RMB149,406 million, representing a year-on-year increase of 155.8%.

(2) Private banking and wealth management

At the end of 2020, the cumulative total number of the Bank’s wealth management customers increased to 934.2 thousand, representing an increase of 19.9% as compared with the end of the previous year. The Bank’s qualified customers of private banking grew to 57.3 thousand, representing an increase of 30.8% as compared with the end of the previous year. The AUM of qualified private banking customers amounted to RMB1,128,897 million, representing an increase of 53.8% as compared with the end of the previous year.

Key indicators of private banking and wealth management (Selected)

(In RMB million)

Item	2020	2019	Movements in the current year
Number of Wealth Management Customers (in 10,000)	93.42	77.93	19.9%
Number of Qualified Private Banking Customers (in 10,000)	5.73	4.38	30.8%
AUM Balance of Qualified Private Banking Customers	1,128,897	733,941	53.8%

In 2020, the Bank comprehensively enhanced its capabilities of delivering comprehensive, professional and technology-driven services in the private banking and wealth management sector, focused on meeting the

diversified demands of private banking customers. The Bank continued to build and improve the product system and differentiated rights and interests system, focused on the operation of ultra-high net worth customers, continuously enhanced the brand influence of private banking, and strived to build a "private bank smartest in China and front-running in the world".

With respect to comprehensive finance enhancement, the Bank developed multiple channels to contact private banking customers to improve the management of high-quality customers in the whole life cycle of products before, during and after sales by relying on the advantage of Ping An Group's comprehensive finance. Firstly, the Bank continued to strengthen the construction of an open-ended product platform for all products, actively pushing forward business innovation, signed the Bank's first contract of over RMB100 million for family office service, implemented the first batch of anti-epidemic special charitable trusts and the first contract of property operation trusts; the Bank fully upgraded the insurance trust business and made breakthroughs in the aspects of comprehensiveness guarantee, term personalisation and flexibility and customer cost reduction; secondly, the Bank further developed a variety of investment and financing services for private bank customers, to satisfy the wealth management demands of private bank customers; thirdly, aiming at high net-worth customers, as well as directors and supervisors of listed companies, the Bank conducted pilot operations under the family office model and provided one-stop comprehensive services under the family office model based on the customer demands.

With respect to the enhancement of professional capabilities, firstly, the Bank set up a product strategy allocation committee, focused on the operation of asset allocation tools, realised the output of professional capabilities through "professional investment research + specialised investment advisory". Secondly, based on technology empowerment, the Bank continued to strengthen the construction of professional teams for investment research, investment advisory and family office, improved the influence of the expert team at head office on the branch teams and online channels to realise the expansion of the services for private banking customers and improvement of the service experience, and built a front-line team with over 3,000 staff for professional private banking and wealth management. Thirdly, the Bank continuously upgraded intelligent investment advisory service and provided customers with comprehensive and personalised asset allocation suggestions centring on requirements of customers in full life circle through wealth diagnosis and portfolio recommendation.

With respect to the enhancement of technical capabilities, the Bank continuously upgraded product sales platform, intelligent operation platform and team business development platform. In terms of upgrading product sales platform, the Bank launched an AI-enabled fast track private offering platform, achieving 7 × 24 hours online autonomous transaction of privately offered products in China for the first time and supporting the subscription of over 96% of the Bank's privately offered products; the Bank launched an AI-enabled banking insurance system, with 80% of insurances underwritten through online customer acquisition; it was the first to achieve 100% online operation of insurance trust business within the industry, reducing the establishment time from 30 to 2 working days. In terms of upgrading team business development platform, it rolled out a team business development platform to upgrade traditional "product sales model" to "investment advisory service model", and to help effective expansion of business team and serve customers.

Relying on its comprehensive, professional and technology-based capabilities, the Bank focused on developing its ultra-high net worth customer base and delivering a new presence as a top private bank. In terms of product strategy, the Bank integrated "private bank plus investment bank" and "domestic plus overseas businesses" by expanding its offerings on its own or in cooperation with other subsidiaries within Ping An Group. In terms of the service system, the Bank set up a top-tier private banking account system covering the discretionary investment, family office, insurance trust, corporate governance service, etc. In terms of private equity, the Bank provided ultra-high net worth customers with tailor-made services 24/7 to create a full range of private and customised services extended to customers' family businesses, family members and individuals. In terms of circle marketing, the Bank launched the "Hope Meeting" exclusive service brand for entrepreneurs and created an ultra-high net worth customer business ecosystem by coordinating cooperation between entrepreneurs, family offices, public and private banks and other means.

The Bank's brand influence of private bank has increased significantly through the continuous promotion of capacity building and innovation. In 2020, the Bank and Forbes China jointly issued the 2020 *China Family Office White Paper* and released a promotional video for family office service. Based on high net worth customers' demand for philanthropic investment, the Bank set up the "Ping An Leshan" platform. Via this platform, the Bank innovatively launched a sustainable and replicable "digital agriculture" poverty alleviation model and created a public welfare system with unique industry characteristics. Thanks to its constantly improving comprehensive strength, Private Bank of Ping An Bank was increasingly recognised by the market and was awarded "2020 Excellent Private Bank" in the Golden Shell Award of 2020 China Asset Management Annual Conference and

“Best Private Bank” by *Global Finance*.

(3) Consumer finance

At the end of 2020, the balance of personal loans was RMB1,604,940 million, up 18.3% as compared with the end of the previous year. The Bank kept on reinforcing the digital operation and online operation capabilities of credit cards and loan products, strengthened the linkage between consumer finance business and private banking and wealth management business and increased the grant of title deed secured loans with lower risk. Moreover, the Bank established and developed a credit product system on the basis of tiered and grouped customer management and differentiated pricing to increase the market share of unsecured loans for high-quality customers and achieve a sound growth of the overall personal loans. At the end of 2020, the proportion of personal residential mortgage loans and title deed-secured loans to personal loans increased from 30.3% at the beginning of the year to 32.9%, with continuous optimisation of business structure and customer group structure.

Key indicators of consumer finance (Selected)

(In RMB million)

Dimensions	Item	2020	2019	Movements in the year
Credit cards	Credit card receivables	529,251	540,434	(2.1%)
	Number of credit cards in circulation (in 10,000)	6,425	6,033	6.5%
	Total volume of transactions using credit cards	3,454,021	3,336,577	3.5%
Xinyidai	Balance of “Xinyidai”	146,293	157,364	(7.0%)
Personal residential mortgage loans and title deed-secured loans	Amount of newly issued personal residential mortgage loans and title deed-secured loans	261,698	193,045	35.6%
	Balance of personal residential mortgage loans and title deed-secured loans	528,384	411,066	28.5%
	Including: Balance of housing mortgage loans	239,467	199,371	20.1%
Auto finance loans	Amount of new issued auto finance loans	221,098	156,674	41.1%
	Balance of auto finance loans	246,416	179,224	37.5%

Credit cards

At the end of 2020, the number of credit cards in circulation accumulated to 64,245.1 thousand, up by 6.5% as compared with the end of last year; the balance of credit card loans was RMB529,251 million, returning to 98% as at the end of last year. Due to the impact of the COVID-19 pandemic at the beginning of the year, there was a fall in credit cards consumption. The Bank responded quickly to expand the online scenarios and provide users with full-cycle and comprehensive online services. Since March 2020, the average daily spending of credit card transactions has returned to the level before the COVID-19 pandemic. In 2020, the total volume of transactions using credit cards was RMB3,454,021 million, a year-on-year increase of 3.5%.

In 2020, the Bank comprehensively upgraded development strategy for its credit card business. Drawing on its fintech advantages to speed up refined management, scenario-based management and intelligent services, it achieved positive phased results. Such results mainly include:

First, the Bank performed refined management on key customer groups and continued to provide customers with diversified products and services. In 2020, the Bank launched the “Good Owners Credit Card” for car owners, and continuously upgraded and optimised its products and services. It created trump cards such as “12 percent off for gasoline prices”, “RMB8.8 for washing a car”, “free designated driving service” to make a one-stop auto ecological financial service with full life cycle for car owners. There were almost 2 million cards being issued in 2020. The Bank issued the “Ping An Enjoy Platinum Credit Card” and “Ping An Credit Cards Featuring Cartoon Pets Themes” to bring the individualised card experience for young people. For business travellers, it issued the “Yaohong Card” and “Safari Card” of Ping An Bank American Express as well as Ctrip, Qunar, and Spring Airlines themed co-branded cards, and continuously optimised special services including aviation delay insurance to create high-quality products and services for mid-range and high-end business travellers. Meanwhile, the Bank continued

to deepen crossover cooperation, promoted strategic alliance mode and combined high-quality resources of partners such as GOME, Tuhu.com, KFC and JD.com. It carried out in-depth cooperation and jointly built ecosystem with such partners to provide customers with diversified products and services.

Second, the Bank actively promoted scenario-based management by relying on online platforms to meet the needs of customers in card and consumption demand in an all-round way. Firstly, the Bank continued to promote scenario-based management of Pocket Mall and continuously enriched online consumption scenarios. In the current year, the Bank built and optimised channels such as “Pocket Supermarket”, “Big Brands are coming” and “24-installment Interest-Free Zone”. During the year, it carried out more than 1,000 activities with different themes and held over 100 live broadcasts. Secondly, it actively promoted integrated marketing. In the second half of the year, a series of marketing activities named “88 every day for the whole city” had been launched. More than 11.9 million users participated in the campaign, and over 100 thousand merchants shared the marketing achievements. Thirdly, it took the lead in innovating the points system in the industry, comprehensively implemented points system for mobile payments, and launched 5 times points plus rights for nearly 20 top online merchants to promote users’ online activeness.

Third, the Bank strengthened intelligent services by relying on its own core technologies and continued to promote customer experience and management efficiency. Firstly, the Bank independently developed and completed the innovation of the new core system for credit cards. At the end of October 2020, the new core system of Credit Card A+ was successfully switched and put into operation, becoming the first successful case in the industry that the core business system of financial institutions was seamlessly transferred to the distributed PC server architecture in the case of uninterrupted services. More secure and efficient, the new system supported one billion-level transaction users and daily transaction volume, as well as agile development, flexible innovation and stable operation and significantly reduced business operational risks and operating costs. Secondly, the Bank continuously upgraded AI intelligent voice technology through building an intelligent voice middle platform. Currently, it has embedded intelligent voice in 97 business scenarios with 171 million annual calls. Thirdly, the Bank created “Lingxi” intelligent service system to provide users with intelligent, comprehensive and accurate service recommendations, changing “passive service” into “active service”. “Lingxi” improved customer service experience and satisfaction and obtained good economic and social benefits, which was selected as “Excellent Case of Social Responsibility of Shenzhen Banking Industry” in 2020. By relying on creating the ultimate customer experience of “fast, easy and good” services, the Credit Card Centre of the Bank was awarded the “Outstanding Customer Service Contribution Award” by China UnionPay and the “Best Customer Experience Award in China” in China Best Outstanding Customer Contact Centre of the Year Awards, 2020.

“Xinyidai”

In 2020, new “Xinyidai” loans of the Bank amounted to RMB105,284 million, of which RMB33,505 million was issued in the fourth quarter, up 31.1% from the third quarter. The issuance of each quarter of this year showed a steady upward trend. The balance at the end of 2020 was RMB146,293 million, down by 7.0% as compared with the end of the previous year. The balance of the fourth quarter reversed the downward trend in an all-round way, an increase of RMB3,852 million from the balance at the end of the third quarter. By adhering to prudent and sound risk policies, the Bank vigorously promoted the upgrade and transformation of its online business process to accelerate the pace of direct data connection, developed and launched “Xinyidai Kuaidai”, a product with the whole operation online, and further enhanced the timeliness of “Xinyidai”, so as to improve customer experience. As of the end of 2020, the proportion of online loan of “Xinyidai” business had exceeded 70%. Meanwhile, the Bank further improved the intelligent risk pricing strategy and optimised the risk management. It actively explored cooperation with external scenario platform, continued to expand management and consumption scenario embedding, strengthened the management of existing high-quality customer groups, and explored new business growth points. Focusing on customer needs, the Bank will further enrich management and customer finance service scenarios and improve the “Xinyidai” product categories by seizing the opportunities of state’s consumption expansion policies and the steady economic recovery after the containment of COVID-19 pandemic; the Bank will also continue to expand its high-quality customer base and improve its ability to serve the real economy and small and micro enterprise owners.

Personal residential mortgage loans and title deed-secured loans

In 2020, the Bank provided a total of RMB261,698 million new personal residential mortgage loans and title deed-secured loans, representing a year-on-year increase of 35.6%; at the end of 2020, the balance of personal residential mortgage loans and title deed secured loans amounted to RMB528,384 million, up by 28.5% as compared with the end of last year; among which, the property mortgage loan balance amounted to RMB239,467 million, representing

an increase of 20.1% as compared with the end of last year. Through active implementation of the requirements on serving real economy and vigorous implementation of policy guidance on supporting the financing needs of small and micro enterprises, the Bank launched “Home Equity Loans” (Kuaidai) and provided high-quality customers possessing high-quality real estates with differentiated loan services for further reduce of customer financing costs. Due to continuous optimisation of business processes, the offline business steps were further simplified, and the fastest online process of housing loans can reach T + 0 which resulted improvement of business processing time and customer experience.

In addition, the Bank actively developed the “White-collar Loans”, unsecured loans for high-quality white-collar customers. On the one hand, the Bank continued to make full advantages of the comprehensive finance to meet the credit needs of high-quality customers of Ping An Group with the ultimate customer experience through the optimisation of online product processes; on the other hand, the Bank took “White-collar Loans” as an attractive product to obtain high-quality customers, expand salaried customers of excellent enterprises and achieve bulk customer acquisition. In 2020, “White-collar Loans” achieved rapid growth, and the balance doubled compared with that at the beginning of the year.

Auto finance loans

In 2020, the Bank’s new auto finance loans amounted to RMB221,098 million, representing a year-on-year increase of 41.1%; at the end of 2020, the balance of auto finance loans was RMB246,416 million, representing an increase of 37.5% as compared with the end of the previous year. The Bank earnestly implemented its DOCE strategies and the auto ecosystem strategy in auto finance business, strengthened the construction of intelligent management platform of auto finance, improved its product system and enhanced technology empowerment, so as to improve customer experience and service efficiency, maintain a higher growth on business and further consolidate business advantages.

First, the Bank focused on building an auto ecological system by relying on its fintech advantages. The Bank continued to strengthen the construction of the ecological platform for second-hand car business, upgraded the “Che-E-Tong” platform and improved the online service system for car dealers to make it a one-stop comprehensive service platform that could satisfy the management and financial needs of dealers in the acquisition, resale and storage of second-hand vehicles. Meanwhile, the Bank centred on the scenarios of customers' buying, using, protecting and changing cars and constantly enriched online operation platforms such as “Life Channel for Car Owners” of Pocket Bank APP and the official accounts on WeChat to create a one-stop auto ecological service circle for car owners. At the end of 2020, the number of monthly active users of auto finance customer group (MAU) was almost 2,391 thousand, up 36.1% as compared with the end of last year.

Second, the Bank constantly improved product system for auto loans and the service capacity of auto financial products through product innovation and upgrade and process optimisation. In the field of new car finance with increasingly fierce competition, the Auto Consumer Finance Centre actively expanded cooperation with manufacturers of new energy vehicles while consolidating in-depth cooperation with OEMs. Having established a headquarters-to-headquarters cooperation relationship with major new energy brands, the Bank gathered pace in the layout of auto finance in the new energy field around customer acquisition mode, cooperation mode and customer service. In 2020, the Bank issued new energy vehicle loans amounting to RMB6,500 million, serving 27,000 customers. In second-hand car finance, the Bank sped up the layout, continued to lead the development of the industry, and strived to create a low-cost, light-operational business model through technology empowerment. In 2020, the Bank’s new second-hand car loans amounted to RMB35,548 million, representing a year-on-year increase of 96.6%, playing a leading role in the industry. In the field of commercial vehicle finance, the Bank continuously expanded its business vertically and horizontally, timely seized the opportunity of the rise in commercial vehicle sales during COVID-19, and achieved a breakthrough in the volume of commercial vehicle loan issuance, representing a year-on-year increase of 213.1%.

Third, the Bank performed online operation for its auto finance business via comprehensive technology empowerment to provide customers with convenient and efficient service experience. The Bank continued to increase the penetration rate of independent operations in various business links by strengthening the construction of basic capabilities related to independent services on the whole line. The full-process operation time of the three main products of new car loans, second-hand car loans and car owner loans were reduced by 16%, 29%, and 52% respectively compared with the end of the last year. Meanwhile, by relying on platforms such as the Pocket Bank APP and the official accounts on WeChat, the Bank continued to improve the online operation capacity and widely applied AI tool empowered teams. It contacted customers through the SAT online marketing model, and drove customer management based on big data, to provide customers with diversified financial and product services and

effectively promote the coordinated growth of AUM and credit cards businesses.

2. "Two" core capabilities

(1) Risk control

At the end of 2020, the NPL ratio of the Bank's personal loans was 1.13%, down 0.06 percentage point as compared with the end of last year while down 0.19 percentage point from the end of September. Specifically, the NPL ratio of credit card receivables was 2.16%, up 0.50 percentage point from the end of last year while that of "Xinyidai" was 1.13%, down 0.21 percentage point from the end of last year and the NPL ratio of auto finance loans was 0.70%, down 0.04 percentage point from the end of last year. Due to the adverse impact of COVID-19 pandemic, including the fluctuations in the external economic environment, shrinking of consumer demands and decrease in household income, the quality of retail assets suffered short-term volatility, and personal loans overdue increased at the beginning of the year. In order to alleviate the impact of COVID-19 pandemic, the Bank used its industry-leading technological capabilities and risk control models to optimise the threshold for customer entry and the identification of high risk customers, implemented differentiated risk management strategies, continued to optimise the customer structure, and intensified the disposal of non-performing assets.

The Bank has effectively enhanced its risk mitigation capability thanks to the increase in the proportions of secured loans and unsecured loans to high-quality white-collar customers and moderate tightening of access policy as part of the committed efforts to improve its retail loan structure since 2018. Bearing the brunt of COVID-19, the Bank, on the one hand, has remained steadfast in maintaining client-centred operations and actively responded to the call of the State by providing deferred repayment options, exemption or reduction of interest expenses, loan renewal without principal repayment and other caring services to small and micro enterprise ("SME") owners and individual business owners meeting certain requirements, to minimise the impact of the COVID-19 pandemic on the Bank's retail customers in all aspects. Meanwhile, the Bank introduced a brand new pricing strategy based on precise customer portraits and risk data analysis to serve the real economy in a better way and reduce the financing costs of SME owners by providing loans with lower interests to high-quality customers and SMEs. On the other hand, the Bank's internationally-minded retail risk management team, drawing on its historical experience in dealing with crisis, developed an emergency response plan in late January, and implemented relevant work in an orderly manner, in a bid to gradually dissolve the temporary risks accumulated during the COVID-19 pandemic; and took strong measures to further strengthen the monitoring of external trends and the review of internal risk strategies. Since August, new monthly NPLs have showed a downward trend, and the NPL ratios of main products hit the inflection point, approaching the pre-epidemic level.

In the face of the COVID-19 pandemic and changes in the external environment, the Bank has taken strict controls on the access of new customers and strengthened measures on the review of the ability and willingness of customers to repay loans, through which the quality of new customers was kept on a relatively good level. Due to the joint impact of product structure adjustments and epidemic dynamics, the quality of new customers of auto finance loans declined to a certain extent. However, gradual improvements in customer quality will be seen subsequently as the Bank has tightened its pre-loan review policy.

The proportion of the loans past due for over 30 days when they were at the age of 6 months is stated in the table below:

Year of origination	Credit card receivables	"Xinyidai"	Auto finance loans
2017	0.35%	0.20%	0.18%
2018	0.29%	0.17%	0.17%
2019	0.36%	0.15%	0.28%
2020	0.22%	0.16%	0.43%

Note: (1) "Ageing analysis", also known as vintage analysis or an analysis of the accumulated default rates of a static pool of loans, is a method to track the credit assets by grouping them into different origination periods and compare them by their age groups to assess the asset quality of borrowers in each age group. The proportion of loans past due for over 30 days when the loans are aged 6 months = (the balance of loans originated or credit cards issued in the current year that are past due for more than 30 days by the end of the month when the loans or credit cards are aged 6 months) / (the amount of loans originated in the current year and aged 6 months or the overdraft balance of credit cards issued in the current year and aged 6 months).

(2) The 2020 figures represent the ageing analysis of loans issued from January 2020 to July in 2020. Loans issued from August to December have an age of less than 6 months and will be included for analysis when they are aged at or over 6 months.

(2) Cost control

In 2020, the Bank actively promoted management of retail cost to become “digitally driven”. On the one hand, the Bank established a digital cost-driven system for in-depth analysis of the cost structure and continuous exploration of effective measures for cost reduction and efficiency improvement; on the other hand, it formulated differentiated resource allocation plans by combining with its DOCE strategies to guide great optimisation of mature businesses, precise delivery of growing businesses, and early deployment of potential businesses.

As for the mature businesses, the Bank focused on increasing productivity and reducing costs to improve the cost/benefit ratio. As for the outlets construction, the Bank consciously optimised outlet layout and created light and intelligent outlets to increase average profitability per outlet. In 2020, the Bank continuously optimised outlets operation and cut down administrative and operating management expenses, closed down and removed low-productivity self-service equipment and reduced the operation time via refined management and process transformation. In the aspect of upgrading business model, it continuously urged each business segment to increase the proportion of complete online business procedures and devoted to saving the cost of external customer acquisition and manual operation.

As for growing and potential businesses, the Bank continuously supported product innovation or investments in the pilot runs of business models through internal innovation funds to cultivate the momentum for sustainable development and boost the efficiency of comprehensive management on customers.

In 2020, the productivity and efficiency of the Bank’s wealth management business were significantly improved. The Bank’s AUM operating income per retail outlet increased by 41.5% to RMB14,654.4 thousand as compared with the same period of last year. Under the backdrop of continuously intensified investment in strategies, the cost/income ratio of the retail business declined by 0.06 percentage point as compared with that in 2019.

3. “One” ecosystem

In addition, the Bank continued to drive the open retail banking layout, basic capacity building and deep integration of financial services and internet scenarios to promote open capacity and open flows, the realisation of scenario-based management and the development of ecological industry. As for capacity of open development, the Bank’s open retail banking platform 1.0 was put into operation at the end of March 2020, introducing 402 products, 1,309 APIs (application programming interfaces) and H5 by the end of 2020, covering account management, wealth management, payment, security deposits, loans, and credit cards. Meanwhile, the Bank has built an applet for open retail banking, introduced third-party services in a standardised, self-help and scenario-based model. The applet platform 1.0 was launched in June 2020, and 48 functions and 254 APIs became available at the end of 2020, covering membership service, payment, marketing and basic APP functions. The Bank’s cooperation scenarios span business and consumption, travelling and transportation, life services, education and medical care, etc., deeply integrating financial services with users’ life scenarios to form a new ecological industry of complementary advantages and win-win development.

In terms of AI Bank construction, the Bank continued to boost full-scale AI applications in its retail banking business, and strengthened the physical infrastructure and top-level construction of AI mid-platform to make continuous enhancement of the Bank’s intelligent level and carry forward the creation of a customer management loop of “AI + T + Offline”. At the end of 2020, the Bank structured a mature front- and mid-office platform matching mechanism and a mid-office platform capacity incubation mechanism, which set up 17 major mid-office platforms releasing 195 mid-office functions and launched 448 online front-office scenarios to continuously upgrade and improve digitalised and online operation capability.

In regard to AI marketing, the Bank continuously strengthened technology empowerment and optimised human-machine cooperative service model based on its intelligent application platforms, taking the initiative to contact, serve and manage customers via AI-enabled outbound calls and online AI services. More than 300 scenarios have been rolled out. In 2020, the monthly average number of customers served by AI account managers increased by 693.1% over that of 2019 and the monthly transaction volume of AUM products was up 355.2% from that of 2019. Marketing tools such as AI business cards and OMO continued to be upgraded, effectively empowering the team. The volume of online sharing by wealth management managers increased significantly, and the per capita wealth management sales capacity increased by 22.3% year on year.

In regard to AI customer services, the Bank continued to upgrade the 7×24 hour “AI + Customer Service” system, and successively launched loan reminders, work order processing progress reminders, and multimedia scenarios

covering pictures and videos. At the end of 2020, the unmanned AI customer service ratio of the Bank was 90.1%, representing an increase of 4.0 percentage points as compared with the end of the prior year.

In regard to AI risk control, the Bank continued to strengthen the construction of the intelligent risk middle platform and used technologies to drive comprehensive business innovation. It upgraded AI risk control robots before, during and after loan origination to cover the full life circle of loans, thoroughly embedded in the risk management activities across loan products, so as to empower business upgrade and create a new model for risk control of retail business. In 2020, nearly 90% of the 10,149.7 thousand new credit cards issued were automatically screened by AI; SAFE, the uniform AI-empowered anti-fraud system for the retail business, is the industry's leading customer-level anti-fraud management system. Since its full operation in 2018, it prevented RMB2,400 million of assets from fraud attacks, was successfully nominated as the "Excellent Case of Cutting-edge Enterprises in Technological Innovation in 2020" by People.cn and the "Best Cyber Security Product" by the *Asian Banker* in 2020.

In terms of the construction of intelligent operation, the Bank strived to build Smart Operation 3.0 with the ability to offer satisfying service experience, high efficiency and excellent cost-benefit results. On the one hand, the Bank launched new retail outlet 2.0, focusing scenarios and customer groups to build ecological content system and create a new retail banking experience. On the other hand, by upgrading the management mode of "Lihua Branch Model 3.0", the Bank created a business model of running both online and offline outlets, "1 + N" comprehensive service mode and ecological development mode. In August 2020, the Bank's first 2.0 retail store, Chongqing Jiefangbei Sub-branch, was officially opened, and its original lifestyle brand "Chengle" showed to the market and simultaneously launched in the Pocket Mall.

4. Contribution in comprehensive finance

In 2020, the Bank not only has preferably developed its business but also has enhanced the growth of its businesses by the support of Group's comprehensive financial service platform through product development, channel, account management and other functions. First, the Bank's capacity of product development was enhanced through its cooperation with subsidiaries of Ping An Group, which enabled the Bank to provide comprehensive solutions to customers. In addition, the Bank built a market brand in the insurance trust business in a short period and ranked first in the market in terms of scale and growth rate, with a growth of over RMB15 billion in 2020, 6.7 times that of 2019. Second, the Bank actively integrated itself with the ecological development of Ping An Group and continuously enriched the scenarios of services. As for the ecological development of the auto industry, the Bank had issued nearly 2 million "Ping An Good Owner" credit cards in 2020. Third, the Bank actively gave full play to its advantages in account management, payment and settlement services, provided other subsidiaries of Ping An Group with account management capacities to help customers realise asset appreciation and increase in value at the Bank.

Meanwhile, the Bank continued to deepen the innovation and upgrading of the MGM online operation model. First, the Bank continuously optimised SAT (social media + mobile applications + remote services/tele-services), a closed operational intelligent tool, to boost SAT motivation and effectiveness of VIP customers; the cumulative volume of sharing and forwarding for the current year was 174 million, increased by 320.9% year on year and AUM transaction amount accumulated from SAT sharing covered 45.3% of that from total MGM. Second, the Bank explored the flow management model in private domain, accurately mapped potential customers with the help of big data model, and improved MGM performance of VIP customers in various scenarios. Third, the Bank actively organised customer salon promotions and adopted proven effective programs, and it had held a total of over 130 thousand online customer salons, with almost 2 million participants for the current year. Overall business productivity was quickly resumed. In 2020, the number of new customers attracted through the MGM model (excluding credit cards) represented a net increase of almost 3,013.4 thousand, accounting for 38.7% of the overall new retail customers (excluding credit cards customers), of which, the number of wealth customers represented a net increase of almost 74,900, accounting for 48.4% of the overall new wealth customers, and the balance of assets under management of retail customers (AUM) represented a net increase by RMB246,836 million, accounting for 38.4% of the overall asset balance of the new retail customers. "Xinyidai" granted through the MGM model amounted to RMB65,083 million, accounting for 61.8% of the overall issuance of "Xinyidai"; auto finance loans granted through the MGM model amounted to RMB64,850 million, accounting for 29.3% of the overall issuance of auto finance loans; the number of credit cards issued through the MGM model was almost 3,252,600, accounting for 32.0% of the total number of newly issued cards.

Key indicators of comprehensive finance of MGM model (Selected)

(In RMB million)

Item	2020		2019		Change in proportion of total
	Contribution in comprehensive finance	Proportion in comprehensive finance	Contribution in comprehensive finance	Proportion in comprehensive finance	
Net increase in number of new customers (excluding credit cards) (in 10,000)	301.34	38.7%	248.91	27.8%	+10.9 percentage points
Net increase in number of wealth customers (in 10,000)	7.49	48.4%	7.71	41.1%	+7.3 percentage points
Net increase in AUM	246,836	38.4%	218,368	38.6%	-0.2 percentage point
Amount of new issued "Xinyidai"	65,083	61.8%	68,682	61.3%	+0.5 percentage point
Amount of new issued auto finance loans	64,850	29.3%	54,676	34.9%	-5.6 percentage points
Amount of credit cards issued (ten thousand)	325.26	32.0%	487.65	34.1%	-2.1 percentage points

In terms of asset quality of customers, the NPL ratio of customers acquired through the MGM model was lower than the overall level. At the end of 2020, the NPL ratio of the customer group of "Xinyidai" acquired through the MGM model was 0.81%, which was 0.32 percentage point lower than the overall NPL ratio of "Xinyidai". The NPL ratio of the customer group of credit cards acquired through the MGM model was 1.96%, which was 0.20 percentage point lower than the overall NPL ratio of credit cards. The NPL ratio of the customer group of auto finance loans acquired through the MGM model was 1.07%, which is higher than the overall NPL rate of auto finance loans. This is mainly due to relatively high proportion of automobile mortgage business under the MGM model, but the NPL ratio of automobile mortgage business under the MGM model was 0.08 percentage point lower than that of the customer group of the similar business from other channels.

Asset quality of the customer group acquired through the MGM

Item	31 December 2020	
	Overall NPL ratio	NPL ratio of the customer group acquired through the MGM model
Credit card receivables	2.16%	1.96%
"Xinyidai"	1.13%	0.81%
Auto finance loans	0.70%	1.07%

3.3.2 Specialised and strong corporate business

In 2020, adhering to the customer-centric principles, the Bank established a business model of "AUM + LUM + operation platform" for corporate business and conducted specialised and strong corporate business. For corporate business, the Bank practised the "3 + 2 + 1" corporate business strategy, centring around the three business pillars of "industry banking, transaction banking and comprehensive finance", focusing on the two core customer groups of "strategic customers and small and micro enterprises customers", held the lifeline of asset quality, put efforts in enhancing its five trump cards in new supply chain finance, bill integration, customer management platform, complex investment and financing and ecological comprehensive expansion. In addition, assisted by technologies such as AI, block chain, and IoT in an extensive and comprehensive way, it fully supported the balanced development of the whole bank's business and the implementation of the retail transformation strategy.

The asset and liability structure of corporate business continued to improve. At the end of 2020, the balance of corporate loans was RMB1,061,357 million, representing an increase of 9.9% as compared with the end of last year; the balance of corporate deposits was RMB1,988,449 million, representing an increase of 7.3% as compared with the end of last year, of which the balance of corporate demand deposits was RMB694,240 million, representing

an increase of 16.6% as compared with the end of last year. In 2020, the daily average balance of corporate deposits amounted to RMB1,898,373 million, up 7.7% from 2019, among which the daily average balance of corporate demand deposits was RMB586,383 million, up 8.9% from 2019. In 2020, the average cost rate of corporate deposits decreased by 25 basis points to 2.17% compared with the average level of the same period last year.

The income composition of corporate business effectively improved. In 2020, the net non-interest income of the Bank's corporate business (excluding interbank capital business) amounted to RMB11,245 million, representing an increase of 12.2% as compared with the same period of last year, and the proportion of the net non-interest income of corporate business in the operating income of the Bank's corporate business increased by 2.0 percentage points compared with the same period of last year, mainly attributable to the combined contributions from comprehensive finance, offshore finance, forfeiting, bank acceptance and e-commerce.

Five trump cards in corporate business yield initial fruits. New supply chain finance: At the end of 2020, 13,152 customers went online on the platform of "Ping An Good Chain". The platform's trading volume during the year reached RMB82,715 million and the financing volume exceeded RMB31,933 million. Bill integration: The bank acceptance notes discounting accumulated to RMB449,159 million, a year-on-year increase of 61.6%. Customer management platform: At the end of 2020, the number of registered corporate customers of the Digital Pocket APP accumulated to 1,040,200, increasing by 189.1% as compared with the end of last year. Complex investment and financing: At the end of 2020, the Bank's complex investment and financing scale reached RMB1,086,939 million, exceeding RMB1 trillion for the first time, with an increase of 38.0% as compared with the end of the previous year, among which, the investment bank financing scale was RMB681,732 million, an increase of 27.1% over the end of last year; in 2020, the investment and financing scale of other subsidiaries of Ping An Group pushed by the Bank reached RMB405,208 million, representing a year-on-year increase of 61.2%. Ecological comprehensive expansion: All indicators of comprehensive expansion business show a leap-forward growth. The premiums from banking insurance amounted to RMB2,701 million, a year-on-year increase of 102.9%; the new investment and cooperation projects jointly implemented by the Bank and professional companies within the Group amounted to RMB431,215 million, representing a year-on-year increase of 65.1%.

1. "Three" business pillars

(1) Industry banking

With a vision to become "the pioneer of ecological banking, the vanguard of strategic customer operation and the forerunner of complex investment and financing", the Bank's industry banking is committed to creating maximal value for and from its strategic customers.

Through industry banking, the Bank spares no effort in supporting the development of the real economy and continuously promoting the investment of assets in key industries. At the end of 2020, the proportion of the credit balance to customers from industries related to medical and health care, auto ecosystem, clean energy, people's livelihood, infrastructure and transportation, electronic information, green and environmental protection, etc. was 46.2%, roughly maintaining the same level as the end of previous year. In the field of government finance, the Bank focused on the financial, housing and judiciary to enhance the comprehensive service capabilities by relying on the advantages of "Finance + Technology" and continued to promote the "Smart City" platform innovation to provide comprehensive solutions for customers. In 2020, the Bank launched 145 new governmental financial platforms, bringing the total number of such platforms amounting to 715 by the end of the year.

The Bank's industry banking and investment banking were fully integrated, focusing on key industries, major projects and customer demands and relying on the platform advantages of Ping An Group to tailor comprehensive financial solutions for customers and build its corporate complex investment and financing brand. In 2020, the Bank's investment bank financing scale amounted to RMB681,732 million, with a year-on-year increase of 27.1%, of which bonds underwriting amounted to RMB413,497 million, with a year-on-year increase of 67.2%, and its market share maintained sustained growth; mergers and acquisitions amounted to RMB48,414 million, with a year-on-year increase of 218.2%. During the outbreak of COVID-19, the Bank was committed to satisfying customers' anti-epidemic financing needs through bond underwriting, wealth management direct financing and debt financing.

The Bank's industry banking and transaction banking were fully cooperated, focusing on the needs from upstream and downstream customer group of key industry customers and "Scenario + Platform" customer groups and relying on its fintech advantages to tailor supply chain financial solutions for customers and a variety of scenario-based and platform-based financial solutions. At the end of 2020, industry banking provided supply chain finance services to 2,979 customers in key industries, representing an increase of 78.8% as compared with the end of previous year.

(2) Transaction banking

Customer management platform

At the end of 2020, “Ping An Digital Pocket APP”, a fully upgraded version of “Pocket Finance APP” was officially launched, aiming to become a unified digital business portal for small, medium and micro customers of the Ping An Group. Starting with customers and scenarios, this platform will realise data transmission and connection between scenarios through digital certification, digital scores and “1 + N” account system, interconnect different customer rights and interests via digital scores to form an ecological operation centred on digital accounts and provide one-stop comprehensive services for small, medium and micro enterprises and enterprise employees with a lightweight user system. At the end of 2020, the number of registered enterprise customers of the Digital Pocket APP accumulated to 1,040.2 thousand, increasing by 189.1% as compared with the end of last year, while the number of transactions for the year accumulated to 6,915.7 thousand, representing a year-on-year increase of 15.5%, and the accumulated transaction amount for the year was RMB4.33 trillion, representing a year-on-year increase of 16.4%.

Through building a new digital treasury management platform in accordance with industry leading standards, the Bank has achieved integrated functions such as cutting-edge architecture, open output, and customer intelligent and personalised configuration. In terms of cutting-edge architecture, the newly developed digital treasury management platform adopts a micro-service architecture, and with flexible and expandable features, supports multiple deployment methods such as public cloud and private cloud. Only a browser is enough for customers, no installing needed. It also supports cloud upgrading and real-time update function. In terms of open output, all functions of the digital treasury management platform support interface output to third-party systems to meet customer requirements on function integration, system integration, data synchronisation, etc. In terms of customer intelligent and personalised configuration, through flexible configurations of functional permissions, data permissions, and approval procedures, the digital treasury management platform helped companies to standardise the treasury management process and improve the level of capital management.

After going online for only 3 months, the Bank’s digital treasury management platform has served nearly a hundred customers, offering services including account management, budget management, collection and payment management, capital management, capital early warning, statement statistics, etc., to meet large or medium size enterprises’ and financial companies’ demands on cash management, asset and liability management, tax management, supply chain management, etc.

Based on the platform customers’ needs for various scenarios, the Bank aimed to build an API for outbound services, which will integrate cash management, bills, new supply chain finance and other services into the entire production and operation process of an enterprise, and interconnect all components of the enterprise’s digitised industrial chain, and create synergies from the integration “technology + ecology + channels” to support the development of the enterprises. At present, the services provided by the Bank under the Open API standard interface have covered corporate and individual businesses and Ping An Group’s advantage products, forming the full-coverage external output model of B2B2C. Through partnership with the developers of the SaaS (software as a service) platform, the Bank created an industrial ecosystem and formed an ecological cooperation mode of “1 + N” bulk customer acquisition and operation. At the end of 2020, the Bank’s open platform served 11,900 customers, an increase of 45.1% over the end of the year. The total number of transactions for the year amounted to 4,329 million, representing a year-on-year increase of 33.3%.

Payment and settlement

Based on the corporate business transformation strategy, the Bank provided “integrated services for Internet Platform + Business (corporate users)/Clients (individual users) on the platform” for the Internet platform customers under the industrial Internet, consumer Internet and various segment business scenarios. By innovating the financial model of the platform supply chain through continuous in-depth exploration of scenario-based payment and settlement needs, and equipping platform merchants with digital certification and scores based on platform transaction data, the Bank aimed at achieving the interconnection of merchant services and the integration of the rights and interests system, and creating a closed-loop ecology for its Internet service platform. In 2020, the Bank launched 5,655 million transactions relating to Internet payment and settlement business to serve the enterprises on the platforms, representing a year-on-year increase of 163.0%; the total amount of transactions accumulated to RMB9.58 trillion, representing a year-on-year increase of 129.2%.

Supply chain finance

Industrial Internet development and domestic circulation strategy created great business opportunities for promoting supply chain finance, and ever-changing new technologies fuelled the boom in the new business mode of supply chain finance. The Bank looked deep into the industrial chain, constantly innovated scenarios of the business model and connected ecological scenarios of supply chain, thus achieving online, mode-based and automated operation. To meet further diversified, personalised and online needs of corporate supply chain finance, the Bank also, with supply chain finance as the link, fully integrated transaction banking products and services, continuously enhanced the overall “supply chain+” capability and provided customers with industry-specific and customised solutions. The Bank established an integrated business model of “supply chain + inclusive finance” to acquire “1”, “N” and “n” customers (respectively, the core enterprise, subsidiaries of the core enterprise, and suppliers/distributors of the core enterprise), enabling the Bank to break free from its over reliance on core enterprises, achieve high alignment between its business lines and risk management lines highly, establish new supply chain models, fully implement the regulatory requirements for supporting small and micro enterprises and real economy, and to effectively help resolve the lack of financing and high costs financing facing SMEs.

Meanwhile, by applying the Internet, cloud computing, blockchain, AI and other technologies, the supply chain finance platform “Ping An Good Chain” was further upgraded and optimised. Targeting at core enterprises and their upstream small, micro and medium-sized enterprises, the platform provided online supply chain finance services, including recognition and transfer of accounts receivable, financing, settlement and risk management, and achieved intelligent and digital operation of supply chain business. At the end of 2020, 13,152 customers went online on the platform, including 1,550 core enterprises and 11,602 suppliers. In 2020, the platform’s trading volume during the year reached RMB82,715 million with a year-on-year increase of 143.0% and the financing volume was RMB31,933 million with a year-on-year increase of 234.6%. Since the launch of the platform, the Bank has achieved steady growth in business scale by strictly managing customer access, controlling business and compliance risks and ensuring security of the system. Directly connected with the CSDC, the platform provided supply chain finance services to many small, micro and medium-sized enterprises by using optical character recognition (OCR) and natural language processing (NLP) technologies based on real trade backgrounds.

Bills

The Bank implemented integrated management for bills, reshaped the business processes, improved the online capabilities, mode-based services and automation as part of its comprehensive upgrade of services, and launched more than ten innovative solutions, aiming to turn its bills business into “credit cards for corporate customers”. By focusing on our “finance + technology” advantages, the Bank continuously optimised customer experience and consolidated the basic customer group of bills business to serve the real economy. In 2020, the Bank provided bill financing services for 8,770 enterprises in total, and the bank acceptance notes discounting accumulated to RMB449,159 million, a year-on-year increase of 61.6% and over 90% of which were completed online; the bills acceptance accumulated to RMB791,721 million, a year-on-year increase of 18.0%. During the steady development of business, the Bank continued to intensify support for low-cost financing of manufacturing enterprises, fuelling their high-quality development. At the end of 2020, the balance of the bank acceptance notes discounting for manufacturing was 8.6 times from the end of previous year.

Cross-border finance

Centring on the customer’s demands for global credit facilities and global asset and wealth management across currencies and scenarios, the Bank fully leveraged its advantages in five major cross-border financial service sectors, including onshore, offshore, free-trade zone, NRAs (non-resident accounts), and overseas branches, further developed our five major product series, namely, “Cross-border Investment and Financing, Cross-border Fund Management, Cross-border Trade Finance, Cross-border Inter-bank Finance, and Cross-border e-Finance”, and focused on the investment, financing and refinancing needs of Chinese-funded enterprises in their overseas operations, cross-border mergers and acquisitions, and privatisation, to provide enterprises with one-stop services of “investment banking and commercial banking integrating overseas and domestic branches, domestic and foreign currencies”. At the same time, the Bank actively promoted digital and intelligent online operations, constantly improved the service capabilities of Global Transaction Banking (GTB), and supported enterprises’ global layout and development with professional and effective cross-border financial services.

In 2020, closely following the financing needs of the real economy, actively responding to calls of “resumption of work and production” and “the stability on the six fronts and security in the six areas”, quickly building a fast-track channel to facilitate foreign exchange businesses in response to the COVID-19 pandemic and focused on addressing

customers' needs for diversified cross-border financial services, the Bank continuously made innovation in respect of its business model and smart services to fully support the development of the real economy by organising a cross-border bank consortium to help Chinese enterprises with financing needs of overseas projects, cooperating with foreign trade comprehensive service platform companies to provide export letter of credit service for SMEs, providing low-cost cross-border financing for domestic entities directly, and meeting the cross-border financing and financing services needs of enterprises during the fight against epidemic and the resumption of work and production, etc. At the end of 2020, the Bank's corporate deposits denominated in foreign currencies amounted to an equivalent of RMB222,105 million, up 6.8% from the end of last year; corporate loans denominated in foreign currencies amounted to an equivalent of RMB175,566 million, up 9.1% as compared with the end of last year.

(3) Comprehensive finance

As an engine of Ping An Group's comprehensive finance "1 + N" business, the Bank aims to create ecological comprehensive expansion, explore the value of the Bank's corporate business channels, and become an ecological joint between the Group's internal and external resources. Cooperating with various professional companies within Ping An Group and external channels, the Bank used technologies to promote the two-way linkage of AUM (assets under management of corporate customers) and LUM (liabilities under management of corporate customers), continuously strengthened the service capability of our comprehensive finance to facilitate a rapid breakthrough in their business.

The Bank explored its advantages in corporate business channels and enhanced service capability of comprehensive finance scenarios. Products and services of professional companies within Ping An Group and external channels were combined with banking businesses in terms of process and product design. The Bank also took integrated measures to serve corporate customers and focuses on increasing scale of premiums, investment and financing and cooperation deposits. Further, the Bank used technology platform and AI assistant to enable customer operation, won customers with ecological scenarios supported by products, functions and rights, and facilitated high-quality growth in banking customers.

In 2020, the premiums from banking insurance amounted to RMB2,701 million, representing a year-on-year increase of 102.9%; the new investment and cooperative projects jointly implemented by the Bank and professional companies within the Group amounted to RMB431,215 million, representing a year-on-year increase of 65.1%; the annual average daily deposit of new corporate customers from deepening comprehensive financial services cooperation amounted to RMB144,067 million, up 141.7% as compared to last year, among which the daily average demand deposits accounted for 50.9%; as the end of 2020, the balance of deposits of new corporate customers from deepening comprehensive financial services cooperation amounted to RMB148,796 million, up 62.7% as compared with the end of last year, among which the balance of demand deposits accounted for 56.5%.

2. "Two" core customer groups

(1) Focusing on strategic customers

The Bank leveraged the product strategy of "Commercial bank + Investment bank + Investment", drew the "customer graph, relationship graph and business graph", so as to determine the comprehensive finance service plan of "one policy for one account" for the sake of strategic customers. With investment bank as a breakthrough, the Bank provided all-round service for the strategic customers and their core subsidiaries and upstream and downstream customers through new supply chain finance and treasury management service, to achieve the improvement of AUM and LUM, as well as strengthen the ecosystem. At the end of 2020, the balance of loans to strategic customers increased by 40.5% compared to the end of the previous year, and its share in corporate loans of the Bank increased 16.6 percentage points from the end of the previous year.

Focusing on the in-depth operation of strategic customers and putting strategic customers as the core, the Bank fully explored the core subsidiaries, supply chain customers and overseas entities, drove customer development of "N" ecosystems by providing service to "1" strategic customer, helped the development of "N" products by developing "1" product, dug deeper into strategic customers and their ecosystems, to achieve a comprehensive improvement in the number of customer group and customer value. As the end of 2020, the balance of loans to strategic customers and their ecosystems increased by 57.7% compared to the end of the previous year.

(2) Reinforcing small and micro enterprise customers

Upholding the concept of “Finance + Technology”, the Bank deepened digital operation, enhanced the leading role of data and attached importance to technology empowerment, providing scenario-based and online services in batches for small and micro enterprise customers around the upstream and downstream of the industrial chain; it enhanced the overall operation capabilities of private enterprises and small and micro enterprise customers through business models of Digital Pocket and small enterprise digital finance, and continued to intensify support for private enterprises and small, medium and micro enterprise customers.

The Bank’s small enterprise digital finance revealed the real operation status of enterprises via “data + models”; realised online, automated and real-time batch loan granting with standardised products, by applying technologies such as IoT and big data; further reached scenarios and industrial chain customers with customised products, cooperated with scenario data providers such as taxation, customs, government service platform, built risk control model and provided small and micro enterprises with financing services in batches, so as to efficiently solve the problems of difficulty and high cost in financing for SMEs. Meanwhile, the Bank further strengthened cooperation with government guarantee platforms, promoted “Shubaodai” and other credit enhancement products, understood customer operations by means of providing non-credit services and operation management tool services, cultivated high-quality customers and provided them with superior financing services. During the COVID-19 pandemic, the Bank accelerated the digital operation. As customers gradually resumed work and production, the overall corporate business was steadily rising. The Bank quickly launched the “Small Business Digital Finance Work Resumption Loan Product Package” and realised 7 × 24 hours online management with the help of powerful big data credit reporting capability and risk control model.

The Bank also strictly followed regulatory deferring repayment policies and provided “deferred repayment” services for small and micro customers affected by the epidemic. Also, the Bank exempted or reduced the late charges, made adjustment to ensure credit records were not affected due to the deferred payments, enhanced support to work resumption, and made solid contributions to safeguarding the stable operation of the real economy. The Bank offered special credit lines and favourable interest rate policies to local small and micro enterprises in Hubei, Jiangsu and Zhejiang, among areas most severely affected by COVID-19 pandemic.

In 2020, for the Bank’s loans to small and micro enterprises with a credit facility of RMB10 million or less (“all-inclusive loans to small and micro enterprises”), the weighted average interest rate per annum of newly issued loans declined by 1.56 percentage points as compared to last year.

In 2020, the Bank’s all-inclusive loans to small and micro enterprises amounted to RMB286,630 million, with a year-on-year increase of 19.9%; at the end of 2020, the number of accounts with all-inclusive loans to small and micro enterprises amounted to almost 654,300, and the balance of loans amounted to RMB282,830 million, with an increase of 38.8% from the end of the previous year, accounting for 10.6% of the balance of loans.

3. “One” lifeline

Asset quality is always the first lifeline to the corporate business. The Bank adhered to the prudent risk preference, continuously consolidated the collaboration between risks and businesses, strengthened the recovery and disposal of problematic assets, and ensured that the asset quality of corporate business could be controlled overall under the impact of COVID-19 pandemic. At the end of 2020, corporate NPL ratio was 1.24%, a decrease of 1.05 percentage points from the end of prior year.

3.3.3 Steady and sound development of interbank capital business

The Bank’s interbank capital business adopted “promoting new growth and creating a new brand” as its development direction for the next three years, comprehensively promoted “3 + 2 + 1” business strategy, focused on three major business directions of “new transactions, new interbank and new asset management”, and strengthened two core capabilities of “sales and transaction”. Comprehensively promoting digital and online operations, the Bank built “one intelligent platform for capital system” so as to empower businesses. The Bank also actively responded to the challenges of the epidemic, stabilised our operations and maintained our development. In 2020, as a core market maker of bond and interest rate derivative business in the interbank market, the Bank resolutely fulfilled our role as market maker to continue to actively launch FICC (fixed income, currencies and commodities) market-making transaction business, continuously providing liquidity to the market and effectively securing our first place in the market of market-making business. At the same time, the Bank continued to improve services for interbank customers, created a mutually beneficial ecosystem for the industry and promoted the steady operation of Ping An Wealth Management.

The Bank promoted the integration of technologies and financial market businesses, and steadily improved its trading capabilities. In 2020, the Bank achieved a net transaction income of RMB4,303 million for fixed income business under the business line of capital, representing a year-on-year increase of 33.9%, with a market-leading ROE in investment trading for the two consecutive years. The market shares of the volume of interest rate swap, gold transaction and bond transaction reached 11.9%, 9.4% and 1.4%; the Bank maintained a leading role as a market maker in derivatives in the fourth quarter of 2020 in the ranking published by China Foreign Exchange Trade System.

The Bank thoroughly implemented the “customer-centric” business philosophy, with notable results in interbank sales. The Bank’s “Hang-E-Tong” system was reconstructed and upgraded in terms of platform interaction, function services and system architecture, offering efficient and convenient one-stop service to interbank institutional customers. In 2020, the sales volume of interbank institutions amounted to RMB805,812 million, representing a year-on-year increase of 59.9%.

The Bank fully pushed the independent operations of Ping An Wealth Management and achieved stable growth in wealth management product sales. At the end of 2020, the balance of non-principal-guaranteed wealth management products (WMPs) was RMB648,185 million, increasing by 9.8% as compared with the end of last year; among which, net-value-based products in compliance with requirements in new asset management regulations amounted to RMB463,528 million, representing an increase of 80.2% as compared with the end of the previous year and its proportion to non-principal-guaranteed WMPs increased from 43.6% at the end of the previous year to 71.5%.

1. “Three” major business directions

(1) New transactions

In 2020, after the global economy suffered the enormous impact of the COVID-19 pandemic, the Chinese government rapidly controlled the COVID-19 pandemic, and China began its comprehensive recovery in economic activities; the special policies adopted by PBOC during the COVID-19 pandemic resulted graduate return to normality. The bond market experienced massive fluctuations during the year, with bond yields going downwards before upwards again. In response to the complex market environment and macro-economy market movements, the Bank conducted in-depth research and analysis on domestic and foreign macroeconomic situation and policies, adjusted the duration, position structure and scale of asset portfolio, and actively seized trading opportunities based on relative value strategy by applying multiple hedging instruments in a flexible manner. The Bank actively promoted the in-depth application of fintech in financial market business, and through its self-developed and market-leading intelligent quantitative trading system, implemented real-time monitoring of risks in the context of the surge in market volatility so as to ensure stable and sound business operation; continuously provided liquidity to the market with our industry-leading electronic transaction capabilities. In 2020, the Bank achieved a net transaction income of RMB4,303 million for fixed income business under the business line of capital, representing a year-on-year increase of 33.9%; the market shares of the volume of interest rate swap, gold transaction and bond transaction reached 11.9%, 9.4% and 1.4% respectively. According to the 2020 Interbank Domestic Currency Market Assessment published by National Interbank Funding Centre, the Bank won 12 institutional awards, including “Core Dealer”, “Excellent Dealer in the Bond Market”, “Excellent Dealer in the Derivative Market”, “Excellent Dealer in the Money Market”, “Excellent Issuer of Interbank Certificates” and “Award for Innovation in Automated Trading”. The Bank kept the leading role in the ranking of market-making of derivatives in the fourth quarter of 2020 published by China Foreign Exchange Trade System.

In terms of customer business, the Bank integrated four trading advantages of “international professional team, leading trading system, real-time risk control capability and outstanding pricing capability” in the financial market business, and launched the brand of “Ping An Risk Avoidance” to continuously support the real economy and reduce market risk and financing costs, and established professional teams for product development and services to customise risk avoidance service solutions of exchange rate and interest rate transactions for corporate customers, in order to assist them in responding agilely to market fluctuations and reducing liabilities cost, actively facilitate online transaction for fast-track processing, and improve customer experience. Meanwhile, with leading trading capabilities and professional product development capabilities, the Bank promoted the structured deposit products return to the original purpose and provided more financial market product services for corporate and individual customers. In 2020, the Bank’s agency trading volume of interest rate swaps and foreign exchange derivatives was RMB103,769 million, representing a year-on-year increase of 12.4%.

(2) New interbank

By in-depth implementation of the “customer-centric” business philosophy, the Bank’s interbank business built a mutually beneficial ecosystem with all stakeholders and created a new brand of interbank institution sales. The Bank also provided customers with comprehensive solutions based on “product + service” portfolios, so as to boost the deeper and wider development of our customer operation. First, the Bank comprehensively promoted the digital transformation of interbank business. The “Hang-E-Tong” platform was completely reconstructed and upgraded in August 2020. The new version was developed based on the Bank’s independent technology development framework and took customers’ needs and use habits into consideration, with comprehensively optimised page interaction and improved functions and service. The platform was featured in fast online transactions, efficient and quick operation, visualised product evaluation, investment and research system empowerment, etc. to fully achieve fast online trading for financial institutions. Second, the Bank took advantages of comprehensive finance service. With services embedded in customer operation scenarios, the Bank followed customers’ fund flows to discover their needs and focused on improving precision marketing capability and the ability to apply comprehensive solutions. Third, the Bank created an invincible sales force and implemented comprehensive customer management; optimised the sales structure, strengthened regional market exploration and risk identification, improved operation and management efficiency, so as to realise professional customer management and integrated services; Fourth, the Bank’s trusteeship business thoroughly explored customer needs and intensified investment in key products areas. Empowered by technologies, the Bank perfected functions of the intelligent trusteeship system, fully strengthened capabilities of professional services and system support, and further improved customer experience and our market competitiveness, with scale growth of trust custody and insurance funds custody maintained at the top among markets.

At the end of 2020, the Bank’s “Hang-E-Tong” provided services to 2,282 customers. In 2020, the sales volume of interbank institutions numbered RMB805,812 million, representing a year-on-year increase of 59.9%.

(3) New asset management

Ping An Wealth Management, a wholly-owned subsidiary of the Bank, was officially opened for business on 28 August 2020. The registered capital of Ping An Wealth Management is RMB5 billion, and its principal business activities include issuance of public wealth management products and private wealth management products, financial advising and consulting service and other asset management related businesses. At the end of December 2020, Ping An Wealth Management recorded a total assets of RMB5,430 million and net assets of RMB5,171 million, and derived a net profit of RMB165 million.

Since its opening, Ping An Wealth Management has made every effort to promote the transformation and development of financial management business in the aspects of platform, products, sales, investment and research, science and technology, etc., and achieved a series of positive results.

First, the Bank comprehensively promoted Ping An Wealth Management in its independent operation, and provided assistance in business linkage, marketing collaboration and team building in order to promote strategic synergy.

Second, the Bank proactively responded to opportunities and challenges of market transformation by offering more net-value-based products (“new products”) that is in compliance with the requirements of new asset management regulations, such as fixed-income+, hybrid and structured products, and implementing FOF/MOM product strategies to form a relatively complete product system. A total of 161 new products were offered this year and the sales of wealth management products reached RMB4.4 trillion. The Bank resolutely adhered to regulatory requirements on transformation, steadily and orderly promoted the reduction of stock principal-guaranteed WMPs and old products, with old products reduced by 44.6% during the year, outperforming other national joint-stock commercial banks.

Third, the Bank improved customer acquiring capabilities, and through multi-value scenarios and low investment threshold, achieved rapid growth in customers of wealth management business of the Group, increasing from 1.23 million to 1.68 million since the beginning of 2020 with a growth rate of 36.6%.

Fourth, investment research capabilities building showed certain initial results, and the Bank primarily established an investment research system centring on large-scale assets allocation. “Ping An Wealth - 98 Days Growth No.2 (Net-value based) RMB Wealth Management Product” won the “Golden Bull Award for Bank Wealth Management Product of 2020” from China Securities Journal. And Ping An Wealth Management also won the “Asset Management Excellence Award of 2020” from Shanghai Securities News.

Lastly, the Bank continued to promote technology empowerment, and solidified the foundation of operation by launching several business systems which realised online operation of product processes, automated transactions connection, isolation of risks, online valuation and support for new products transaction; the Bank orderly promoted the construction of basic data and big data platform, providing effective support for operational management and regulatory reporting. The Bank also initiated the data governance mechanism to strengthen the data-enabled operational decision-making, risk management and investment research analysis.

At the end of 2020, the balance of non-principal-guaranteed wealth management products (WMPs) was RMB648,185 million, increasing by 9.8% as compared with the end of last year; among which, net-value-based products in compliance with requirements in new asset management regulations amounted to RMB463,528 million, representing an increase of 80.2% as compared with the end of the previous year and its proportion to non-principal-guaranteed WMPs increased from 43.6% at the end of the previous year to 71.5%.

2. “Two” core capabilities

Enabled by sales and transaction capabilities, the Bank provided professional service solutions for customers of our own and within Ping An Group’s ecosystem. First, with “Hang-E-Tong” as the platform entrance, the Bank adhered to the development concept of “platform-based bank” by integrating product design, asset recommendation and sales services. The Bank has constructed a customer service loop with “Tong-E-Jia” and deepened the application of customer and product portraits, and at the same time leveraged Ping An Group’s advantages of comprehensive financial business in pursuit of deeper and wider sales penetration among interbank institutions. Second, the Bank actively explored the development of an “ecosystem” to constantly optimise investment efficiency, expand customer group of investment categories and improve risk management system for their integration with the Bank’s retail, corporate and interbank businesses. The Bank deepened its transaction capabilities through innovation of new structured deposit products and development of risk avoidance products, further intensifying outbound empowerment of transaction capabilities, and gradually extending the service to Ping An Wealth Management and customers within Ping An Group’s ecosystem.

3. “One” intelligent treasury system platform

Directed by “digitisation, online operation and intelligent service”, the Bank’s intelligent treasury system platform was designed to be fintech infrastructure for the future. Relying on the platform, the Bank continued to promote technologically innovated applications such as AI, big data and blockchain, and built a programmatic trading system based on algorithmic strategies and high-performance systems to enable accurate pricing, efficient execution, and agile risk control; meanwhile, embracing the philosophy of opening, empowerment and integration, the Bank linked the intelligent treasury system platform with “Trading One” for risk avoidance business, retail Pocket Bank APP, corporate Digital Pocket APP and interbank “Hang-E-Tong” in an effort to build an cross-line and cross-customer-group value chain. In doing so, the Bank better served customers and expanded market share.

3.3.4 Technology-empowered digital transformation

The Bank adopted the strategic principle of “being technology-driven” as the driving force for strategic transformation, continued to increase investment in finance technology, optimised the development processes, improved delivery efficiency, enhanced our digital operations and online operations, and promoted the transformation to become “a digital bank, an ecosystem, and a platform”. At the end of 2020, technical personnel of the Bank (including outsourced talents) numbered over 8,500, representing an increase of over 12.5% as compared to the end of last year. In 2020, IT capital expenditures and costs experienced a year-on-year increase of 33.9%.

1. Technology-empowered business development

The Bank continued to deepen the integration of business and technology, and continuously improved delivery quality and speed of business development demands. In 2020, based on retail banking and corporate agile transformation, the Bank fully promoted the agile mode among development teams of funds, risk, payment operation, etc. The technology team accepted 36% more business development demands than last year and a number of major business systems went live successfully one after another. For retail business, the new core system of credit card was successfully switched and put into operation, becoming the first successful case in the industry that the core business system was transferred from the centralised mainframe to the distributed PC server architecture; the system cultivated three core business capabilities of “transaction-level accounts”, “all-around credit limit management” and “multi-tenant operation”, which supported billion-level transaction users and daily

transaction volume, with multiple technology indicators ranking first in the world. For corporate business, the intelligent application middle platform went online, further promoting digitalisation in customer management, product management, marketing management, team's management and case database. The time of new scenarios development and launch was reduced by nearly 40%, saving nearly 25% of labour costs. For interbank businesses, the "Hang-E-Tong" system was reconstructed and upgraded in terms of platform interaction, function services and system structure, offering efficient and convenient one-stop service to interbank institutional customers; in 2020, platform visits increased by 214.0% compared to that of last year, online sales exceeded RMB300 billion with a year-on-year increase of 70.7%. For risk management, the intelligent risk control platform was continuously iterated and upgraded. The Bank fully applied the new system, and developed and launched an intelligent risk control APP on the mobile terminal. In addition, the Bank finished the construction of independent computer rooms and the development and deployment of IT system of the subsidiary Ping An Wealth Management to provide reliable technical support for our business operations.

2. Establishing leading basic platforms

The Bank accelerated technological transformation, built leading infrastructures and platforms, constantly improved technical products and solutions. First, the Bank continuously drove transformation to distributed structure. At the end of 2020, the self-developed distributed finance PaaS platform had been widely applied to over 500 projects, covering several banking key business systems including the new core system for credit cards and cloud card acceptance, among which the Bank owned 100% intellectual property rights of the new core system for credit cards. Compared with the original system, the new core system was expected to save IT costs of at least RMB1,450 million in the next five years, marking a new milestone for independent core system innovation in the finance industry. Second, the Bank facilitated the deployment of Starlink, an integrated tool platform of development, operation and maintenance. At the end of 2020, over 97% of the Bank's applications were introduced through the Starlink platform, continuously increasing the efficiency of R&D and delivery; the platform also passed the first assessment under the DevOps Capability and Maturity Model rolled out by China Academy of Information and Communications Technology, which indicated that the Bank's DevOps system and tools, security and risk management reached a leading level in China. Third, the Bank continued to upgrade open platforms to enhance capabilities of open banking. In 2020, the Bank launched over 2,500 application programming interface (API) services. As at the end of 2020, the daily interface calls exceeded 30 million, achieving more precise data conversion. Fourth, the Bank accelerated the application of "Nebula-IoT Platform". On 22 December 2020, Ping An Bank launched the first IoT satellite "PingAn-1" (Tianqi-8) in the domestic financial industry in collaboration with a leading commercial satellite company that has independent communication channels. "PingAn-1" satellite and "Nebula-IoT Platform" are substantial for the "Nebula-IoT Operation". At the end of 2020, on the "Nebula-IoT Platform", the Bank has rolled out scenarios like smart manufacturing, smart vehicle connection, smart energy, smart agriculture, smart logistics and smart urban development, and connected with more than 330,000 IoT devices, dedicating to exploring and promoting finance innovative application scenarios in the supply chain and other fields, so as to combine industries and the financial sector to drive the development of small, medium and micro enterprises. Last, the Bank achieved a level of 93.6% in automated operations and maintenance through continuous automation and AI-empowered transformation, with a coverage of 68.2% in automated testing.

3. Accelerating digital transformation

First, the Bank improved digital operation capabilities. For data middle platform, at the end of 2020, the Bank completed the integration of over 20 million blacklist data and included over 300 business scenarios in the blacklist risk control services, with a cumulative of nearly 180,000 transactions intercepted. For AI platform, the Bank intensified our efforts in the development and application of the one-stop AI middle platform, integrating core capabilities of AI algorithm training platform, visual machine learning platform, AI cloud service platform and customer insight platform. Over 1,000 new AI models were added throughout the year, a year-on-year increase of 300%, the coverage of intelligent marketing scenarios reached 100%, and the AUM capacity conversion efficiency was improved by 30.8% on average. For data governance, centring at data arsenisation, the Bank fully processed our data and formulated over 2,000 basic data standards and over 500 indicator data standards. At the end of 2020, 96% core data assets were traceable and available, a significant increase from the beginning of the year.

Second, the Bank improved online operation capabilities. The Bank accelerated omni-channel layout and enhanced the online service capabilities by taking advantage of technology empowerment. For external services, the Bank continuously optimised and upgraded online service platforms for individuals, corporates, small and micro enterprises and financial peers including Pocket Bank APP, Pocket Finance APP, small business digital finance, and "Hang-E-Tong". For internal operation, the Bank widely applied online operation tools, such as various mobile APPs, telecommuting systems, teleworking systems and video conference. After the breakout of COVID-19,

customers were able to obtain online comprehensive finance service at home through “Banking at Home” and “World View” service portals of Pocket Bank. Customer managers and operation analysts delivered services and carried out marketing and analytic activities by mobile APPs like “Pocket Banker” and “Winner”, as well as the intelligent management platform. At the end of 2020, users of “Winner” and the intelligent management platform reached 8,000, and monthly active users accounted for 90%. Over 30,000 employees worked from home through cloud desktop, Happy Ping An APP and so on.

4. Deepening innovation and application of technologies

Relying on the core technology and resources of Ping An Group, the Bank accelerated the integration of emerging banking scenarios with new technologies such as AI bank and block chain. For AI bank, the Bank continuously improved intelligent voice technology and expanded application scenarios. At the end of 2020, annual outbound calls of the intelligent voice platform for credit cards reached 171 million, and the recognition accuracy rate exceeded 96%. The amount of deals closed by credit card instalment was approximately RMB18.9 billion, with the AUM sales of nearly RMB48.9 billion. “Little PAI”, the intelligent Q&A robot developed by Robotic Process Automation (RPA) technology, went online for operation. Multiple channels including Digital Pocket APP, corporate online banking and “Winner” APP were covered by its smart customer service and knowledge library, with a problem-solving rate of 95% and an accuracy rate of 87%. The use of OCR technology in document identification improved the review efficiency and the recognition success rate was over 98%. For blockchain, the Bank provided blockchain data signing certificates, traceability, and tamper-proof services for over 9,000 devices of the equipment leasing and financing business, and also cooperated with Local Taxation Bureau to build industrial tax alliance chain to effectively reduce tax handling costs and mitigate trade financing risks for companies. In addition, the Bank’s blockchain BaaS platform had passed the testing of third-party testing agencies and became one of the first platforms certified by PBOC’s relevant standards of financial distributed ledger.

5. Creating a fintech brand

In terms of building excellent technology brand, the Bank was named “2020 Global Best Digital Bank” by Euromoney, an international authoritative financial media. The Bank also won authoritative awards at home and abroad for multiple technology achievements, greatly improving our recognition and brand influence in terms of technology. Among them, the intelligent risk control platform project has won the “2020 Gartner Financial Services Innovation Award”, marking us the first bank among domestic banks to win this award; online smart loan platform, Ping An Good Chain, distributed finance PaaS platform and intelligent risk control platform have won the “Second Prize of 2019 Banking Technology Development Award by PBOC”, achieving a record high in terms of the number of second prizes; Thoth Security Risk Dynamic Management Platform has won the “2020 Best Cyber Security and IT Risk Management Project” in the Asian Pacific region from Asian Banker. Further, the Bank has established a digital currency research group, and actively fostered a sound culture of innovation and explored the application of new technologies by holding innovation competitions, technology salons, intellectual property trainings and other activities.

3.4 Key issues of concern in operations

3.4.1 Profitability and net profit

In the face of COVID-19 and the unabated complicated and severe international situation, the Bank, acting upon the strategic decisions and arrangements of the CPC Central Committee and the State Council, focused on combining the “fight against the epidemic” and “maintaining productivity”, actively pushed the implementation of various strategic measures and comprehensively promoted digital and online operations, restoring businesses rapidly within a short period. In 2020, the Group recorded operating income of RMB153,542 million, representing a year-on-year increase of 11.3%; the operating profit before impairment losses was RMB107,327 million, increasing by 12.0% compared with that of last year; net profit was RMB28,928 million, with a year-on-year increase of 2.6%. The profitability gradually improved. Key factors included the following:

Operating income grew step by step. On the one hand, the Group recorded net interest income of RMB99,650 million, representing a year-on-year increase of 10.8%, mainly due to the fact that the Group continued to put efforts in granting more loans to the real economy to slash the financing costs in a practical way, and meanwhile, actively optimised the asset and liability structure to guide the decline in liability costs, resulting in the relative stability of NIM level. On the other hand, the Group recorded net non-interest income of RMB53,892 million, representing an increase of 12.3% compared with that of last year, mainly due to the increase in the commission income from agency sale of funds and trust plans to individual customers, trade financing, corporate agency

business, bonds underwriting and, wealth management business and other net non-interest income.

The cost/income ratio was continuously optimised. In 2020, the Group's business and administrative expenses amounted to RMB44,690 million, a year-on-year increase of 9.4%, and the cost/income ratio was 29.11%, a year-on-year decrease of 0.50 percentage point. The Group continued to increase investments in technology R&D and strategy for the comprehensive promotion of its digital and online operations as well as the stimulation of business and management innovation according to the new three-year strategic measures. Meanwhile, the Group further strengthened the management and control of production, refined resource allocation, and cut daily expenses to have an effective control on workplace cost; it continuously optimised the efficiency of production via technology empowerment as the business model turned intelligent and mobile.

Actively increased the amount for provision. In 2020, the Bank continued to adjust and optimise its business structure, further increased the amount of provision for impairment losses on credit and other assets and strengthened the write-off and disposal of non-performing assets, including wealth management assets re-included into the balance sheet that were non-credit non-performing assets, and the indicators for asset quality were continuously improved. In 2020, the Bank's provision for impairment losses on credit and other assets amounted to RMB70,418 million, with a year-on-year increase of RMB10,891 million, which included provision for impairment losses on loans of RMB43,148 million and provision for impairment losses on non-credit assets of RMB27,270 million, an increase of RMB21,031 million year on year; the non-performing assets written off were RMB90,936 million, a year-on-year increase of RMB42,487 million, including non-performing loans of RMB59,360 million, and wealth management assets re-included into the balance sheet of RMB31,576 million, a year-on-year increase of RMB30,682 million.

In the first half of 2020, for individuals and enterprises applying for loan extensions due to COVID-19 and industries greatly affected by the pandemic, management of the Bank made additional provision for impairment losses, leading to a year-on-year decrease in net profit. In the second half, when the situation eased, various businesses resumed rapidly, operation maintained a sound growth, new monthly NPLs showed a downward trend, and the NPL ratios of main products hit the inflection point at the end of the year, approaching the pre-pandemic level. As a result, management of the Bank decreased its provision for impairment losses, bringing in an increase in net profit year on year.

In the future, the Bank will further push forward the new three-year strategy, continue to optimise asset and liability structure, consolidate the transformation and upgrading base, and promote the business development to a new level.

3.4.2 NIM

In 2020, NIM of the Bank was 2.53%, a year-on-year decrease of 9 basis points. Against the macro-background of economic growth slowing down, the one year LPR pricing decreased by 30 basis points in 2020 compared with the end of the previous year. The yield of corporate loans (excluding discounted bills) dropped by 51 basis points over last year, far beyond the downward amplitude of LPR. The policy guidance of financial institutions surrendering benefits to the real economy was effectively implemented, thus NIM of the Bank was under pressure. Meanwhile, on the basis of the change in market interest rates as well as the asset and liability management objective, the Bank reshaped asset-liability management and accelerated the restructuring of the business to efficiently lower the liability costs and maintain the downward NIM controllable. In general, the decline in yield of assets was slightly higher than that in cost rate of liabilities, with NIM marginally narrowing yet within a reasonable range.

In terms of assets, the Bank reasonably allocated credit resources and provided more support to the real economy. First, the Bank actively made moves to the reform of Loan Prime Rate (LPR) mechanism, and orderly pushed the conversion of existing pricing benchmarks. During the year, driven by the downturn of LPR pricing, contribution margin ratio went downward, and yield of assets declined due to the repricing effect. Second, facing the shock of the pandemic against the market demand, retail banking increased the grant of low-risk loan products such as title deed-secured loans, and focused on maintaining relationships with high-quality customers to optimise the customer structure and stabilise yield of assets. Third, the Bank lowered the internal funds pricing following LPR, and adopted targeted subsidy policies for key areas of real economy, such as loans to small and micro enterprises and loans to manufacturers. We also made full use of the "baton" role of internal pricing to support the business development.

In terms of liabilities, the Bank actively reduced the balance of structured deposits and increased the absorption of low-cost funds. First, for the pricing strategy, the Bank strictly controlled the pricing of new deposits from customers, prevented deposit prices from floating to the top, and actively reduced the scale of high-cost liability

products such as structured deposits and graded interest deposit products. Second, for the structural strategy, we promoted absorbing low-cost funds, increased the absorption of core deposits, seized the window of market interest rate changes to increase the absorption of interbank liabilities, and reasonably arranged the maturity structure of interbank liabilities while ensuring liquidity and interest rate risks. Third, for customer operation, the Bank gave full play to the advantages of “Finance + Technology” to reinforce the customer base in terms of product innovation, customer operation, embedded scenarios and channel expansion and to increase the demand deposits.

In the next stage, with economic growth returning to normal and stability as the priority of monetary policies, demands in the Bank’s various businesses will drive yields up; and at the same time, the Bank will make more efforts in lowering the liability costs to give more support to the real economy, so as to maintain NIM at a reasonable level.

3.4.3 Cost rate of deposits

In 2020, the average cost rate of the Bank’s deposits was 2.23%, decreasing by 23 basis points compared with that of 2019. The real economy faced downward pressure due to COVID-19 at the beginning of the year. In order to actively respond to changes in the market and implement the requirements for reducing the financing cost of the real economy, the Bank launched the new three-year strategy to promote the transformation of corporate business and retail business, reshaped the structure of assets and liabilities, and strategically implemented the management and control of liability cost bank-wide. In 2020, the Bank followed the requirements for reducing the liability costs and enhancing the management and control of deposits according to the new three-year strategy. First, we optimised the assessment system, added the assessment on the interest rate, reduced the assessment weights of the deposit scale and guided operation units to balance the “volume-price” relationship; second, we flexibly adjusted internal transfer prices and product pricing and proactively reduced high-cost deposits, such as agreement deposits and structured deposits; third, we gave full play to the advantages of “Finance + Technology” and expanded low-cost deposits. In 2020, through effective management and control over the assessment, pricing, structuring, etc., a remarkable improvement was made in the cost rate of deposits, narrowing the gap with the industrial average.

In 2020, the average cost rate of personal deposits of the Bank was 2.42%, decreasing by 20 basis points compared with that of last year. The operation policy of “interest rate decline, scale growth, structure improvement and solid foundation” is proposed for retail business lines, focusing on equilibrium of the relationship between scale growth and reduction of the interest rate, so as to achieve high-quality growth under the steady reduction of interest rate. First, the Bank drove the growth of demand deposits via scenarios, continued to strengthen the core role of AUM in settling demand deposits, promoted LUM to give impetus to the growth of demand deposits, and comprehensively consolidated the basic role of payment and settlement services such as agency and bank card acceptance business to boost demand deposits growth; second, we broadened channels such as promoting innovative businesses including online margin guarantee business for first-hand housing and online capital regulation business for second-hand housing to expand sources of low-cost liability growth; third, paying close attention to the trend of interest rate in the market and conducting scientific research and judgement, the Bank guided the adjustment of personal deposit structure based on forward-looking adjustment of product pricing, and steadily promoted the decline in interest rate.

In 2020, the average cost rate of corporate deposits of the Bank was 2.17%, a decreasing of 25 basis points compared with last year. Liability business transformation direction of “cost reduction and structure optimisation” was determined for corporate business lines, striving to reduce deposit cost while pursuing a moderate increase in deposit scale. First, the Bank strengthened market and policy research and judgement by taking the economic situation both at home and abroad, changes in the market and policy guidance as the guiding light for our liability business to make layout in advance; second, we enhanced the management and control of high-cost liabilities, made full use of the assessment tools and the baton role of internal pricing to guide operation institutions to actively control high-cost liabilities, optimise the deposit structure and lower the liability costs; third, we accelerated product innovation and platform construction, provided customers with efficient and convenient online services, improved customer experience and settled customer settlement funds to effectively increase low-cost deposits; fourth, we deepened strategic customer operations, set up a supply chain commando team for key industries around the upstream and downstream industrial chains of the core enterprises of strategic customers, and utilised new supply chain finance and treasury management services to settle low-cost customer demand deposits and improve the cost rate of deposits; fifth, leveraging the comprehensive finance, we strengthened complex investment and financing using Ping An Group’s comprehensive finance investment and financing and the Bank’s investment banking, and derived low-cost corporate deposits through investment and financing projects.

In the future, the Bank will further promote the transformation, accelerate the implementation of the new three-

year strategy, and continuously optimise the deposit structure and balance the “volume-price” relationship.

3.4.4 Asset quality

At the end of 2020, the Bank’s major indicators for assets quality continued to improve and the risk compensation capability remained relatively strong.

Loan products: in terms of overdue loans, the balance of overdue loans accounted for 1.42% of total loans, decreasing by 0.67 percentage point compared with the end of last year, of which loans overdue for more than 60 days accounted for 1.08%, decreasing by 0.50 percentage point compared with the end of last year; loans overdue for more than 90 days accounted for 0.88% of total loans, decreasing by 0.47 percentage point compared with the end of last year. In terms of the classification, the ratio of special mention loans was 1.11%, down 0.90 percentage point over the end of last year; the NPL ratio was 1.18%, down 0.47 percentage point over the end of last year; in terms of the deviation ratio, the deviation ratio of loans overdue for more than 60 days was 0.92, declining by 0.04 over the end of last year; the deviation ratio of loans overdue for more than 90 days was 0.75, declining by 0.07 over the end of last year. In terms of the formation ratio, the NPL formation ratio was² 1.86%, a year-on-year decrease of 0.26 percentage point due to COVID-19. In addition, the Bank’s provision coverage ratio was 201.40%, with an increase of 18.28 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 60 days was 219.78%, up 29.44 percentage points over the end of last year; the provision coverage ratio of loans overdue for more than 90 days was 268.74%, up 45.85 percentage points over the end of last year. The provision to loan ratio was 2.37%, down 0.64 percentage point compared with the end of last year.

Non-credit assets. In 2020, in line with requirements of new asset management regulations and other regulatory policies, the Bank, based on the principle of risk prudence and thoroughly identifying the stock wealth management asset risks, put every effort to promote stock wealth management non-performing assets re-included into the balance sheet, including making provision for impairment losses on non-credit assets such as wealth management assets re-included into the balance sheet in full. The accumulated provision for impairment losses on non-credit assets for the whole year was RMB27,270 million, a year-on-year increase of RMB21,031 million. Meanwhile, on the basis of full provision for wealth management assets re-included into the balance sheet and impairment losses, the Bank also promoted the write-off and disposal of non-credit assets such as wealth management assets re-included into the balance sheet. During the year, the non-credit non-performing assets written off were RMB31,576 million, a year-on-year increase of RMB30,682 million. Therefore, by concentrating on safeguarding and implementing a series of work such as the wealth management assets' re-including into the balance sheet, provision for impairment losses as well as write-off and disposal, the quality and structure of the Bank’s non-credit assets on the balance sheet had been greatly improved and optimised.

In addition, affected by COVID-19, the domestic and overseas economic growth slowed down, enterprises and individuals were in face of greater pressure on repayment, bringing new challenges to bank asset quality management and control. Under such circumstance, the Bank, on the one hand, fulfilled its social responsibilities in an active way by offering differentiated emergency solutions for financial services to fully help enterprises and individuals affected to weather the storm of COVID-19. On the other hand, it proactively took various measures to enhance our capabilities for risk prevention and control, so as to enable stability of asset quality: firstly, we controlled the incremental business, and focused on supporting key industries, key regions and key customers to control asset quality from the source; secondly, we managed existing businesses, implemented the post-loan management actions, intensified the pre-control on the recovery of loan principal and interest, strengthened the early warning management and took management and control measures on risk assets in advance; intensified efforts to screen out risks, timely identified potential problematic assets and got involved in such issues in advance to accelerate the risk management; thirdly, we strengthened the recovery and disposal of problematic assets, increased the amount for provision, and continuously leveraged the advantage of centralised and specialised collection of the special asset management business unit. The Bank also strengthened assessment supervision supported by incentive policies to promote the effects of collection and disposal; fourthly, we improved the level of intelligent risk control, established a specific rating model to improve the ability to identify risks, made full use of cutting-edge technologies such as big data, AI and blockchain to constantly upgrade the intelligent risk control platform, and continuously improved the efficiency and effectiveness of risk management. In conclusion, facing the current complex situation both at home and abroad, as well as uncertainty regarding COVID-19, the Bank will redouble its efforts in management and control of risks, further intensify the collection and disposal of non-performing assets to maintain a good capability of risk compensation, aiming at minimising the impact of the pandemic.

² NPL formation ratio = NPL formation amount (write-off within the reporting period)/(loan balance at the beginning of the year + balance of bank acceptance, letter of credit, guarantee and other traditional off-balance-sheet businesses)

3.4.5 Capital management and planning

At the end of 2020, the Bank's core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 8.69%, 10.91% and 13.29% respectively, all satisfying the regulatory requirements.

To thoroughly implement the strategy of “being technology-driven, pursuing breakthroughs in retail banking and reinventing its corporate banking”, the Bank continued to advance capital management reform. On the one hand, the Bank promoted meticulous capital management, carried out active dynamic capital allocation, optimised asset business structure under the strategy of “light assets and light capital”, and implemented various capital conservation and capital release measures to continuously improve the return on capital of the Bank. On the other hand, the Bank enhanced the constraint of economic capital management on the risk-weighted assets of the Bank, incorporated economic capital management into performance assessment, guided all levels of institutions to cultivate a sense of capital constraint, to ensure that the concepts of capital cost and capital management were integrated into all aspects of business management.

On the basis of internal capital replenishment such as stable profit retention, the Bank actively responded to the state's current policy of supporting banks to replenish capital through multiple channels, and accelerated the pilot program of issuing innovative capital tools. In February 2020, the Bank completed the issuance of capital bonds without fixed term amounting to RMB30 billion on the National Interbank Bond Market. The funds raised thereby would be used to replenish other tier 1 capital of the Bank to further expand the Bank's capital financing channels, optimise the Bank's capital structure, and enhance the Bank's ability to resist risks.

At the end of 2020, the Bank's core tier 1 capital adequacy ratio decreased by 0.42 percentage point over the end of last year. On the one hand, acting on the government policy to support the real economy, the Bank continued to grant more loans to key economic sectors; on the other hand, to fully prepare in advance for long-term response to changes in the external environment, the Bank took the initiative to increase the ratio of provision for impairment of loans and advances to customers and non-credit assets, as well as step up the write-off and disposal of non-performing assets, resulting in an increase in the Bank's recognised deferred income tax assets and a decrease in core tier 1 capital (according to regulatory regulations, the deferred tax assets exceeding 10% of the net amount of core tier 1 capital shall be deducted from core tier 1 capital).

In the next stage, the Bank will further improve the capital supplementation mechanism which gives priority to internal capital supplementation, implement various capital conservation and capital release measures, adhere to the “light capital and light assets” strategy, increase the amount written off in tax, intensify the disposal of foreclosed assets and continue to reduce the consumption of marginal capital. Meanwhile, in accordance with changes in macro environment, regulatory requirements, market situation and business development, the Bank will prepare medium and long-term capital plans in real time, and make dynamic adjustments to capital plans in a timely manner to ensure that the capital level is compatible with future business development and risk conditions.

3.5 Business innovation

In 2020, the Bank promoted digital operation on all fronts, continuously improved the agile mechanism, and enhanced the efficiency and effectiveness of innovation, thus forming an inherent innovation culture, as well as predominant financial technology and other differentiating core competitiveness. Thanks to the “innovativeness” in its DNA, the Bank can better respond to customers' needs for increasingly diversified financial services under the new economic landscape and accomplishing the mission of serving the people's livelihood and national economy, especially the real economy.

In terms of innovation culture, with strong resource coordination and integration capabilities, the “Innovation Committee” can comprehensively coordinate all resources at the bank level, achieve cross-line and cross-function resource management and allocation, and greatly enhance the efficiency and effect of innovation.

In terms of FinTech, the Bank drives strategic transformation by technology, accelerates the integration of banking scenarios and new technologies such as AI, big data and block chain so as to innovate business model, upgrade traditional business, promote intelligent management and improve team production capacity. The Bank continues to increase investment in finance technology, optimises the development processes, improves delivery efficiency, enhances its digital operations and online operations, and promotes the transformation to become “a digital bank, an ecosystem, and a platform”.

In terms of innovation applications, the Bank launched and kept upgrading smart risk control, Digital Pocket APP, Nebula-IoT Platform, new credit card core system and other modes and systems for products, services and management to realise comprehensive innovations of technology, model and process.

3.6. Risk management

3.6.1 Credit risk

Credit risk refers to the risk that borrowers or counter parties of the Bank cannot fulfil obligations according to the agreement reached in advance.

The Bank has established a centralised, vertical and independent overall risk management framework and a risk management model with “dispatch-based risk management and matrix report through two channels”. The risk management committee of the head office is in charge of overall plan on risk management at all levels. The professional departments of the head office including the risk management department, company credit approval department and retail risk management department are responsible for the Bank’s credit risk management. Based on the transformation guideline of “being technology-driven, pursuing breakthroughs in retail banking, and reinventing its corporate banking”, the Bank stuck to the principle of risk management of “coordination between risk and development, balance between risk and profit, adaptation between risk and capital”, continued to improve the full-process management of credit risk, and effectively enhanced the level of credit risk management.

1. Optimising the Bank’s asset structure

Retail businesses implemented main task of “pursuing breakthroughs in retail banking” to realise rapid growth in the number of retail customers, assets under management (AUM) of retail customers, the scale of individual deposit and to maintain good and controllable retail asset quality along with a steady growth in the scale of personal loans through the driving effect of customer finance. For corporate assets, the Bank focused on key industries, integrated superior resources to invest in high-quality and high-potential customers, helped customers in upstream and downstream supply chain, industry chain or ecological circles, and continuously advocated the optimisation of the portfolio structure of credit risk assets.

2. Enhancing the asset quality management and control mechanism

The Bank built an intelligent warning “Third Eye”, upgraded and optimised the warning model and warning system, strengthened warning management, to comprehensively improve the ability to “treating before disease attack”; we built a three-dimensional monitoring “ground network” and a solid monitoring system with close collaboration with the head office, the “industry + product” division and operation units, to further implement standard risk management and control actions, and consolidate the foundation for refined management after loans granting and investment.

3. Intensifying the disposal of non-performing assets

The Bank exploited the advantage of the special asset management department in professional collection and disposal, established refined clearing and recovery management with plan before the process, control during the process and review after the process through pre-judgement of clearing and recovery, guidance and supervision during the process of projects and review of operation results, and intensified the overall disposal of non-performing assets to effectively increase the speed for the disposal of stock non-performing assets. In 2020, the Bank recovered non-performing assets of RMB26,068 million in total, a year-on-year increase of 22.0%.

3.6.2 Market risk

Market risk refers to the risk of losses arising from unfavourable changes in market prices (including interest rates, exchange rates, stock prices, commodity prices, etc.). The market risk of the Bank mainly arises from trading accounts and bank accounts. Main market risk represents interest rate risk and exchange rate risk. The Bank uses indicators such as market risk value indicators, pressure test, interest rate sensitivity, foreign exchange exposure, etc. to measure and monitor interest rate risk of major trading accounts and exchange rate risk of the Bank.

The Bank has established an effective market risk governance structure and division of management responsibilities. The Board is the ultimate decision-making body of market risk management and assumes the ultimate responsibility of market risk management. The senior management and its committees are responsible for

approving the major issues of market risk management to the extent of the scope of authority and regularly listening to the report on the implementation of market risk management. The risk management department leads the management and specific implementation of the Bank's market risk, and is independent of the front desk business department. The Bank has set up a market risk management system including the basic system of market risk, general management measures and operational processes, and covering the whole process of market risk identification, measurement, monitoring, reporting and control. The Bank regularly examines various systems and management measures for assessing market risks and continuously perfects, improves and optimises the process according to the business and development status. The Bank has established a relatively complete market risk management process, from the beforehand business authorisation management and account division, to the risk identification, measurement monitoring and control in the process, and to the afterwards back-testing and stress test, fully covering the entire process of risk management.

During the reporting period, in order to address the increasing challenges in market risk management, the Bank took the following measures: First, the Bank further optimised the market risk management limit system, improved the market risk limit allocation method and added market risk limit indicators, ensuring that risks remain controllable; second, the Bank enhanced market risk process management, went through all the risk processes before, during and after the trading, and strengthened risk measures for key risk points, established effective risk monitoring plans and improved the risk control and risk response ability; third, the Bank intensified the market risk system construction, with control before the process, monitoring during the process and assessment, analysis, and reporting after the process as the objectives for risk management; fourth, the Bank established a market risk management policy system in line with the nature, scale, complexity and risk characteristics of the Bank's business, fully reviewed the market risk system, and further optimised the market risk system to support market risk management in an all-around way.

In the future, in addition to further improvement of the policy system and process, the Bank will optimise the market risk measurement model, upgrade the market risk management system, and strengthen daily risk monitoring, to effectively manage the market risk and control the market risk within the bearable range.

3.6.3 Liquidity risk

Liquidity risk refers to the risk that a commercial bank cannot obtain sufficient funds at a reasonable cost for timely repayment of debts, performance of other payment obligations and satisfaction of other financial needs for normal business. According to the *Administrative Measures for Liquidity Risks of Commercial Banks* issued by the China Banking and Insurance Regulatory Commission, the Bank adheres to a cautious liquidity risk management principle and a prudent management strategy, timely establishes a reasonable and effective liquidity risk management mechanism to identify, measure, monitor and control liquidity risk, and ensures sufficient fund to handle the growth in assets and the payment for due debts, whether the Bank is in normal condition or under pressure.

1. The Board of the Bank assumes the ultimate responsibility of liquidity risk management. The Bank's senior management is responsible for managing liquidity risk. The Asset and Liability Management Committee is the top management body of liquidity risk management. The Asset and Liability Management Department is responsible for specific management of liquidity risk under the guidance of the Asset and Liability Management Committee. The Supervisory Committee regularly supervises and evaluates the performance of the Board and senior management in liquidity risk management. The Audit and Supervision Department performs internal audit over liquidity risk management.

2. The Bank attaches great importance to liquidity risk management, continuously optimises the liquidity risk management framework and management strategies, and has established a sound liquidity risk management system. The Bank monitors and optimises the asset and liability structure in time, enhances the management over active liability, promotes steady growth in core liability, strengthens liquidity risk index limit management, and manages the mismatched liquidity risk reasonably; moreover, we regularly conduct liquidity risk pressure test, assess future liquidity demand on a prudent basis, maintain sufficient high-quality liquidity assets, and continuously optimise the liquidity emergency management system and conduct emergency drills on liquidity risks to effectively guard against emergency liquidity risk; We also strengthen the analysis of macroeconomic situation and market liquidity and improve the forward-looking and initiative liquidity emergency management, to cope with market liquidity risk in time. As at the end of the reporting period, each of the Bank's businesses grew at a stable pace, with abundant high-quality liquidity asset reserve, safe and prudent liquidity condition, and liquidity risk regulatory indicators meeting the requirements of CBIRC.

3. The Bank conducts full identification, accurate measurement, continuous monitoring and effective control of liquidity risk and applies a number of measures for continuous monitoring of the Bank's liquidity risk, including cash flow measurement and analysis, liquidity risk limit management, fund source management and high-quality liquidity assets management.

4. The liquidity risk indices of the Bank are divided into management indices and monitoring indices. The Bank sets the liquidity risk index limit based on liquidity risk preference, liquidity risk management strategy, asset and liability structure, financing ability and other factors.

5. The liquidity risk stress test is an important tool for analysis and assessment for quantitative management of liquidity risk and provides basis for decision making on the Bank's formulation and revision of liquidity risk preference, liquidity risk management strategy and liquidity risk limits. Based on the regulatory requirements, the Bank conducts liquidity risk stress tests on a regular basis based on the asset and liability structure, product type and data status of the Bank and reports to the Asset and Liability Management Committee, senior management and the Board level by level.

3.6.4 Operational risk

During the reporting period, the Bank proactively promoted the implementation and improvement of the Bank's operational risk management system, continuously optimised and upgraded the operational risk management structure, regime and system to promote the formation of a standardised, normalised and scientific operational risk management mechanism. The Bank continued to lay solid foundation for operational risk management, strengthened the identification, assessment, monitoring, report and rectification of operational risks, conducted operational risk monitoring and report in a normalised way, and actively prevented and resolved all kinds of operational risks, to achieve effective control of operational risk losses rate and support the healthy development of business.

First, the Bank continued to optimise the basic functions of three operational risk management tools, i.e. "operational risk and control self-assessment (RCSA), key risk indicators (KRI) and losses data collection (LDC)" to improve the effectiveness and timeliness of risk prevention and control. Second, the Bank further upheld the principle of being technology-driven and data-driven, promoted communication and information sharing among institutions at all levels, improved data quality and facilitated standardisation and intelligent transformation for the overall work of operational risk and internal control management. Third, the Bank upgraded risk heat map, while strengthening monitoring, alert, analysis and reporting of operational risk; we also improved the Department Control Function Checklist (DCFC) system, and continuously enhanced the risk management and control ability of business departments and front-line managers. The Bank established measurements for economic capital with operational risk, while monitoring, analysing, reporting measurement data of economic capital regularly. Fourth, the Bank strengthened business continuity management. The Bank strengthened business continuity management, improved the business continuity management system and corresponding system management, and further regulated the planning, implementation, summary and reporting works of business continuity. In this way, the Bank kept elevating its overall level of business continuity management. Fifth, the Bank strengthened the operational risk training and publicity, continued to give business guidance, support and evaluation to institutions at all levels to improve the operational risk management capabilities across the Bank. During the reporting period, the operational risk identification, assessment, monitoring, early warning and rectification capacity were steadily improved.

3.6.5 Country risk

Country risk refers to the risk that the borrower or debtor of a foreign country or region has no capacity or refuses to repay the debts to banking financial institutions, or the banking financial institution in the country or region suffers from business losses or other losses, due to the economic, political, social changes and events of the country or region.

Based on the regulatory requirements, the Bank has formulated the *Measures for Management of Country Risks of Ping An Bank* to clearly stipulate management responsibilities, management means and approval process of country risks and established a standardised management system of country risks. According to the result of country risk rating, the Bank divides country risks into five classes: low country risk, relatively low country risk, medium country risk, relatively high country risk, and high country risk, based on risk severity, and manages risks by their classes accordingly. The Bank integrated all business activities that bear overseas entity country risk into unified management under the country risk limit, and checked country risk limit annually according to the result of country

risk rating, situation of development of country economy and business needs, and adjusted country risk limit dynamically according to the changes in country risk. During the reporting period, the Bank's country risk exposure was strictly limited. The exposure of country risk was relatively small, the country risk class was relatively low, and sufficient country risk reserve had been provided for in accordance with regulations. The overall country risk was controllable.

3.6.6 Bank account interest rate risk

Bank account interest rate risk refers to the risk of losses of the overall income and economic value of bank accounts as a result of adverse changes in interest rate level, maturity structure and other factors. Based on the requirements of the *Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revised)* and other laws and regulations, the Bank continued to improve risk government structure, optimised the interest rate risk management related systems, enriched interest rate risk standard measurement framework. The Bank improved the refinement of interest rate risk management to ensure that the Bank can effectively identify, measure, monitor and control interest rate risk arising from various business.

Following the principle of being reasonable and prudent, the Bank effectively measured bank account interest rate risk by means of gap analysis, duration analysis, scenario simulation and pressure test, etc. Based on the above measurements, the Bank established and implemented bank account interest rate risk limit indicator system, continued to monitor risk exposure and limit usage, and regularly reported to the Board of Directors (or the special committees authorised by it) and senior management. With a comprehensive consideration of interest rate risk characteristics and actual business development, the Bank strictly controlled indicators related to interest risk. And we designed the asset and liability structure in a reasonable way and optimised interest rate risk exposure with reference to analysis, research and judgement of market trend.

Since the reform of the LPR pricing mechanism last year, the conversion of existing loan pricing benchmarks had been driven forward in a steady manner with the loan market interest rate declining constantly and the management of bank account interest rate risk becoming increasingly difficult. In response to the negative impact on interest rate fluctuations, the Bank continuously paid attention to pandemic control and prevention and the changes in economic situation, enhanced macro analysis and research and judgement, and implemented active interest rate risk management strategy. We adjusted business portfolio re-pricing term by using pricing instrument such as internal funds transfer pricing (FTP) at suitable time to effectively control bank account interest rate risk. At the same time, the Bank actively explored off-balance-sheet risk hedging instrument, and promoted the application and implementation of hedging accounting. We formulated hedging strategy, verified its effectiveness on a regular basis, and mitigated bank account interest rate risk by using derivative instruments such as interest rate swap. During the reporting period, the Bank's various monitoring indicators were all performing well, and the level of bank account interest rate risk was under control on the whole.

3.6.7 Reputation risk

Reputation risk management is an important component of corporate governance and comprehensive risk management system and covers the Bank's business management, business activities, employee behaviour and other fields.

In 2020, the Bank maintained relatively stable public opinion on the whole, and steadily implemented public opinion control and reputation risk management. Under the supervision and guidance of the regulatory authorities, the Bank has taken active action to coordinate throughout the Bank and excavate its synergy in upgrading the reputation risk management system and optimising the crisis response mechanism.

In 2020, in terms of reputation risk management, the Bank comprehensively focused on the five key sections of "strengthened early warning, upgraded monitoring, crisis response, positive guidance, and risk training", which were translated into specific tasks below: i.) The Bank strengthened public opinion early warning and risk screening and improved the Bank's risk assessment mechanism included in its KPI assessment of each unit. ii.) The Bank comprehensively upgraded the public opinion monitoring mechanism. In addition to building a visualised big data monitoring system, we also customised specific public opinion monitoring mechanism of various types. iii.) The Bank responded and deployed on special occasions. Specifically, we formulated response plans and special monitoring mechanism against the "fighting the pandemic", "resumption of work", "NPC & CPPCC", "3.15 consumer rights protection day" and "Double 11 Online Shopping Carnival". iv.) The Bank continued to deepen its development goal of retail transformation, comprehensively implemented the guidance of positive public opinion. The Bank also enhanced its brand image all around with "traditional media" and "new media" in a

supplementary way. v.) The Bank conducted drills for crisis response and disposal from time to time to improve the reputation management and control ability of relevant personnel in real cases. vi.) The Bank continued to screen potential major complaint letters and visits or class actions against the head office and branches, and formulated relevant rules to establish a comprehensive early warning mechanism.

3.6.8 Strategic risk

In 2020, in the face of the complicated and severe international situation as well as the impacts brought on by economic downturn and COVID-19, the Bank closely followed the national strategy and maintained its focus on development. Acting upon the requirements of the CPC Central Committee and the State Council, the Bank focused on combining the “fight against the pandemic” and “maintaining productivity”, continuously enhanced its capability to serve real economy as a financial service institution, strengthened the support to private enterprises and small and micro enterprises, and fully supported stability on the six fronts and security in the six areas. Studying thoroughly external political and economic situation and internal development stage, the Bank prepared the *Three-year Development Strategic Plan of Ping An Bank (2020-2022) for Ping An Bank*, taking account of internal and external variables, its own advantages and constraints.

Following the established strategic goals, the Bank organically connects the three-year development strategic plan and annual operation objectives to actively push forward and effectively monitor the implementation of the strategic plan across the whole bank. In the future, the Bank will continue to maintain keen market insight, closely integrate the development and changes of internal and external situation, modify and improve the three-year strategy in a timely manner and continues to enrich and deepen strategic contents, so as to ensure that we are always on the track of strategic transformation.

The Bank has unswervingly adhered to the core leadership of the Party. Upholding the Party’s advantages in politics, thoughts and organisation, carefully rearranged its management structure, strengthened moral education of all employees and continued to improve the decision-making process. Meanwhile, the Bank strictly promoted compliance work in an effort to build a clean and upright working environment, and made necessary arrangements to secure the core leadership of the Party in all links of the Bank’s operation and management. Meanwhile, the Bank adhered to promoting development, strengthening management and preventing risks through Party construction, and unifying thoughts, retaining cohesion, raising morale and guiding work with the Party’s guidelines and policies to provide a solid ideological foundation and organisational guarantee for the Bank’s strategic transformation.

On the whole, the Bank’s strategy is in line with the national strategy, the developments of macroeconomic landscape and the changes in customer demands. The Bank’s overall ability to execute strategy is improving and its risk control capability is continuously enhanced. Strategic risk is generally controllable.

3.6.9 Information technology risk

During the reporting period, the Bank’s information system was in good working conditions and overall risks were under control. The Bank actively conducted identification, monitoring, analysis, and alerting on information technology risks, and all stakeholders did their bit to reduce risk exposure in a timely manner.

The Bank pulled information technology risks under the overall risk management. The information technology risk management structure was divided into three lines of defence. The first line of defence is the IT department, which is responsible for the Bank’s technology-related overall planning and internal control, establishment of technology strategies, standards and processes, and technology risk management involved in the processes of daily system development, operation and maintenance, and information security protection; the second line of defence is the Risk Management Department, which is responsible for formulating strategies for the Bank’s technology risk management, guiding technology risk management, and establishing an effective risk assessment and response mechanism based on the specific situation of the Bank; and the third line of defence is the Audit and Supervision Department, which is responsible for auditing the performance of the first line of defence and the second line of defence.

During the Reporting Period, the Bank improved the IT infrastructure to optimise its delivery quality and efficiency; the Bank promoted the level of refinement, automation and visualisation of operation and maintenance management so as to reduce the technology risk; the Bank optimised the “people-oriented, data-centric, technology-supported” information security management system to safeguard system and data and to support the safe development of Fintech; and the Bank made greater efforts in the research and application of new technologies related to Fintech, as well as in the research on security risk control measures, management means and technology platforms that

support Fintech application.

3.6.10 Other risks

Other risks exposed to the Bank include legal risks and compliance risks.

1. Legal risk

The Bank continued to enhance legal risk control. First, the Bank continued to enhance legal risk control. Further improvement was made in terms of the format of legal instruments, and standard legal instruments were reviewed and modified in accordance with the latest requirements of laws and regulations and regulatory authorities; second, the daily legal review and consulting were carried out in an orderly manner to provide prompt, professional and efficient legal support for the Bank's new product research and development, new business development and major projects, etc.; third, for key businesses, legal research and legal risk warning and prompting were conducted to support healthy development of business; fourth, the Bank strengthened the management of litigation and arbitration cases, i.e. fully implemented a unified case management system applicable to all departments and a unified management system of lawyers; meanwhile, we actively and properly handled litigation cases and non-litigation risk events to prevent legal litigation risk and reputation risk.

2. Compliance risk

(1) The Bank further improve the case prevention management mechanism and strengthened the prevention of criminal cases in high-risk areas (hereinafter "cases"). The head office's Compliance, Internal Control and Case Prevention and Control Committee is a leadership organisation for senior management to implement compliance, internal control, management over case prevention of the Bank, responsible for reviewing risk level of each line of services and branches as well as risk control over major fields on a regular basis. In accordance with the new regulations on case supervision, the Bank revised the method of information reporting on cases (risks), optimised the process of case response, and reviewed and strengthened the case prevention measures in high-risk areas in accordance with the guiding opinions of the CBIRC for preventing illegal and criminal financial activities by practitioners. The Bank optimised smart management system of employees' behaviours, expanded employee portrait positions, developed monitoring models of risk behaviours, and implemented early warning data verification and accountability for non-compliance. The Bank revised the evaluation guidelines for performance assessment on compliance and internal control indicators, optimised the rating criteria for cases, regulatory penalties, etc., and increased the weight of such indicators and intensified examination, so as to direct the Bank into robust compliance operations.

(2) The Bank continued to strengthen the professionalism of legal compliance review and management to advance the quality and effectiveness of the support to business. It actively advocated such measures as optimising review process, expanding the scope of review preposition and implementing "one-to-one" support for legal compliance. Meanwhile, the key changes in regulatory policies were paid close attention to and transmitted promptly to identify compliance risk and promote operating agencies to improve their resistance against compliance risk and boost the healthy development of business.

(3) The Bank strengthened its system management to further improve the compliance risk management system. Additionally, the Bank organised the preparation of annual system plan, performed systematic examination over key business sectors, enhanced system management quality, and further consolidated the management base for business development.

(4) The Bank attached great importance to anti-money laundering management. We continuously enhanced the internal control system of anti-money laundering and the risk control system of money laundering. We vigorously promoted the governance of basic data of anti-money laundering and strengthened risk management and control of high-risk customers and businesses. We strived to explore technology empowerment to anti-money laundering and constantly improved monitoring effectiveness of the system. We actively organised trainings for internal personnel to preventing risks of money laundering, terrorism financing and international sanction.

(5) The Bank continuously attached great importance to the management of related-party transactions and the implementation of laws, rules and regulations to establish a relatively sound system and operation mechanism for related-party transactions. It also continuously optimised the procedures and rules for the management of related parties and related-party transactions to promote the implementation of compliance and effectiveness management requirements.

(6) The Bank deepened the compliance culture with intensive cultivation, improved the compliance culture system and its standard actions, revised and issued the *Guidelines for Compliance Culture Construction of Ping An Bank*, and launched the "Year of Compliance Capacity Building" theme activity. We rolled out the "Compliance Champion" applet, which is a bank-wide compliance advocacy platform. We incorporated the effectiveness of the compliance culture construction into the internal control assessment of institutional compliance, and firmly promoted the penetration of the compliance culture throughout the Bank. We also arranged special publicity campaigns on compliance within the Bank to create a favourable culture of compliance. We also provided professional training on legal compliance to enhance professional capability of legal compliance and business support service capability. Meanwhile, we organised compliance training for staff at different levels of the Bank and developed compliance courses. We broadened online and offline push channels, enriched the forms of learning and training, and cultivated and strengthened the concept of compliance culture.

3.7 Prospects of the Bank

Forecast of operational performance from January to March 2021

Warnings on any potential loss in accumulated net profit from the beginning of the year to the end of the next reporting period or any material change as compared with that in the same period of last year and the reasons

☐Applicable ☒ Not applicable

3.7.1 Prospects of macro environment

The year 2021 will witness the 100th anniversary of the founding of the Communist Party of China. This is a year of special importance in the process of China's modernisation and marks the beginning of the 14th Five-Year Plan. It is also the first year for us to embark on the second centenary goal and a new journey of building a modern socialist country in an all-round way after accomplishing the mission of building a moderately well-off society. The world is undergoing profound changes unseen in a century. The global economic situation remains complicated, with unstable and uneven recovery. The derivative risks arising from the impact of the pandemic cannot be ignored. Meanwhile, China's economy has shifted from a high-speed growth stage to a high-quality development stage, laying a solid foundation for sustainable development and creating advantages in many aspects. Additionally, China is fostering a new dual circulation development pattern centred on the domestic economy and aimed at integrating the domestic and global economy. Economic development is still in an important period of strategic opportunities, and it is necessary to innovate the development pattern, transform the development mode, and push for an revolution in the quality, efficiency, and driving force of economic development.

In 2021, although there will be many uncertainties associated with the pandemic and external environment, and China's economic recovery is robust enough, China's economic development has shown strong resilience, with enormous development potential. With the gradual implementation of the 14th Five-Year Plan and the continuous advancement of the new development pattern, China's economy will continue to maintain a steady development trend.

Under the new situation, commercial banks must uphold Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly implement the 19th CPC National Congress and the Second, Third, Fourth and Fifth Plenary Sessions of the 19th Central Committee of the CPC. Upholding the spirits of "remain true to our original aspiration and successfully accomplish our mission", commercial banks always adhere to our origin of serving the real economy, accelerate the construction of an operation management mechanism to support the real economy, take effective steps to ensure "stability on the six fronts" and "security in the six areas", vigorously support the development of private and small and micro enterprises. Meanwhile, commercial banks must continue to enhance their ability to serve the real economy and the national strategy, and support the building of a new development pattern of "dual ecosystem". We also should continue to strengthen comprehensive risk management, firmly defend the line of risk control for a good start of the 14th Five-Year Plan.

3.7.2 Competition situation and development trend of the Industry

Looking ahead to the year of 2021, the economic and financial environment at home and abroad remains complex and challenging. New technological trends and forms, new business models and ecosystems will continue to emerge. Supply-side structural reforms in the financial sector will continue to deepen. The advancement of the new development pattern will also generate new opportunities, challenges and requirements for the banking industry. The banking industry shall continue to maintain a sensitive insight into macroeconomic development, market

changes and customer demand, make full use of digital technology, comprehensively step up technology empowerment, continuously innovate business models and optimise products and services, as well as strengthen risk prevention and control, thus contributing an effective force to the start of the 14th Five-Year Plan.

First, the banking sector shall unswervingly serve the real economy and wholeheartedly support the advancement of the new development pattern. Commercial banks shall thoroughly implement national strategies, understand the requirements of the "dual ecosystem" development pattern, deeply participate in the development process of the real economy, satisfy the financial service needs of private enterprises and small and micro enterprise, improve the quality and efficiency of financial products and service solutions. Commercial banks shall also significantly improve the availability, effectiveness, and inclusiveness of financial services, and effectively eliminate unnecessary financing barriers and lower financing costs, so as to do our bit to build a new development pattern.

Second, the banking sector shall unswervingly strengthen financial risk prevention and control, and firmly and effectively defend the line of risk control. Under the increasingly effective regulation, commercial banks will continue to comply with requirements of regulatory authorities, raise own risk management level and improve the quality of assets on a continuous basis, laying the groundwork for the stability and security of the entire financial system.

Third, the banking sector shall unswervingly promote technology-empowered finance and explore a broader financial service market. Commercial banks will continue to closely follow the technological trend and embrace Fintech. Empowering finance with technology and activating technology with finance, commercial banks will be able to develop new financial service concepts and models on a continuous basis. Commercial banks will also continuously explore approaches to serving private enterprises, small and micro enterprises, propelling "inclusive finance" and targeted poverty alleviation, so as to empower the transformation and upgrade of the real economy and help people pursue a better life.

3.7.3 Operational plan

In 2021, the Bank will continue to proactively respond to national strategy, conform to international and domestic economic and financial trend, keep the mission of serving the real economy in mind and hold the bottom line of non-occurrence of systematic financial risks. The Bank will develop a clearer roadmap - keeping "our strategy, our trump cards and our brand propositions unchanged". Our development strategy is making ourselves a "China's most outstanding, world-leading smart retail bank"; our trump cards are "comprehensive finance and technology empowerment"; and our brand propositions are "a digital bank, an ecosystem, and a platform". Specifically, we will effectively carry out the following works.

First, the Bank will continuously improve the capacity of serving the real economy. Closely following the national strategy and remaining true to the original aspiration, and based on customers' needs and the industry ecosystem and digital economy development, the Bank will - i) put efforts in enhancing its five trump cards in new supply chain finance, bill integration, customer management platform, complex investment and financing and ecological comprehensive expansion; ii) stick to "three focuses" (focus on private enterprises and small and micro enterprises, continuously strengthen the credit support for private enterprises and small and micro enterprises, constantly deepen the application of technology and innovate the serving model for small and micro enterprises, and remove financing barriers and lowering financing costs for private enterprises and small and micro enterprises; focus on national strategic major industries, and provide all-round, all-process services with full life circle by means of "commercial bank + investment bank + investment" to help upgrade national industries; focus on personal consumption, increase the intensity of personal consumption loan lending to upgrade national consumption and realise people's welfare); and iii) continue to promote two major basic projects (deepen the asset and liability transformation in the coming three-year period, and develop comprehensive digital transformation in depth and breadth). With these measures, the Bank aims to create the most intelligent digital bank, the most professional ecological bank, and the most efficient platform-based bank and realise the "secondary curve of development", thus comprehensively supporting the real economy.

Second, the Bank will comprehensively enhance financial risk prevention and control. Based on changes in macroeconomic situation and the characteristics of the Bank's development, the Bank shall: i) not only tighten the strings of risk control, but also continue to smooth the collaboration mechanism between risks and businesses to drive business development, and actively support the development of the manufacturing industry and the real economy; ii) not only enhance early warning to "nip potential risks in the bud", but also implement strict accountability system to "hold those violators accountable"; iii) continue to streamline and optimise the

management process and continuously innovate new methods of risk prevention and control by advanced technological means; iv) promote digital operation, make full use of latest technologies such as big data and AI, and propel smart case prevention and smart risk control, thus comprehensively improving the efficiency and level of risk management; and v) take precautions against interest rate risk and liquidity risk to ensure safe and sound operations.

Third, the Bank will stick to financial transformation driven by technology. By utilising advanced technologies and focusing on customer group-based operations, the Bank will implement “integration” by creating connections between retail and corporate businesses, between LUM and AUM, between risk and business; the Bank will seek differentiation by upgrading comprehensive finance and introducing technology; and the Bank will make itself more open by deepening the opening up of banks, acquiring customers in different scenarios and implementing joint operations. This will enable “digitalised operations, online operations, comprehensive services and ecosystem-based development”. Our strong business capabilities and valuable business experience can be organised in a systematic and standardised manner to empower customers in an all-round way, significantly optimise customer experience, enhance service capability and efficiency, improve risk management efficiency and reduce operating costs. This can also provide strong technology guarantee for the Bank’s strategic transformation.

3.7.4 Risk management

In 2021, the Bank will proactively respond to opportunities and challenges, holistically improve the ability of risk management, and support business development in an effective way. In 2021, the Bank’s risk management mainly includes the following aspects:

1. Continuing to reinforce asset quality. The Bank will (1) continuously strengthen industry research and improve the entry standard for industries, regions, products, customers and strictly control the threshold for entry in terms of areas, industries and customers with higher risk. (2) continuously reinforce the establishment of quality management system for assets and improve internal appraisal and assessment mechanism for risk management. (3) consolidate the foundation for refined management after loans granting and investment, perform timely risk screening, and map out corresponding risk control measures to achieve early study, anticipation and implementation. (4) regularly review the conditions of existing customers, and define credit granting strategies for each account, by which the Bank will decide whether to continue or terminate businesses with customers. (5) accelerate risk resolution on problematic loans, customise suitable plans for each problematic loan and assign specific person to manage the loans, to ensure the resolution is performed in an effective manner.

2. Giving support to business development. The Bank will (1) selectively serve major industries. With perspective industry study, the Bank will explore subdivided fields with development potential, identify and prejudge potential risks in the fields and formulate standards for business entry and exit and the negative list in such fields, to develop industrial risk policies based on the industrial study results in an effectively manner. (2) comprehensively serve major customers. By establishing a customer evaluation model and concentrating on industrial and regional leading companies and core enterprises in the industrial chain, the Bank will mainly support customers with high rating and give up high-risk customers. (3) formulate regional characteristics. Aiming at regional major industries, regional featured products and regional customer groups with obvious cluster characteristics, the Bank will execute diversified regional service programs. (4) enhance foresight and initiative of risk management, improve the communication mechanism between risk team and market team, as well as the mechanism for managing the risk associated with major credit projects in advance, so as to support and guide businesses. (5) dig into customer demands and exploit product advantages to build up a comprehensive financial service system.

3. Intensifying compliance risk management and control. The Bank will (1) advocate the establishment of risk and compliance culture and stress compliance operation to build a solid compliance culture in which employees are unwilling to, dare not to, and cannot break the rules; (2) stick to the compliance bottom line and strictly control case risks; and (3) start compliance risk monitoring in an earlier stage to strengthen the management of money laundering risk and operational risk, tighten management and control of employees’ conducts, and strictly implement compliance discipline.

4. Enhancing the construction of system instruments. The Bank will (1) upgrade the smart risk control platform by developing platform instruments and systems centred on AI to comprehensively improve the intelligent risk management and build data-based central processing units for risk control. (2) continue to improve the data quality control mechanism to cumulate real, accurate, continuous and complete internal and external data for identifying, calculating, evaluating, supervising and reporting risks, and for evaluating capital and liquidity adequacy. (3)

continue to optimise the function of the risk management information system to support risk reporting and management decision making.

5. Enhancing the risk team building. The Bank will continuously (1) improve a training system for different people, expand the coverage by a variety of training programs, i.e., by means of integrating on-line and off-line courses, and improve the results of the training; and (2) recruit talented personnel in every business sector to optimise the talent echelon for the enhancement of the core competence of risk management lines.

Section IV. Significant Matters

4.1 Profit distribution of ordinary shares and capital reserve converted into share capital of the company

4.1.1 Formulation, implementation or adjustment of profit distribution policy, particularly cash dividends policy during the reporting period

The Bank reviewed and approved the *Plan of Returns to Shareholders of Ping An Bank Co., Ltd. for the period from 2018 to 2020* at the second Extraordinary Shareholders' General Meeting of 2017 held on 21 December 2017. From 2018 to 2020, the profit distributed in cash every year is between 10% and 30% of the distributable profit achieved in the current year. The Bank is currently in a mature stage with major capital expenditure arrangements. From 2018 to 2020, on the premise that the company's capital adequacy ratio meets the regulatory requirements, when the company distributes the dividends by way of cash or stock or a combination of both, the proportion of cash dividends in the current year's profit distribution is not less than 40% (including 40%).

The profit distribution proposal of the Bank for 2019 is based on the total share capital of 19,405,918,198 shares as at 31 December 2019. Cash dividends of RMB2.18 (inclusive of tax) were distributed to all shareholders for every 10 shares. There was no proposal to issue bonus shares or to convert reserve funds into share capital. The Bank issued the *Announcement on the Implementation of 2019 Annual Interest Distribution of Ping An Bank Co., Ltd.* on 22 May 2020. The date of record of the profit distribution was 27 May 2020 and the ex-dividend date was 28 May 2020. The profit distribution proposal of the Bank for 2019 was implemented during the reporting period.

Special description of cash dividend policy	
Whether it complies with the provisions of the Articles of Association or the requirements of resolutions of the Shareholders' General Meeting:	Yes
Whether the dividend standards and proportions are definite and clear:	Yes
Whether the relevant decision-making processes and mechanisms are complete:	Yes
Whether the independent directors perform their duties and play their due role:	Yes
Whether the minority shareholders have the opportunity to fully express their opinions and demands and whether their legitimate rights and interests are adequately protected:	Yes
Whether the conditions and procedures for adjusting and changing the cash dividend policy are compliant and transparent:	Yes

4.1.2 Profit distribution pre-plan or proposal and capital reserve converted into share capital pre-plan or proposal of the company in recent three years (including the reporting period)

I. 2020 Annual profit distribution pre-plan

In 2020, the Bank's audited net profit amounted to RMB28,763 million and the profit available for distribution amounted to RMB136,209 million.

Based on the above profit situations and the relevant provisions of the State, the Bank made the following profit distribution in 2020:

1. The Bank did not appropriate any statutory surplus reserve as the balance of its statutory surplus reserve had exceed 50% of its share capital.
2. The general risk provision shall be withdrawn at 1.5% difference in the balance of risk assets at the end of the period, amounting to RMB5,186 million.
With the above profit distribution, as at 31 December 2020, the general risk provision amounted to RMB51,534 million; the balance of undistributed profit amounted to RMB131,023 million.
3. With a comprehensive consideration of the returns on shareholders' investment, requirements of regulatory authorities for the capital adequacy ratio and sustainable development of the Bank's business, in addition to the above statutory profit distribution, based on the total share capital of 19,405,918,198 shares of the Bank as at 31 December 2020, cash dividends of RMB1.80 (inclusive of tax) were distributed for every 10 shares, with

total cash dividends of RMB3,493 million. After the cash dividends were distributed, the remaining undistributed profit of the Bank amounted to RMB127,530 million.

The above pre-plan shall be reviewed and approved by the Bank at the 2020 Annual Shareholders' General Meeting.

II. 2019 Annual Profit Distribution Proposal

In 2019, the Bank's audited net profit attributable to shareholders of the Bank amounted to RMB28,195 million and the profit available for distribution amounted to RMB119,868 million.

Based on the above profit situations and the relevant provisions of the State, the Bank made the following profit distribution in 2019:

1. The Bank did not appropriate any statutory surplus reserve as the balance of its statutory surplus reserve had exceed 50% of its share capital.
2. The general risk provision shall be withdrawn at 1.5% difference in the balance of risk assets at the end of the period, amounting to RMB6,498 million.

With the above profit distribution, as at 31 December 2019, the general risk provision amounted to RMB46,348 million; the balance of undistributed profit amounted to RMB113,370 million.

3. With a comprehensive consideration of the returns on shareholders' investment, requirements of regulatory authorities for the capital adequacy ratio and sustainable development of the Bank's business, in addition to the above statutory profit distribution, based on the total share capital of 19,405,918,198 shares of the Bank as at 31 December 2019, cash dividends of RMB2.18 (inclusive of tax) were distributed for every 10 shares, with total cash dividends of RMB4,230 million. After the cash dividends were distributed, the remaining undistributed profit of the Bank amounted to RMB109,140 million.

III. 2018 Annual Profit Distribution Proposal

In 2018, the Bank's audited net profit attributable to shareholders of the Bank amounted to RMB24,818 million and the profit available for distribution amounted to RMB96,335 million.

Based on the above profit situations and the relevant provisions of the State, the Bank made the following profit distribution in 2018:

1. The Bank did not appropriate any statutory surplus reserve as the balance of its statutory surplus reserve had exceed 50% of its share capital.
2. The general risk provision shall be withdrawn at 1.5% difference in the balance of risk assets at the end of the period, amounting to RMB1,298 million.

With the above profit distribution, as at 31 December 2018, the general risk provision amounted to RMB39,850 million; the balance of undistributed profit amounted to RMB95,037 million.

3. With a comprehensive consideration of the returns on shareholders' investment, requirements of regulatory authorities for the capital adequacy ratio and sustainable development of the Bank's business, in addition to the above statutory profit distribution, based on the total share capital of 17,170,411,366 shares of the Bank as at 31 December 2018, cash dividends of RMB1.45 (inclusive of tax) were distributed for every 10 shares, with total cash dividends of RMB2,490 million. After the cash dividend was distributed, the remaining undistributed profit of the Bank amounted to RMB92,547 million.

4.1.3 Table of cash dividends on ordinary shares in recent three years

(In RMB million)

Dividend-receiving year	Amount of cash dividends (inclusive of tax)	Net profit attributable to shareholders of the Bank in the dividend-receiving year	Proportion accounting for net profit attributable to shareholders of the Bank	Amount of cash dividends in other ways	Proportion of cash dividends in other ways
2020	3,493	28,928	12.07%	Not applicable	Not applicable
2019	4,230	28,195	15.00%	Not applicable	Not applicable
2018	2,490	24,818	10.03%	Not applicable	Not applicable

4.1.4 During the reporting period, the Bank has profits and the parent company has positive undistributed profits, however, the pre-plan for cash dividends distribution is not proposed

☐ Applicable ☒ Not applicable

4.2 Pre-plan of profit distribution or capital reserve converted into share capital

☒ Applicable ☐ Not applicable

Number of bonus shares per 10 ordinary shares (share)	-
Number of dividends per 10 ordinary shares (RMB) (inclusive of tax)	1.80
Number of shares converted by capital reserve per 10 ordinary shares (share)	-
Base of share capital in distribution pre-plan (share)	19,405,918,198
Total cash dividends (RMB) (inclusive of tax)	3,493,065,276
Distributable profit (RMB)	136,209,681,838
Proportion of cash dividends to total profit distribution	100%
Conditions of the cash dividends	
If the company has developed to a mature stage and there are major capital expenditure arrangements, when distributing profits, the proportion of cash dividends to the profit distribution shall be at least 40%.	
Description of details on pre-plan of profit distribution or capital reserve converted into share capital	
2020 annual profit distribution pre-plan of Ping An Bank Co., Ltd.: based on the total share capital of 19,405,918,198 shares of the Bank as at 31 December 2020, cash dividends of RMB1.80 (inclusive of tax) were distributed to all shareholders for every 10 shares. There was no proposal to issue bonus shares or to convert reserve funds into share capital. The pre-plan shall be reviewed and approved by the Bank at the 2020 Annual Shareholders' General Meeting.	

4.3. Performance of commitment matters

4.3.1 Commitments that have been fulfilled during the reporting period and have not yet been fulfilled as at the end of the reporting period by the company, shareholders, actual controllers, purchasers, directors, supervisors, senior managements or other related parties

☒ Applicable ☐ Not applicable

Commitment causes	Commitment type	Commitment party	Contents of commitment	Time of commitment	Duration of commitment	Performance
Commitment made during the asset reorganisation	Commitment on competition in the same business, related party transaction and independence	Ping An Insurance (Group) Company of China, Ltd.	Ping An intends to subscribe 1,638,336,654 shares issued by the Bank in a non-public offering (the Major Asset Reorganisation) with 90.75% of its original shares of Ping An Bank and the cash of RMB2,690,052,300: 1. After the completion of the Major Asset Reorganisation, during the period of Ping An as a controlling shareholder of Shenzhen Development Bank, if Ping An and other enterprises controlled by Ping An intend to engage in or substantially get the same business or commercial opportunities as those of Shenzhen Development Bank in the future, because the assets and business formed by such business or commercial opportunities may constitute a potential competition in the same business with Shenzhen Development Bank, Ping An and other enterprises controlled by Ping An will not engage in the same or similar business as that of Shenzhen Development Bank, to avoid a direct or indirect competition with the business operation of Shenzhen Development Bank. 2. After the completion of the Major Asset Reorganisation, for matters that occur between Ping An and other enterprises controlled by Ping An and Shenzhen Development Bank and constitute a related party transaction of Shenzhen Development Bank, by following the principle of openness, fairness and impartiality of market transactions, Ping An and other enterprises controlled by Ping An will perform transactions with Shenzhen Development Bank at a fair and reasonable market price, and fulfil the decision-making processes in accordance with the provisions of relevant laws, regulations and normative documents and fulfil the obligation of information disclosure according to the law. Ping An guarantees that Ping An and other enterprises controlled by Ping An will not obtain any improper benefits or make Shenzhen Development Bank undertake any unfair obligation through the transactions with Shenzhen Development Bank. 3. After the completion of the Major Asset Reorganisation, during the period of Ping An as a controlling shareholder of Shenzhen Development Bank, Ping An will maintain the independence of Shenzhen Development Bank and ensure that the personnel, assets, finance, organisation and business of Shenzhen Development Bank are independent of those of Ping An and other enterprises controlled by Ping An.	29 July 2011	Long-term	Performance in progress
Other commitments made for medium and small shareholders of the company	Other commitments	The Bank	The company has not made a performance commitment for the preference share issue. The company will take effective measures to improve the use efficiency of funds raised to further enhance the profitability of the company, thereby minimising the impact of the preference share issue on the return to ordinary shareholders and fully protecting the legitimate rights and interests of shareholders of the company, especially the minority shareholders.	14 March 2016	Long-term	Performance in progress
If the commitments are performed timely	Yes					
Specific reasons of failing to complete the performance and next plan (if any)	Not applicable					

4.3.2 If the profit forecast can be carried out for the company's assets or projects and the reporting period is within the period of profit forecast, the company shall explain whether the assets and projects can realise the original profit forecast and the reasons.

☐ Applicable ☒ Not applicable

4.4 Occupation of funds of the listed company for non-operating purposes by controlling shareholder and their related parties

During the reporting period, the Bank had no situation that the controlling shareholder and other related parties occupy the funds of the Bank.

4.5 Special instructions and independent opinions of independent directors on the funds occupation and external guarantee of the related parties of the Bank

The Bank had no situation that the controlling shareholder and other related parties occupy the funds of the Bank during the reporting period or during the previous period but continued into the reporting period.

The guarantee business is one of the Bank's conventional banking businesses approved by the relevant regulatory authorities. The Bank attaches great importance to the risk management of the business and strictly implements the relevant operation procedures and approval procedures, so that the risks of external guarantee business are effectively controlled. During the reporting period, the Bank had no other significant guarantee businesses that need to be disclosed except for the financial guarantee businesses within the scope of business approved by the relevant regulatory authorities.

4.6 Description of the Board of Directors, Board of Supervisors and independent directors (if any) on the "non-standard audit report" issued by the accounting firm during the reporting period

☐ Applicable ☒ Not applicable

4.7 Changes in accounting policies, accounting estimates and accounting methods as compared to the financial reports of last year

☐ Applicable ☒ Not applicable

4.8. Reason for retrospective restatement to correct major accounting errors during the reporting period

☐ Applicable ☒ Not applicable

4.9 Reasons for changes in the scope of consolidated statements as compared to the financial report for last year

☒ Applicable ☐ Not applicable

On 28 August 2020, Ping An Wealth Management, a wholly-owned subsidiary of the Bank, officially started its business operations. The Bank prepared the consolidated and corporate financial statements in accordance with the *Accounting Standards for Business Enterprises*.

4.10 Employment of intermediary agencies

4.10.1 Employment of accounting firm for audit of annual financial report

Currently appointed accounting firm

Name of domestic accounting firm	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of domestic accounting firm	RMB11.03 million
Duration of audit service provided by domestic accounting firm	8 years
Names of CPAs of domestic accounting firm	Chen Anqiang and Liu Yufeng
Name of foreign accounting firm (if any)	Not applicable
Remuneration of foreign accounting firm (if any)	Not applicable
Duration of audit service provided by foreign accounting firm (if any)	Not applicable
Name of CPA of foreign accounting firm (if any)	Not applicable

Whether the employment of the accounting firm shall be changed during the current period

☐ Yes ☒ No

In October 2020, the *Resolution of Ping An Bank Co., Ltd. in relation to the Appointment of Auditor for the Year of 2021* was passed upon the deliberation at the 13th meeting of the 11th session of the Board of Directors of the Bank. PricewaterhouseCoopers Zhong Tian LLP has delivered the audit services for the Bank for eight consecutive years. According to the *Measures for the Administration of Selection and Employment of Accounting Firms by State-owned Financial Enterprises* (Cai Jin [2020] No. 06) issued by the Ministry of Finance, the state-owned financial enterprises shall not continuously employ the same accounting firm for more than 8 years. The Bank appointed Ernst & Young Hua Ming LLP as its auditor for the year of 2021. The resolution is pending for approval by the general meeting of shareholders of the Bank.

4.10.2 Employment of accounting firm, financial consultant and sponsor for internal control audit

Name of accounting firm for internal control audit	PricewaterhouseCoopers Zhong Tian LLP
Remuneration of accounting firm for internal control audit	RMB1.63 million
Name of financial consultant	Not applicable
Remuneration of financial consultant	Not applicable
Name of sponsor	CITIC Securities Company Limited, Ping An Securities Co., Ltd.
Remuneration of sponsor	Not applicable

4.11 Suspension in trading or delisting after the disclosure of annual report

☐ Applicable ☒ Not applicable

4.12 No relevant matter of bankruptcy reorganisation

☐ Applicable ☒ Not applicable

During the reporting period, there was no relevant matter of bankruptcy reorganisation for the Bank.

4.13 Major litigation and arbitration matters

In 2020, there was no litigation and arbitration matter that had significant impact on the operation for the Bank. At the end of 2020, there were 207 pending litigations in which the Bank acted as the prosecuted party, involving an amount of RMB1,957 million.

4.14 Punishment and rectification

The Bank and its directors, supervisors, senior management, controlling shareholder and actual controller were not investigated by the competent authorities, subject to coercive measures by the judiciary authorities or discipline inspection departments, transferred to the judiciary authorities or investigated for criminal responsibility, investigated or punished by the China Securities Regulatory Commission, banned from entering the securities market, identified as inappropriate candidates, and publicly condemned by the stock exchanges during the reporting period. The Bank was not imposed with penalties that exerted significant impact on its operations by other regulators.

4.15 Integrity conditions of the company and its controlling shareholder

During the reporting period, there was no case where the effective judgement of the court was not fulfilled and a large amount of debt was due and unpaid for the company and its controlling shareholder.

4.16 During the reporting period, there were no equity incentive plan, employee stock ownership plan or other incentive measures for employees and their implementation for the Bank.

4.17 Matters on major related party transactions

1. See “VIII. Related Party Relationships and Transactions” in “Section X Financial Report” for details of transactions between the Bank and Ping An and its related parties, transactions between the Bank and its major shareholders and their related parties, main transactions between the Bank and key management personnel and main transactions between the Bank and the units of key management personnel and associates.

2. Disclosure of major related transactions in the Interim Report which is available for inspection in related website
☒ Applicable ☐ Not applicable

During the reporting period, the Board of the Bank deliberated the proposal on related transactions with Yun Chen Capital Cayman, Ping An Property & Casualty Insurance Company of China, Ltd., Ping An Securities Co., Ltd., Ping An Life Insurance Company of China, Ltd., Ping An Asset Management Co., Ltd., Ping An Fund Management Co., Ltd., Ping An Insurance (Group) Company of China, Ltd. and Ping An International Financial Leasing Co., Ltd.

Please refer to the *Notice about Related Transactions of Ping An Bank Co., Ltd.* dated 27 March 2020, 15 August 2020, 25 September 2020 and 6 November 2020 published on *China Securities Journal*, *Securities Times*, *Shanghai*

Securities News, *Securities Daily* and on the website of CNINFO (<http://www.cninfo.com.cn>) for further information.

4.18 Material contracts and their performance

1. Major entrustment, underwriting, lease: there was no major entrustment, underwriting, lease during the reporting period.
2. Material guarantee: apart from the guarantee business within its operating scope approved by the CBRC, the Bank had no other material guarantee.
3. Other material contracts and their performance: the Bank had no material contract dispute during the reporting period.

4.19 Material entrusted funding and entrusted investments

During the reporting period, the Bank had no entrusted funding and entrusted investments items out of the scope of normal businesses. See “III. Notes to key items in the financial statements - Note 7. Financial assets held for trading/Note 8. Investment on debts/Note 9. Other investment on debts” and “VII. Risk disclosure - Note 1. Credit risk” in “Section X Financial Report” for specific information about the Bank’s entrusted funding and entrusted investments.

4.20 Other significant events

On 25 February 2020, the Bank completed the issuance of “The first tranche of capital bonds without fixed terms of Ping An Bank Co., Ltd. of 2020”. The Bonds amounted to RMB30 billion at a coupon rate of 3.85% for the first 5 years, which shall be adjusted every 5 years. The company has the option to redeem these bonds in the 5th year and every interest payment date thereafter on certain conditions. The funds raised by the Bonds will be added to other tier 1 capital of the Bank according to applicable laws and the approval of the regulators.

On 26 May 2020, the Bank completed the issuance of special financial bonds for loans to small and micro enterprises with a total amount of RMB30 billion. The special bonds have a maturity of 3 years, with a fixed coupon rate of 2.30%. The funds raised will be earmarked for special loans to small and micro enterprises upon the approval from regulatory authorities in accordance with applicable laws. The loans are partially provided exclusively for small and micro enterprises engaged in the prevention and control of COVID-19 as further credit loan support in order to promote their steady and healthy development.

Description of significant events	Date of disclosure	Index of website disclosing temporary reports
Capital bonds without fixed terms	26 February 2020	<i>China Securities Journal</i> , <i>Securities Times</i> , <i>Shanghai Securities News</i> , <i>Securities Daily</i> and CNINFO (http://www.cninfo.com.cn)
Special financial bonds for loans to small and micro enterprises	27 May 2020	

4.21 Significant events of the subsidiary of the company

The *Proposal on Establishing A Subsidiary for Asset Management* was approved on 6 June 2018 at the 18th meeting by the 10th Board of Directors of the Bank. On 27 December 2019, the Bank was approved by the CBIRC to incorporate Ping An Wealth Management Co., Ltd. On 17 August 2020, Ping An Wealth Management Co., Ltd. was approved by the CBIRC for operation. Its registered capital is RMB5 billion, the registration address is Shenzhen, and it is mainly engaged in the businesses related to asset management such as the issuance of public financing products, the issuance of private financing products, financial advisory and consulting.

Regarding the establishment of the above-mentioned subsidiary of the Bank, please refer to the related announcements dated 7 June 2018, 2 January 2020 and 20 August 2020 published on *China Securities Journal*, *Securities Times*, *Shanghai Securities News*, *Securities Daily* and on the website of CNINFO (<http://www.cninfo.com.cn>) for further information.

4.22 Social responsibilities

4.22.1 Social responsibility performance

See the *2020 Sustainable Development Report of Ping An Bank Co., Ltd.* published by the Bank on the CNINFO (<http://www.cninfo.com.cn>) on 2 February 2021 for further information.

4.22.2 Performance of social responsibility in targeted poverty alleviation

√ Applicable □ Not applicable

1. Planning of targeted poverty alleviation

Through the industrial poverty alleviation project, the Bank spared no effort to support the prevention and control of the pandemic and the resumption of work and production in the form of continuous targeted poverty alleviation by financial means. Meanwhile, the Bank is a champion of new infrastructure constructions and green development. Through modes of “loans for industrial poverty alleviation, government bonds for poverty alleviation, corporate bonds for poverty alleviation, poverty alleviation through consumption, poverty alleviation through tourism, educational improvement cultivation, poverty alleviation through residential projects”, the Bank upgraded the closed loop of poverty alleviation consisting of “talent cultivation, industrial incubation, brand shaping, market expansion”. In deep exploration of the rural revitalisation service mode, and by promoting the integration of comprehensive finance with the scenarios of agriculture, rural areas and rural residents through financing, integration of intelligence, branding and technological empowerment, the Bank strived to develop a platform for industrial revitalisation that connected government, leading agricultural enterprises, banks, insurance companies and agricultural research institutes.

2. Summary of annual targeted poverty alleviation

In 2020, the Bank invested additional funds of RMB12,755 million for poverty alleviation, benefiting almost 290,000 impoverished people. A total of RMB25,309 million was invested hitherto for poverty alleviation since the launch of the industrial poverty alleviation project, benefiting almost 810,000 impoverished people.

Overcoming difficulties in the pandemic and stepping up educational improvement cultivation. Under the guidance of the State Council Leading Group Office of Poverty Alleviation and Development, the Bank organised cultivation courses on leadership for achieving prosperity by starting a business in poverty-stricken villages with joint efforts from China Poverty-alleviation Promotion of Volunteer Services since 2019. In 2020, the Bank launched an innovative online cultivation course on leadership for achieving prosperity by starting a business in poverty-stricken villages and built Zhiniaonline platform for educational improvement training to achieve remote teaching, video live-broadcasting, online communication and other modes, devoting to overcoming the impact of the pandemic and fuelling bellwethers for achieving prosperity to resume work and production as well as continue educational training. Meanwhile, under the guidance of the State Council Leading Group Office of Poverty Alleviation and Development, the Bank explored and established a cultivation evaluation system for bellwethers for achieving prosperity, and built a cultivation database to evaluate training effects, so as to better serve the bellwethers. By the end of 2020, 3,678 persons in 87 counties had been cultivated. In addition, the Bank implemented the “Village Leaders - Rural Financial-Literacy Improvement Program”, to carry out financial literacy improvement training for more than 1,000 village officials in 14 prefecture cities in Guangdong.

Supporting resumption of work and production and focusing on three regions and three districts. In 2020, the Bank tied together the pandemic prevention and control, economic development and the support plan of “three regions and three districts”, issued loans for industrial poverty alleviation to support pharmaceutical enterprises in production of anti-pandemic supplies, and joined hands with enterprises to carry out the poverty alleviation mode of “enterprises + farmers + scientific research + bases” in traditional Chinese medicine industry. The Bank continuously invested funds for poverty alleviation in new infrastructure constructions and hydropower enterprises to stimulate the vitality of poor areas. The poverty alleviation through small hydropower stations has been listed in the *Report on Development of World Small Hydropower Stations* issued by the United Nations Industrial Development Organisation, as an example for the global poverty alleviation practice with innovative experience. The Bank made investment in local treasury bonds for poverty alleviation and village revitalisation in 16 provinces and regions including Yunnan, Sichuan, Gansu, etc., covering deeply impoverished areas of three regions and three districts.

Developing “one product for one village” and promoting poverty alleviation through tourism. The Bank valued agricultural products with large market potential, distinct regional features and high added value to create a specialised product chain of branding highlights, successfully branding for Ping An Orange, Ping An Apple, Baise

Mango, Leishan Tea, Hunan Camellia Oil, etc. In exploring the pilot project for rural revitalisation, the Bank launched a rural tourism project for poverty alleviation named “small kindness delivers great love, moving forward for love”. By introducing Ping An’s financial flows into rural areas through the ties between corporate banking and individual banking, and customer participation, the Bank supported the long-term sustainable development of rural tourism in the form of “poverty alleviation through tourism + equity + public welfare”, contributing to increasing income and throwing off poverty in poverty-stricken areas.

Innovating “product selection” and launching live-broadcasting sales. The Bank launched a large public welfare programme “Ping An Cloud Farm” for poverty alleviation through online consumption, which connected the market, farmers and the government precisely through adoption of “one tree” and “one acre of land” and other forms, and linked Ping An’s customers, suppliers, farmers, and public welfare forces through online and offline resources to build an open network platform for public welfare and increase farmers’ income. Xie Yonglin, chairman of Ping An Bank, planted an olive tree in Liangshan County, Sichuan Province, and acted as the spokesman for the local olive oil industry. The Bank invited county leaders of poor counties, internet celebrities and volunteers to promote the sales of agricultural products through live broadcasting. Since the launch of the project, cumulative income from sales of products amounted to RMB81,242,400 in the poverty-stricken areas. In addition, the Bank initiated the activity of “special services + poverty alleviation to assist farmers” at outlets, and provided standardised services focused on agricultural products at more than 1,000 outlets of the Bank.

In addition, branches of the Bank continued to carry out targeted procurement, poverty alleviation through consumption, poverty alleviation through tourism, “aspiration and intelligence improvement”, and poverty alleviation through education in their regions.

3. Results of targeted poverty alleviation

Indicator	Unit	Quantity/Implementation
I. General Situation		
Including: 1. Funds	RMB 10,000	1,276,516
2. Goods and materials converted into cash	RMB 10,000	190
3. Number of listed poverty-stricken persons who have got the help and got rid of poverty	Person	8,944
II Investment of Items		
1. Poverty alleviation through the development of industries		
Including: 1.1 Types of poverty alleviation projects through the development of industries		Poverty alleviation through agriculture and forestry, poverty alleviation through tourism, poverty alleviation through e-commerce, poverty alleviation through return on assets, poverty alleviation through science and technology
1.2 Number of poverty alleviation projects through the development of industries	Nos	47
1.3 Amount of investment in poverty alleviation projects through the development of industries	RMB 10,000	1,275,998
1.4 Number of listed poverty-stricken persons who have got the help and got rid of poverty	Person	8,608
2. Poverty alleviation through transfer employment		
Including: 2.1 Amount of investment in vocational skills training	RMB 10,000	138
2.2 Number of persons participating in the vocational skills training	Person - time	3,749
2.3 Number of listed poverty-stricken rural households who have got the help and achieved the employment	Person	122
3. Poverty alleviation by relocating in other places		
Including: 3.1 Number of persons being employed in relocated households	Person	-
4. Poverty alleviation through education		
Including: 4.1 Amount of investment in funding poor students	RMB 10,000	4
4.2 Number of poor students being funded	Person	79
4.3 Amount of investment in improving educational resources in poor areas	RMB 10,000	50
5. Poverty alleviation through health care		
Including: 5.1 Amount of investment in medical and health resources in poor areas	RMB 10,000	1
6. Poverty alleviation through ecological protection		
Including: 6.1 Types of projects		-
6.2 Amount of investment	RMB 10,000	50
7. Miscellaneous social security measures		
Including: 7.1 Amount of investment in “left-behind women, children and the elderly”	RMB 10,000	-
7.2 Number of “left-behind women, children and the elderly” being helped	Person	20

7.3 Amount of investment in poor disabled persons	RMB 10,000	2
7.4 Number of poor disabled persons being helped	Person	-
8. Poverty alleviation through social work		
Including: 8.1 Amount of investment in poverty alleviation cooperation of the eastern and western regions	RMB 10,000	1
8.2 Amount of investment in targeted poverty alleviation work	RMB 10,000	74
8.3 Amount of investment in public welfare funds for poverty alleviation	RMB 10,000	53
9. Other projects		
Including: 9.1. Number of projects	Nos	18
9.2. Amount of investment	RMB10,000	1,898
9.3 Number of listed poverty-stricken persons who have got the help and got rid of poverty	Person	336
III. Awards (content, level)		
Awards related to poverty alleviation		• The poverty alleviation through small hydropower stations has been listed in the <i>Report on Development of World Small Hydropower Stations</i> issued by the United Nations Industrial Development Organisation • “Top 50 Special Cases of Targeted Poverty Alleviation by Enterprises” awarded by the State Council Leading Group Office of Poverty Alleviation and Development in 2020 • “Typical Cases of the Banking Sector for Poverty Alleviation”, “Top 100 of the Banking Sector for Social Responsibilities” awarded by China Banking Association • “Bronze Prize in Guangdong Hongmian Cup for Poverty Alleviation and Relief” awarded by Association of Underdeveloped Regions in Guangdong • “Excellent Example for Promotion of Poverty Alleviation of the Year” released by <i>China Banking and Insurance News</i> • “Advanced Private Enterprises in Guangdong-Guangxi Poverty Alleviation Cooperation” awarded by Guangdong Federation of Industry & Commerce • “Excellent Institutions for Financial Poverty Alleviation” released by China.org.cn

4. Follow-up plan of targeted poverty alleviation

In 2021, the Bank will continue to deepen the connection between poverty alleviation and rural revitalisation, and strive to develop a shared platform for industrial revitalisation that connected government, leading agricultural enterprises, banks, insurance companies and agricultural research institutes by promoting the integration of comprehensive finance with the scenarios of agriculture, rural areas and rural residents through financing, integration of intelligence, branding and technological empowerment. In addition, the Bank will also give full play to financial advantages and achieve economic vitality growth through industrial development to help establish a modern agricultural system in rural areas; focus on talent revitalisation and cultivate a large number of talents with knowledge in agriculture; strengthen brand building, and develop “one product for one village” strategy to promote online and offline sales to help farmers accelerate their income growth; layout digital villages and empower agriculture with science and technology.

4.22.3 Protection of consumer rights and interests

The Bank continued to strengthen consumer rights and interests protection and fully adhered to the concept of customer-centred development by carrying out consumer rights and interests protection management in the whole

business process, highlighting the role of finance as a driving force behind social progress and fulfilling social responsibilities.

Improving the consumer rights and interests protection system. In 2020, the Bank continued to improve the consumer rights and interests protection system, focusing on the work management mechanism, assessment management, publicity and awareness-raising activities, training and customer complaint management regarding consumer rights and interests protection, so as to further enhance the system foundation.

Strengthening the whole process management of consumer rights and interests protection. In 2020, the Bank established a consumer rights and interests protection management system with clear objectives, comprehensive action plans and effective implementation measures for review, inspection, complaint management and other issues related to consumer rights and interests protection, building the third line of defence for the Bank's consumer rights and interests protection.

Carrying out publicity and awareness-raising activities regarding consumer rights and interests protection. In 2020, the Bank focused on the "improvement of financial consumer literacy", and launched 12 projects of "targeted education" according to customers' behavioural and grouping characteristics. In 2020, the Bank issued the *Blue Book of Consumer Rights and Interests Protection of Ping An Bank*, initiated activities such as "Consumer Rights and Interests Protection - Debates for Happy and Healthy Consumption", "Financial Knowledge Pop-up Shop", "Knowledge Sharing Officer", "Knowledge Salon - Urban Influence", and received wide acclaim from regulatory authorities and customers.

Carrying forward technology-driven consumer rights and interests protection. In 2020, the Bank innovatively launched the "SMS and phone anti-counterfeiting inspection platform" and the "one-stop intelligent control system for consumer rights and interests protection", and continued to optimise multiple consumer rights and interests protection systems such as "Intelligent consulting and complaints handling" to further secure the rights and interests of financial consumers by means of technology.

Strengthening customer complaint management. In 2020, the Bank received 431,535 consumer-related cases, including 44,666 complaints. In respect of business distribution, complaints in credit cards and personal loans accounted for relatively high proportions; in respect of regional distribution, complaints from Shenzhen, Beijing and Shanghai took up large proportions. The Bank strengthened customer complaint management through measures such as priority processing of work orders and diversified solution mechanisms to improve customer experience and effectively protect consumer rights and interests.

In the future, the Bank will strive to achieve further breakthroughs in the one-stop intelligent control for consumer rights and interests protection, targeted education for customers and other aspects in accordance with the concept of "Prevention goes first, education takes the lead", to enrich the characteristics of consumer rights and interests protection and make more achievements.

4.22.4 Environment protection related works

Whether the listed company and its subsidiaries belong to the key pollutant discharging units announced by the environmental protection department

☐Yes ☒No

4.22.5 Performance of other social responsibilities

1. Multiple measures to help the fight against the disease

In the face of the unexpected COVID-19 during 2020, the Bank, acting upon the strategic decisions and arrangements of the CPC Central Committee and the State Council, has discharged its social responsibilities by conducting a series of public welfare activities through multiple channels. For instance, we provided urgently needed support to front-line medical staff, continuously enhanced targeted poverty alleviation, and explored new modes of "fighting the pandemic + poverty alleviation", to fight the coronavirus. Meanwhile, with the help of Ping An Group's comprehensive finance advantages, the Bank remained steadfast to the concept of technological innovation and considered the comprehensiveness, effectiveness and sustainability of serving the real economy to further support private enterprises and small and micro enterprises, and help severely afflicted customers and enterprises critical in fighting the disease to weather the storm, resume work and production, and achieve sustainable development.

RMB30 million donated to help fight the pandemic. At the early stage of the pandemic, in support of the local anti-pandemic effort, the Bank made a donation of RMB30 million to Hubei Charity Federation. In addition, policies were specially made to give relief to affected customers such as medical staff engaged in the anti-pandemic action, customers infected with the COVID-19 and customers in Hubei province who were unable to make repayments as a result of the control and prevention measures. Those customers were allowed to make repayments later or pay less interest without leaving any bad credit records.

Exploring the new modes of “fighting against the pandemic + poverty alleviation”. Employees of the Bank actively donated over RMB10 million, and the Bank opened up a “special channel for anti-pandemic supplies”, covering the whole process of fund raising, procurement, logistics and coordination with hospitals. Firstly connected to the channel were 17 hospitals and medical institutions at the front-lines in Hubei, which received donations of urgently needed medical protection supplies like protective suits and isolation gowns. Meanwhile, the Bank adopted innovative donation methods. For instance, the Bank purchased over RMB1 million's worth of products from targeted poverty alleviation areas and donated them to front-line medical staff, which not only provided caring support to front-line medical staff, but also accelerated the resumption of production and operation resumption in poverty-stricken areas.

Preventing disruption of corporate and personal financial services. First, the Bank launched "Banking at Home" for uninterrupted personal and corporate financial services by making use of “AI customer service”, “Pocket APP” and “online financing services platform”, allowing customers to settle investment and financing transactions online at home; second, the Bank lowered financing costs in pandemic-stricken areas and for anti-pandemic industries to tide financially afflicted companies over; the Bank also opened up priority channels to satisfy financing needs of anti-pandemic enterprises; third, the Bank developed differentiated emergency solutions for financial services and offered reasonable grace periods for repayment for affected customers who were unable to make repayments on principals or interests, so as to overcome the difficulties together with customers; fourth, the Bank resolutely fulfilled its role as core dealer and market maker to fully secure the liquidity of financial market.

2. Serving real economy

Strengthening financial services for private enterprises, and supporting the high-quality development of small and micro enterprises The Bank relied on cutting-edge technologies such as AI, biological recognition, big data, blockchain and cloud computing in premium services, including “Ping An Good Chain”, “small business digital finance” and “Xinyidai”, so as to effectively support the development of private enterprises and small, medium and micro enterprises and help small enterprises address their financing difficulties, including lack of access to financial resources and high financing costs. At the same time, the Bank completed the issuance of special financial bonds for loans to small and micro enterprises with a total amount of RMB30 billion. The funds raised will be earmarked for special loans to small and micro enterprises. The loans are partially provided exclusively for small and micro enterprises engaged in the prevention and control of COVID-19 as further credit loan support in order to promote their steady and healthy development.

In 2020, newly issued loans for private enterprise customers accounted for above 70% of newly issued corporate loans for all customers; at the end of 2020, the balance of loans to private enterprises increased by 13.4% over the end of last year, accounting for 72.2% of the balance of corporate loans; regarding the Bank's loans to micro enterprises, the balance of inclusive loans granted to small micro enterprises were up 38.8% over the end of last year, and weighted average interest rate per annum of newly issued loans for these small and micro enterprises declined by 1.56 percentage points over last year with the NPL ratio within a reasonable range. At the end of December 2020, the proportion of customers' credit balance in key industries was 46.2%, roughly the same as that at the end of last year; the Bank's total on-balance sheet and off-balance sheet credit facilities amounted to RMB4,058,737 million, with an increase of 21.2% over the end of last year.

Continuing to promote finance innovation and technology empowerment to achieve breakthroughs in the service model of manufacturing enterprises. The Bank looked deep into the industrial chain of manufacturing, explored the financial needs of ecological customer group scenarios, and built new supply chain finance via online, model and automation services to achieve intelligent and digital operation of supply chain business; in addition, it implemented integrated management for bills, reshaped the business processes and continued to launch innovative service solutions to provide online and low-cost bill discounting financing services for manufacturing enterprises, fuelling their high-quality development; furthermore, based on financial technology empowerment, it revealed the real operation status of small and medium-sized manufacturing enterprises via “data + models”, built risk control model by applying technologies such as IoT and big data, and gave more support to small and medium

manufacturing enterprises for credit loans through innovation in online, digital and standardised credit loan products. At the end of 2020, the balance of medium and long-term loans to manufacturing (including personal business loans) was RMB45,568 million, up 26.1% from the end of last year.

Actively fulfilling requirements of the nation, fully supporting the prevention and control of the pandemic and enterprises affected by COVID-19 in overcoming difficulties. First, for enterprises affected by COVID-19, the Bank, in accordance with regulatory requirements, the Bank proactively lowered financing costs of “anti-pandemic customers”, offered differentiated emergency solutions for financial services, such as deferred repayment, setting reasonable grace periods for repayment and credit rights protection, to support enterprises to fight against COVID-19; second, it optimised business process to guarantee financial service efficiency, established related green credit mechanism, and handled special affairs of unit account service business related to pandemic prevention and control with special methods to ensure uninterrupted financial services; third, leveraging the advantages of finance technology, such as face recognition, online enterprise credit authorisation, network big data verification, cloud signing, electronic certificates, etc., it launched data loan business to effectively improve the efficiency of small and micro enterprises in loan processing and billing, so as to enhance support to their work and production resumption.

Adhering to the concept of sustainable development, and further advancing the construction of green finance. The Bank enhanced support to strategic emerging industries, including low-carbon economy, circular economy, energy-saving and emission reduction and the “Belt and Road”. Besides, under the same conditions, it provided preferential credit support in loan pricing and distribution of economic capital for businesses meeting requirements of the green credit. Moreover, in all business links of the entire credit business process, the Bank strengthened assessment on social and environmental risks, and realised the sustainable and green development of credit business through rational allocation of credit resources and optimisation of the credit business structure.

Section V Changes in Shares and Shareholders

5.1. Changes in shares

5.1.1 Statement of changes in shares

Type of shares	Before change		Change (+, -)					(Unit: Share)	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Transfer from reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Restricted shares	165,518	Around 0	-	-	-	(1,795)	(1,795)	163,723	Around 0
1. Shareholding of the state	-	-	-	-	-	-	-	-	-
2. Shareholding of state-owned legal entity	-	-	-	-	-	-	-	-	-
3. Shareholding of other domestic investors	165,518	Around 0	-	-	-	(1,795)	(1,795)	163,723	Around 0
Including: Shareholding of domestic legal entity	156,145	Around 0	-	-	-	-	-	156,145	Around 0
Shareholding of domestic natural person	9,373	Around 0	-	-	-	(1,795)	(1,795)	7,578	Around 0
4. Shareholding of foreign investors	-	-	-	-	-	-	-	-	-
Including: Shareholding of foreign corporation	-	-	-	-	-	-	-	-	-
Shareholding of foreign natural person	-	-	-	-	-	-	-	-	-
II. Unrestricted shares	19,405,752,680	Around 100	-	-	-	1,795	1,795	19,405,754,475	Around 100
1. RMB ordinary shares	19,405,752,680	Around 100	-	-	-	1,795	1,795	19,405,754,475	Around 100
2. Domestically listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
III. Total	19,405,918,198	100	-	-	-	-	-	19,405,918,198	100

Reason for the change in shares

√ Applicable □ Not applicable

During the reporting period, the change in the shares of the restricted shares of the executives led to a decrease of 1,795 restricted shares held by the Bank's domestic natural persons. The Bank's restricted shares decreased by 1,795 shares.

Approval for the change in shares

□ Applicable √ Not applicable

Transfer registration related to shares change

□ Applicable √ Not applicable

Progress for share repurchase

☐Applicable ☒ Not applicable

Progress for reducing repurchased shares by means of centralised bidding

☐Applicable ☒ Not applicable

Effect of shares change on the financial indicators such as basic and diluted earnings per share and net assets per share attributable to ordinary shareholders of the company in the latest fiscal year and period

☐Applicable ☒ Not applicable

Other disclosure deemed necessary by the company or required by the securities authorities

☐Applicable ☒ Not applicable

5.1.2 Statement of changes in restricted shares

(Unit: Share)

Name of shareholder	Number of restricted shares at the beginning of the year	Number of shares release from sales restriction in the current year	Number of increased restricted shares in the current year	Number of restricted shares at the end of the year	Reason for sales restriction	Unlocking date
Shenzhen Tefa Communications Development Corporation	113,089	-	-	113,089	Share reform	-
Shenzhen Travel Association	30,504	-	-	30,504	Share reform	-
Shenzhen Futian District Agriculture Development Service Company Yannan Agricultural Machine Agency	12,552	-	-	12,552	Share reform	-
Total	156,145	-	-	156,145	-	-

Note: (1) The lock-up period of the restricted shares held by Shenzhen Tefa Communications Development Corporation, Shenzhen Travel Association and Shenzhen Futian District Agriculture Development Service Company Yannan Agricultural Machine Agency expired on 20 June 2008, but the relevant shareholders have not yet delegated the company to apply for unlocking.

(2) The above figures do not include 7,578 locked shares held by directors and senior management in virtue of their capacity as senior management.

5.2 The issuance and listing of securities

Conditions on securities issuance (excluding preference shares) during the reporting period

☐Applicable ☒ Not applicable

Description of total number of shares of the company, changes in shareholder structure and changes in the company's asset and liability structure

☐Applicable ☒ Not applicable

Shares of existing internal staff

☐Applicable ☒ Not applicable

5.3 Shareholders and actual controller

5.3.1 Number of shareholders and shareholding conditions

(Unit: Share)

Total number of ordinary shareholders as at the end of the reporting period	308,724	Total number of ordinary shareholders as at the end of the month before the disclosure date of the annual report	290,750	Total number of preference shareholders with restored voting rights as at the end of the reporting period (if any)	-	Total number of preference shareholders with recovered voting rights as at the end of the reporting period and as at the end of the month before the disclosure date of the annual report (if any)	-	
Shareholdings of the top 10 shareholders								
Name of shareholder	Nature of shareholder	Number of shares held at the end of the reporting period	Shareholding (%)	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund	Domestic legal entity	9,618,540,236	49.56	0	-	9,618,540,236	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal entity	1,904,300,486	9.81	399,889,319	-	1,904,300,486	-	-
Ping An Life Insurance Company of China, Ltd. - proprietary fund	Domestic legal entity	1,186,100,488	6.11	0	-	1,186,100,488	-	-
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	440,478,714	2.27	0	-	440,478,714	-	-
China Securities Finance Corporation Limited	Domestic legal entity	429,232,688	2.21	0	-	429,232,688	-	-
Central Huijin Investment Company Limited	Domestic legal entity	216,213,000	1.11	0	-	216,213,000	-	-
China Electronics Shenzhen Company	Domestic legal entity	62,523,366	0.32	(99,999,926)	-	62,523,366	-	-
National Social Security Fund 117 Portfolio	Domestic legal entity	58,000,060	0.30	(7,029,527)	-	58,000,060	-	-
Henan Hongbao Corporate Management Co., Ltd.	Domestic legal entity	56,616,939	0.29	(46,118,875)	-	56,616,939	-	-
Aberdeen Standard Investments (Asia) Limited - Aberdeen Standard - China A-share Fund	Overseas legal entity	51,403,531	0.26	7,489,849	-	51,403,531	-	-
Details of strategic investors or general legal persons becoming top 10 shareholders for issuing new shares (if any)	None							
Explanation of the related party relationship or acting-in-concert relationship among the above shareholders	1. Ping An Life Insurance Company of China, Ltd. is a majority-owned subsidiary of and acts in concert with Ping An Insurance (Group) Company of China, Ltd. “Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund”, “Ping An Life Insurance Company of China, Ltd. – proprietary fund” and “Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance product” are related. 2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.							
Shareholdings of the top 10 shareholders not subject to restrictions								
Name of shareholder	Number of unrestricted shares held	Type of shares						
		Type of shares	Number of shares					
Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund	9,618,540,236	RMB ordinary shares	9,618,540,236					
Hong Kong Securities Clearing Company Limited	1,904,300,486	RMB ordinary shares	1,904,300,486					
Ping An Life Insurance Company of China, Ltd. - proprietary fund	1,186,100,488	RMB ordinary shares	1,186,100,488					
Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance products	440,478,714	RMB ordinary shares	440,478,714					
China Securities Finance Corporation Limited	429,232,688	RMB ordinary shares	429,232,688					
Central Huijin Investment Company Limited	216,213,000	RMB ordinary shares	216,213,000					
China Electronics Shenzhen Company	62,523,366	RMB ordinary shares	62,523,366					
National Social Security Fund 117 Portfolio	58,000,060	RMB ordinary shares	58,000,060					
Henan Hongbao Corporate Management Co., Ltd.	56,616,939	RMB ordinary shares	56,616,939					

Aberdeen Standard Investments (Asia) Limited - Aberdeen Standard - China A-share Fund	51,403,531	RMB ordinary shares	51,403,531
Description of the related party relationship or acting-in-concert arrangement among the top 10 shareholders of unrestricted shares, and between the top 10 shareholders of unrestricted shares and the top 10 shareholders	1. Ping An Life Insurance Company of China, Ltd. is a majority-owned subsidiary of and acts in concert with Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. – the Group – proprietary fund", "Ping An Life Insurance Company of China, Ltd. – proprietary fund" and "Ping An Life Insurance Company of China, Ltd. – traditional – ordinary insurance product" are related. 2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.		
Description of the shareholders who engage in securities margin trading business	Henan Hongbao Corporate Management Co., Ltd. holds 56,616,939 shares of the Bank. all of which are held through the customer credit-backed securities trading account with Huatai Securities Company Limited.		

Repurchase transactions by top 10 shareholders or top 10 shareholders of unrestricted shares during the reporting period.

☐ Yes ☒ No

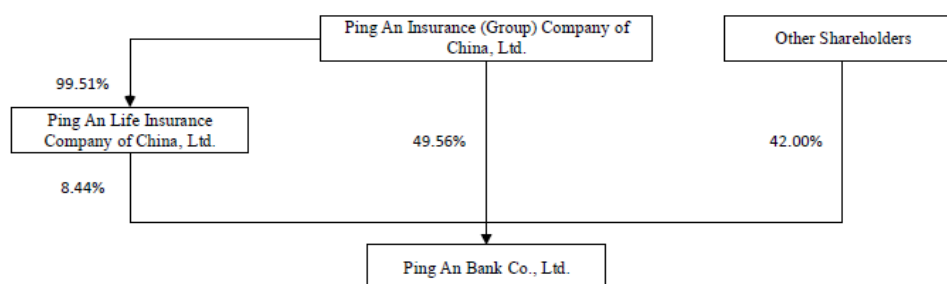
5.3.2 Particulars of controlling shareholder of the Bank

Name of controlling shareholder	Legal representative	Establishment date	Organisation Code	Main business
Ping An Insurance (Group) Company of China, Ltd.	Ma Mingzhe	21 March 1988	Unified social credit code: 91440300100012316L	Investment in insurance enterprises; supervision and management of various domestic and international businesses of investment holding enterprises; conduct of insurance funds investment business; conduct of domestic and international insurance business with the approval; conduct of other businesses approved by the China Banking and Insurance Regulatory Commission and the relevant state departments.
Equity of other domestic and foreign listed companies controlled and equity participation by the controlling shareholder during the reporting period	The controlling shareholder of the Bank, Ping An Insurance (Group) Company of China, Ltd., was listed on the Main Board of the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. As of the reporting date, Ping An had not yet disclosed the 2020 annual report. See the <i>2020 Annual Report of Ping An Insurance (Group) Company of China, Ltd.</i> for details.			

5.3.3 Change in the controlling shareholder of the Bank during the reporting period

The controlling shareholder of the Bank is Ping An Insurance (Group) Company of China, Ltd. During the reporting period, there was no change in the controlling shareholder of the Bank. At the end of the reporting period, Ping An Group and its controlling subsidiary Ping An Life Insurance Company of China, Ltd., as the controlling shareholder of the Bank, held 58% of the equity interests of the Bank in total, of which Ping An Group held 49.56% of the equity interests of the Bank, Ping An Life Insurance Company of China, Ltd. held 8.44% of equity interests of the Bank. Ping An Group dispatched directors to the Bank. Ping An Group was founded on 21 March 1988. Its registered address is 47F, 48F, 109F, 110F, 111F and 112F, Ping An Financial Centre, No. 5033, Yitian Road, Futian District, Shenzhen. The registered capital is RMB18,280,241,410. The legal representative is Ma Mingzhe. The scope of business includes: investment in insurance enterprises; supervision and management of various domestic and international businesses of investment holding enterprises; conduct of insurance funds investment business; conduct of domestic and international insurance business with the approval; conduct of other businesses approved by the China Banking and Insurance Regulatory Commission and the relevant state departments. With a relatively loose shareholding structure, Ping An Group has neither controlling shareholder, nor any actual controlling person or ultimate beneficiary. There is no equity interests of the Bank pledged by Ping An Group and its controlling subsidiary Ping An Life Insurance Company of China, Ltd.

A diagram showing the relationship between the Bank and its controlling shareholder is as follows:



As at 31 December 2020, shareholders who directly or indirectly held more than 5% equities of China Ping An were Charoen Pokphand Group Co., Ltd. and Shenzhen Investment Holdings Co., Ltd. As of the reporting date, Ping An had not yet disclosed its 2020 annual report. Please refer to the *2020 Annual Report of Ping An Insurance (Group) Company of China, Ltd.* for details when it becomes available.

5.3.4 Actual controller

There is no actual controller for the Bank.

5.3.5 Other corporate shareholders with more than 10% shares held

None.

5.3.6 Reducing holding-shares of controlling shareholder, actual controller, restructuring parties and other commitment units

☐ Applicable ☒ Not applicable

5.3.7 Other major shareholders prescribed by the *Interim Measures for Equity Interests Management of Commercial Banks* issued by CBIRC

(1) China Electronics Shenzhen Company. At the end of the reporting period, China Electronics Shenzhen Company held 62,523,366 shares of the equity interest of the Bank and dispatched directors to the Bank. China Electronics Shenzhen Company was founded on 19 May 1982. The registered address is No. 2070, 2072, Shennan Middle Road, Futian District, Shenzhen. The registered capital is RMB350 million. The legal representative is Xiang Qunxiong. The scope of business includes: import and export of proprietary and outsourced goods and technology (Operating upon the document Wai Jing Mao Zheng Shen Han Zi [97] No. 1980), economic cooperation business with foreign enterprises (Operating upon the document Wai Jing Mao He Han [2001] No. 500). Sales of textiles, groceries, industry production materials (excluding gold, silver, auto mobile and hazardous chemical), petroleum products (excluding refined oil), hardware, AC electrical materials, chemical products (excluding hazardous chemical), construction materials, art crafts (excluding gold accessories); domestic sales of goods under import and export operation of the company; labour service, information consulting, packaging service, property management, sales and rental service of self-owned properties; domestic freight forwarders; international freight forwarders; road transport business license; wholesale and retail of auto mobile, auto parts, engineering equipment, investment in and establishment of industries (specific projects are subject to additional approval) and start-up investment. China Electronics Corporation Information Service Co., Ltd. is the controlling shareholder of China Electronics Shenzhen Company. China Electronics Corporation is the actual controlling party and ultimate beneficiary. China Electronics Shenzhen Company does not pledge any equity interest of the Bank.

(2) Shenzhen Yingzhongtai Investment Co., Ltd. At the end of the reporting period, Shenzhen Yingzhongtai Investment Co., Ltd. held 10,200 shares of the equity interest of the Bank and dispatched supervisor to the Bank. Shenzhen Yingzhongtai Investment Co., Ltd. was founded on 29 December 2001. The registered address is Room 102 (Office), B46 Longxiang Villa, Longxiang North Road, Fuyong Street, Bao'an District, Shenzhen. The legal representative is Che Guobao. The registered capital is RMB10 million. The scope of business includes: investment and establishment of industries (specific projects are subject to additional approval); domestic commerce, goods supply and marketing (excluding monopolised goods and voice control products). Mr. Che Guobao is the controlling shareholder and the actual controlling person of Shenzhen Yingzhongtai Investment Co., Ltd. Mr. Che Guobao and Mr. Che Guoquan are the ultimate beneficiaries of Shenzhen Yingzhongtai Investment Co., Ltd. Shenzhen Yingzhongtai Investment Co., Ltd. does not pledge any equity interest of the Bank.

Section VI Preference Shares

6.1 Issuance and listing of preference shares in the recent three years during the reporting period

Mode of issue	Date of issue	Issue price (RMB/share)	Dividend yield	Issuing number (share)	Listing date	Trading number approved for listing (share)	Termination date of listing	Query index of use progress of funds raised	Query index of changes of funds raised
Non-public issuance	7 March 2016	100	4.37%	200,000,000	25 March 2016	200,000,000	-	See the <i>Special Report on the Deposit and Actual Use of Fund Raised of Ping An Bank Co., Ltd. in 2016</i> published by the Bank on the CNINFO (http://www.cninfo.com.cn) on 17 March 2017 for details.	-

6.2 Number and shareholdings of preference shareholders of the company

(Unit: Share)

Total number of preference shareholders at the end of the reporting period		15		Total number of preference shareholders at the end of the month before the release of the annual report		15		
Shareholding of shareholders with more than 5% preference shares or the top 10 preference shareholders								
Name of shareholder	Nature of shareholder	Shareholding (%)	Number of shares held as at the end of the reporting period	Changes during the reporting period	Number of restricted shares held	Number of unrestricted shares held	Pledged or frozen	
							Status of shares	Number of shares
Ping An Life Insurance Company of China, Ltd. - dividend - dividends for individual insurance	Domestic legal entity	29.00	58,000,000	-	-	58,000,000	-	-
Ping An Life Insurance Company of China, Ltd. - universal - individual universal insurance	Domestic legal entity	19.34	38,670,000	-	-	38,670,000	-	-
Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products	Domestic legal entity	9.67	19,330,000	-	-	19,330,000	-	-
China Post & Capital Fund - Hua Xia Bank - Hua Xia Bank Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	17,905,000	-	-
Bank of Communications Schroder Asset Management - Bank of Communications - Bank of Communications Co., Ltd.	Domestic legal entity	8.95	17,905,000	-	-	17,905,000	-	-
Bank of China Limited Shanghai Branch	Domestic legal entity	4.47	8,930,000	-	-	8,930,000	-	-
Postal Savings Bank of China Domestic Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	5,950,000	-	-
China Resources Sztic Trust Co. Ltd. - Investment No. 1 Single Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	5,950,000	-	-

Hwabao Trust Co., Ltd. - Investment No. 2 - Capital Trust	Domestic legal entity	2.98	5,950,000	-	-	5,950,000	-	-
Merchants Wealth - Postal Saving Bank - Postal Savings Bank of China Co., Ltd.	Domestic legal entity	2.98	5,950,000	-	-	5,950,000	-	-
Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution	Not applicable							
Description of the related party relationship or acting-in-concert agreement among top 10 preference shareholders and between top 10 preference shareholders and top 10 ordinary shareholders	1. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China, Ltd. are majority-owned subsidiaries of and act in concert with the Ping An Insurance (Group) Company of China, Ltd. "Ping An Insurance (Group) Company of China, Ltd. - the Group - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - proprietary fund", "Ping An Life Insurance Company of China, Ltd. - traditional - ordinary insurance product", "Ping An Life Insurance Company of China, Ltd. - dividend - individual dividend", "Ping An Life Insurance Company of China, Ltd. - universal - individual universal" and "Ping An Property & Casualty Insurance Company of China, Ltd. - traditional - ordinary insurance products" are related. 2. The Bank is not aware of any related-party relationship or parties acting in concert among other shareholders.							

6.3 Profit distribution of preference shares of the company

√ Applicable □ Not applicable

Repurchase or conversion of preference shares during the reporting period

√ Applicable □ Not applicable

(In RMB million)

Time of distribution	Dividend yield	Amount of distribution (tax inclusive)	Conformity with distribution requirements and procedures	Method of dividend payment	Accumulation of dividend	Participation of surplus profit
9 March 2020	4.37%	874	Yes	Paid in cash once a year	No	No

Preference share distribution in recent three years

(In RMB million)

Distribution year	Amount of distribution (tax inclusive)	Net profit attributable to shareholders of the Bank in the distribution year	Proportion accounting for net profit attributable to shareholders of the Bank	Description of amount included in the next accounting year due to the insufficiency of distributable profits or participating in surplus profit distribution
2020	874	28,928	3.02%	Not applicable
2019	874	28,195	3.10%	Not applicable
2018	874	24,818	3.52%	Not applicable

Whether profit distribution policies of preference shares are adjusted or changed

□ Yes √ No

During the reporting period, the company had profits and the parent company had positive undistributed profits, however, there was no profit distribution for preference shares.

□ Applicable √ Not applicable

Other descriptions regarding preference shares distribution

□ Applicable √ Not applicable

6.4 Repurchase or conversion of preference shares

□ Applicable √ Not applicable

There was no repurchase or conversion of preference shares during the reporting period.

6.5 Recovery of voting rights of preference shares during the reporting period

☐ Applicable ☒ Not applicable

There was no recovery of voting rights of preference shares during the reporting period.

6.6 Accounting policies and reasons adopted for preference shares

☒ Applicable ☐ Not applicable

See “13. Equity instrument under II. Major accounting policies and accounting estimates” in “Section X Financial Report” for “Accounting policies and reasons adopted for preference shares”.

Section VII Information on the Directors, Supervisors, Senior Management, Employees and Organisations

7.1 Changes in shareholding of directors, supervisors and senior management

Name	Title	Service status	Sex	Age	Term	Shareholding at the beginning of the year (share)	Shareholding increased in the year (share)	Shareholding decreased in the year (share)	Shareholding at the end of the year (share)
Xie Yonglin	Chairman	In-service	Male	52	From December 2016 to change of term	-	-	-	-
Hu Yuefei	Director and President of the Bank	In-service	Male	58	Director: from December 2007 to change of term President of the Bank: from December 2016 till now	4,104	-	-	4,104
Tan Sin Yin	Director	In-service	Female	43	From January 2014 to change of term	-	-	-	-
Yao Jason Bo	Director	In-service	Male	49	From June 2010 to change of term	-	-	-	-
Cai Fangfang	Director	In-service	Female	46	From January 2014 to change of term	-	-	-	-
Ip So Lan	Director	In-service	Female	64	From June 2010 to change of term	-	-	-	-
Guo Jian	Director	In-service	Male	56	From February 2017 to change of term	-	-	-	-
Yang Zhiqun	Director and Vice President of the Bank	In-service	Male	50	Director: from January 2020 to change of term Vice President of the Bank: from April 2019 till now	-	-	-	-
Guo Shibang	Director and Vice President of the Bank	In-service	Male	55	Director: From December 2017 to change of term Vice President of the Bank: from April 2019 till now	-	-	-	-
Xiang Youzhi	Director, Vice President of the Bank and CFO	In-service	Male	56	Director: from January 2020 to change of term Vice President of the Bank: from June 2020 till now CFO: from January 2018 till now	6,000	-	-	6,000
Guo Tianyong	Independent director	In-service	Male	52	From August 2016 to change of term	-	-	-	-
Yang Rusheng	Independent director	In-service	Male	52	From February 2017 to change of term	-	-	-	-
Yang Jun	Independent director	In-service	Male	62	From September 2020 till now	-	-	-	-
Ai Chunrong	Independent director	In-service	Male	58	From September 2020 to change of term	-	-	-	-
Cai Hongbin	Independent director	In-service	Male	53	From September 2020 to change of term	-	-	-	-
Qiu Wei	Chairman of the Supervisory Committee, Employee Supervisor	In-service	Male	58	From June 2010 to change of term	-	-	-	-
Che Guobao	Supervisor of shareholder	In-service	Male	71	From December 2010 to change of term	-	-	-	-

Wang Chunhan	External Supervisor	In-service	Male	69	From September 2020 to change of term	-	-	-	-
Wang Songqi	External Supervisor	In-service	Male	68	From September 2020 to change of term	-	-	-	-
Han Xiaojing	External Supervisor	In-service	Male	65	From September 2020 to change of term	-	-	-	-
Sun Yongzhen	Employee supervisor	In-service	Female	52	From October 2018 to change of term	-	-	-	-
Wang Qun	Employee supervisor	In-service	Female	52	From June 2017 to change of term	-	-	-	-
Ju Weiping	Vice President of the Bank	In-service	Male	57	From June 2020 till now	-	-	-	-
Zhou Qiang	Secretary to the Board	In-service	Male	48	From June 2014 till now	-	-	-	-
Zhou Jianguo	External Supervisor	Resigned	Male	65	From January 2014 to September 2020	-	-	-	-
Luo Xiangdong	External Supervisor	Resigned	Male	67	From January 2014 to September 2020	-	-	-	-
Chu Yiyun	External Supervisor	Resigned	Male	56	From June 2017 to September 2020	-	-	-	-
Total						10,104	-	-	10,104

7.2 Changes in the directors, supervisors and senior management

Name	Role	Type	Date	Reason
Xiang Youzhi	Vice President of the Bank	Appointment	5 June 2020	Appointment
Ju Weiping	Vice President of the Bank	Appointment	5 June 2020	Appointment
Yang Jun	Independent Director	Election	3 September 2020	Reelection
Ai Chunrong	Independent Director	Election	3 September 2020	Reelection
Cai Hongbin	Independent Director	Election	16 September 2020	Reelection
Wang Songqi	External Supervisor	Election	6 September 2020	Reelection
Han Xiaojing	External Supervisor	Election	6 September 2020	Reelection
Wang Chunhan	External Supervisor	Election	16 September 2020	Reelection
Zhou Jianguo	External Supervisor	Resignation due to expiration of appointment	6 September 2020	Resignation due to expiration of appointment
Chu Yiyun	External Supervisor	Resignation due to expiration of appointment	6 September 2020	Resignation due to expiration of appointment
Luo Xiangdong	External Supervisor	Resignation due to expiration of appointment	16 September 2020	Resignation due to expiration of appointment

Note: (1) Before the qualification of an independent director newly elected at the general meeting of shareholders is approved by the CBIRC, Mr. Wang Songqi, Mr. Han Xiaojing and Mr. Wang Chunhan, the independent directors of the 10th Board of Directors, continue to perform their duty as independent directors.

(2) On 24 November 2020, the Bank received the written resignation letter submitted by Mr. Li Jiashi, the independent director of the Bank (his qualification was pending for the approval by CBIRC). Due to the COVID-19, it was not convenient for Mr. Li Jiashi to perform his duty as an independent director in Hong Kong and he asked to not hold the post of the independent director of the Bank.

7.3 Tenure information

7.3.1 Professional background, main work experiences, current major responsibility in the company of incumbent directors, supervisors and senior management

Mr. Xie Yonglin, Non-executive Director and Chairman. Born in September 1968, Mr. Xie holds a master's degree in science and a PhD in management from Nanjing University. He has been the Chairman and Secretary of the CPC Committee of Ping An Bank Co., Ltd. since December 2016, Deputy Secretary of the CPC Committee of Ping An Insurance (Group) Company of China, Ltd. since July 2018, Co-CEO of Ping An Insurance (Group) Company of China, Ltd. since December 2018, and General Manager of Ping An Insurance (Group) Company of China, Ltd. since December 2019. In April 2020, he took the post of Executive Director of China Ping An.

Mr. Xie joined China Ping An in October 1994 as a grass-roots salesperson and successively worked as the Deputy General Manager of a Ping An Property & Casualty Insurance branch, Deputy General Manager and General

Manager of a Ping An Life Insurance branch, and General Manager of the Marketing Department of Ping An Life Insurance. From June 2005 to March 2006, he was the Deputy Director of China Ping An Reform and Development Centre. From March 2006 to November 2013, he was the Operation Director, HR Director, and Vice President of Ping An Bank successively. From November 2013 to November 2016, he worked successively as the Special Assistant to Chairman, General Manager & CEO, and Chairman of Ping An Securities. From September 2016 to December 2019, he was the Deputy General Manager of Ping An Insurance (Group) Company of China, Ltd.

Mr. Hu Yuefei, Executive Director and President. Born in 1962, Mr. Hu holds a master's degree in economics from Zhongnan University of Economics and Law (formerly known as "Zhongnan University of Economics").

From January 1990 to February 1999, he was the Director of Shenzhen Development Bank Party Affairs and Publicity Office, Vice President and President of a sub-branch successively. From February 1999 to May 2006, he successively worked as the President of Shenzhen Development Bank Guangzhou Branch, and an assistant to President of head office. From May 2006 to December 2016, he worked as the Vice President of Ping An Bank (then Shenzhen Development Bank). Since December 2007, he has been a director of Ping An Bank (then Shenzhen Development Bank). Since December 2016, he has served as the President of Ping An Bank. From August 2020, he was also the Chairman of Ping An Wealth Management Co., Ltd.

Before joining Shenzhen Development Bank, he was a staff member of the People's Bank of China ("PBOC") Dong'an Sub-branch in Hunan, a staff member and Vice Chief of HR Department in Hunan Branch of the Industrial and Commercial Bank of China.

Ms. Tan Sin Yin, Non-executive Director. Born in 1977, Ms. Tan is a Singapore citizen. Graduated from Massachusetts Institute of Technology ("MIT"), she holds a master's degree in electrical engineering and computer science and a bachelor's degree in both electrical engineering and economics. Since April 2020, she has worked as the Executive Director of China Ping An, currently serving as Co-CEO, Standing Deputy General Manager and COO of China Ping An, and Chairman of Ping An Technology (Shenzhen) Co., Ltd. Since January 2014, she has been a director of Ping An Bank.

Ms. Tan joined China Ping An in 2013. From January 2013 to November 2019, she was the Chief Information Officer of China Ping An. From June 2015 to December 2015, she was the Deputy General Manager of China Ping An. From October 2017 to November 2018, she served as the Deputy CEO of China Ping An.

Before she joined China Ping An, she was a partner (global director) of McKinsey & Company, specialised in financial services. During her 12 years in McKinsey & Company, she used to cooperate with leading financial service institutions from the United States and 10 countries in Asia. She mainly focuses on such fields as strategies, organisations, operations and information and technology.

Mr. Yao Jason Bo, Non-executive Director. Born in 1971, Mr. Yao is a member of the Society of Actuaries (FSA), and holds a MBA degree from New York University, the U.S. He has been an executive director of China Ping An since June 2009. And now he is Co-CEO, Standing Deputy General Manager, CFO and Chief Actuary of China Ping An. He has served as a director of Ping An Bank (then Shenzhen Development Bank) since June 2010.

Mr. Yao joined China Ping An in May 2001. Then he worked as the Deputy General Manager of China Ping An from June 2009 to January 2016. Before that, he successively served as the Deputy General Manager of the Product Centre of China Ping An, Deputy Chief Actuary, General Manager of the Planning Department, Deputy Finance Director and Finance Principal.

He once worked at Deloitte & Touche as a consultation actuary and senior manager.

Ms. Cai Fangfang, Non-executive Director. Born in 1974, Ms. Cai is a Master of Commerce in accounting from the University of New South Wales, Australia. She has served as an executive director of China Ping An since July 2014. Also, she has been the Deputy General Manager of China Ping An since December 2019, Chief Human Resources Officer ("CHRO") of China Ping An since March 2015. Since January 2014, she has been a director of Ping An Bank.

Ms. Cai joined China Ping An in July 2007. She successively worked as the Deputy General Manager and General Manager in the Compensation Planning and Management Department of Human Resource Centre of China Ping An from October 2009 to February 2012. She was the Deputy CFO of China Ping An and General Manager of the Planning Department of China Ping An from February 2012 to September 2013. She was the Deputy CHRO of

China Ping An from September 2013 to March 2015.

Before joining China Ping An, Ms. Cai once worked as a consulting director in Watson Wyatt Consultancy (Shanghai) Co., Ltd and an audit director specialised in financial industry in Britain Standards Institutions Management Systems Certification Co. Ltd.

Ms. Ip So Lan, Non-executive Director. Born in 1956, Ms. Ip holds a bachelor's degree in computer science from London Central Institute of Technology, UK. She has worked as the Deputy General Manager of China Ping An since January 2011 and Chief Audit Officer, Audit Principal and compliance Principal since March 2006, March 2008 and July 2010 respectively. She has served as a director of Ping An Bank (then Shenzhen Development Bank) since June 2010.

Ms. Ip joined China Ping An in February 2004. She was an assistant to the General Manager of Ping An Life Insurance from February 2004 to March 2006 and an assistant to the General Manager of China Ping An from March 2006 to January 2011.

Before then, she once worked at AIA Group, Prudential (Hong Kong) Insurance Company, etc.

Mr. Guo Jian, Non-executive Director. Born in 1964, Mr. Guo holds his master's degree in electronic physics and devices from Chengdu Institute of Telecommunications (now the University of Electronic Science and Technology of China). He is now a full-time director in China Electronics Information Service Co., Ltd. and a director in China Electronics Shenzhen Company. He has worked as a director of Ping An Bank since February 2017.

Mr. Guo Jian joined China Electronics Shenzhen Company in May 1988, taking up the positions of salesperson, deputy director, assistant to the General Manager and Manager of the Business Department, Deputy General Manager, General Manager and Deputy Secretary of the CPC Committee; since July 2011, he has worked as a director of China Electronics Shenzhen Company; he also acted as a director of China Merchants Warehouse Service Co., Ltd. of Shenzhen from August 2011 to December 2019 and Chairman of CEIEC Qianhai Information Industry Co., Ltd. from February 2013 to December 2019; from August 2013 to March 2016, he was appointed as the Deputy General Manager, Temporary Deputy Secretary and Deputy Secretary of the CPC Committee of China Electronics Corporation Information Service Co., Ltd.; from October 2014 to April 2016, he was the General Manager of Division 1 under the E-commerce Business Department of China Electronics Corporation Information Service Co., Ltd.; from November 2018 to December 2020, he worked as the Chairman of Shenzhen Jingwah Electronics Co., Ltd.; and since July 2020, he has served as a full-time director in China Electronics Information Service Co., Ltd.

He is a CPPCC member of Shenzhen, vice-Chairman of Guangdong Provincial Enterprise Confederation, Vice-Chairman of Shenzhen Enterprise Confederation, etc.

Mr. Yang Zhiqun, Executive Director and Vice President of the Bank. Born in 1970, Mr. Yang holds a doctor's degree in world economics from Nankai University and is now a senior economist.

From 1991 to October 1996, he served in Guangzhou Jiufu Electric Co., Ltd. and China Nanhai Petroleum United Service General Company; from October 1996 to September 2008, he served in China Minsheng Bank as a teller, Deputy Chief, Chief and Deputy General Manager of Division 1 under the Marketing Department of Guangzhou Branch (directing operations), Vice President of Tianhe Branch (directing operations), President of Tianhe Branch, Senior Assistant to President of the Branch and Vice President of the Branch successively; from October 2008 to February 2011, he was the leader of the preparatory group of former Ping An Bank Guangzhou Branch and President of the Branch; from March 2011 to March 2015, he was President of Ping An Bank (formerly known as Shenzhen Development Bank) Guangzhou Branch; from March 2015 to November 2016, he served as General Manager of Ping An Securities Co., Ltd.; he has served as the Secretary of the CPC Committee of Ping An Bank Shenzhen Branch since November 2016; from May 2017 to April 2019, he was an assistant to President of Ping An Bank and President of Shenzhen Branch; he has served as Vice President of Ping An Bank and President of Shenzhen Branch since April 2019, and a director of Ping An Bank since January 2020.

Mr. Guo Shibang, Executive Director and Vice President of the Bank. Born in 1965, Mr. Guo is a doctoral candidate in Guanghua School of Management, Peking University. Now he is also a senior economist.

From July 1991 to July 1998, he successively worked as the principal staff member and deputy-director-general-level researcher (directing operations) at the head office of ICBC capital planning department; from July 1998 to

March 2011, he successively worked as the president of CMBC Beijing Shangdi Branch, member of CPC committee & deputy general manager of Beijing management department, secretary of the CPC Committee & president of Dalian branch, and vice chairman of retail management committee at the head office & general manager of retail banking department; from March 2011 to March 2014, he successively served as the director of financial business department for small and micro enterprises of Ping An Bank (formerly named as Shenzhen Development Bank); from March 2014 to October 2016, he successively worked as the special assistant to CEO and vice general manager of Ping An Securities, CRO and chief compliance officer, etc.; from October 2016 to May 2017, he worked as the special assistant to chairman of Ping An Bank; from May 2017 to April 2019, he was the assistant to the president of Ping An Bank; he has been a director of Ping An Bank since December 2017, and the vice president of Ping An Bank since April 2019.

Mr. Xiang Youzhi, Executive Director, Vice President of the Bank and CFO. Born in 1964, he holds a PhD in management from Xiamen University, and is a senior accountant.

From July 1987 to September 1991, Mr. Xiang worked as a teaching assistant in Faculty of Economics and Management of East China Metallurgic Institute (now Anhui University of Technology); from September 1991 to July 1994, he got a master's degree in accounting from Xiamen University; from August 1994 to August 1995, he worked as a lecturer in Faculty of Economics and Management of East China Metallurgic Institute (now Anhui University of Technology); from September 1995 to August 1998, he pursued a doctorate in management from Xiamen University; from September 1998 to April 2007, he successively served as the Manager of the Accounting Department, assistant to General Manager, Deputy General Manager, Deputy General Manager of Planning and Finance Department at the head office of China Merchants Bank; from April 2007 to July 2013, he successively worked as the Planning and Finance Director of Ping An Bank (formerly Shenzhen Development Bank), and also General Manager of Planning and Finance Management Department and General Manager of Asset and Liability Management Department of the Bank; from July 2013 to May 2014, he worked as General Manager of the Planning Department of Ping An, Ltd.; From May 2014 to August 2017, he was Finance Director and General Manager of the Finance Department of Ping An; he has worked in Ping An Bank since August 2017 and served as CFO of Ping An Bank since January 2018, Executive Director of Ping An Bank since January 2020, and Vice President and CFO of Ping An Bank since June 2020.

He is also a director of Shenzhen Qianhai Puhui Zhongchou Trading Co., Ltd. and Shanghai Lujiazui International Financial Asset Exchange Co., Ltd.

Mr. Guo Tianyong, Independent Director. Born in August 1968, Mr. Guo, a PhD in economics, is now a professor and doctoral supervisor in the School of Finance of Central University of Finance and Economics. He has served as an independent director of Ping An Bank since August 2016.

Mr. Guo got a bachelor's degree in science from School of Mathematics of Shandong University in 1990, and worked in PBOC Yantai Branch from 1990 to 1993. He got a master's degree in economics from the Department of Finance of Renmin University of China in 1996 and a PhD in economics from the Graduate School of the PBOC in 1999. He has worked at the Central University of Finance and Economics since 1999. Currently, he is an independent director of Hundsun Technologies Inc., Digiwin Soft Co., Ltd., AA Industrial Belting (Shanghai) Co., Ltd., and Ping An Healthcare and Technology Company Limited.

Mr. Yang Rusheng, Independent Director. Born in February 1968, Mr. Yang holds a master's degree in economics from Jinan University. He is a certified public accountant and tax agent in China. Since February 2017, he has been an independent director of Ping An Bank.

Now, he serves as a partner of Jonten Certified Public Accountants, an independent director of Lufax Holding Ltd. and Guofu Life Insurance Co., Ltd., a non-executive director of IPE GROUP, Chairman and General Manager of Shenzhen Ruihua Tax Agents Co., Ltd., Chairman of Shenzhen Rongshu Technology Co., Ltd., a visiting professor at Guangdong University of Finance & Economics, a member of the council of the Chinese Institute of Certified Public Accountants and Guangdong Institute of Certified Public Accountants, Chairman of Shenzhen Institute of Certified Public Accountants, and a member of Shenzhen Social Insurance Regulatory Commission.

He once worked for Shenzhen Construction Industry (Group) Co., Yong Ming (Shenzhen) Certified Public Accountants, Shenzhen Guangshen Certified Public Accountants, Shenzhen Youxin CPA firm, Wanlong Asia CPA Co., Ltd., Crowe Horwath CPA Firm and Ruihua Certified Public Accountants. He was an independent director of Webank, Shenzhen Tagen Group Co., Ltd., Shenzhen Coship Electronics Co., Ltd., Shenzhen Seg Co., Ltd. and former Ping An Bank, etc.

Mr. Yang Jun, Independent Director. Born in May 1958, Mr. Yang is a doctor of laws from Columbia University. He is a practicing lawyer in China and the State of New York, USA. Since September 2020, he has served as an independent director of Ping An Bank.

Mr. Yang once worked as a lawyer at Beijing Foreign Economy Law Firm, Marinho Law Firm in America and American International Group, an executive director of Investment Banking Department of Goldman Sachs (Asia) L.L.C., Vice President of Investment Banking Department of Salomon Brothers, Managing Director of H&Q Asia Pacific in China and BOC International Holdings Limited, Vice President of Hainan Bo'ao Investment Holdings Ltd., and an independent director of COSCO, Offshore Oil Engineering, CMB, Hainan Rubber and former Ping An Bank. Since March 2003, he has served as a member of the council of China Soong Ching Ling Foundation.

Mr. Ai Chunrong, Independent Director. Born in March 1962, Mr. Ai holds a PhD in Economics from Massachusetts Institute of Technology, USA. He learned from Professor McFadden who won Nobel Memorial Prize in Economic Sciences in 2000. Currently, he is a professor of economics in the School of Economics and Management and a headmaster's chair professor in Chinese University of Hong Kong, Shenzhen. Since September 2020, he has served as an independent director of Ping An Bank.

From 1990 to 1991, Mr. Ai worked in the National Bureau of Economic Research in the United States. From 1991 to 1994, he worked in the State University of New York at Stony Brook. From 1994 to July 2020, he was a lifetime professor of economics and a chair professor in University of Florida. From May 2015 to February 2020, he was the Distinguished Dean in the Institute of Statistics and Big Data of Renmin University of China. He was the Distinguished Dean in the School of Statistics and Management of Shanghai University of Finance and Economics from 2006 to 2013, and Executive Vice Dean in the Institute of Advanced Research of Shanghai University of Finance and Economics from 2007 to 2015. He was selected as a Chang Jiang Chair Professor in 2005. He has been engaged in such fields as econometrics, applied microeconomics, empirical finance and China's economy.

Mr. Cai Hongbin, Independent Director. Born in November 1967, Mr. Cai got a PhD in Economics from Stanford University in 1997. Now he is the Dean of HKU Business School and a Chair of Economics. Since September 2020, he has served as an independent director of Ping An Bank.

From 1997 to 2005, Mr. Cai taught at California State University, Los Angeles. From 2005 to 2017, he taught at Peking University's Guanghua School of Management and was appointed as a professor and doctoral supervisor in the Department of Applied Economics. He once worked as the head of the Department of Applied Economics, an assistant to the Dean and the Vice Dean. From December 2010 to January 2017, he was the Dean of Peking University's Guanghua School of Management.

Mr. Cai was selected as a fellow of Econometric Society in 2011. He was a Deputy to the National People's Congress of the people's Republic of China and a member of Beijing Municipal Committee of the Chinese People's Political Consultative Conference. He is now a non-executive director of China Petroleum and Chemical Corporation and CCB International (Holdings) Limited.

Mr. Qiu Wei, Chairman of the Supervisory Committee, Employee Supervisor. Born in 1962, Mr. Qiu got a PhD in finance from Southwestern University of Finance and Economics. Now he is a senior economist. He serves as the Chairman of the Supervisory Committee, Deputy Secretary of the CPC Committee and Secretary of the Committee for Discipline Inspection of Ping An Bank.

Mr. Qiu successively worked as a loan officer, a staff member of information research unit, Deputy Director of Fund Department and Director of Foreign Exchange Department under PBOC Sichuan Luzhou Branch from July 1983 to February 1990, a fund scheduler, head of General Office at head office and Vice President of the Branch, an assistant to General Manager of HR Department at the head office of Shenzhen Development Bank from March 1990 to February 1994, Office Director, assistant to the President, Vice President, President and Secretary of the CPC Committee of China Guangfa Bank Shenzhen Branch from March 1994 to May 2004, President and Deputy Secretary of the CPC Committee of SZITIC from June 2004 to October 2005, Chairman of the Supervisory Committee, Deputy Secretary of the CPC Committee, Secretary of the Committee for Discipline Inspection, and Chairman of the labour union of former Ping An Bank (Shenzhen Commercial Bank) from November 2005 to May 2010.

Mr. Che Guobao, Supervisor of Shareholder. Born in 1949, Mr. Che holds a bachelor's degree in construction machinery. Now, he is a shareholder, Legal Representative and Chairman of Shenzhen Yingzhongtai Investment

Co., Ltd. He has been a supervisor of shareholder of Ping An Bank (former Shenzhen Development Bank) since December 2010.

Mr. Che served as the Vice Factory Director of Beijing Construction Light Steel Structure Factory from 1981 to 1982, Deputy Director General and Secretary of the CPC Committee of Shenzhen Shekou District Authority from 1983 to 1984, Deputy General Manager of China Merchants Shekou Industrial Zone Holdings Co., Ltd. of Guangdong being responsible for investment promotion, finance, import & export, trading, harbour service etc. from 1985 to 1991. He has been the Chairman, Legal Representative and A shareholder of Shenzhen Yingzhongtai Investment Co., Ltd. since 1992.

Mr. Wang Chunhan, External Supervisor Born in 1951, Mr. Wang holds a junior college degree and is now a senior economist. He has been an external supervisor of Ping An Bank since September 2020.

From May 1975 to March 1988, Mr. Wang successively worked as an accountant, an officer and Deputy Secretary of the Party branch at the office in Siwei Road of PBOC Wuhan Branch; Deputy Secretary (directing operations) and Secretary of the Party branch at the office in Chezhan Road; a leader at the Party Affairs Consolidation Office of the Branch, Deputy Director (directing operations) and Director (in the period from September 1983 to July 1985, he was studying in Jiangnan University) of Political Affairs Office of the Branch. He was the Vice President of PBOC Wuhan Branch from April 1988 to December 1997 (in the period from October 1994 to December 1997, he was also a member of the leadership team of Wuhan Municipal Government City Cooperative Bank and Director of the Construction Preparation Office). He was appointed as the Executive Vice Chairman, Secretary of the CPC Committee and President of Wuhan Commercial Bank from December 1997 to December 2000. He was the Chairman, Secretary of the CPC Committee and President of Wuhan Commercial Bank from December 2000 to December 2006. He was Chairman, and Secretary of the CPC Committee of Hankou Bank from December 2006 and July 2009 (Wuhan Commercial Bank was renamed as Hankou Bank in June 2008). He was a counsellor of the People's Municipal Government of Wuhan from July 2009 to May 2014. He was an independent director of Qishang Bank, Bank of Tibet and Ping An Bank respectively.

Mr. Wang Songqi, External Supervisor. Born in 1952, Mr. Wang holds a PhD in economics. He is a professor and doctoral supervisor at the Graduate School of Science Academy of Social Sciences, a part-time doctoral supervisor of Central University of Finance and Economics, and Honorary Dean and a part-time professor at the School of Finance of Jilin University of Finance and Economics. He has been an external supervisor of Ping An Bank since September 2020.

Mr. Wang got his bachelor's degree in economics from the Financial Department of Jilin University of Finance and Economics in 1982, a master's degree in economics from Financial Department of Tianjin University of Finance and Economics in 1985 and a PhD from the Finance and Economics Department of Renmin University of China in 1988. He was a teacher at the Finance and Economics Department of Renmin University of China from August 1988 to December 1995. He has served as a research fellow both in National Academy of Economic Strategy and Institute of Finance and Banking under the Chinese Academy of Social Sciences since January 1996. From 1990, he was a member of the fourth council of China Society for Finance and Banking and the Chairman of National Middle-aged and Young Financial Research Association. He is now an executive member of the sixth council of China Society for Finance and Banking. He receives special government allowances from the State Council. He served as an independent director of Ping An Bank.

Mr. Han Xiaojing, External Supervisor. Born in 1955, Mr. Han got a master's degree in laws. He is a practicing lawyer in China and a founding partner of Commerce & Finance Law Offices in Beijing. He has been an external supervisor of Ping An Bank since September 2020.

Mr. Han got his bachelor's degree in laws from Zhongnan University of Economics and Law (old name: Hubei Finance and Economics College) in 1982 and his master's degree in laws from China University of Political Science and Law in 1985. He worked as a lecturer from 1985 to 1986 in China University of Political Science and Law. He served as a lawyer at China Legal Affairs Centre from 1986 to 1992. Since 1992, he has been a partner of Commerce & Finance Law Offices, mainly engaged in securities, corporate restructuring / merger, banking, project financing, etc. He is now an independent non-executive director of China COSCO Holdings Company Limited, Far East Horizon Ltd. and Vital Mobile Holdings Limited and an external director of China National Aviation Fuel Group Corporation Limited. He served as an independent director of Ping An Bank.

Ms. Sun Yongzhen, Employee Supervisor. Born in 1968, she received a master's degree in economics from Zhongnan University of Economics and Law and is now a senior economist. Now, she serves as the chief audit

executive and deputy secretary of committee for discipline inspection of Ping An Bank. She works as an employee supervisor of Ping An Bank since October 2018.

From July 1993 to October 1996, Ms. Sun successively served as the senior staff member, principal staff member and deputy-director-general-level researcher of capital planning department under PBOC, Shenzhen Special Economic Zone Branch; from October 1996 to February 2005, she successively served as the deputy general manager of capital planning department, deputy general manager of financial institution department and deputy general manager of financial interbank department under Shenzhen Development Bank; from March 2005 to August 2017, she successively served as a researcher of division I in the joint stock bank supervision department, researcher of policy and regulation department, head of the office of supervision, director of foreign bank supervision department, director of HR department (director of organisation department of the CPC Committee) in CBRC Shenzhen Branch; since August 2017, she has served as the chief audit executive and deputy secretary of committee for discipline inspection of Ping An Bank.

Ms. Wang Qun, Employee Supervisor. Born in 1968, she graduated from Southern Institute of Metallurgy and majored in computer. Now, she serves as the general manager of key customer department III of Ping An Bank, Shenzhen Branch. She works as an employee supervisor of Ping An Bank since June 2017.

Ms. Wang joined Shenzhen Commercial Bank, Nanshan Branch in March 1993. She successively served as the director of business department and corporate department and assistant to the president, and has been the general manager of key customer department III of Ping An Bank, Shenzhen Branch since February 2010.

Mr. Ju Weiping, Vice President. Born in January 1963, he received a master's degree in MBA from Zhongnan University of Economics and Law.

From December 1980 to October 2000, Mr. Ju successively worked as loan officer, the director of business department and president of Huaiyin District Sub-branch, Jinan Branch, Shandong, Agricultural Bank of China, and the deputy general manager of the business department of Shandong Branch; from October 2000 to November 2006, he successively served as the vice president of SPDB Ji'nan Branch and the vice president of SPDB Qingdao Branch; from December 2006 to November 2007, he worked as the general manager of Ping An Annuity Insurance Company of China, Ltd., Qingdao Branch; from November 2007 to June 2010, he worked as the general manager of Ping An Annuity Insurance Company of China, Ltd., Shandong Branch; from June 2010 to December 2012, he served as the general manager of Ping An Annuity Insurance Company of China, Ltd., Beijing Branch; from December 2012 to March 2014, he worked as an assistant to the general manager of Ping An Annuity Insurance Company of China, Ltd.; from March 2014 to December 2017, he served as the deputy general manager of Ping An Annuity Insurance Company of China, Ltd.; from December 2017 to June 2018, he served as secretary of the CPC Committee of Ping An Bank Beijing Branch; from June 2018 to June 2020, he served as an assistant to the president of Ping An Bank and president of Ping An Bank Beijing Branch; since June 2020, he has served as vice president of Ping An Bank and president of Ping An Bank Beijing Branch.

Mr. Zhou Qiang, Secretary of the Board. Born in 1972, he majored in international finance in School of Finance of Nankai University and received a PhD in economics.

From July 2001 to April 2007, Mr. Zhou successively served as business manager of Investment Banking Division of Ping An Securities Co., Ltd., deputy general manager and general manager of investment banking management department; from April 2007 to October 2011, he served as deputy director of board office and securities affairs representative of China Ping An; from October 2011 to May 2014, he successively served as an assistant to the general manager and deputy general manager of Ping An Securities. Since June 2014, he has served as secretary of the board of Ping An Bank.

7.3.2 Directors and supervisors' service status in shareholder units

Name	Serving shareholder unit	Title	Term
Xie Yonglin	Ping An Insurance (Group) Company of China, Ltd.	Executive director	From April 2020 till now
		General manager	From December 2019 till now
		Co-CEO	From December 2018 till now
		Deputy secretary of the CPC Committee	From July 2018 till now

Name	Serving shareholder unit	Title	Term
Tan Sin Yin	Ping An Insurance (Group) Company of China, Ltd.	Executive director	From April 2020 till now
		Co-CEO	From December 2018 till now
		Standing deputy general manager	From January 2016 till now
		COO	From December 2013 till now
	Ping An Life Insurance Company of China, Ltd.	Non-executive director	From June 2013 till now
Yao Jason Bo	Ping An Insurance (Group) Company of China, Ltd.	Co-CEO	From July 2020 till now
		Standing deputy general manager	From January 2016 till now
		Chief actuary	From October 2012 till now
		CFO	From April 2010 till now
		Executive director	From June 2009 till now
	Ping An Life Insurance Company of China, Ltd.	Non-executive director	From September 2008 till now
Cai Fangfang	Ping An Insurance (Group) Company of China, Ltd.	Deputy general manager	From December 2019 till now
		CHRO	From March 2015 till now
		Executive director	From July 2014 till now
	Ping An Life Insurance Company of China, Ltd.	Non-executive director	From December 2013 till now
Ip So Lan	Ping An Insurance (Group) Company of China, Ltd.	Deputy general manager	From January 2011 till now
		Compliance director	From July 2010 till now
		Audit director	From March 2008 till now
		CIA	From March 2006 till now
Guo Jian	China Electronics Shenzhen Company	Director	From July 2011 till now
Che Guobao	Shenzhen Yingzhongtai Investment Co., Ltd.	Chairman, legal representative, shareholder	From December 1992 till now

7.3.3 Directors, supervisors and senior management staff's service status in other units besides shareholder units

Name	Investee entities	Title
Xie Yonglin	Ping An International Financial Leasing Co., Ltd.	Non-executive director
Hu Yuefei	Ping An Wealth Management Co., Ltd.	Chairman
Tan Sin Yin	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive director
	Ping An Assets Management Co., Ltd.	Non-executive director
	Ping An Health Insurance Company of China, Ltd.	Non-executive director
	Shenzhen Ping An Financial Technology Consulting Co., Ltd.	Non-executive director
	Ping An Technology (Shenzhen) Co., Ltd.	Chairman
	Shenzhen Ping An Financial Services Co., Ltd.	Non-executive director
	Shanghai Lujiazui International Financial Asset Exchange Co., Ltd.	Non-executive director
	OneConnect Financial Technology Co., Ltd.	Non-executive director
	Lufax Holding Ltd.	Non-executive director
Yao Jason Bo	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive director
	Ping An Health Insurance Company of China, Ltd.	Non-executive director
	Ping An Annuity Insurance Company of China, Ltd.	Non-executive director
	Ping An Assets Management Co., Ltd.	Non-executive director
	Ping An Trust Co., Ltd.	Non-executive director
	Ping An Securities Co, Ltd.	Non-executive director
	Ping An Technology (Shenzhen) Co., Ltd.	Non-executive director
	Ping An Uob Fund Management Co., Ltd.	Non-executive director
	Shanghai Lujiazui International Financial Asset Exchange Co., Ltd.	Non-executive director
	Ping An International Financial Leasing Co., Ltd.	Non-executive director
	Lufax Holding Ltd.	Non-executive director
	Ping An Healthcare and Technology Company Limited	Non-executive director
Cai Fangfang	Ping An Property & Casualty Insurance Company of China, Ltd.	Non-executive director
	Ping An Assets Management Co., Ltd.	Non-executive director
	Ping An Annuity Insurance Company of China, Ltd.	Non-executive director
	Ping An Health Insurance Company of China, Ltd.	Non-executive director
	Shanghai Lujiazui International Financial Asset Exchange Co., Ltd.	Non-executive director
	Ping An Healthcare and Technology Company Limited	Non-executive director
	Weikun (Shanghai) Technology Service Company Limited	Non-executive director
	Ping An Urban Construction Technology (Holdings) Co., Ltd.	Non-executive director
	Ping An Technology (Shenzhen) Co., Ltd.	Non-executive director
Guo Jian	China Electronics Corporation Information Service Co., Ltd.	Full-time Director
	Shenzhen Municipal Committee of CPPCC	CPPCC member
	Shenzhen Chamber of Commerce for Import & Export	President
	Shenzhen Enterprise Confederation	Vice president
Yang Zhiquan	Shenzhen Supply Chain Finance Association	President
Xiang Youzhi	Shenzhen Qianhai Puhui Zhongchou Trading Co., Ltd.	Director
	Shanghai Lujiazui International Financial Asset Exchange Co., Ltd.	Director

Name	Investee entities	Title
Guo Tianyong	School of Finance of Central University of Finance and Economics	Professor and doctoral supervisor
	Hundsun Electronics Co., Ltd.	Independent director
	Digiwin Software Co., Ltd.	Independent director
	AA Industrial Belting (Shanghai) Co., Ltd.	Independent director
	Ping An Healthcare and Technology Company Limited	Independent non-executive director
Yang Rusheng	Jonten Certified Public Accountants	Partner
	Lufax Holding Ltd.	Independent non-executive director
	IPE GROUP LIMITED	Independent non-executive director
	Guofu Life Insurance Co., Ltd.	Independent director
	Shenzhen Ruihua Certified Tax Agents Co., Ltd.	Chairman, general manager
	Shenzhen Rongshu Technology Co., Ltd.	Chairman
	Guangdong University of Finance & Economics	Guest professor
	Guangdong Institute of Certified Public Accountants	Director
	Chinese Institute of Certified Public Accountants	Director
	Shenzhen Institute of Certified Public Accountants	President
	Shenzhen Social Insurance Regulatory Commission	Committee member
	China Soong Ching Ling Foundation	Director
Ai Chunrong	CUHK-Shenzhen SME	Professor
Cai Hongbin	HKU Business School	President, Chair of Economics
	China Petroleum & Chemical Corporation	Independent non-executive director
	CCB International (Holdings) Limited	Independent non-executive director
Wang Songqi	Graduate School of Chinese Academy of Social Sciences	Professor and doctoral supervisor
	Institute of Finance & Banking of Chinese Academy of Social Sciences	Researcher
	Central University of Finance and Economics	Part-time doctoral supervisor
	Sixth China Society for Finance and Banking	Executive director
	Central China Securities	Consultant
	School of Finance of Jilin University of Finance and Economics	Honorary President
Han Xiaojing	Commerce & Finance Law Offices	Partner
	Sino-Ocean Group Holding Limited	Independent non-executive director
	Far East Horizon Ltd.	Independent non-executive director
	China National Aviation Fuel Group Corporation Limited	External director
	Vital Mobile Holdings Limited	Independent non-executive director
Ju Weiping	China Behaviour Law Association	Director
	China Enterprise Reform and Development Society	Vice president
	Zhongnan University of Economics and Law	Guest professor

7.3.4. Penalties imposed by securities regulatory authorities in past three years on directors, supervisors and senior management staff who were in-service or left their posts during the reporting period

☐Yes ☒No

7.4 Compensation for directors, supervisors and senior management staff

Decision-making process, determining bases and actual payment of compensation for directors, supervisors and senior management staff of the Bank: the compensation plan for the Bank's senior management staff was deliberated and approved by board meeting of the Bank. The compensation plan for the Bank's directors and supervisors was deliberated and approved by the general meeting of shareholders of the Bank after being deliberated and approved by the Board of Directors and Supervisory Committee respectively.

Compensation for directors, supervisors and senior management staff during the reporting period:

(In RMB'0000)

Name	Title	Service status	Sex	Age	Total pre-tax compensation received from the Bank	Whether receiving compensation from related parties of the Bank
Xie Yonglin	Chairman	In-service	Male	52	-	Yes
Hu Yuefei	Director and president of the Bank	In-service	Male	58	450.98	No
Tan Sin Yin	Director	In-service	Female	43	-	Yes
Yao Jason Bo	Director	In-service	Male	49	-	Yes
Cai Fangfang	Director	In-service	Female	46	-	Yes
Ip So Lan	Director	In-service	Female	64	-	Yes
Guo Jian	Director	In-service	Male	56	32.54	No
Yang Zhiqun	Director and vice president of the Bank	In-service	Male	50	419.97	No
Guo Shibang	Director and vice president of the Bank	In-service	Male	55	395.80	No
Xiang Youzhi	Director, vice president of the Bank and CFO	In-service	Male	56	374.88	No
Guo Tianyong	Independent director	In-service	Male	52	43.89	No
Yang Rusheng	Independent director	In-service	Male	52	48.79	No
Yang Jun	Independent director	In-service	Male	62	6.96	No
Ai Chunrong	Independent director	In-service	Male	58	5.91	No
Cai Hongbin	Independent director	In-service	Male	53	6.58	No
Qiu Wei	Chairman of the Supervisory Committee, employee supervisor	In-service	Male	58	345.50	No
Che Guobao	Supervisor of shareholder	In-service	Male	71	29.32	No
Wang Chunhan	External supervisor	In-service	Male	69	43.46	No
Wang Songqi	External supervisor	In-service	Male	68	33.49	No
Han Xiaojing	External supervisor	In-service	Male	65	32.77	No
Sun Yongzhen	Employee supervisor	In-service	Female	52	329.68	No
Wang Qun	Employee supervisor	In-service	Female	52	237.79	No
Ju Weiping	Vice president of the Bank	In-service	Male	57	202.20	No
Zhou Qiang	Secretary of the Board	In-service	Male	48	344.24	No
Zhou Jianguo	External supervisor	Left post	Male	65	21.35	No
Luo Xiangdong	External supervisor	Left post	Male	67	23.51	No
Chu Yiyun	External supervisor	Left post	Male	56	22.43	Yes

Note: (1) Directors Xie Yonglin, Tan Sin Yin, Yao Jason Bo, Cai Fangfang and Ip So Lan serve in and receive compensation from Ping An Insurance (Group) Company of China, Ltd., majority shareholder of the Bank.

See the 2020 Annual Report of Ping An Insurance (Group) Company of China, Ltd. for information about their compensation. Aforesaid persons did not receive compensation from the Bank.

(2) According to the *Supervisory Guidelines on Sound Compensation in Commercial Banks* and relevant regulations of the Bank, part payment of performance compensation for the Bank's senior management staff will be delayed. The delay period is 3 years. The total pre-tax compensation the Bank's senior management staff received from the Bank included the performance compensation which is delayed and unpaid. And this part of performance compensation will be paid in a delayed manner by year in next 3 years.

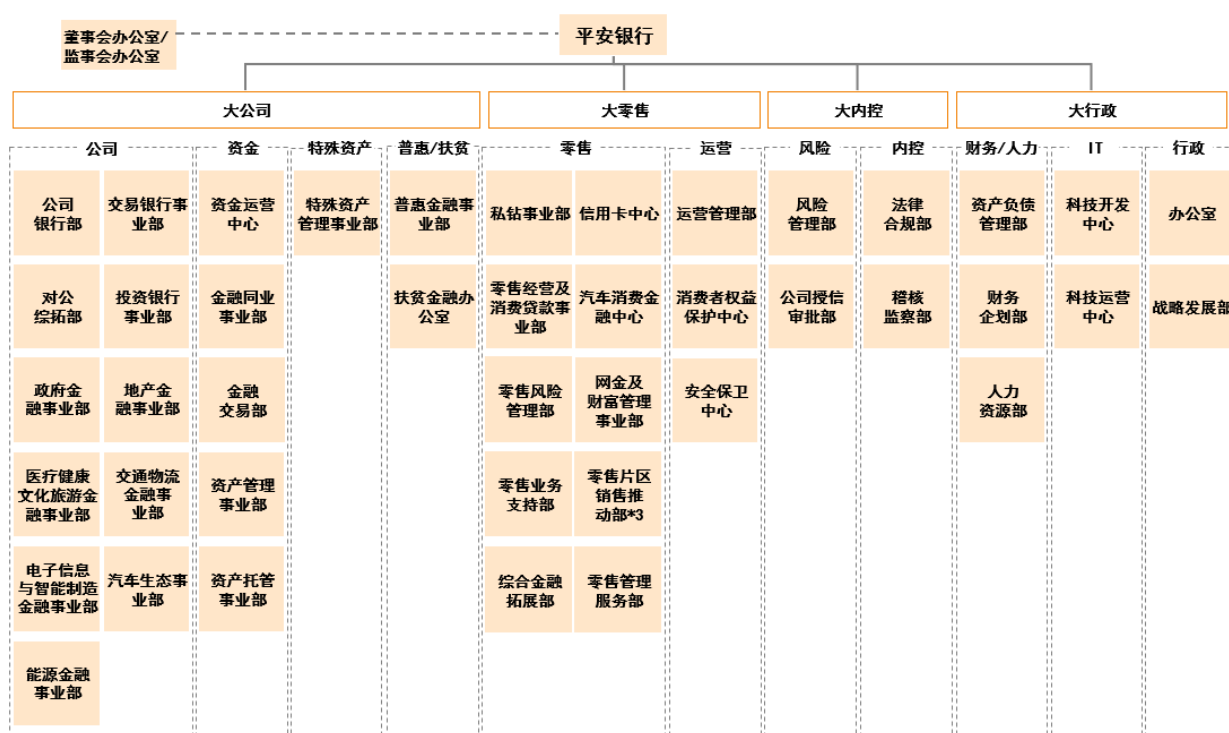
(3) Compensations received from the Bank during the reporting period by newly appointed staff or those who left post in the current year are calculated by their work time during the reporting period.

(4) The total pre-tax compensation of executive directors, employee supervisors and senior management staff who work for the Bank is to be confirmed and others will be disclosed separately after confirmation.

Equity incentive awarded to the company's directors and senior management staff during the reporting period

☐ Applicable ☒ Not applicable

7.5 Department setting at the end of the reporting period



Note: The Bank has set a representative office in Beijing.

7.6 Information about organisations and employees

7.6 1 Establishment of organisations

The Bank continued to promote the AI-enables upgrade of its outlets and optimise its branch distribution and physical presence. At the end of December 2020, the Bank had 100 branches (including Hong Kong Branch) and a total of 1,103 outlets. Information about the Bank's organisations (including branches and special-purpose organisations) is as follows:

Name	Address	Number of outlets	Asset size (In RMB million)	Number of employees
Shenzhen Branch	No. 1099, Shennan Middle Road, Futian District, Shenzhen	130	599,534	3,857
Shanghai Branch	No. 1333 Lujiazui Ring Road, Pudong New Area, Shanghai	71	369,174	2,055
Beijing Branch	No. 158, Fuxingmennei Street, Xicheng District, Beijing	53	277,435	2,161
Guangzhou Branch	Zhukong Commercial Building, No. 1 Huaqiang Road, Zhujiang New Town, Tianhe District, Guangzhou	57	228,376	1,597
Hangzhou Branch	Building 1, Ping An Financial Centre, No. 280 Minxin Road, Jianggan District, Hangzhou	29	133,858	1,368
Shanghai Pilot Free Trade Zone Branch	No. 799, Yanggao South Road, Pudong New Area, Shanghai	1	89,093	144
Nanjing Branch	No. 128, Shanxi Road, Gulou District, Nanjing	33	71,155	761
Wuhan Branch	No. 54, Zhongbei Road, Wuchang District, Wuhan	34	66,505	739
Dalian Branch	No. 21, Ganglong Road, Zhongshan District, Dalian	23	57,428	651
Ningbo Branch	No. 139, Haiyan North Road, Yinzhou District, Ningbo	14	56,547	530
Shenzhen Qianhai Branch	Building 28A, Qianhai Enterprise Dream Park, No. 63, Qianwan First Road, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen	1	51,937	38
Xi'an Branch	No. 240, Dongxin Street, Xincheng District, Xi'an	16	51,296	514
Xiamen Branch	No. 82, Lianqian Sub-district, Zhanhong Road, Siming District, Xiamen	18	47,687	440
Foshan Branch	District Five, Foshan News Centre, Yuhe Road, Foshan New City, Foshan	31	45,590	691
Chengdu Branch	No.99, Second Tianfu Street, Hi-tech Zone, Chengdu	30	44,852	766
Tianjin Branch	No. 349, Nanjing Road, Nankai District, Tianjin	31	44,252	769
Qingdao Branch	No. 28, Miaoling Road, Laoshan District, Qingdao	23	41,568	573
Chongqing Branch	No. 778, Jingwei Avenue, Yuzhong District, Chongqing	28	40,531	610
Changsha Branch	No. 106, Building T1, Binjiang Financial Centre Phase II, No. 112 Chazishan East Road, Guanshaling Sub-district, Yuelu District, Changsha, Hunan	17	39,379	487
Zhengzhou Branch	No. 25, Business Outer Ring Road, Zhengdong New District, Zhengzhou	21	34,988	548
Huizhou Branch	No. 8, Maidi East Road, Huicheng District, Huizhou	9	33,529	257
Shijiazhuang Branch	No. 78, Xinhua Road, Xinhua District, Shijiazhuang	16	29,288	378
Fuzhou Branch	No. 109, Wusi Road, Gulou District, Fuzhou	38	27,102	543
Taiyuan Branch	No. 6, Bingzhou North Road, Yingze District, Taiyuan	7	25,505	294
Dongguan Branch	Block A, Fortune Plaza, Hongfu Road, Nancheng District, Dongguan	14	24,896	388
Kunming Branch	No. 1101, Dianchi Road, Kunming Dianchi National Tourist Resort, Kunming, Yunnan	30	24,623	587
Zhuhai Branch	No. 288, Hongshan Road, Xiangzhou District, Zhuhai	12	24,334	314
Nanchang Branch	Ruituoronghe Building, No. 88, Shangdu Road, Honggutan New District, Nanchang	6	22,913	232
Jinan Branch	No. 13777, Jingshi Road, Lixia District, Ji'nan	14	21,260	524
Hong Kong Branch	42/F, One Exchange Square, 8 Connaught Place, Hong Kong	1	21,153	62
Wenzhou Branch	No. 1707, Wenzhou Avenue, Ouhai District, Wenzhou	23	19,417	388
Hefei Branch	No. 999, Dongliu Road West, Shushan District, Hefei	7	18,382	263
Wuxi Branch	No. 670, Zhongshan Road, Wuxi	12	17,398	221
Suzhou Branch	No. 89, Suxiu Road, Suzhou Industrial Park, Suzhou	14	17,381	273
Nanning Branch	B101-109, Jiuzhou International Building, No. 9, Zhongxin Road, Qingxiu District, Nanning	4	17,206	193

Shenyang Branch	A1, 163, Nanjing North Street, Heping District, Shenyang	11	14,624	312
Guiyang Branch	Jincheng Street, Guanshanhu District, Guiyang, Guizhou	5	14,387	200
Yantai Branch	No. 96, Huanshan Road, Zhifu District, Yantai	6	12,447	109
Changzhou Branch	No. 288, Feilong East Road, Changzhou	13	10,236	189
Zhongshan Branch	No. 1, Xingzheng Road, East District, Zhongshan	10	9,531	249
Haikou Branch	No. 22, Jinlong Road, Longhua District, Haikou	11	9,331	340
Yiwu Branch	No. 877, Chengbei Road, Yiwu	9	8,748	158
Tianjin Pilot Free Trade Zone Branch	Building 1, Ronghe Plaza, No. 168, Xisi Road, Tianjin Pilot Free Trade Zone (Tianjin Airport Economic Area)	1	8,660	95
Quanzhou Branch	Lianjie International Centre Building, No. 109, Binghai Street, Fengze District, Quanzhou	21	8,572	307
Nantong Branch	No. 38, Yuelong Road, Chongchuan District, Nantong	4	6,294	118
Dongying Branch	No. 55, Fuqian Street, Dongying District, Dongying	2	6,252	43
Xuzhou Branch	No. 2, Xi'an North Road, Xuzhou, Jiangsu	2	5,938	64
Shaoxing Branch	No. 711-713, Jiefang Avenue, Shaoxing	4	5,435	80
Sanya Branch	Humanities Shui'an, No. 62, Hedong Road, Sanya	2	5,382	31
Weifang Branch	No. 343, Dongfeng East Street, Kuiwen District, Weifang	4	5,042	77
Tangshan Branch	No. 31, Xinhua West Street, Lubei District, Tangshan, Hebei	1	4,881	69
Zhangzhou Branch	Liyuan Plaza, Eastern Section of Nanchang Road, Xiangcheng District, Zhangzhou	5	4,665	66
Taizhou Branch	No. 181, Baiyunshan South Road, Taizhou Economic Development Zone, Taizhou	9	4,524	113
Mianyang Branch	No. 116, Northern Section of Huoju West Street, Hi-tech Zone, Mianyang	1	4,209	31
Taizhou Branch	No. 39, Qingnian South Road, Hailing District, Taizhou	3	4,148	75
Langfang Branch	F4, New Word Centre Office Building, Aiming East Road, Guangyang District, Langfang	3	3,793	50
Hohhot Branch	1-3/F, Block A, Ulan Fortune Plaza, No. 56, Ruyihe Street, Ruyi Development Zone, Hohhot	2	3,782	128
Guangdong Pilot Free Trade Zone Nansha Branch	No. 106, Fengze East Road, Nansha District, Guangzhou	1	3,506	22
Linyi Branch	No. 10, Jinqieshan Road, Lanshan District, Linyi	3	3,379	74
Lanzhou Branch	No. 4286, Yantan Road, Chengguan District, Lanzhou	1	3,223	106
Luoyang Branch	No. 55, Binhe South Road, Luolong District, Luoyang	3	3,084	61
Huzhou Branch	No. 72, Lianjiexiang Road, Building 1, Shangzuo, Tianyuanyicheng, Huzhou	3	2,827	50
Yichang Branch	Zhongxing Plaza, No. 179, Yiling Avenue, Wujiagang District, Yichang	2	2,739	45
Yancheng Branch	Fenghuang Culture Plaza, No. 611, Century Avenue, Yancheng	2	2,627	58
Hengqin Branch in Guangdong Pilot Free Trade Zone	Building 7, Hengqin Financial Industry Service Base, Shizimen Central Business District, Hengqin New Area, Zhuhai	1	2,567	11
Zibo Branch	Zhongrun Comprehensive Building, No. 1, Zhongrun Avenue, High-tech District, Zibo	2	2,516	50
Jingzhou Branch	Fengtai Mansion, Beijing Road, Shashi District, Jingzhou	3	2,254	51
Xiangyang Branch	No. 10, Chunyuan West Road, Xiangyang	4	2,085	56
Jining Branch	Huiji Central Building, Junction of Guanghe Road and Gongqingtuan Road, Jining	1	2,053	44
Baoding Branch	Office Commercial Building, Jinguan Mansion, No. 588, Chaoyang North Avenue, Jingxiu, Baoding	1	1,944	42
Hengyang Branch	Room 1104, 1/F, Hengyang Shengguotou Commercial Centre, No. 21, Jiefang Avenue, Zhengxiang District, Hengyang, Hunan	2	1,839	31
Rizhao Branch	No. 89, Taian Road, Rizhao	3	1,833	26
Kaifeng Branch	No. 169, Jinming Avenue, Kaifeng	1	1,642	30
Leshan Branch	No. 358, Southern Section of Chunhua Road, Shizhong District, Leshan	2	1,629	32
Weihai Branch	No. 75, Qingdao North Road, Weihai, Shandong	3	1,628	41
Yangzhou Branch	No. 447, Jiangyang Middle Road, Yangzhou, Jiangsu	1	1,536	47

Urumqi Branch	1/F, Tower B, Urumqi Evening News Media Building, No. 1119, Huizhan Avenue, Shuimogou District, Urumqi, Xinjiang	1	1,500	86
Xianyang Branch	No. 2, Dingcheng Garden, No. 11, Renmin East Road, Weicheng District, Xianyang	1	1,378	23
Nanyang Branch	Wanda International, Junction of Zhongzhou Road and Yong'an Road, Wolong District, Nanyang	2	1,361	35
Wuhu Branch	1-2/F, Podium Building, Weixing Times Financial Centre at the intersection of Beijing Middle Road and Jiuhua Middle Road, Jinghu District, Wuhu, Anhui	1	1,345	47
Putian Branch	Room 101, No. 521, Meiyuan East Road, Zhenhai Street, Licheng District, Putian	1	1,200	26
Yueyang Branch	Room 109A, 1/F, Building 2, Garden Mansion, No. 9, Jin'e Middle Road, Yueyanglou District, Yueyang, Hunan	2	1,197	32
Tai'an Branch	No. 286-1, Dongyue Street, Taishan District, Tai'an, Shandong	1	1,000	36
Zunyi Branch	1/F, Tian'an Mansion, Xiamen Road, Huichuan District, Zunyi, Guizhou	1	950	33
Jinzhong Branch	East Region No. 1, Yujing City Garden Phase II, No. 233, Xinjian North Road, Yuci District, Jinzhong	1	934	28
Ganzhou Branch	Building 9, Yangming International Centre, No.18 Xinganzhou, Ganzhou, Jiangxi	1	835	28
Deyang Branch	New Era Plaza, No. 308, First Section of Changjiang West Road, Deyang	1	782	25
Honghe Branch	No. 101 and 205, Building 3, Jin'an Pincheng, Junction of Chaoyang Road and Xuehai Road, Mengzi, Honghe Hani and Yi Autonomous Prefecture, Yunnan	2	680	21
Liuzhou Branch	No. 1-17 to No.1-19, 1/F, Huarun Centre Mixc, No.17 Wenchang Road, Liuzhou	1	678	33
Changde Branch	Room 103, 1/F, Dingfeng Fortune Plaza, No. 448, Longgang Road, Wuling District, Changde, Hunan	1	632	28
Harbin Branch	No. 193, Zhongshan Road, Nangang District, Harbin, Heilongjiang	1	593	107
Zhenjiang Branch	Building 9, Ruixiang Garden, No. 8, Hejiawan Road, Runzhou District, Zhenjiang	1	475	39
Zhanjiang Branch	Shop No. 01, 1/F, Huanleji Mansion, Urban Highland Garden, No. 71 Middle Renmin Avenue, Zhanjiang Economic and Technological Development Zone	1	411	36
Branch in Xiamen Area of Fujian Pilot Free Trade Zone	No. 99, Xiangyu Road, Huli District, Xiamen	1	387	3
Branch in Fuzhou Area of Fujian Free Trade Zone	No. 68-1, Jiangbin East Avenue, Mawei Town, Mawei District, Fuzhou	1	337	2
Cangzhou Branch	Tianchi International Business Office Building, South-western Corner of Junction of Shanghai Road and Jilin Avenue, Yunhe District, Cangzhou	1	252	31
Shantou Branch	No. 107 and No. 206-108, North Tower, Huarun Mansion, No. 95 Changping Road, Shantou	1	209	38
Fuyang Branch	1-2/F, Building S1, Yijing Education Square, No. 666, Junction of Yinghuai Avenue and Huaihe Road, Yingzhou District, Fuyang, Anhui	1	155	31
Anshan Branch	27A, Shengli South Road, Tiedong District, Anshan, Liaoning	1	78	32
Chongqing Pilot Free Trade Zone Branch	No. 1, Caifu Avenue, Yubei District, Chongqing	1	-	11
Treasury Operation Centre	No. 1333 Lujiazui Ring Road, Pudong New Area, Shanghai	1	122,540	82
Automobile Consumption Financial Centre (sub-center inclusive)	20/F, Rongchao Mansion, No. 4036, Jintian Road, Futian Central District, Fuzhong Community, Lianhua Sub-district, Futian District, Shenzhen	4	248,990	804

Credit Card Centre (sub-centre inclusive)	No. 1, Liyumen Street, Qianwan First Road, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen	34	516,555	2,752
SME Finance BU	No. 5047, Shennan East Road, Luohu District, Shenzhen	1	Reflected in each branch	
Total		1,103	3,846,818	32,446

Note: The number of organisations was counted according to the licenses.

7.6.2 Information about employees

As of the end of the reporting period, the total number of in-service employees of the Group was 38,097 (including 1,982 employees on secondment). The number of retired ex-employees who shall be paid pensions was 85. The total number of in-service employees of Ping An Wealth Management, the Bank's wholly-owned subsidiary, was 240. The regular employees included 25,805 business personnel, 6,669 financial and operating personnel, 2,378 management and operation personnel and 1,263 supporting administrative and other personnel. 86.27% of them hold bachelor's degrees or higher degrees. 99.12% of them have college degrees or higher degrees.

To support the Bank's medium and long-term strategic development goals, to give full play to compensation resources' guiding effects on strategic transformation requirements and stimulation of business vitality, by improving compensation incentive mechanism and reasonably designing compensation structure and level, the Bank has developed a compensation policy, which is "market-oriented, follows the principle of paying compensations based on posts and bonuses on performance and determining long-term incentives based on long-term business performance and banking market value".

On the basis of good corporate governance requirements, the Bank has brought risk factors into incentive mechanism for assessment and appraisal. The Bank has set multidimensional indexes to comprehensively evaluate the performance of each business unit. A linkage mechanism of compensation resources with assessment results was also established. At the same time, the Bank has set up a linkage mechanism of employee bonuses with individual performance, department performance and organisation performance to fully arouse the enthusiasm of organisations and employees.

To better prevent risks, improper incentives or over incentives, the Bank continued to perform the plan of delay in bonus payment in the year. Personnel who are related to this plan are all senior management staff, other management staff associated with risk management and market frontline staff. The delay period matches with the period of risk exposure. And according to risk index implementation, the nature and effect of risk exposure events and so on, it will be decided whether the payment will be made or how much the payment proportion will be when the delay period expires.

Section VIII Corporate Governance

8.1 Basic situation of corporate governance

During the reporting period, the Bank was committed to further completing the corporate governance system and perfecting the corporate governance structure in accordance with the provisions of the *Company Law*, *Securities Law*, *Commercial Bank Law* and other relevant laws and regulations, as well as the regulatory requirements of China Securities Regulatory Commission and China Banking and Insurance Regulatory Commission. The Bank has established a number of corporate governance systems, including the Articles of Association, rules of procedures for the Shareholders' General Meeting, rules of procedures for the Board of Directors and its special committees, rules of procedures for the Supervisory Committee and its special committees, information disclosure management system, investor relations system, measures for the administration of shares held by directors, supervisors and senior management staff and changes in shareholding, management system of insider information and insiders, accountability system of major errors in annual report information disclosure, system of preventing major shareholders and related parties occupying the funds, performance evaluation methods of directors and supervisors, etc.

During the reporting period, the shareholders' general meeting of the Bank has effectively played its functions in accordance with the relevant provisions of the *Company Law* and the *Articles of Association*. The Board of Directors shall be responsible to the Shareholders' General Meeting, and bear the ultimate responsibility for the operation and management of the Bank, and shall hold the meeting in accordance with the legal procedures and exercise its functions and powers. The Supervisory Committee, with its responsible attitude towards all shareholders, shall maintain close contact and communication with the Board of Directors and the management, and carry out performance evaluation of directors and supervisors, to effectively perform the supervisory functions and duties. The management of the Bank abides by the principle of good faith, prudently and diligently performs its duties, and carries out management according to the decision of the Board of Directors.

Whether there is a significant difference between the actual situation of corporate governance and the normative documents issued by the China Securities Regulatory Commission on the governance of listed companies

☐Yes ☒No

8.2 Independence conditions of the company on business, personnel, assets, organisations, finance etc. of controlling shareholders

The Bank is completely separated from its controlling shareholder in terms of business, organisation, personnel, finance, assets, etc., and has self-operation capabilities of carrying out independent and complete businesses. In terms of business, the Bank has an independent operation and sales system; in terms of organisation, the Bank has an organisation structure which is completely independent from the controlling shareholders; in terms of personnel, the Bank is independent of the controlling shareholder in labour, personnel and wages management and other aspects; members of the operating management do not hold posts in the shareholders' units; in terms of finance, the Bank has established an independent financial management system and accounting system, with independent accounting and independent tax; in terms of assets, the Bank's assets are complete, and the property relations are clear. The Bank has independent premises for business activities and property rights, trademark registration right and non-patented technology and other intangible assets.

During the reporting period, the controlling shareholder of the Bank did not interfere with operation and management of listed companies, and there were no other non-standard situations of corporate governance.

8.3 Competition in the same business

☐Applicable ☒Not applicable

8.4 Information about Annual General Meeting and Extraordinary General Meeting during the reporting period

8.4.1 Conditions of Annual General Meeting during the reporting period

Session and type of meeting	Investor participation rate	Holding date	Disclosure date	Disclosure indexes
2019 Annual General Meeting	68.1729%	14 May 2020	15 May 2020	Relevant announcements such as the <i>Resolution Announcement of 2019 Annual General Meeting of Ping An Bank Co., Ltd.</i> were published on the <i>China Securities Journal</i> , <i>Securities Times</i> , <i>Shanghai Securities News</i> , <i>Securities Daily</i> and CNINFO (http://www.cninfo.com.cn)

8.4.2 Preferred shareholders with resumed voting rights request to convene an extraordinary general meeting

☐Applicable ☒Not applicable

8.5 Particulars about reception of researches, visits and interviews

During the reporting period, the Bank conducted a number of communications about the Bank's operations, financial position and other matters with the institutional investors through the results announcements, the analyst meeting and the acceptance of investor research, and individual investors could make enquiry by phone. The communications involved topics on the Bank's operations and development strategy, periodic reports and interim announcements and their explanations. In accordance with the requirements of the *Guidelines on Fair Information Disclosure of Shenzhen Stock Exchange Listed Companies*, the Bank and the parties subject to the information disclosure obligation have strictly followed the principle of fair information disclosure with no violation. The Bank's primary receptions of investors during the reporting period are as follows:

Date	Mode	Type of visiting party	Reference
9/1/2020	Investment bank meeting	Institution(s)	CNINFO (http://www.cninfo.com.cn) <i>Record Chart of Investor Relationship Activities of Ping An Bank Co., Ltd.</i>
14/2/2020	Results release press	Institution(s)	
17/2/2020-21/2/2020	Domestic roadshow by call	Institution(s)	
28/2/2020	Teleconference	Institution(s)	
13/3/2020	Teleconference	Institution(s)	
19/3/2020	Teleconference	Institution(s)	
1/4/2020	Teleconference	Institution(s)	
21/4/2020	Quarterly results release by call	Institution(s)	
12/5/2020	Investment bank meeting (online)	Institution(s)	
19/5/2020	Teleconference	Institution(s)	
8/6/2020	Onsite visit	Institution(s)	
17/6/2020-19/6/2020	Overseas roadshow by call	Institution(s)	
7/7/2020	Investment bank meeting	Institution(s)	
25/7/2020	Teleconference	Institution(s)	
1/9/2020	Results release press	Institution(s)	
2/9/2020-3/9/2020	Domestic roadshow by call	Institution(s)	
22/9/2020	Teleconference	Institution(s)	
29/9/2020	Onsite visit	Institution(s)	
28/10/2020	Teleconference	Institution(s)	
9/11/2020	Onsite visit	Institution(s)	
21/11/2020	Teleconference	Institution(s)	
1/12/2020-2/12/2020	Overseas roadshow by call	Institution(s)	
24/12/2020	Investment bank meeting	Institution(s)	
Number of receptions			763
Number of institution receptions			680
Number of individual receptions			710
Number of other receptions			0
Any significant information disclosed, revealed or leaked			None

8.6 Implementation of responsibilities of independent directors during the reporting period

In 2020, the independent directors of the Bank actively, effectively and independently performed duties in accordance with the relevant laws, regulations, rules and requirements of the Bank's Articles of Association, made independent judgements and decisions on major issues, gave objective and impartial independent opinions, thereby safeguarding the overall interests of the Bank, especially protecting the legal rights and interests of minority shareholders from being violated. They have made due contributions to the corporate governance optimisation of the Bank, and the construction, operation and management of the Board of Directors.

8.6.1 Participation of independent directors in the board meetings and shareholders' general meetings

Participation of independent directors in the meetings of the Board of Directors						
Name of independent director	Number of participation in the board meetings during the reporting period	On-site attendance	Off-site attendance	Entrusted attendance	Absence	Failure to participate in the meetings for successive two times?
Wang Chunhan	7	3	4	0	0	No
Wang Songqi	7	3	4	0	0	No
Han Xiaojing	7	3	4	0	0	No
Guo Tianyong	11	4	7	0	0	No
Yang Rusheng	11	4	7	0	0	No
Yang Jun	4	1	3	0	0	No
Ai Chunrong	4	1	3	0	0	No
Cai Hongbin	3	1	2	0	0	No
The frequency of independent directors participating in shareholders' general meetings	1 time					

None of the independent directors failed to take part in the meetings of the Board of Directors for continuous two times by themselves.

8.6.2 The independent directors have not raised any objection on related issues raised by the Bank during the reporting period

8.6.3 Other instructions on implementation of responsibilities of the independent directors

Are the suggestions related to the Bank proposed by the independent directors accepted?

√Yes □No

In 2020, the independent directors gave independent opinions on 29 related matters considered by the Board of Directors, made a number of comments and suggestions during the meeting and adjournment, which were accepted or responded by the Bank.

8.7 Responsibility performances of the special committees set under the Board of Directors during the reporting period

The 11th Board of Directors of the Bank set up 6 special committees: Strategic Development and Consumer Right Protection Committee, Audit Committee, Risk Management Committee, Related Transaction Control Committee, Nomination Committee and Remuneration and Appraisal Committee. In 2020, the Board of Directors of the Bank held 11 meetings, and the special committees held 27 meetings, including 3 meetings of Strategic Development and Consumer Right Protection Committee, 6 meetings of Audit Committee, 4 meetings of Risk Management Committee, 7 meetings of Related Transaction Control Committee, 2 meetings of Nomination Committee and 5 meetings of Remuneration and Appraisal Committee. All special committees of the Board of Directors, in strict accordance with the *Articles of Association*, the *Rules of Procedures for the Board of Directors*, and the working rules of the committees, held meetings to perform their duties, and made comments and suggestions on relevant work.

8.8 Composition and working condition of the Supervisory Committee

During the reporting period, the Supervisory Committee, with its responsible attitude towards all shareholders and employees, fulfilled its duties, pursued diligence & responsibility, conducted compliance operation according to the law in accordance with the *Company Law*, *Securities Law*, various guidelines of regulatory authorities, the Bank's *Articles of Association*, and various rules and regulations of the Supervisory Committee. A relatively comprehensive supervision system encompassing meeting supervision, strategic supervision, tour inspection and investigation supervision, performance evaluation supervision, external audit check supervision and communication and meeting supervision was set up, which positively promoted the robust development of the Bank's business, enhancement of risk control, and improvement of corporate governance structure.

The 10th Supervisory Committee set up 2 special committees: Audit and Oversight Committee and Nomination and Appraisal Committee. In 2020, the Supervisory Committee held 7 meetings of the Supervisory Committee, and 5 meetings of special committees of the Supervisory Committee (including 4 meetings of Audit and Oversight Committee, and 1 meeting of Nomination and Appraisal Committee), and expressed opinions on the Bank's financial accounting, responsibility performances of directors, supervisors and executives, as well as related reports and conclusions. The Chairman of the Supervisory Committee and members of the Supervisory Committee also attended 4 meetings of the Board of Directors throughout the year, 10 meetings of the special committees of the Board of Directors and 1 shareholders' general meeting, directly participated in most of business line meetings, compliance, internal control and case preventing meetings and risk control meetings of the Bank, effectively exercised the performance supervision of the Board of Directors and the senior management, as well as the supervision of the Bank's financial management, risk management and internal control.

8.9 Working situation of external supervisors

During the reporting period, external supervisors of the Bank actively, effectively and independently performed supervisory duties in accordance with the relevant laws, regulations, rules and requirements of the Bank's *Articles of Association*, gave independent opinions, safeguarded the overall interests of the Bank, and made due contributions to the corporate governance optimisation of the Bank, and improvement of the supervision mechanism.

Participation of external supervisors in the meetings of the Supervisory Committee

Name	Number of participation in the meetings of the Supervisory Committee during the reporting period	Attendance in person	Entrusted attendance	Absence	Failure to participate in the meetings for successive two times
Zhou Jianguo	5	5	0	0	No
Luo Xiangdong	5	5	0	0	No
Chu Yiyun	5	5	0	0	No
Wang Chunhan	2	2	0	0	No
Wang Songqi	2	2	0	0	No
Han Xiaojing	2	2	0	0	No

The Supervisory Committee of the Bank had no objection to the supervision issues during the reporting period.

8.10 Salary management structure and decision-making procedures

The Board of Directors has Remuneration and Appraisal Committee; the independent directors are accounted for more than half of the members. The members of the Committee have professional knowledge. As per authorisation of the Board of Directors, the Remuneration and Appraisal Committee performs its duties in accordance with the *Articles of Association* and the *Working Rules of the Remuneration and Appraisal Committee under the Board of Directors of Ping An Bank*. It mainly reviews the remuneration management system and policy of the Bank, drafts remuneration plan for directors and senior management staff, proposes suggestions on the remuneration plan to the Board of Directors, and supervises the implementation of the plan.

8.11 Evaluation and incentive mechanism of senior management

During the reporting period, the Bank made performance evaluation on senior management staff according to the completion of their individual annual work objectives and plans and those of the Bank, and the bonuses of senior management staff were closely linked to the assessment results. The Bank will continue to improve the performance evaluation and incentive and restraint mechanisms of senior management staff.

8.12. Internal control

8.12.1 Details about significant deficiencies found in the internal control during the reporting period

☐ Yes ☒ No

8.12.2 Internal control self-evaluation report

Disclosure date of internal control self-evaluation report		2 February 2021	
Disclosure index of internal control self-evaluation report		CNINFO http://www.cninfo.com.cn	
The proportion of total assets included in the evaluation scope in those of the company’s consolidated financial statement		99.89%	
The proportion of operating revenue included in the evaluation scope in that of the company’s consolidated financial statement		99.96%	
Identification standard of internal control deficiencies			
Level	Definition	Identification standard	
		Quantitative standard	Qualitative standard
Material	One or a combination of control deficiencies that may cause a serious deviation from the control objectives.	1. The proportion of the financial loss to the annual operating revenue $\geq 1\%$; 2. The proportion of the misstatement amount in the financial statement to the total assets at the end of the year $\geq 0.25\%$; 3. The proportion of the misstatement amount in the financial statement to the total annual profit $\geq 5\%$.	1. It has a serious impact on the realisation of the Bank's overall control objectives; 2. It may have or has caused a significant amount of financial loss or misstatement of financial report; 3. It is in violation of the relevant laws and regulations or regulatory requirements and the circumstances are very serious, thus causing severe punishment from the regulatory authorities or other very serious legal consequences; 4. It may lead to serious business or service problems, affecting a number of key products or causing failure in the provision of services to key customers; 5. It has a wide range of negative impacts, thus causing widespread public concern at home and abroad, and having serious negative impacts on the Bank’s reputation and stock price.
Significant	One or a combination of control deficiencies, whose severity and economic consequences are less than material weaknesses, but may still cause a serious deviation from the control objectives.	1. The proportion of the financial loss to the annual operating revenue falls within the range of [0.05%-1%]; 2. The proportion of the misstatement amount in the financial statement to the total assets at the end of the year falls within the range of [0.0125%, 0.25%]; 3. The proportion of the misstatement amount in the financial statement to the total annual profit falls within the range of [0.25%, 5%).	1. It has a certain impact on the realisation of the Bank's overall control objectives; 2. It may have or has caused a larger amount of financial loss or misstatement of financial report; 3. It is in violation of the relevant laws and regulations as well as regulatory requirements and the circumstances are serious, thus causing more serious punishment from the regulatory authorities or other more serious legal consequences; 4. It may lead to business or service problems, causing a significant decline in the quality of one or several key products or the services provided to key customers; 5. The negative impact spreads in and out of the industry, thus causing public concern, and bringing a greater negative impact on the Bank’s reputation in some areas.

General	Other control deficiencies other than material weaknesses or significant deficiencies.	1. The proportion of the financial loss to the annual operating revenue <0.05%; 2. The proportion of the misstatement amount in the financial statement to the total assets at the end of the year <0.0125%; 3. The proportion of the misstatement amount in the financial statement to the total annual profit <0.25%.	1. It has a slight impact or basically no impact on the realisation of the Bank's overall control objectives; 2. It may have or has caused a smaller amount of financial loss or misstatement of financial report; 3. It is in violation of the relevant laws and regulations or regulatory requirements, the circumstances are minor, thus causing lighter punishment from the regulatory authorities or other minor legal consequences; 4. It may lead to business or service problems, affecting one or several key products/key customer groups; the impact can be immediately controlled; 5. The negative impact is limited to a certain range, the degree of public concern is lower, and it brings a smaller negative impact on the Bank's reputation.
Number of material weaknesses in financial reporting (Nr.)		0	
Number of material weaknesses in non-financial reporting (Nr.)		0	
Number of significant deficiencies in financial reporting (Nr.)		0	
Number of significant deficiencies in non-financial reporting (Nr.)		0	

8.12.3 Internal control audit report

☒ Applicable ☐ Not applicable

Review comments in the internal control audit report	
We believe that Ping An Bank maintained effective internal control over all significant aspects in accordance with the <i>Basic Norms of Enterprise Internal Control</i> and the relevant regulations on 31 December 2020.	
Disclosure of internal audit report	Disclosure
Disclosure date of internal control audit report	2 February 2021
Disclosure index of internal control audit report	CNINFO http://www.cninfo.com.cn
Opinion type of internal audit report	Standard and unqualified
Whether there are significant deficiencies in the non-financial reporting	No

Whether the accounting firm issues internal audit report with non-standard opinion?

☐ Yes ☒ No

Whether the internal control audit report issued by the accounting firm shares the same opinion with the self-evaluation report of the Board of Directors

☒ Yes ☐ No

Section IX Corporate Bonds

Whether the company has corporate bonds which are publicly issued and listed on the stock exchange, undue on the date of approval of the Annual Report or failing to be fully paid on due date.

☐Yes ☒No

Section X Financial Report

1. Audit Report.
 2. Financial Statements.
 3. Notes to the Financial Statements.
 4. Supplementary Information to the Financial Statements.
- (See appendixes)

Section XI Documents Available for Inspection Catalogue

1. The accounting statements sealed and signed by the Chairman, President, Vice President and CFO, and the person in charge of accounting institution.
2. The original copy of the audit report sealed by the accounting firm and sealed and signed by the certified public accountants.
3. The originals of the Bank's documents and announcements which have been publicly disclosed in *China Securities Journal*, *Securities Times*, *Shanghai Securities News* and *Securities Daily* during the reporting period.

The Board of Directors of Ping An Bank Co., Ltd.
2 February 2021

PING AN BANK CO., LTD.

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

PING AN BANK CO., LTD.

**FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020
[ENGLISH TRANSLATION FOR REFERENCE ONLY]**

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APPENDIX

SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS

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[English Translation for Reference Only]

Auditor's Report

PwC ZT Shen Zi (2021) No. 10010
(Page 1 of 9)

To the Shareholders of Ping An Bank Co., Ltd.,

Opinion

What we have audited

We have audited the accompanying financial statements of Ping An Bank Co., Ltd. (hereinafter “Ping An Bank”), which comprise:

- the consolidated and company balance sheets as at 31 December 2020;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of Ping An Bank as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with the requirements of the *Accounting Standards for Business Enterprises* (“CASs”).

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of Ping An Bank in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants (“CICPA Code”), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Expected credit losses (ECL) measurement of loans and advances to customers, investment on debts and credit commitments
- Consolidation assessment of structured entities

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
I. ECL measurement of loans and advances to customers, investment on debts and credit commitments (Continued) Refer to Note II 9(iv), Note II 36(ii), Note III 6, Note III 8, and Note III 29 to the consolidated financial statements. As at 31 December 2020, the total loans and advances (including accrued interest) to customers in Ping An Bank's consolidated balance sheet amounted to RMB2,673,662 million, with loss provisions of RMB63,219 million recognised by management; the total investment on debts (including accrued interest) amounted to RMB638,719 million, with loss provisions of RMB5,100 million recognised by management; and credit commitment exposures amounted to RMB1,243,027 million, with provisions of RMB925 million recognised by management. The impairment losses of loans and advances to customers, investment on debts and credit commitments recognised in the consolidated income statement totalled RMB69,628 million.	We understood, evaluated and tested the internal control related to the ECL of loans and advances to customers, investment on debts and credit commitments, mainly including: (1) ECL model governance, including the selection, approval and application of model methodology, and internal control regarding continuous model monitoring and optimisation; (2) Internal control regarding management's significant judgements and assumptions, including group division, model selection, parameter estimation, judgements on significant increase in credit risk, default and credit impairment incurred, and evaluation and approval of overlay adjustments for forwarding-looking and managerial reasons; (3) Internal control regarding the accuracy and completeness of key data used in model measurement; (4) Internal control regarding future cash flow forecast and present value calculation of loans and advances to corporates and investment on debts in stage 3; (5) Internal control regarding ECL measurement-related information system. We mainly implemented the following substantive procedures: We evaluated the methodology of ECL models of different asset portfolios and conducted sampling verification on the operation of model to test if the model had properly reflected the model methodology prepared by management.

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
I. ECL measurement of loans and advances to customers, investment on debts and credit commitment (Continued) On basis of the evaluation on whether the credit risk of loans and advances to customers, investment on debts and credit commitments had increased significantly since their initial recognition, Ping An Bank used a three-stage impairment model for ECL measurement. For loans and advances to corporates, investment on debts, loans and advances to individuals, and credit commitments in stage 1 and stage 2, management evaluated the loss provisions by using the risk parameter model methodology that included key parameters such as probability of default, default loss rate, exposure at default and discount rate. For loans and advances to corporates and investment on debts in stage 3, management evaluated loss provision by predicting the future cash flow of the loans or investments. Management's significant judgements and assumptions included in the ECL model: (1) Classifying businesses with similar credit risk characteristics into the same group, selecting proper measurement model and determining the key parameters related to the measurement; (2) Criteria involved in the determination of the significant increase or not in credit risk, default and credit impairment incurred; (3) Forecasted economic indicators adopted in the forward-looking measurement, economic scenarios and parameters and assumptions affected by their weightings adopted;	We checked the accuracy of the input information related to ECL model, including (i) sampling check on information of loan contracts such as the expiration date, supporting information such as the borrower's financial and non-financial information in previous days and at the evaluation date, all of which were checked against the basic information used for the calculation of default probability and the internal rating system; (ii) evaluation of the reasonableness of default loss rate by comparing it with industry practices and historical records; (iii) sampling check on loan contracts and evaluation of the reasonableness of the exposure at default and the discount rate. In addition, we performed back testing on the expected default probability and the actual default probability of last year and evaluated the impact of the test results on the model. Based on the borrowers' financial and non-financial information and other external evidences and considerations, we took samples to evaluate if management had appropriately applied judgement criteria to the loans experiencing a significant increase in credit risk, default and credit-impairment. In terms of forward-looking measurement, we adopted statistical method to evaluate management's model analysis results of economic indicators selected and the analysis of its correlation with the credit risk portfolio. By comparing the forecasting values available from third-party organisations, we also evaluated the reasonableness of the financial indicator estimates, and conducted sensitivity tests on financial scenarios and weightings. In addition, based on the consideration of significant uncertainties, we assessed the reasonableness of management's overlay adjustments and checked the accuracy of the mathematical calculation. In terms of other external information used in management's overlay adjustments, we took samples and assessed the reasonableness of the information used by management.

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
I. ECL measurement of loans and advances to customers, investment on debts and credit commitment (Continued) (4) Management's overlay adjustments for significant uncertainties not covered by the model; and (5) Future cash flow forecast for loans and advances to corporates and investment on debts in stage 3 Ping An Bank has established relevant governance process and control mechanism for ECL measurement. In ECL measurement, Ping An Bank applied complex models, used a large number of parameters and data, and incorporated management's significant judgements and assumptions. Meanwhile, due to the contract exposures of loans and advances to customers, investment on debts and credit commitments and because the related provisions for loss impairment were significant, we recognised the ECL measurement as a key audit matter.	For loans and advances to corporates and investment on debts in stage 3, we selected samples and checked the loss provisions calculated based on the expected future cash flows and discount rates derived from the financial information of borrowers and guarantors, the latest appraisal value of collateral and other information obtained. Based on the procedures we implemented, we considered that the models applied, key parameters used, significant judgements and assumptions involved and measurement results in the ECL assessment were acceptable.

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
II. Consolidation assessment of structured entities Refer to Note II 6, Note II 36(iv), and Note III 52 to the financial statements Ping An Bank managed and invested in several structured entities. As at 31 December 2020, the total volume of unconsolidated wealth management products managed by Ping An Bank among all structured entities was RMB648,185 million and the total volume of asset securitisation products was RMB21,820 million; and the carrying amount (including accrued interest) of unconsolidated structured entities by Ping An Bank was RMB305,195 million. Management mainly assessed three aspects, namely Ping An Bank's power in the structured entities, variable returns from the structured entities and the ability of Ping An Bank in using the power in the structured entities to affect its returns, to decide whether to consolidate its managed or invested structured entities.	We understood, assessed and tested the effectiveness of design and implementation of internal controls related to evaluating the consolidation of structured entities. These internal controls mainly included approval of transaction structures and contract terms, and review and approval of consolidation assessment and results. In addition, we checked supporting documents of structured entities managed or invested by Ping An Bank on a sampling basis, including related contracts, internal documents and information obtained as an investor or disclosed to investors, and assessed whether Ping An Bank had control over the structured entities by conducting the following audit procedures: (1) We acquired an understanding of the purpose of setting up the structured entities and the participation of Ping An Bank in the structured entities, and assessed management's judgement regarding whether Ping An Bank had power over the structured entities; (2) We checked the structure design of risks and rewards by the structured entities, including any assets owned in the structured entities by Ping An Bank or guarantee for its income, arrangement for providing liquidity support, payment of expenses and allocation of income etc., to assess the magnitude and variability of the variable returns from the structured entities owned by Ping An Bank as judged by management;

Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matters
II. Consolidation assessment of structured entities (Continued) Considering the scale of Ping An Bank's structured entities and the significant management judgements required for consolidation evaluation of the structured entities, we recognised consolidation assessment of structured entities as a key audit matter.	(3) We determined Ping An Bank's role in the aforesaid activities as an agent or a principal in charge based on whether the Bank was able to influence the amount of return by exercising its rights over the structured entities, including analysing Ping An Bank's decision scope, rewards gained, other interests, and other participators' rights. Based on the adopted procedures, the consolidation judgements made by management with regard to the structured entities are acceptable.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of Ping An Bank is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing Ping An Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Ping An Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Ping An Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Ping An Bank to cease to continue as a going concern.
- Evaluate the overall presentation, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Ping An Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

PricewaterhouseCoopers Zhong Tian LLP Signing CPA

Chen Anqiang (Engagement Partner)

Shanghai, the People's Republic of China
1 February 2021

Signing CPA

Liu Yufeng

PING AN BANK CO., LTD.

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

		The Group	
	Note III	31 December 2020	31 December 2019
ASSETS			
Cash and balances with the Central Bank	1	283,982	252,230
Deposits with banks and other financial institutions	2	106,174	85,684
Precious metals		31,340	51,191
Placements with and loans to banks and other financial institutions	3	70,996	79,369
Derivative financial assets	4	36,607	18,500
Financial assets held under resale agreements	5	95,314	62,216
Loans and advances to customers	6	2,610,841	2,259,349
Financial investments:			
Financial assets held for trading	7	311,270	206,682
Investment on debts	8	633,619	656,290
Other investment on debts	9	197,073	182,264
Other equity investments	10	1,649	1,844
Investment properties	12	573	247
Property and equipment	13	10,893	11,092
Right-of-use assets	14	7,149	7,517
Intangible assets	15	3,852	4,361
Goodwill	16	7,568	7,568
Deferred income tax assets	17	39,034	34,725
Other assets	18	20,580	17,941
TOTAL ASSETS		4,468,514	3,939,070

PING AN BANK CO., LTD.

CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2020

(All amounts in RMB million unless otherwise stated)

[English translation for reference only]

		The Group	
	Note III	31 December 2020	31 December 2019
Liabilities			
Borrowings from the Central Bank	20	124,587	113,331
Deposits from banks and other financial institutions	21	469,551	368,691
Placements from banks and other financial institutions	22	41,034	26,071
Financial liabilities held for trading	23	31,505	29,691
Derivative financial liabilities	4	41,485	21,404
Financial assets sold under repurchase agreements	24	35,286	40,099
Due to customers	25	2,695,935	2,459,768
Employee benefits payable	26	16,959	14,218
Taxes payable	27	11,444	12,031
Debt securities issued	28	611,865	513,762
Lease liabilities	14	7,346	7,600
Provisions	29	958	1,734
Deferred income tax liabilities	17	2	-
Other liabilities	30	16,426	17,687
Total liabilities		4,104,383	3,626,087
Shareholders' equity			
Share capital	31	19,406	19,406
Other equity instrument	32	69,944	39,948
Including: Preference shares		19,953	19,953
Perpetual bonds		49,991	19,995
Capital reserve	33	80,816	80,816
Other comprehensive income	47	462	2,314
Surplus reserve	34	10,781	10,781
General reserve	35	51,536	46,348
Retained earnings	36	131,186	113,370
Total shareholders' equity		364,131	312,983
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,468,514	3,939,070

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

The financial statements are signed by:

Legal representative	President	Vice President and CFO	Head of finance department
Xie Yonglin	Hu Yuefei	Xiang Youzhi	Zhu Peiqing

PING AN BANK CO., LTD.

**BANK BALANCE SHEET
AS AT 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

		The Bank	
	Note III	31 December 2020	31 December 2019
ASSETS			
Cash and balances with the Central Bank	1	283,982	252,230
Deposits with banks and other financial institutions	2	106,060	85,684
Precious metals		31,340	51,191
Placements with and loans to banks and other financial institutions	3	70,996	79,369
Derivative financial assets	4	36,607	18,500
Financial assets held under resale agreements	5	94,749	62,216
Loans and advances to customers	6	2,610,841	2,259,349
Financial investments:			
Financial assets held for trading	7	308,700	206,682
Investment on debts	8	633,619	656,290
Other investment on debts	9	195,661	182,264
Other equity investments	10	1,649	1,844
Long-term equity investments	11	5,000	-
Investment properties	12	573	247
Property and equipment	13	10,893	11,092
Right-of-use assets	14	7,097	7,517
Intangible assets	15	3,852	4,361
Goodwill	16	7,568	7,568
Deferred income tax assets	17	39,034	34,725
Other assets	18	20,558	17,941
TOTAL ASSETS		4,468,779	3,939,070

PING AN BANK CO., LTD.

**BANK BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

		The Bank	
	Note III	31 December 2020	31 December 2019
Liabilities			
Borrowings from the Central Bank	20	124,587	113,331
Deposits from banks and other financial institutions	21	469,901	368,691
Placements from banks and other financial institutions	22	41,034	26,071
Financial liabilities held for trading	23	31,505	29,691
Derivative financial liabilities	4	41,485	21,404
Financial assets sold under repurchase agreements	24	35,286	40,099
Due to customers	25	2,695,937	2,459,768
Employee benefits payable	26	16,846	14,218
Taxes payable	27	11,376	12,031
Debt securities issued	28	611,865	513,762
Lease liabilities	14	7,296	7,600
Provisions	29	958	1,734
Other liabilities	30	16,743	17,687
Total liabilities		4,104,819	3,626,087
Shareholders' equity			
Share capital	31	19,406	19,406
Other equity instrument	32	69,944	39,948
Including: Preference shares		19,953	19,953
Perpetual bonds		49,991	19,995
Capital reserve	33	80,816	80,816
Other comprehensive income	47	456	2,314
Surplus reserve	34	10,781	10,781
General reserve	35	51,534	46,348
Retained earnings	36	131,023	113,370
Total shareholders' equity		363,960	312,983
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,468,779	3,939,070

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

PING AN BANK CO., LTD.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

		The Group	
	Note III	2020	2019
I. Operating income			
Interest income	37	187,187	177,549
Interest expenses	37	(87,537)	(87,588)
Net interest income	37	99,650	89,961
Fee and commission income	38	53,296	45,903
Fee and commission expenses	38	(9,815)	(9,160)
Net fee and commission income	38	43,481	36,743
Investment income	39	9,921	9,710
Including: Gains from derecognition of financial assets measured at amortised cost		621	78
Gains and losses on changes in fair value	40	(614)	49
Net gains from foreign exchange and foreign exchange products	41	762	1,196
Other operating income	42	111	110
Gains or losses on disposal of assets		57	(30)
Other income		174	219
Total operating income		153,542	137,958
II. Operating expenses			
Taxes and surcharges	43	(1,525)	(1,290)
Business and administrative expenses	44	(44,690)	(40,852)
Total operating expenses		(46,215)	(42,142)
III. Operating profit before impairment losses on assets		107,327	95,816
Impairment losses on credit	45	(69,611)	(58,471)
Impairment losses on other assets		(807)	(1,056)
IV. Operating profit		36,909	36,289
Add: Non-operating income		77	99
Less: Non-operating expenses		(232)	(148)
V. Profit before tax		36,754	36,240
Less: Income tax expenses	46	(7,826)	(8,045)
VI. Net profit		28,928	28,195
(I) Net profit from continued operations		28,928	28,195
(II) Net profit from discontinued operations		-	-

PING AN BANK CO., LTD.

CONSOLIDATED INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB million unless otherwise stated)
 [English translation for reference only]

		The Group	
	Note III	2020	2019
VII. Other comprehensive income, net of tax	47		
(I) Not to be reclassified into profit or loss in subsequent periods			
Changes in fair value of other equity investments		(476)	(5)
(II) To be reclassified into profit or loss in subsequent periods			
1. Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income		(1,524)	558
2. Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income		(66)	974
3. Cash flow hedging reserve		209	-
4. Exchange differences on translation of foreign currency financial statements		5	1
Sub-total		(1,376)	1,533
Total other comprehensive income		(1,852)	1,528
VIII. Total comprehensive income		27,076	29,723
IX. Earnings per share			
Basic earnings per share (RMB Yuan)	48	1.40	1.54
Diluted earnings per share (RMB Yuan)	48	1.40	1.45

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

PING AN BANK CO., LTD.

**BANK INCOME STATEMENT
FOR THE YEAR ENDED 31 December 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

		The Bank	
	Note III	2020	2019
I. Operating income			
Interest income	37	187,172	177,549
Interest expenses	37	(87,547)	(87,588)
Net interest income	37	99,625	89,961
Fee and commission income	38	53,283	45,903
Fee and commission expenses	38	(10,137)	(9,160)
Net fee and commission income	38	43,146	36,743
Investment income	39	9,906	9,710
Including: Gains from derecognition of financial assets measured at amortised cost		621	78
Gains and losses on changes in fair value	40	(616)	49
Net gains from foreign exchange and foreign exchange products	41	762	1,196
Other operating income	42	111	110
Gains or losses on disposal of assets		57	(30)
Other income		174	219
Total operating income		153,165	137,958
II. Operating expenses			
Taxes and surcharges	43	(1,522)	(1,290)
Business and administrative expenses	44	(44,530)	(40,852)
Total operating expenses		(46,052)	(42,142)
III. Operating profit before impairment losses on assets		107,113	95,816
Impairment losses on credit	45	(69,611)	(58,471)
Impairment losses on other assets		(807)	(1,056)
IV. Operating profit		36,695	36,289
Add: Non-operating income		77	99
Less: Non-operating expenses		(232)	(148)
V. Profit before tax		36,540	36,240
Less: Income tax expenses	46	(7,777)	(8,045)
VI. Net profit		28,763	28,195
(I) Net profit from continued operations		28,763	28,195
(II) Net profit from discontinued operations		-	-

PING AN BANK CO., LTD.

**BANK INCOME STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 December 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

		The Bank	
	Note III	2020	2019
VII. Other comprehensive income, net of tax	47		
(I) Not to be reclassified into profit or loss in subsequent periods			
Changes in fair value of other equity investments		(476)	(5)
(II) To be reclassified into profit or loss in subsequent periods			
1. Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income		(1,530)	558
2. Provision for credit losses on financial assets designated at fair value and changes included into other comprehensive income		(66)	974
3. Cash flow hedging reserve		209	-
4. Exchange differences on translation of foreign currency financial statements		5	1
Sub-total		(1,382)	1,533
Total other comprehensive income		(1,858)	1,528
VIII. Total comprehensive income		26,905	29,723

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

PING AN BANK CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)

[English translation for reference only]

	Note	The Group							Total shareholders' equity
		Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	
I. As at 31 December 2019		19,406	39,948	80,816	2,314	10,781	46,348	113,370	312,983
II. Movements in the year									
(i) Net profit		-	-	-	-		-	28,928	28,928
(ii) Other comprehensive income	III 47	-	-	-	(1,852)		-	-	(1,852)
Total comprehensive income		-	-	-	(1,852)		-	28,928	27,076
(iii) Capital contribution by shareholders									
1. Capital contribution by shareholders of other equity instrument		-	29,996	-	-		-	-	29,996
(iv) Profit appropriation									
1. Appropriation to surplus reserve	III 34	-	-	-	-		-	-	-
2. Appropriation to general reserve	III 35	-	-	-	-		5,188	(5,188)	-
3. Dividends on ordinary shares	III 36	-	-	-	-		-	(4,230)	(4,230)
4. Dividends on preference shares	III 36	-	-	-	-		-	(874)	(874)
5. Interest on perpetual bonds	III 36	-	-	-	-		-	(820)	(820)
III. As at 31 December 2020		19,406	69,944	80,816	462	10,781	51,536	131,186	364,131

PING AN BANK CO., LTD.

**BANK STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)

[English translation for reference only]

	Note	The Bank						Total shareholders' equity
		Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings
I. As at 31 December 2019		19,406	39,948	80,816	2,314	10,781	46,348	113,370
II. Movements in the year								
(i) Net profit		-	-	-	-	-	-	28,763
(ii) Other comprehensive income	III 47	-	-	-	(1,858)	-	-	-
Total comprehensive income		-	-	-	(1,858)	-	-	28,763
(iii) Capital contribution by shareholders								
1. Capital contribution by shareholders of other equity instrument		-	29,996	-	-	-	-	-
(iv) Profit appropriation								
1. Appropriation to surplus reserve	III 34	-	-	-	-	-	-	-
2. Appropriation to general reserve	III 35	-	-	-	-	-	5,186	(5,186)
3. Dividends on ordinary shares	III 36	-	-	-	-	-	-	(4,230)
4. Dividends on preference shares	III 36	-	-	-	-	-	-	(874)
5. Interest on perpetual bonds	III 36	-	-	-	-	-	-	(820)
III. As at 31 December 2020		19,406	69,944	80,816	456	10,781	51,534	131,023

PING AN BANK CO., LTD.

**CONSOLIDATED AND BANK STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)

[English translation for reference only]

		The Group and the Bank							
	Note	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total shareholders' equity
I. As at 31 December 2018		17,170	19,953	56,465	786	10,781	39,850	95,037	240,042
II. Movements in the year									
(i) Net profit	III 47	-	-	-	-	-	-	28,195	28,195
(ii) Other comprehensive income		-	-	-	1,528	-	-	-	1,528
Total comprehensive income		-	-	-	1,528	-	-	28,195	29,723
(iii) Capital contribution by shareholders									
1. Transfer of convertible corporate bonds to share capital and capital reserve		2,236	-	24,351	-	-	-	-	26,587
2. Capital contribution by shareholders of other equity instrument		-	19,995	-	-	-	-	-	19,995
(iv) Profit appropriation									
1. Appropriation to surplus reserve		-	-	-	-	-	-	-	-
2. Appropriation to general reserve		-	-	-	-	-	6,498	(6,498)	-
3. Dividends on ordinary shares		-	-	-	-	-	-	(2,490)	(2,490)
4. Dividends on preference shares		-	-	-	-	-	-	(874)	(874)
III. As at 31 December 2019		19,406	39,948	80,816	2,314	10,781	46,348	113,370	312,983

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

PING AN BANK CO., LTD.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

		The Group	
	Note III	2020	2019
I. Cash flows from operating activities			
Net decrease in amounts due from the Central Bank and deposits with banks and other financial institutions		20,946	19,864
Net increase in borrowings from the Central Bank		11,012	-
Net increase in customer deposits and deposits from banks and other financial institutions		335,675	285,850
Net decrease in placements with and loans to banks and other financial institutions		5,302	-
Net increase in placements from banks and other financial institutions		15,140	1,311
Net increase in financial assets sold under repurchase agreements		-	32,189
Net decrease in financial assets held under resale agreements		57	87
Cash received from interest and fee and commission income		218,484	201,527
Cash received relating to other operating activities	50	46,996	46,386
Sub-total of cash inflows		<u>653,612</u>	<u>587,214</u>
Net decrease in borrowings from the Central Bank		-	(36,303)
Net increase in loans and advances to customers		(405,611)	(374,197)
Net increase in placements with banks and other financial institutions		-	(12,209)
Net decrease in financial assets sold under repurchase agreements		(4,602)	-
Net increase in financial assets held for trading		(113,364)	(56,489)
Cash payments for interest and fee and commission expenses		(80,185)	(80,989)
Cash paid to and on behalf of employees		(17,829)	(18,090)
Payments of taxes and surcharges		(24,525)	(22,879)
Cash paid relating to other operating activities	51	(23,657)	(26,083)
Sub-total of cash outflows		<u>(669,773)</u>	<u>(627,239)</u>
Net cash flows used in operating activities		<u>(16,161)</u>	<u>(40,025)</u>

PING AN BANK CO., LTD.

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in RMB million unless otherwise stated)
 [English translation for reference only]

		The Group	
	Note III	2020	2019
II. Cash flows from investing activities			
Cash received from investments upon disposal/maturity		661,967	435,711
Cash received from returns on investments		36,942	30,934
Cash received from disposal of property and equipment and other long-term assets		377	164
Sub-total of cash inflows		<u>699,286</u>	<u>466,809</u>
Cash payments for investments		(679,852)	(565,312)
Cash paid to acquire property and equipment, intangible assets and other long-term assets		(3,490)	(3,553)
Sub-total of cash outflows		<u>(683,342)</u>	<u>(568,865)</u>
Net cash flows from/(used in) investing activities		<u>15,944</u>	<u>(102,056)</u>
III. Cash flows from financing activities			
Cash received from debt securities and other equity instruments issued	28, 32	806,570	609,328
Sub-total of cash inflows		<u>806,570</u>	<u>609,328</u>
Cash payments for principal of debt securities		(690,400)	(441,513)
Cash payments for interest of debt securities		(3,980)	(3,831)
Cash payments for dividend and profit appropriation		(5,924)	(3,364)
Cash payments for lease liabilities		(2,865)	(1,953)
Sub-total of cash outflows		<u>(703,169)</u>	<u>(450,661)</u>
Net cash flows from financing activities		<u>103,401</u>	<u>158,667</u>
IV. Effect of foreign exchange rate changes on cash and cash equivalents		<u>(3,292)</u>	<u>671</u>
V. Net increase in cash and cash equivalents		99,892	17,257
Add: Cash and cash equivalents at the beginning of the year		<u>179,058</u>	<u>161,801</u>
VI. Cash and cash equivalents at the end of the year	49	<u>278,950</u>	<u>179,058</u>

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

PING AN BANK CO., LTD.

**CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

		The Group	
	Note III	2020	2019
SUPPLEMENTARY INFORMATION			
1. Adjustments for net profit to cash flows generated from operating activities			
Net profit		28,928	28,195
Adjusted for:			
Impairment losses on credit		69,611	58,471
Impairment losses on other assets		807	1,056
Interest income of impaired financial assets		(260)	(481)
Depreciation of investment properties		23	11
Depreciation of property and equipment		1,508	1,426
Depreciation of right-of-use assets		2,663	2,259
Amortisation of intangible assets		1,059	1,307
Amortisation of long-term prepaid expenses		630	597
Net losses from disposal of property and equipment and other long-term assets		26	21
Gains or losses from changes in fair value of financial instruments		(1,055)	1,368
Gains from changes in fair values of foreign exchange derivatives		1,771	(708)
Interest on investment and investment income		(33,754)	(32,569)
Increase in deferred income tax assets		(3,688)	(5,766)
Interest expenses of lease liabilities		218	204
Interest expenses on debt securities issued		15,909	14,477
Increase in operating receivables		(483,076)	(416,497)
Increase in operating payables		382,515	306,600
Provision for expected litigation losses		4	4
Net cash flows used in operating activities		<u>(16,161)</u>	<u>(40,025)</u>
2. Net increase in cash and cash equivalents			
Cash at the end of the year	49	3,805	5,459
Less: Cash at the beginning of the year		(5,459)	(5,015)
Add: Cash equivalents at the end of the year	49	275,145	173,599
Less: Cash equivalents at the beginning of the year		(173,599)	(156,786)
Net increase in cash and cash equivalents		<u>99,892</u>	<u>17,257</u>

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

PING AN BANK CO., LTD.

**BANK CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

		The Bank	
	Note III	2020	2019
I. Cash flows from operating activities			
Net decrease in amounts due from the Central Bank and deposits with banks and other financial institutions		20,946	19,864
Net increase in borrowings from the Central Bank		11,012	-
Net increase in customer deposits and deposits from banks and other financial institutions		336,027	285,850
Net decrease in placements with and loans to banks and other financial institutions		5,302	-
Net increase in placements from banks and other financial institutions		15,140	1,311
Net increase in financial assets sold under repurchase agreements		-	32,189
Net decrease in financial assets held under resale agreements		57	87
Cash received from interest and fee and commission income		218,474	201,527
Cash received relating to other operating activities	50	46,996	46,386
Sub-total of cash inflows		653,954	587,214
Net decrease in borrowings from the Central Bank		-	(36,303)
Net increase in loans and advances to customers		(405,611)	(374,197)
Net increase in placements with banks and other financial institutions		-	(12,209)
Net decrease in financial assets sold under repurchase agreements		(4,602)	-
Net increase in financial assets held for trading		(110,897)	(56,489)
Cash payments for interest and fee and commission expenses		(80,195)	(80,989)
Cash paid to and on behalf of employees		(17,827)	(18,090)
Payments of taxes and surcharges		(24,523)	(22,879)
Cash paid relating to other operating activities	51	(23,633)	(26,083)
Sub-total of cash outflows		(667,288)	(627,239)
Net cash flows used in operating activities		(13,334)	(40,025)

PING AN BANK CO., LTD.

**BANK CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

		The Bank	
	Note III	2020	2019
II. Cash flows from investing activities			
Cash received from investments upon disposal/maturity		661,967	435,711
Cash received from returns on investments		36,942	30,934
Cash received from disposal of property and equipment and other long-term assets		377	164
Sub-total of cash inflows		<u>699,286</u>	<u>466,809</u>
Cash payments for investments		(683,451)	(565,312)
Cash paid to acquire property and equipment, intangible assets and other long-term assets		(3,490)	(3,553)
Sub-total of cash outflows		<u>(686,941)</u>	<u>(568,865)</u>
Net cash flows from/(used in) investing activities		<u>12,345</u>	<u>(102,056)</u>
III. Cash flows from financing activities			
Cash received from debt securities and other equity instruments issued	28, 32	806,570	609,328
Sub-total of cash inflows		<u>806,570</u>	<u>609,328</u>
Cash payments for principal of debt securities		(690,400)	(441,513)
Cash payments for interest of debt securities		(3,980)	(3,831)
Cash payments for dividend and profit appropriation		(5,924)	(3,364)
Cash payments for lease liabilities		(2,859)	(1,953)
Sub-total of cash outflows		<u>(703,163)</u>	<u>(450,661)</u>
Net cash flows from financing activities		<u>103,407</u>	<u>158,667</u>
IV. Effect of foreign exchange rate changes on cash and cash equivalents		<u>(3,292)</u>	<u>671</u>
V. Net increase in cash and cash equivalents		99,126	17,257
Add: Cash and cash equivalents at the beginning of the year		<u>179,058</u>	<u>161,801</u>
VI. Cash and cash equivalents at the end of the year	49	<u>278,184</u>	<u>179,058</u>

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

PING AN BANK CO., LTD.

**BANK CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

		The Bank	
	Note III	2020	2019
SUPPLEMENTARY INFORMATION			
1. Adjustments for net profit to cash flows generated from operating activities			
Net profit		28,763	28,195
Adjusted for:			
Impairment losses on credit		69,611	58,471
Impairment losses on other assets		807	1,056
Interest income of impaired financial assets		(260)	(481)
Depreciation of investment properties		23	11
Depreciation of property and equipment		1,508	1,426
Depreciation of right-of-use assets		2,660	2,259
Amortisation of intangible assets		1,059	1,307
Amortisation of long-term prepaid expenses		630	597
Net losses from disposal of property and equipment and other long-term assets		26	21
Gains or losses from changes in fair value of financial instruments		(1,053)	1,368
Gains from changes in fair values of foreign exchange derivatives		1,771	(708)
Interest on investment and investment income		(33,751)	(32,569)
Increase in deferred income tax assets		(3,688)	(5,766)
Interest expenses of lease liabilities		218	204
Interest expenses on debt securities issued		15,909	14,477
Increase in operating receivables		(480,231)	(416,497)
Increase in operating payables		382,660	306,600
Provision for expected litigation losses		4	4
Net cash flows used in operating activities		<u>(13,334)</u>	<u>(40,025)</u>
2. Net increase in cash and cash equivalents			
Cash at the end of the year	49	3,805	5,459
Less: Cash at the beginning of the year		(5,459)	(5,015)
Add: Cash equivalents at the end of the year	49	274,379	173,599
Less: Cash equivalents at the beginning of the year		(173,599)	(156,786)
Net increase in cash and cash equivalents		<u>99,126</u>	<u>17,257</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

I. GENERAL INFORMATION

Ping An Bank Co., Ltd. (formerly known as Shenzhen Development Bank Co., Ltd.) (hereinafter referred to as the “Bank”) was established in Shenzhen Special Economic Zone in the People’s Republic of China (the “PRC”) as a result of the restructuring of six rural credit cooperatives into a joint stock commercial bank with limited liability. The Bank was established on 22 December 1987 after the initial public offering of its RMB ordinary shares on 10 May 1987. The Bank was listed on the Shenzhen Stock Exchange on 3 April 1991 and the stock code is 000001. As at 31 December 2020, the share capital of the Bank amounted to RMB19,406 million, with a face value of RMB1 per share.

Board resolutions on *Proposal of SDB on the Scheme of Merger of the Controlling Subsidiary Ping An Bank Co., Ltd. through Absorption* and *Proposal of SDB on Signing the Absorption Merger Agreement with Ping An Bank Co., Ltd.* signed between the Bank and the former Ping An Bank Company Limited (hereinafter referred to as “Former Ping An Bank”) were approved during the first extraordinary general meeting held on 9 February 2012. The absorption and merger plan had been approved by the China Banking and Insurance Regulatory Commission (“CBIRC”, formerly named as “China Banking Regulatory Commission”) in accordance with *China Banking Regulatory Commission’s Approval of Absorption of Ping An Bank Co., Ltd. by Shenzhen Development Bank Co., Ltd.* (Yin Jian Fu [2012] No. 192).

On 12 June 2012, the Shenzhen Market Supervision and Management Bureau approved Former Ping An Bank’s deregistration application. In July 2012, as approved by the CBIRC in accordance with *China Banking Regulatory Commission on the Approval for the Renaming of Shenzhen Development Bank* (Yin Jian Fu [2012] No. 397), the Chinese name of the Bank, “深圳发展银行股份有限公司”, was changed to “平安银行股份有限公司”. The English name of “Shenzhen Development Bank Co., Ltd.” was changed to “Ping An Bank Co., Ltd.”.

On 16 December 2019, the Bank opened a branch in Hong Kong Special Administrative Region, China (“Hong Kong”). As at 31 December 2020, the Bank had branches in Mainland China and Hong Kong. The Bank’s Head Office and domestic branches are collectively referred to as “domestic institutions” and its overseas branches are collectively referred to as “overseas institutions”.

The registered office of the Bank is located at No. 5047, Shennan Road East, Luohu District, Shenzhen, Guangdong Province, the PRC. Headquartered in Shenzhen, the Bank operates its business in Mainland China. The institution number of the Bank on No. 00386413 financial license issued by the CBIRC is B0014H144030001. The business license number of the Bank issued by Shenzhen Market Supervision and Management Bureau is 91440300192185379H.

On 19 August 2020, the Bank received *China Banking and Insurance Regulatory Commission on the Approval for the Opening of Ping An Wealth Management Co., Ltd.* (Yin Bao Jian Fu [2020] No. 513), which approved the opening of Ping An Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank. According to the approval of China Banking and Insurance Regulatory Commission, the registered capital of Ping An Wealth Management Co., Ltd. is RMB5,000 million. It is principally engaged in the businesses related to asset management such as the issuance of public financing products, the issuance of private financing products, financial advisory and consulting.

The Bank is principally engaged in authorised commercial activities. The ultimate holding company of the Bank and its subsidiaries is Ping An Insurance (Group) Company of China, Ltd.

The financial statements were approved and authorised for issue by the Board on 1 February 2021.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, the specific accounting standards, the application guidance for *Accounting Standards for Business Enterprises* issued subsequently, interpretations of *Accounting Standards for Business Enterprises* and other relevant regulations (hereinafter collectively referred to as “CAS”) issued by the Ministry of Finance of the People’s Republic of China (hereinafter referred to as “the Ministry of Finance”) on 15 February 2006 and in subsequent periods and the disclosure requirements in the *Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Rules on Financial Reporting* issued by the China Securities Regulatory Commission (hereinafter referred to as “the CSRC”).

The financial statements are prepared on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

2. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements are prepared in compliance with the *Accounting Standards for Business Enterprises*, and truly and completely present the consolidated and company financial position of the Group as at 31 December 2020 and its financial performance, cash flows and other information for the year then ended.

3. Accounting year

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

4. Recording currency

The recording currency of the Group's domestic branches is RMB and the recording currency of the Group's overseas branches is determined based on the currency of the primary economic environment in which they operate. The currency adopted for preparation of the financial statements is RMB. All amounts are presented in RMB million unless otherwise stated.

5. Accounting basis and evaluation principle

The Group's financial statements have been prepared on an accrual basis using the historical cost as the basis of measurement, except for financial assets/liabilities held for trading, derivatives, placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income, loans and advances to customers designated at fair value and changes included into other comprehensive income, other investment on debts and other equity investments that have been measured at fair value. If an asset is impaired, a provision for impairment loss of the asset is recognised in accordance with the relevant requirements.

6. Business combination and consolidated financial statements

Business combination refers to a transaction or event bringing together two or more separate enterprises into one reporting entity. Business combinations are classified into the business combination under common control and the business combination not under common control.

Business combinations involving enterprises under common control

Business combination under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary. In a business combination under common control, the party which obtains control of other combining enterprise(s) on the combining date is the combining party, and the other combining enterprise(s) is (are) the combined party. The "combining date" refers to the date on which the combining party actually obtains control on the combined party.

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital reserve. If the capital reserve is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issuance of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

Business combinations involving enterprises not under common control

Business combination not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. In a business combination not under common control, the party which obtains the control on other combining enterprise(s) on the acquisition date is the acquirer, and the other combining enterprise(s) is (are) the acquiree. The "acquisition date" refers to the date on which the acquirer actually obtains the control on the acquiree.

For the business combination not under common control, the acquirer shall, on the acquisition date, measure the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree in light of their fair values.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

6. Business combination and consolidated financial statements (Continued)

Business combinations involving enterprises not under common control (Continued)

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. The acquirer shall recognise the positive difference between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill and recognise the negative difference in profit or loss of the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issuance of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

Preparation of consolidated financial statements

The consolidated financial statements are prepared on the basis of where control is achieved, including the Group and all its subsidiaries (including the structured entities).

Subsidiaries are the entities controlled by the Group. Control means having power over an investee, enjoying variable returns through involvement in relevant activities of the investee, and being able to impact the amount of such variable returns by using the power over the investee. The Group consolidates the subsidiaries at the date when control is achieved, and stops consolidating at the date when control is lost.

A structured entity refers to an entity of which, when controller of an entity is determined, the voting rights or similar rights do not compose a decisive factor affecting the design of entity structure (e.g. the voting rights are only related to administrative affairs), and relevant activities of the entity are carried out in accordance with contracts or corresponding arrangements.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date when such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Bank, comes under common control of the ultimate controlling party. The portion of the net profits realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Bank and subsidiaries, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and the accounting period of the Bank. For subsidiaries acquired from business combinations involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair values of the identifiable net assets at the acquisition date.

All significant intra-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. A subsidiary's shareholders' equity, net profits and losses and comprehensive income for the period not attributable to the Bank are recognised as non-controlling interests, profits and losses attributable to minority interests and total comprehensive income attributable to minority interests, and are presented separately in the consolidated financial statements under shareholders' equity, net profit and total comprehensive income respectively. Where a subsidiary's loss for the current period attributed to the non-controlling shareholders exceed their share of owners' equity of the subsidiary at the beginning of the period, the excess shall be allocated to non-controlling interests. Unrealised gains or losses resulting from the sales of assets by the Bank to its subsidiaries are fully eliminated against net profit attributable to owners of the Bank. Unrealised gains or losses resulting from the sales of assets by a subsidiary to the Bank are eliminated and allocated between net profit attributable to owners of the Bank and non-controlling interests by the allocation ratio of the Bank with respect to the subsidiary. Unrealised gains or losses resulting from the sales of assets by one subsidiary to another are eliminated and allocated between net profit attributable to owners of the Bank and non-controlling interests by the allocation ratio of the Bank with respect to the subsidiary.

If a transaction is accounted for by the Bank or its subsidiary in a way different from the Group, it is adjusted to conform to the way of the Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

7. Foreign currency translation

The Group translates the amount of foreign currency transactions into its recording currency.

Foreign currency transactions are translated into recording currency on initial recognition using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated using the spot exchange rate at the balance sheet date. All exchange differences are recognised in “Net gains from foreign exchange and foreign exchange products” or “Other comprehensive income” in the income statement. Non-monetary items denominated in foreign currencies measured at historical cost continue to be translated at the spot exchange rates at the dates of the transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined. All exchange differences are recognised in “Net gains from foreign exchange and foreign exchange products” or “Other comprehensive income” in the income statement.

Assets and liabilities from overseas institutions in the balance sheet are translated using the spot exchange rate at the balance sheet date, and items, except for retained earnings, in shareholders' equity are translated using the spot exchange rate at the time of the transaction. Revenues and expenses from overseas institutions in income statement are translated using the spot exchange rate at the dates of the transactions. Exchange differences on translation of foreign currency financial statements resulting from the above translation are included in other comprehensive income. Cash flows from overseas institutions are translated using the spot exchange rate on the date when the cash flows occur. Effect of foreign exchange rate changes on cash shall be separately presented in cash flow statement.

8. Precious metals

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

9. Financial assets and liabilities

(i) Initial recognition and measurement of financial instruments

Financial assets or liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, financial assets and liabilities are measured at fair value by the Group. For financial assets or financial liabilities not designated at fair value and changes included into the profits and losses for the period, transaction costs (such as commission and fee) that are directly attributable to the acquisition or issuance of financial assets or liabilities are added or deducted. Transaction costs for financial assets and liabilities designated at fair value and changes included into the profits and losses for the period are recognised as expenses through profit or loss. After initial recognition, for financial assets measured at amortised cost and investments in debt instruments designated at fair value and changes included into other comprehensive income, their expected credit losses are immediately recognised in profit or loss.

When the fair value of the financial assets and liabilities at initial recognition is different from their transaction costs, the Group confirms the difference in the following ways:

- (i) If the fair value is determined based on the quoted price in active markets (i.e., Level 1 inputs) for identical assets or liabilities or based on valuation techniques using only observable market data, the difference is recognised in profit or loss.
- (ii) In other cases, the Group defers the difference and determines each time point for recognising the profit or loss after the first deferral date. The difference may be amortised over the lifetime of the financial instruments, or deferred until the fair value of the instruments can be determined using observable market data, or recognised in profit or loss when the financial instruments are settled.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

9. Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement of financial assets

Classification

The Group classifies its financial assets into the following categories:

- Financial assets designated at fair value and changes included into the profits and losses for the period
- Financial assets designated at fair value and changes included into other comprehensive income
- Financial assets measured at amortised cost

Financial assets are classified based on the business model governing those financial assets and the characteristics of the corresponding contractual cash flows.

The business model reflects how the Group manages its financial assets to generate cash flows. In other words, it reflects whether the Group's goal is only collecting contractual cash flows of the assets, or both collecting contractual cash flows and trading the financial assets. If neither of the above is applicable (e.g., holding the financial assets for trading), the financial asset group falls into the category of "others" for business model and is classified as financial assets designated at fair value and changes included into the profits and losses for the period.

If the business model is collecting contractual cash flows, or includes both collecting contractual cash flows and trading the financial assets, the Group will assess whether the cash flows of financial instruments are solely payments of principal and interest. In the assessment, the Group considers whether the contractual cash flows are consistent with basic lending arrangements, that is, the interest only includes the time value of currency, credit risk, other basic lending risks and considerations for profit rates in compliance with the basic lending arrangements. If contract terms lead to risks or volatility exposures inconsistent with basic lending arrangements, the relevant financial assets should be classified as financial assets designated at fair value and changes included into the profits and losses for the period.

For financial assets containing embedded derivatives, the Group should analyse them as a whole when confirming if the contractual cash flows are solely payments of principal and interest.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

9. Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement of financial assets (Continued)

Subsequent measurement

Debt instruments

Debt instruments refer to the instruments that are consistent with the definition of financial liabilities from the perspective of the issuer, loans, government bonds and corporate bonds, for instance.

Subsequent measurement of a debt instrument depends on the Group's business model governing the asset and the characteristics of the asset's contractual cash flows. The Group classifies debt instruments using the following three measurement methods:

- **Measured at amortised cost:** Assets that are held for receiving contractual cash flows and for sale and whose cash flows are solely payments of principal and interest are classified into financial assets measured at amortised cost. The interest income of such financial assets is recognised using the effective interest method. The Group's debt instruments measured at amortised cost mainly comprise balances with the Central Bank, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions that are measured at amortised cost, financial assets held under resale agreements, loans and advances to customers that are measured at amortised cost, investment on debts and other receivables.

The amortised cost of a financial asset shall be measured at the initial recognition amount after making the following adjustments: (i) minus the principal repayments; (ii) plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; (iii) minus the cumulative loss provisions (only applicable to financial assets). The Group calculates the interest income of the asset using the effective interest method and presents it as "interest income".

The effective interest rate is the interest rate at which the estimated future cash flows of a financial asset or financial liability in the expected lifetime is discounted to the book balance of the financial asset (i.e., the amortised cost before deduction of loss provisions) or the amortised cost of the financial liability. When calculating the effective interest rate, the expected credit losses are not taken into account, while the transaction costs, premiums or discounts, and fees paid or received that are an integral part of the effective interest rate are included.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

9. Financial assets and liabilities (Continued)

(iii) Classification and subsequent measurement of financial assets (Continued)

Subsequent measurement (Continued)

Debt instruments (Continued)

- **Designated at fair value and changes included into other comprehensive income:** Assets that are held for receiving contractual cash flows and for sale and whose cash flows are solely payments of principal and interest are classified into financial assets designated at fair value and changes included into other comprehensive income. Such assets are subsequently designated at fair value with impairment losses or gains relating to the amortised cost of the financial asset, interest calculated using the effective interest method, net gains from foreign exchange and foreign exchange products recognised in profit or loss for the current period. Besides, other changes in the carrying amount are included in other comprehensive income. Where a financial asset is derecognised, the accumulated gains or losses that are previously recognised in other comprehensive income are transferred from equity to profit or loss. Interest income from these financial assets is calculated at effective interest rate and recognised in profit or loss. The Group's debt instruments designated at fair value and changes included into other comprehensive income mainly comprise placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income, loans and advances to customers designated at fair value and changes included into other comprehensive income and other investment on debts.

The fair value of a financial asset is the price obtained from selling an asset or paid for transferring a liability in an orderly transaction among market participants on measurement date. An orderly transaction refers to a transaction in which related assets or liabilities are traded in customary market activities in a period before the measurement date. Compulsory transactions such as liquidation are not orderly transactions.

- **Designated at fair value and changes included into the profits and losses for the period:** Financial assets not measured at amortised cost or not designated at fair value and changes included into other comprehensive income are classified as financial assets designated at fair value and changes included into the profits and losses for the period. Such assets are subsequently designated at fair value and changes included into the profits and losses for the period.

Financial assets designated at fair value and changes included into the profits and losses for the period held by the Group include financial assets held for trading and financial assets recognised as financial assets designated at fair value and changes included into the profits and losses for the period for they are not qualified as financial assets measured at amortised cost or financial assets designated at fair value and changes included into other comprehensive income. These financial assets are included in "Financial assets held for trading" in the balance sheet. Interest on financial investments included in financial assets held for trading calculated based on coupon rate is recognised in "Investment income".

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts in RMB million unless otherwise stated)
[English translation for reference only]

**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

9. Financial assets and liabilities (Continued)

(ii) Classification and subsequent measurement of financial assets (Continued)

Subsequent measurement (Continued)

Equity instruments

Equity instruments refer to the instruments that meet the definition of equity from the perspective of the issuer, that is, an instrument that does not contain contractual obligation to make a payment but is entitled to the net assets and residual income of the issuer, such as a common stock.

All equity instrument investments held by the Group are subsequently measured at fair value. Equity instrument investments not held for trading are classified as equity instrument investments designated at fair value and changes included into other comprehensive income, and included in "Other equity investments" in the balance sheet. After the designation, changes in fair value are recognised in other comprehensive income and should not be subsequently reclassified to profit or loss (even when they are disposed). Dividends as return on investment are recognised in profit or loss when the Group's right to receive dividends has been established.

(iii) Classification and subsequent measurement of financial liabilities

Financial liabilities held for trading

Financial liabilities held for trading refer to financial liabilities designated at fair value and changes included into the profits and losses for the period, including those designated by the Group itself.

Such financial liabilities are measured at fair value and their gains or losses are recognised in profit or loss for the current period. For financial liabilities designated at fair value and changes included into the profits and losses for the period, gains or losses should be recognised as follows:

- (1) For changes in fair value of the financial liabilities that arise from changes in the Group's own credit risk, the relevant amount should be recognised in other comprehensive income.
- (2) Other changes in the fair value of the financial liabilities are recognised in profit or loss.

Where a financial liability designated at fair value and changes included into the profits and losses is derecognised, the accumulated gains or losses that are previously recognised in other comprehensive income are transferred from other comprehensive income to retained earnings.

A financial liability may be designated, on initial recognition, as at fair value included into profit or loss only when one of the following conditions is satisfied:

- (1) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising the gains or losses on them on a different basis.
- (2) as stated in formal written document with respect to risk management or investment strategy, the portfolio of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, and the information is reported on that basis to the Group's key management personnel;
- (3) a hybrid instrument embedded with one or more derivatives, unless the embedded derivative does not significantly modify the cash flows of the hybrid instrument, or it is clear that a separation of the hybrid instrument from the embedded derivative is obviously inappropriate.

If a financial liability was designated as financial liability held for trading at initial recognition, it cannot be reclassified as other types of financial liabilities in subsequent periods; and other types of financial liabilities cannot be reclassified as financial liabilities held for trading, either.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

9. Financial assets and liabilities (Continued)

(iii) Classification and subsequent measurement of financial liabilities (Continued)

Convertible corporate bonds

Convertible corporate bonds include the liability component and the equity component. Liability component represents the obligation to pay the fixed principal and interest and is classified as a liability with fair value calculated using the market interest rate of a similar liability that does not have an equity conversion option, and subsequently measured at amortised cost using the effective interest method. Equity component represents the embedded option to convert liability into ordinary share, which is recognised in the owners' equity based on the difference between the total income arising from issuance of the convertible corporate bond and its liability component. Direct transaction costs are allocated in proportion of the liability component and equity component to the proceeds of issuance.

On conversion of the corporate bonds into shares, the amount transferred to "Share capital" is calculated as the par value of the shares multiplied by the number of shares converted. The difference between the book balance of the related components of the converted corporate bonds and the amount transferred to "Share capital" is recognised in "Capital reserve - Share premium".

Other financial liabilities

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

(iv) Impairment of financial assets

For debt instruments measured at amortised cost and those designated at fair value and changes included into other comprehensive income, as well as credit commitments (including bank acceptance notes, letters of guarantee issued, letters of credit issued and loan commitments), the Group assesses the expected credit losses by taking into account the forward-looking information. The Group recognises relevant impairment provision at each reporting date. The measurement of expected credit losses reflects the following factors:

- unbiased probability weighted amount determined based on the assessment of a series of possible results;
- time value of money; and
- reasonable and supportable information that is related to past events, current situation and forecasting on future economic conditions and is available without undue cost or effort at the reporting date.

Provisions for credit losses on credit commitments are presented in provisions. However, for an instrument that includes both loans and unused commitments, and the expected credit losses of loans cannot be distinguished from that of unused commitments by the Group, the loss provisions for both loans and unused commitments should be presented in the loss provisions for loans. However, if the total loss provisions surpass the book balance of the loans, the loss provisions should be presented in the provisions. For other financial assets that are subject to impairment requirements, their credit losses are recognised by adjusting their carrying amounts.

Measurement methods for assessment of expected credit losses are further described in Note VII 1.2.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

9. Financial assets and liabilities (Continued)

(v) Modification of loan contracts

The Group will renegotiate or modify customer loan contracts due to certain special circumstances at times, which will in turn lead to changes in contract cash flows. In such cases, the Group will assess if there is a substantial change in the revised contractual terms. In making the assessment, factors need to be considered include:

- (1) Where a modification of contract occurs when the borrower is suffering from financial difficulties, whether the modification only reduces the contract cash flows to the amount that is expected to be repaid by the borrower;
- (2) If there's any newly added substantial term, for example, a term in regard to right to profits/equity returns is newly added, resulting in a substantial change in the risk characteristics of the contract;
- (3) The loan term is significantly extended in the absence of financial difficulties for the borrower;
- (4) Material change happens to the loan interest rate;
- (5) Change happens to the loan currency; and
- (6) New collaterals and other credit enhancements dramatically change the level of loan credit risk.

If there is a substantial change in the revised contractual terms, the Group will derecognise the original financial asset and recognise a new financial asset at fair value. Meanwhile, a new effective interest rate is recalculated for the new asset. In this case, when applying impairment requirements to the modified financial asset, including when determining whether there is a significant increase in credit risk, the aforesaid modification date of contract will be regarded as the initial recognition date. For the above newly recognised financial asset, the Group is required to assess whether the asset is credit impaired at initial recognition, especially when the modification of contract occurs when the borrower fails to fulfil the initially agreed payment arrangement. Any change in carrying amount is recognised as gains or losses arising from derecognition, and is included into profit or loss for the period.

If there is no substantial change in the revised contractual terms, the modification of contract will not lead to de-recognition of the financial asset. The Group will recalculate the book balance of the financial asset in accordance with the revised contractual cash flows, and include gains or losses arising from the modification into profit or loss for the period. When recalculating the book balance, the original effective interest rate (or the credit-adjusted effective interest rate for purchased or originated credit-impaired financial asset) is adopted to discount the revised cash flows.

(vi) Derecognition other than modification of loan contracts

A financial asset or a part of a financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset have expired or been transferred, and (i) all the substantial risks and rewards of ownership of the financial asset have been transferred, or (ii) the Group has neither transferred nor retained substantially all risks and rewards of the ownership of the financial asset and retained no control over the financial asset.

In certain transactions, the Group retains the contractual rights to receive the cash flows, but bears the contractual obligation to transfer the received cash flows to the final payee, and has transferred all the substantial risks and rewards of ownership of the financial asset. In such case, the Group can derecognise the financial asset if the following conditions for transfer arrangement are met:

- (1) The obligation to pay the received cash flows to the final payee only exists when equivalent cash flows are received from the financial asset.
- (2) Sale or mortgage of the financial asset is prohibited; and
- (3) The Group has obligation to transfer all cash flows received from the financial asset to the final payee as early as possible.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

9. Financial assets and liabilities (Continued)

(vi) Derecognition other than modification of loan contracts (Continued)

Based on the standard repurchase agreement and collaterals (shares or bonds) provided under securities margin trading, the Group will exercise the repurchase right at a predetermined price, and retain all the substantial risks and rewards of ownership of the collaterals, the requirements for derecognition therefore are not met.

When the contractual rights to receive the cash flows from the financial asset have been transferred, and the Group has neither transferred nor retained substantially all risks and rewards of the ownership of the financial asset and retained control over the financial asset, the transferred asset shall be accounted for using the continuing involvement method, and is recognised based on the extent to which the asset is involved. Relevant liabilities are recognised accordingly to reflect the rights or obligations the Group has retained. If the transferred asset is measured at amortised cost, the net book value of the transferred asset and relevant liabilities is equal to the amortised cost of retained rights or liabilities; if the transferred asset is measured at fair value, the net book value of the transferred asset and relevant liabilities is equal to the fair value of retained rights or liabilities.

10. Financial guarantee contracts and loan commitments

Financial guarantee contract prescribes that when a particular debtor fails to pay back the debt according to the agreed terms, the contract signer must compensate the contract holders for the relevant loss.

Financial guarantee contracts are initially recognised at fair value and subsequently measured at the higher of the following amounts:

- impairment provision calculated using the method in Note II 9(iv).
- initially recognised amount net of revenue recognised under *CAS 14 - Revenue*.

Credit commitments provided by the Group are measured at impairment provision calculated using the method in Note II 9(iv).

The Group does not commit to granting loans at a price lower than the market interest rate nor settling loan commitments on a net basis by making cash payment or issuing other financial instruments.

11. Derivative financial instruments and hedging accounting

A derivative is a financial instrument, the value of which is derived from an index associated with another “underlying” financial instrument or the value of some other variables. Typically, an “underlying” financial instrument is a share, commodity or bond price, an index value or an exchange or interest rate. The Group uses derivative financial instruments such as foreign exchange category, interest rate category, precious metal and other derivatives.

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

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

11. Derivative financial instruments and hedging accounting (Continued)

Certain derivatives, such as debt for equity swap in convertible corporate bonds and interest rate based interest payments embedded in structured deposits, are embedded into hybrid contracts. In the case of a hybrid contract whose host contract is a financial asset, it is classified and measured as a whole. In the case of a hybrid contract whose host contract is not a financial asset, the embedded derivatives are separated as independent derivatives if the following criterion are met:

- (i) the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract;
- (ii) the instruments that have the same terms but exist independently meet the definition of derivatives; and
- (iii) the hybrid instruments are not designated at fair value and changes included into the profits and losses for the period.

The Group can either designate the separated embedded derivatives as at fair value and changes included into the profits and losses for the period or designate the hybrid contract whose host contract is not related to financial assets as at fair value and changes included into the profits and losses for the period.

The method for recognising changes in the fair value of a derivative financial instrument depends on whether the derivative financial instrument is designated as and meets the requirements for a hedging instrument, as well as the nature of the hedged item. The Group designates certain derivatives as cash flow hedging instruments for highly probable forecast transactions.

The Group completes the relevant hedging documentations at the inception of the hedges, including the relationship between the hedged items and the hedging instruments as well as the risk management objectives and strategy for each hedging transaction. At the inception of the hedges and in subsequently, the Group also continuously documents the assessments of the hedge effectiveness, i.e., whether the hedging instruments can effectively offset the changes in the cash flows of hedged items.

Cash flow hedging

For a derivative financial instrument designated as and meets the criteria as a cash flow hedging instrument, the portion of the fair value changes on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised as profit or loss.

The cumulative gain or loss recognised in equity is transferred to profit or loss in the period when the hedged item affects profit or loss, and recognised as income or expense of the hedged item.

When a hedging instrument expires or is sold, or the hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss recognized in equity continues to remain in equity until the hedged item affects profit or loss when it is recognised in profit or loss. When the forecast transaction is no longer expected to occur (for example, the hedged assets previously recognised have been sold), the cumulative gain or loss recognised in other comprehensive income shall be immediately reclassified into profit or loss.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

12. Offsetting of financial instruments

Financial assets and liabilities are presented separately in the balance sheet and cannot be offset. However, the net amount after offset shall be presented in balance sheet if the following conditions are met:

- (i) The enterprise has the statutory right to offset the recognised amount, and the statutory right is executable; and
- (ii) The enterprise plans a netting settlement, or meanwhile to sell the financial asset and pay off the financial liability.

When transferring the financial assets that not satisfying derecognition conditions, the transferor shall not offset the transferred financial assets and related liabilities.

13. Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

A financial instrument shall be classified as equity instrument if the following conditions are met: (i) the financial instrument does not include delivery of cash or other financial assets to other parties or contractual obligations of exchanging financial assets or financial liabilities with other parties in potential adverse conditions; and (ii) if the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Other equity instruments issued by the Group are recognised according to the actual consideration received less transaction expenses directly attributable to equity transactions.

Dividend distribution for other equity instruments in the duration is accounted for as profit distribution.

14. Long-term equity investments

Long-term equity investments comprise the Bank's long-term equity investments in its subsidiaries.

Subsidiaries are the investees over which the Bank is able to exercise control. Investments in subsidiaries are measured using the cost method in the company's financial statements, and adjusted by using the equity method when preparing the consolidated financial statements.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

14. Long-term equity investments (Continued)

Determination of investment cost

For long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the share of the carrying amount of owners' equity of the absorbed party in the consolidated financial statements of the ultimate controlling party at the combination date; for long-term equity investments acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investments acquired by payment in cash, the initial investment cost is the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued.

Subsequent measurement and recognition of profit or loss

Long-term equity investments accounted for using the cost method are measured at initial investment cost. Cash dividends or profit distributions declared by the investees are recognised as investment income in profit or loss for the current period.

For long-term equity investments that are accounted for using the equity method, where the initial investment cost exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the investment is initially measured at cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is included in profit or loss for the current period with a corresponding increase of the cost of the long-term equity investment.

Under the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group recognises net loss in an investee up to the amount by which the carrying amount of its long-term equity investment and other long-term interests that form, in substance, the Group's net investments in the investee are written down to zero. However, if the Group has obligations for additional losses and the criteria for recognition of provisions are satisfied, the Group continues to recognise the loss amount it expects to undertake. The Group's share of changes in the investee's owners' equity other than those arising from its net profit or loss, other comprehensive income and profit distribution is recognised in capital reserve with a corresponding adjustment to the carrying amount of the long-term equity investment. The carrying amount of the long-term equity investment is reduced by the Group's share of the profit distributions from or cash dividends declared by the investee. The Group's portion in the unrealised profits or losses arising from transactions between the Group and the investee is calculated by the proportion of the Group's equity interests in the investee and eliminated, before the Group recognises its investment gains or losses. With respect to the portion of losses from internal transactions between the Group and its investee that is attributable to asset impairment losses, its corresponding unrealised losses are not eliminated.

Basis for determining existence of control, joint control or significant influence over investees

Control is the power over an investee to obtain variable returns from its involvement with the investee, and the ability to use this power to influence the amount of the returns.

Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the Group and those sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Impairment of long-term equity investments

The carrying amounts of long-term equity investments in subsidiaries are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts (Note III 11).

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

15. Investment properties

Investment properties are properties held to earn rentals or for capital appreciation or both. The investment properties of the Group are buildings that are leased out and the corresponding land use rights. Investment properties are recognised only when the related economic benefits are likely to flow into the Group and the costs can be reliably measured.

The investment properties are initially measured at cost and subsequently measured using the cost model. Depreciation of investment properties is calculated using the straight-line method.

	Useful life	Estimated net residual value	Annual depreciation rate
Buildings	15-35 years	1%-5%	2.7%-6.6%

16. Property and equipment and accumulated depreciation

(i) Recognition of property and equipment

Property and equipment are recognised only when related economic benefits are likely to flow into the Group and the cost of the asset can be measured reliably.

Subsequent expenditures incurred for property and equipment that meet the above conditions are included in the cost of the property and equipment and the carrying amount of the parts that are replaced is derecognised. Otherwise, subsequent expenditures are recognised in the income statement in the period in which they are incurred.

(ii) Measurement and depreciation of property and equipment

Property and equipment are initially measured at cost. All property and equipment are stated at cost less any accumulated depreciation and any impairment provision. The cost of an asset comprises the purchase price, related taxes, and any directly attributable expenditure of bringing the asset to working condition for its intended use, such as delivery and handling costs, installation costs and professional fees.

Depreciation is calculated using the straight-line method. The Group reasonably determines the useful lives and estimated net residual values of the property and equipment according to the natures and use patterns of the property and equipment as follows:

	Useful life	Estimated net residual value	Annual depreciation rate
Buildings			
Including: Properties	15-35 years	1%-5%	2.7%-6.6%
Including: Owner-occupied property improvements	5 or 10 years	-	20.0% or 10.0%
Transportation vehicles	5-8 years	3%-5%	11.9%-19.4%
Office and electronic equipment	3-10 years	1%-5%	9.5%-33.0%

The useful life and estimated net residual value of property and equipment and the depreciation method applied are reviewed at each balance sheet date, and adjusted prospectively, if appropriate.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

17. Construction in progress

The costs of construction in progress are determined based on the actual costs incurred, including various necessary construction costs and other related expenses during the construction period. Construction in progress is not depreciated.

Construction in progress is reclassified to the appropriate category of property and equipment, or long-term prepaid expenses when completed and ready for use. The carrying amount of construction in progress is reduced to the recoverable amount when the recoverable amount is below the carrying amount.

18. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance owned or controlled by the Group.

An intangible asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. As for any intangible asset acquired in a combination, if its fair value can be measured reliably, it shall be separately recognised as an intangible asset and shall be measured at its fair value. The Group analyses and assesses the useful life of an intangible asset on the economic benefits it can generate. An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group.

An intangible asset with definite useful life is amortised over its useful life on the straight-line basis.

	Useful life	Annual depreciation rate
Software and others	3-5 years	20%-33%
Core deposits	20 years	5%

The useful life and amortisation method of intangible assets with finite useful lives are reviewed at each balance sheet date. If the expected useful life of the asset or the amortisation method differs significantly from previous assessments, the amortisation period or amortisation method is changed accordingly as a change in accounting estimate.

The useful life of intangible assets with indefinite useful lives is reassessed at each balance sheet date. If there is evidence that the useful life of the asset becomes definite, the accounting policies for intangible assets with definite useful life described above are then applied.

Expenditure incurred for an internal research and development project is recorded as expenditure on the research phase and development phase by the Group, respectively. Expenditure on the research phase is recognised in profit or loss for the period in which it occurs. Expenditure on the development phase is recognised as an intangible asset only when the following conditions are satisfied:

- (i) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (ii) The Group intends to complete the intangible asset and use or sell it;
- (iii) How the intangible asset will generate economic benefits. The enterprise shall demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (iv) There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (v) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditure on the development phase which does not meet all of the above conditions is recognised in profit or loss in the period in which it is incurred.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

19. Long-term prepaid expenses

Long term prepaid expenses are those prepaid expenses with an amortisation period of more than one year (excluding one year), mainly including leasehold improvements.

Long term prepaid expenses are amortised evenly according to the shorter one of their beneficial periods and legal periods of validity.

When long term prepaid expenses no longer provide future economic benefits, the unamortised amount is recognised in profit or loss for the period.

20. Foreclosed assets

Foreclosed assets are initially recognised at fair value. The difference between the initial fair value and the sum of the related loan principal, interest receivable and impairment provision is recorded in profit or loss for the period. At the balance sheet date, the foreclosed assets are measured at the lower of their carrying amount and the recoverable amount. When the recoverable amount is lower than the carrying amount, a provision for impairment of foreclosed assets is made and recognised in “Impairment losses on other assets” in the income statement.

21. Impairment of assets

For assets excluding financial assets and debt-expiated assets, the Group assesses impairment of assets as follows:

At each balance sheet date, the Group assesses whether there is any indication that assets may be impaired. If there is any indication that an asset may be impaired, the Group will estimate the recoverable amount and conduct impairment test for the asset. Goodwill arising from business combination and intangible assets with indefinite useful lives are tested for impairment at least annually, irrespective of whether there is any indication that it may be impaired. Intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication of impairment.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset.

Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying amount, the carrying amount of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognised in profit or loss for the current period. Simultaneously, a provision for asset impairment shall be made accordingly.

For impairment test of goodwill, the carrying amount of goodwill acquired in a business combination shall be reasonably allocated since the acquisition date to related asset unit or to related combination if it cannot be allocated to the asset unit. Related asset portfolio or combination of asset portfolios is expected to benefit from the synergies of the combination, and shall not be larger than an operating segment as defined by the Group.

When making an impairment test on the goodwill related asset portfolio or combination of asset portfolios, if there is an indication that the portfolio or combination may be impaired, the impairment test is firstly conducted for the asset portfolio or combination of asset portfolios unrelated to goodwill, with its recoverable amount calculated and the impairment loss recognised. Then the Group shall make an impairment test for the goodwill related asset portfolio or combination of asset portfolios by comparing the carrying amount with the recoverable amount. If the recoverable amount is lower than its carrying amount, the impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset portfolio or combination of asset portfolios, and then deducted from the carrying amount of other assets within the asset portfolio or combinations of asset portfolios in proportion to the carrying amount of assets other than goodwill.

Once an impairment loss is recognised, it shall not be reversed in a subsequent period.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

22. Recognition of income and expense

Income and expense are recognised to the extent that it is probable that the economic benefits will flow to or flow out of the Group and the income or expense can be reliably measured with the following specific recognition criteria met:

Interest income and interest expense

Interest income is calculated at the book balance of a financial asset multiplied by the effective interest rate, except for the following cases:

- (i) For an originated or purchased credit-impaired financial asset, the interest income is calculated at the amortised cost of the asset multiplied by the credit-adjusted original effective interest rate.
- (ii) For a financial asset that is not an originated or purchased credit-impaired financial asset, but subsequently suffers from credit impairment (or "stage 3"), the interest income is calculated at the amortised cost (i.e., net of the provision for impairment losses) multiplied by the effective interest rate.

The effective interest rate is the interest rate at which the estimated future cash inflow or outflow of a financial asset or financial liability in the expected lifetime is discounted to the book balance of the financial asset (i.e., the amortised cost before deducting the provision for impairment losses) or the amortised cost of the financial liability. The calculation of effective interest rate takes into account all contractual terms of the financial instrument and includes all fees and transaction costs that are an integral part of the effective interest rate.

Fee and commission income

The Group earns fee and commission income from a diverse range of services provided to its customers. Fee income can be divided into the following two categories:

- (i) Fee income earned from services that are provided over a certain period of time
Fees earned for the provision of services are measured on accrual basis over that period of time. These fees include commission income and asset management, custody and other management and advisory fees.
- (ii) Fee income from providing specific transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

The award credits granted by the Group to the bank card holders under customer loyalty programmes are recognised at fair value as contract liabilities. When the award credits are redeemed or expired, the amount originally recognised as contract liabilities that is related to redeemed or expired credits is recognised in profit or loss for the period.

Dividend income

Dividends are recognised when the right to receive the dividends is established.

23. Government grants

Government grants refer to the monetary or non-monetary assets obtained by the Group from the government, including tax return, financial subsidy, etc.

Government grants are recognised when the grants can be received and the Group can comply with all attached conditions. If a government grant is a monetary asset, it will be measured at the amount received or receivable. If a government grant is a non-monetary asset, it will be measured at its fair value. If it is unable to obtain its fair value reliably, it will be measured at its nominal amount.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

23. Government grants (Continued)

Government grants related to assets are either deducted against the carrying amount of the assets, or recorded as deferred income and recognised in profit or loss on a systemic basis over the useful lives of the assets. Government grants related to income that compensate the future costs, expenses or losses are recorded as deferred income and recognised in profit or loss for the period, or deducted against related costs, expenses or losses in reporting the related expenses; government grants related to income that compensate the incurred costs, expenses or losses are recognised in profit or loss for the period, or deducted against related costs, expenses or losses directly in current period. The Group applies the presentation method consistently to the similar government grants in the financial statements.

Government grants that are related to ordinary activities are included in operating profit, otherwise, they are recorded in non-operating income or expenses.

24. Income tax

Income tax includes current income tax and deferred income tax. Except for goodwill arising from a business combination and to the extent that the tax arises from a transaction or event which is recognised directly in other comprehensive income, all the income tax should be expensed or credited to profit or loss for the period as appropriate.

Current income tax

Current income tax is the amount of income taxes payable in respect of the taxable profit for a period. Taxable profit is the profit for a period, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

The current income tax liabilities or assets for the current period or previous periods are measured at the amount expected to be paid or recoverable according to the requirements of tax law.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences between the carrying amount of an asset or liability on balance sheet date and the tax base, and the difference between the tax base and the carrying amount of those items that are not recognised as assets or liabilities but have a tax base that can be determined according to tax laws.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the deferred income tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or deductible loss; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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**III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

24. Income tax (Continued)

Deferred income tax (Continued)

For deductible temporary differences and unused deductible losses and tax credits that can be carried forward to subsequent years, the Group recognises the corresponding deferred income tax asset to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, the deductible losses and tax credits can be utilised, unless the deferred income tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible loss.

For deductible temporary differences arising from investments in associates, the corresponding deferred income tax asset is recognised, to the extent that, it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available in the future, against which the temporary differences can be utilised.

At the balance sheet date, deferred income tax assets and liabilities of the Group are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirement of tax laws, and the corresponding income tax effect of such events shall be presented.

At the balance sheet date, the Group reviews the carrying amount of a deferred income tax asset. The carrying amount of a deferred income tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available in future periods to allow the benefit of the deferred income tax asset to be utilised. At the balance sheet date, unrecognised deferred income tax assets are reassessed and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow part or full of the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are offset and presented as net amount if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income tax relate to the same taxable entity and the same taxation authority.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

25. Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

Post-employment benefits

The Group classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and defined benefit plans are post-employment benefit plans other than defined contribution plans. In the reporting period, defined contribution plans include basic pensions and unemployment insurance.

Basic pensions

The Group's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to the bases and percentages prescribed by the relevant local authorities. When employees retire, the local labour and social security institutions are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period.

Early retirement benefits

For certain local employees, the Group accounts for the early retirement benefits in accordance with the treatment of termination benefits, in which the salaries and social security contributions to be paid to and for the early retired employees from the off-duty date to the normal retirement date are recognised as liabilities with a corresponding charge to the profit or loss for the current period. The differences arising from the changes in the respective actuarial assumptions of the early retirement benefits and the adjustments of benefit standards are recognised in profit or loss for the period in which they occur. There are no capital injections into the early retirement benefits. The cost of benefits is determined by using the projected unit credit actuarial valuation method.

26. Cash equivalents

Cash equivalents are short term, highly liquid monetary assets held by the Group that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the cash flow statement, cash equivalents comprise investments that have a short maturity of generally within three months since acquired, the unrestricted balance with the Central Bank, and deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements that have a short original maturity of generally within three months.

27. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party in making financial and operating decisions, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control or joint control from the same party.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

28. Fiduciary activities

Where the Group acts in a fiduciary capacity such as nominee, trustee or agent, assets arising there on together with the related undertakings to return such assets to customers are excluded from the financial statements.

Entrusted loans granted by the Group on behalf of third-party lenders are recorded as off-balance sheet items. The Group acts as an agent and grants such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Group has been contracted by the third-party lenders to manage the administration and collection of these loans on their behalf. The third-party lenders determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to the management of the entrusted loans. The commission income is recognised averagely over the period in which the service is provided. The risk of loan loss is borne by the third-party lenders.

29. Leases

Lease refers to the contract that the lessor obtains consideration through transferring asset use right to the lessee for a certain period of time.

The Group as the lessee:

Right-of-use assets are recognised at the commencement date of the lease term and lease liabilities are recognised based on the present value of the lease payments payable. Lease payments include fixed payments and amounts payable under reasonable determination of the exercise of the option to purchase or termination of the option to lease. The variable rental determined based on a certain percentage of sales is not included in lease payments but recognised into the profits and losses for the period when incurred.

Right-of-use assets of the Group comprise buildings under leases. Right-of-use assets are initially measured at cost. The cost includes the initially measured amount of lease liabilities, lease payments made at or before the commencement date and initial direct costs, net of the received lease incentives. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over its remaining useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its remaining useful life. The carrying amounts of right-of-use assets are reduced to the recoverable amounts when the recoverable amounts are below their carrying amounts.

For short-term lease with a lease term within 12 months and low-value asset lease with a lower value when a single leased asset is new, the right-of-use assets and lease liabilities are not recognised by the Group, and the relevant rental expenses are included into the profits and losses for the current period or the cost of relevant assets on a straight-line basis over each period during the lease term.

The Group shall account for a lease modification as a separate lease if both: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the contract.

For a lease modification that is not accounted for as a separate lease, the Group shall redetermine the lease term at the effective date of the lease modification, and remeasure the lease liability by discounting the revised lease payments using a revised discount rate, except for contract changes directly resulting from COVID-19 which are accounted for by applying a practical expedient. For a lease modification which decreases the scope of the lease or shortens the lease term, the Group decreases the carrying amount of the right-of-use asset, and recognises in profit or loss any gain or loss relating to the partial or full termination of the lease. For other lease modifications which lead to the remeasurement of lease liabilities, the Group correspondingly adjusts the carrying amounts of the right-of-use assets.

For the rental reliefs directly triggered by COVID-19 and those in effect only before 30 June 2021, the Group applies a practical expedient and records the undiscounted reliefs in profit or loss when agreement is reached to extinguish the original payment obligation, with lease liabilities adjusted accordingly.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

29. Leases (Continued)

The Group as the lessor:

Rental income from an operating lease is recognised in profit or loss for the current period on a straight-line basis over the lease term.

30. Segment information

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (i) the component is able to earn revenues and incur expenses from its ordinary activities; (ii) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (iii) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

31. Contingent liabilities

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events. It can also be a present obligation arising from past transactions or events but is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

32. Provisions

An obligation related to a contingency is recognised as a provision when all of the following conditions are satisfied except for contingent consideration and contingent liabilities assumed in the business combination:

- (i) the obligation is a present obligation of the Group;
- (ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (iii) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The Group reviews the carrying amount of a provision at the balance sheet date. When there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

With regard to loss provisions for the Group's loan commitments and financial guarantee contracts, the expected credit losses are assessed taking into account the forward-looking information. For the measurement of loss provisions for this regarding, please refer to Note II 9(iv) and Note VII 1.2.

33. Trade date accounting

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

34. Dividends

Dividends that are declared or approved for distribution after the balance sheet date are not recognised as liability of the balance sheet date, but disclosed as an event after the balance sheet date. Dividend payable is recognised as liability for the period when the dividend is approved.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

35. Debt restructuring

Debt restructuring represents the consensus made by the creditor in accordance with the agreement with the debtor or based on the court order, when the debtor is in financial difficulty.

As a creditor, the difference between the book balance of the debts and the cash receipts is recognised in profit or loss for the period if cash is received from discharging the debts. The difference between the book balance of the debts and the fair value of the non-monetary assets is recognised in profit or loss for the period if non-monetary assets are received from discharging the debts. The difference between the book balance of the debts and the fair value of the interests in share capital is recognised in profit or loss for the period if capital is exchanged in discharging the debts. The difference between the book balance of the debts and the fair value of the debts after restructuring based on agreed terms and conditions is recognised in profit or loss for the period if terms and conditions are amended. If all of the above are applied, financial assets acquired and debts after restructuring are first recognised and measured according to the *Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments* and the fair value of the debts disclaimed net of financial assets acquired and debts after restructuring is then distributed based on the proportion to the fair values of assets except financial assets acquired after recognition.

If provision has been made to the debts under restructuring, the difference resulting from the above is offset against the provision with the net change recognised in profit or loss for the period.

36. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the balance sheet date. However, uncertainty of these estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

(i) Classification of financial assets

Significant judgements involved in the Group's classification of financial assets include business model and analysis on contractual cash flow characteristics.

The Group determines the business model for financial asset management on the grouping basis, and factors to be considered include the methods of evaluation on financial asset performance and reporting of financial asset performance to key management personnel, risks affecting financial asset performance and management methods for such risks, the ways in which related business management personnel are remunerated, etc.

When assessing whether contractual cash flow characteristics of financial assets are consistent with basic lending arrangement, key judgements made by the Group include: the possibility of changes in timing or amount of the principal during the duration due to reasons such as repayment in advance; whether interest only include time value of money, credit risks, other basic lending risks and considerations for costs and profits; whether the repayment in advance reflects the principal outstanding and corresponding interest and reasonable compensation paid for early termination of the contract.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

36. Significant accounting judgements and estimates (Continued)

(ii) Measurement of expected credit losses

For financial assets measured at amortised cost and designated at fair value and changes included into other comprehensive income, as well as credit commitments, the Group measures the impairment provision using the expected credit loss model that involves the establishment and regular review of key definitions, parameters and assumptions, such as estimates on future macroeconomic conditions and borrowers' credit behaviour (e.g., possibility and corresponding losses of customer default). The measurement of expected credit losses requires a lot of management's significant judgements and assumptions, such as:

- Dividing businesses with similar credit risk characteristic to the same portfolio, selecting the proper measurement model and determining the key parameters related to the measurement;
- Judgement criteria of significant increase in credit risk, default and credit impairment incurred;
- Forecasted economic indicators adopted in the forward-looking measurement, economic scenarios and parameters and assumptions affected by their weightings;
- Management's overlay adjustments for significant uncertainties not covered by the model;
- Future cash flows forecast for loans and advances to corporates and investment on debts in stage 3.

Specific information for the above judgements and estimates is set out in Note VII 1.2.

(iii) Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimates on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

(iv) Judgement of control over structured entities

Where the Group acts as asset manager of structure entities, the Group makes judgement on whether it is the principal or an agent for the structure entities. In the case that the asset manager serves as the agent, it exercises decision-making power mainly on behalf of other parties (other investors in the structured entity) and thus has no control over the structured entity. In the case that the asset manager is considered to exercise decision-making power mainly on behalf of itself, it serves as the trustee and has control over the structured entity. During the evaluation, the Group considers many factors and re-evaluate regularly to assess whether it takes the role as the principal or agent, such as: the scope of asset manager's decision-making power, rights held by other parties, salary levels as management service provider, and any other arrangements (such as direct investment) which could affect the exposure to variable returns from its involvement.

For the unconsolidated structured entities that the Group has rights in or provides liquidity support to, disclosures are shown in Note III 52.

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**II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(CONTINUED)**

36. Significant accounting judgements and estimates (Continued)

(v) Fair value of financial instruments

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where practicable, the valuation techniques should make maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on areas such as credit risk (both the Group's and the counterparty's), volatility and correlation. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

(vi) Impairment of goodwill

The Group performs impairment tests on goodwill annually and also when there is an indication of potential impairment. For the purpose of an impairment test, the goodwill is allocated to its corresponding cash-generating unit or a group of cash-generating units, whose recoverable amount is the higher of fair value less costs to sell and the present value of the expected future cash flows, and an appropriate discount rate is selected to calculate the present value of future cash flows.

(vii) Core deposits

The Group reviews the reasonableness of core deposits' remaining useful life on each balance sheet date. The review involves making necessary adjustments on relevant parameters and assumptions based on the actual development of relevant fact patterns, so as to amortise the core deposits over an appropriate remaining useful life.

37. Taxation

The main categories and rates of taxes applicable to the Group are set out as follows:

Category	Taxation basis	Tax rate
Corporate income tax (Note)	Taxable income	25%
Value-added tax ("VAT")	Taxable value-added amount	3%, 5%, 6%, 9%, 10%, 13%, 16%
City maintenance and construction tax	The payment amount of VAT	5%, 7%

Note: Pursuant to the *Circular on Corporate Income Tax Policy Concerning Deductions for Equipment and Appliances* (Cai Shui [2018] No. 54), during the period from 1 January 2018 to 31 December 2020, newly purchased property and equipment except buildings with a unit price of no more than RMB5 million can be fully deducted against taxable income in a one-off manner as costs and expenses in the current period, instead of being depreciated over the years.

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
1. Cash and balances with the Central Bank

	The Group and the Bank	
	31 December 2020	31 December 2019
Cash on hand	3,805	5,459
Statutory reserve with the Central Bank - RMB	210,218	206,579
Statutory reserve with the Central Bank - foreign currencies	7,020	5,883
Unrestricted balance with the Central Bank	61,973	31,211
Other deposits with the Central Bank - fiscal deposits	860	3,003
Sub-total	283,876	252,135
Add: Accrued interest	106	95
Total	283,982	252,230

Based on the related RMB and foreign currency deposits, the Group placed respective statutory reserves with the People's Bank of China in accordance with the requirements from the People's Bank of China. These reserve deposits were not available for use in the Group's daily operations. As at 31 December 2020, the RMB deposit reserve ratio was 9% (31 December 2019: 9.5%), and the foreign currency deposit reserve ratio was 5% (31 December 2019: 5%).

Fiscal deposits represent the amounts received from government-related bodies that are required to be deposited with the People's Bank of China according to the relevant regulations.

2. Deposits with banks and other financial institutions

Summarised by locations and types of banks and other financial institutions

	The Group	
	31 December 2020	31 December 2019
Domestic banks	67,993	71,603
Other domestic financial institutions	5,853	5,033
Overseas banks	32,647	9,172
Sub-total	106,493	85,808
Add: Accrued interest	324	745
Less: Impairment provision (Note III 19)	(643)	(869)
Total	106,174	85,684

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
2. Deposits with banks and other financial institutions (Continued)

	The Bank	
	31 December 2020	31 December 2019
Domestic banks	67,879	71,603
Other domestic financial institutions	5,853	5,033
Overseas banks	32,647	9,172
Sub-total	106,379	85,808
Add: Accrued interest	324	745
Less: Impairment provision (Note III 19)	(643)	(869)
Total	106,060	85,684

3. Placements with and loans to banks and other financial institutions

Summarised by locations and types of banks and other financial institutions

	The Group and the Bank	
	31 December 2020	31 December 2019
<u>Placements with and loans to banks and other financial institutions measured at amortised cost</u>		
Domestic banks	19,287	29,260
Other domestic financial institutions	5,021	13,522
Overseas banks	33,481	30,008
	57,789	72,790
Add: Accrued interest	54	206
Less: Impairment provision (Note III 19)	(70)	(180)
Sub-total	57,773	72,816
<u>Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income</u>		
Other domestic financial institutions	13,149	6,514
Add: Accrued interest	74	39
Sub-total	13,223	6,553
Total	70,996	79,369

As at 31 December 2020, the Group's and the Bank's the impairment provision for placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income amounted to RMB228 million (31 December 2019: RMB72 million). Refer to Note III 19.

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
4. Derivative financial instruments

At the balance sheet date, the derivative financial instruments held by the Group are as follows:

	The Group and the Bank					Fair value	
	Notional amounts summarised by maturity date						
	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total	Assets	Liabilities
<u>31 December 2020</u>							
Non-hedging instruments							
Foreign exchange derivatives:							
Foreign exchange forward and swap contracts and options	634,592	593,809	46,774	-	1,275,175	16,251	(16,691)
Interest rate derivatives:							
Interest rate swap and other interest rate derivatives	1,630,792	2,543,611	2,476,161	11,537	6,662,101	18,285	(17,761)
Precious metals derivatives	83,000	16,743	-	-	99,743	1,761	(7,032)
Hedging instruments							
Interest rate derivatives	300	3,139	25,790	1,750	30,979	310	(1)
Total	2,348,684	3,157,302	2,548,725	13,287	8,067,998	36,607	(41,485)

	The Group and the Bank						Fair value	
	Notional amounts summarised by maturity date							
	Within 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total	Assets	Liabilities	
<u>31 December 2019</u>								
Non-hedging instruments								
Foreign exchange derivatives:								
Foreign exchange forward and swap contracts and options	209,314	248,233	38,676	-	496,223	4,412	(3,249)	
Interest rate derivatives:								
Interest rate swap and other interest rate derivatives	1,153,891	2,047,386	1,561,051	5,915	4,768,243	10,023	(10,009)	
Precious metals derivatives	60,072	29,779	-	-	89,851	4,065	(8,146)	
Total	1,423,277	2,325,398	1,599,727	5,915	5,354,317	18,500	(21,404)	

The nominal amount of a derivative only provides a basis for comparing the fair values of the on-balance sheet assets or liabilities, and does not represent the future cash flows involved or the current fair values. Therefore, it can not reflect the credit risk or market risk that the Group is exposed to.

(a) Cash flow hedging

The Group uses interest rate swap to hedge against exposures to cash flow variability primarily from interest rate risks. The hedged items are interest-bearing liabilities. For the year ended 31 December 2020, the Group's and the Bank's net gain of RMB209 million (after tax) from the cash flow hedging was recognised in other comprehensive income (2019: Nil) and the gains and losses arising from the ineffective portion of cash flow hedge were immaterial.

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
5. Financial assets held under resale agreements

(a) Summarised by the categories of banks and other financial institutions

	The Group	
	31 December 2020	31 December 2019
Banks	39,385	38,165
Other financial institutions	55,936	24,054
	<u>95,321</u>	<u>62,219</u>
Add: Accrued interest	12	49
Less: Impairment provision (Note III 19)	(19)	(52)
Total	<u>95,314</u>	<u>62,216</u>

	The Bank	
	31 December 2020	31 December 2019
Banks	39,385	38,165
Other financial institutions	55,371	24,054
	<u>94,756</u>	<u>62,219</u>
Add: Accrued interest	12	49
Less: Impairment provision (Note III 19)	(19)	(52)
Total	<u>94,749</u>	<u>62,216</u>

(b) Summarised by collateral

	The Group	
	31 December 2020	31 December 2019
Bonds	95,321	62,219
Add: Accrued interest	12	49
Less: Impairment provision (Note III 19)	(19)	(52)
Total	<u>95,314</u>	<u>62,216</u>

	The Bank	
	31 December 2020	31 December 2019
Bonds	94,756	62,219
Add: Accrued interest	12	49
Less: Impairment provision (Note III 19)	(19)	(52)
Total	<u>94,749</u>	<u>62,216</u>

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
6. Loans and advances to customers
6.1 Summarised by corporate and individual

	The Group and the Bank	
	31 December 2020	31 December 2019
<u>Loans and advances to customers measured at amortised cost</u>		
Loans and advances to corporates:		
Loans	859,270	809,499
Loans and advances to individuals:		
Property mortgage loans and licensed mortgage loans	528,384	411,066
Xinyidai	146,293	157,364
Auto finance loans	246,416	179,224
Receivables from credit cards	529,251	540,434
Others	154,596	69,133
Sub-total	1,604,940	1,357,221
Total loans and advances to customers measured at amortised cost	2,464,210	2,166,720
Add: Accrued interest	7,365	5,704
Less: Loans impairment provision (Note III 6.6)	(62,821)	(69,560)
Total loans and advances to customers measured at amortised cost	2,408,754	2,102,864
<u>Loans and advances to customers designated at fair value and changes included into other comprehensive income</u>		
Loans and advances to corporates:		
Loans	89,454	61,582
Discounted bills	112,633	94,903
Total loans and advances to customers designated at fair value and changes included into other comprehensive income	202,087	156,485
Carrying amount of loans and advances to customers	2,610,841	2,259,349

As at 31 December 2020, there were RMB7,302 million discounted bills (31 December 2019: RMB5,498 million) that had been pledged for agreements of borrowings from the Central Bank.

As at 31 December 2020, there were RMB5,081 million of the Group's and the Bank's discounted bills that had been pledged for the sale of repurchase bills (31 December 2019: Nil).

As at 31 December 2020, there were no loans (31 December 2019: RMB36,366 million) that had been pledged for medium-term borrowing facility.

For the year ended 31 December 2020, the Group and the Bank disposed of and derecognised loans of RMB5,813 million (2019: RMB14,767 million) by transferring to third parties or credit asset securitisation and other ways.

As at 31 December 2020, the impairment provision of the Group and the Bank for loans and advances to customers designated at fair value and changes included into other comprehensive income amounted to RMB398 million (31 December 2019: RMB453 million). Refer to Note III 6.6.

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
6. Loans and advances to customers (Continued)
6.2 Summarised by industry

	The Group and the Bank	
	31 December 2020	31 December 2019
Agriculture, husbandry and fisheries	3,087	5,550
Mining	24,448	34,857
Manufacturing	145,939	118,524
Energy	20,856	20,036
Transportation, storage and communication	51,644	45,277
Wholesale and retail	74,257	102,067
Real estate	271,963	228,663
Social service, technology, culture and sanitary industries	166,000	168,134
Construction	42,568	40,739
Loans to individuals	1,604,940	1,357,221
Others	260,595	202,137
Total loans and advances to customers	2,666,297	2,323,205
Add: Accrued interest	7,365	5,704
Less: Loans impairment provision (Note III 6.6)	(62,821)	(69,560)
Carrying amount of loans and advances to customers	2,610,841	2,259,349

6.3 Summarised by type of collateral held or other credit enhancements

	The Group and the Bank	
	31 December 2020	31 December 2019
Unsecured loans	1,101,090	964,787
Guaranteed loans	196,585	192,876
Loans secured by collateral	1,255,989	1,070,639
Including: Loans secured by collateral	983,796	792,250
Loans secured by monetary assets	272,193	278,389
Sub-total	2,553,664	2,228,302
Discounted bills	112,633	94,903
Total loans and advances to customers	2,666,297	2,323,205
Add: Accrued interest	7,365	5,704
Less: Loans impairment provision (Note III 6.6)	(62,821)	(69,560)
Carrying amount of loans and advances to customers	2,610,841	2,259,349

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
6. Loans and advances to customers (Continued)
6.4 Summarised by overdue loans (Excluding accrued interest)

The Group and the Bank					
31 December 2020					
	Overdue by 1 to 90 days (inclusive)	Overdue by 90 days to 1 year (inclusive)	Overdue by 1 to 3 years (inclusive)	Overdue by more than 3 years	Total
Unsecured loans	10,143	10,638	1,376	38	22,195
Guaranteed loans	671	1,335	1,020	185	3,211
Loans secured by collateral	8,697	6,090	2,668	191	17,646
Including: Loans secured by collateral	6,080	4,251	778	141	11,250
Loans secured by monetary assets	2,617	1,839	1,890	50	6,396
Total	19,511	18,063	5,064	414	43,052

The Group and the Bank					
31 December 2019					
	Overdue by 1 to 90 days (inclusive)	Overdue by 90 days to 1 year (inclusive)	Overdue by 1 to 3 years (inclusive)	Overdue by more than 3 years	Total
Unsecured loans	11,105	9,165	958	37	21,265
Guaranteed loans	2,338	1,266	3,257	278	7,139
Loans secured by collateral	7,217	9,109	7,060	259	23,645
Including: Loans secured by collateral	4,319	5,694	4,366	131	14,510
Loans secured by monetary assets	2,898	3,415	2,694	128	9,135
Total	20,660	19,540	11,275	574	52,049

Overdue loans refer to the loans with either principal or interest being overdue by one day or more. For the overdue loans presented above, loans and advances to customers repayable by instalments, the total amount of loans is deemed overdue if part of the instalments is overdue.

For loans repaid on an instalment basis, only the amount which is not repaid upon maturity (not the total amount of loans) is deemed overdue. As at 31 December 2020, there were RMB37,864 million loans (31 December 2019: RMB48,550 million) that had been deemed overdue according to this criterion.

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
6. Loans and advances to customers (Continued)
6.5 Summarised by geographical region

	The Group and the Bank	
	31 December 2020	31 December 2019
Eastern Region	520,865	452,166
Southern Region	560,237	434,909
Western Region	244,223	213,246
Northern Region	403,723	338,676
Head Office	929,599	883,511
Overseas	7,650	697
Total loans and advances to customers	2,666,297	2,323,205
Add: Accrued interest	7,365	5,704
Less: Loans impairment provision (Note III 6.6)	(62,821)	(69,560)
Carrying amount of loans and advances to customers	2,610,841	2,259,349

Details of the above geographical regions:

Eastern Region:	Shanghai branch, Hangzhou branch, Yangzhou branch, Yiwu branch, Taizhou branch, Shaoxing branch, Huzhou branch, Ningbo branch, Wenzhou branch, Nanjing branch, Wuxi branch, Changzhou branch, Suzhou branch, Nantong branch, Taizhou branch, Fuzhou branch, Zhangzhou branch, Fujian Pilot Free Trade Zone Fuzhou branch, Xiamen branch, Fujian Pilot Free Trade Zone Xiamen branch, Quanzhou branch, Shanghai Pilot Free Trade Zone branch, Hefei branch, Wuhu branch, Xuzhou branch, Nanchang branch, Yancheng branch, Putian branch, Zhenjiang branch, Fuyang branch, Ganzhou branch;
Southern Region:	Shenzhen branch, Shenzhen Qianhai branch, Guangzhou branch, Guangdong Pilot Free Trade Zone Nansha branch, Zhuhai branch, Guangdong Pilot Free Trade Zone Hengqin branch, Foshan branch, Dongguan branch, Huizhou branch, Zhongshan branch, Haikou branch, Changsha branch, Hengyang branch, Yueyang branch, Nanning branch, Sanya branch, Changde branch, Liuzhou branch, Shantou branch, Zhanjiang branch;
Western Region:	Chongqing branch, Chengdu branch, Deyang branch, Leshan branch, Mianyang branch, Kunming branch, Honghe branch, Wuhan branch, Jingzhou branch, Xiangyang branch, Yichang branch, Xi'an branch, Xianyang branch, Guiyang branch, Chongqing Pilot Free Trade Zone branch, Zunyi branch;
Northern Region:	Beijing branch, Dalian branch, Tianjin branch, Tianjin Pilot Free Trade Zone branch, Jinan branch, Linyi branch, Weifang branch, Dongying branch, Qingdao branch, Yantai branch, Rizhao branch, Zhengzhou branch, Luoyang branch, Shenyang branch, Shijiazhuang branch, Taiyuan branch, Tangshan branch, Zibo branch, Jining branch, Jinzhong branch, Langfang branch, Nanyang branch, Weihai branch, Hohhot branch, Kaifeng branch, Taian branch, Baoding branch, Urumchi branch, Anshan branch, Lanzhou branch, Harbin branch, Cangzhou branch;
Head Office:	The departments of Head Office (including credit card department, capital operation department, special asset management department, financial institution department, asset management department, transaction banking department, auto consumer finance centre etc.);
Overseas:	Hong Kong branch.

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
6. Loans and advances to customers (Continued)
6.6 Movements in impairment provision for loans

	The Group and the Bank	
	2020	2019
<u>Loans and advances to customers measured at amortised cost</u>		
Balance on 1 January 2020 and 1 January 2019	69,560	54,033
Provision for the current year	43,203	52,989
Amounts written off and disposal for the current year (Note)	(62,598)	(47,681)
Recovery of loans and advances to customers in the current year written off previously	13,099	11,110
Decrease of loans and advances to customers due to rise in discount value	(260)	(481)
Other changes in the current year	(183)	(410)
Sub-total balance at the end of the year (Note III 19)	62,821	69,560
<u>Loans and advances to customers designated at fair value and changes included into other comprehensive income</u>		
Balance on 1 January 2020 and 1 January 2019	453	154
(Reversal)/Provision for the current year	(55)	299
Sub-total balance at the end of the year	398	453
Total balance at the end of the year	63,219	70,013

Note: For the year ended 31 December 2020, the outstanding contract amount corresponding to the credit assets offset by the Group and the Bank was RMB59,360 million (2019: RMB47,555 million). The Group and the Bank still seek to fully recover the legally-owned creditor's rights.

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
7. Financial assets held for trading

	The Group	
	31 December 2020	31 December 2019
Bonds		
Governments	85,908	30,192
Policy banks	32,878	32,505
Banks and other financial institutions	60,323	45,209
Corporates	27,984	23,988
Funds	99,392	60,949
Right to yields of asset management plan/asset management plans	2,174	7,217
Right to yields of trust/trust plan	1,103	3,028
Wealth management products issued by other banks	-	1,525
Asset-backed securities from asset securitisation	893	1,286
Equity investments	186	472
Others	429	311
Total	<u>311,270</u>	<u>206,682</u>
	The Bank	
	31 December 2020	31 December 2019
Bonds		
Governments	83,338	30,192
Policy banks	32,878	32,505
Banks and other financial institutions	60,323	45,209
Corporates	27,984	23,988
Funds	99,392	60,949
Right to yields of asset management plan/asset management plans	2,174	7,217
Right to yields of trust/trust plan	1,103	3,028
Wealth management products issued by other banks	-	1,525
Asset-backed securities from asset securitisation	893	1,286
Equity investments	186	472
Others	429	311
Total	<u>308,700</u>	<u>206,682</u>

As at 31 December 2020, there were no bonds that had been pledged for repurchase agreements (31 December 2019: RMB233 million); there were no bonds that had been pledged for agreements of time deposits from the PBOC (31 December 2019: Nil); and there were RMB40 million bond investments that had been pledged for agreements of borrowings from the Central Bank (31 December 2019: Nil).

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
8. Investment on debts

	The Group and the Bank	
	31 December 2020	31 December 2019
Bonds		
Governments	423,247	421,236
Policy banks	21,045	53,050
Banks and other financial institutions	21,816	56,384
Corporates	30,305	27,887
Right to yields of asset management plan/asset management plans	60,197	66,449
Right to yields of trust/trust plan	47,409	31,224
Asset-backed securities from asset securitisation and others	27,004	881
Sub-total	631,023	657,111
Add: Accrued interest	7,696	8,092
Less: Impairment provision (Note III 19)	(5,100)	(8,913)
Total	633,619	656,290

As at 31 December 2020, there were RMB33,207 million bond investments that had been pledged for repurchase agreements (31 December 2019: RMB48,480 million); there were RMB14,263 million bond investments that had been pledged for agreements of time deposits from the PBOC (31 December 2019: RMB18,503 million); and there were RMB125,235 million bond investments that had been pledged for agreements of borrowings from the Central Bank (31 December 2019: RMB118,651 million).

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
9. Other investment on debts

	The Group	
	31 December 2020	31 December 2019
Bonds		
Governments	58,525	10,821
Central bank	632	-
Policy banks	12,947	25,794
Banks and other financial institutions	36,213	26,627
Corporates	21,549	15,582
Asset-backed securities from asset securitisation	20,602	15,701
Right to yields of asset management plan/asset management plans	14,362	27,517
Right to yields of trust/trust plan	29,920	58,200
Sub-total	194,750	180,242
Add: Accrued interest	2,323	2,022
Total	197,073	182,264
	The Bank	
	31 December 2020	31 December 2019
Bonds		
Governments	57,124	10,821
Central bank	632	-
Policy banks	12,947	25,794
Banks and other financial institutions	36,213	26,627
Corporates	21,549	15,582
Asset-backed securities from asset securitisation	20,602	15,701
Right to yields of asset management plan/asset management plans	14,362	27,517
Right to yields of trust/trust plan	29,920	58,200
Sub-total	193,349	180,242
Add: Accrued interest	2,312	2,022
Total	195,661	182,264

As at 31 December 2020, there were no bonds that had been pledged for repurchase agreements (31 December 2019: Nil); there were RMB26 million bond investments that had been pledged for agreements of time deposits from the PBOC (31 December 2019: Nil); and there were RMB7,765 million bond investments that had been pledged for agreements of borrowings from the Central Bank (31 December 2019: RMB2,400 million).

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
9. Other investment on debts (Continued)

The Group				
31 December 2020				
	Amortised cost	Fair value	Fair value changes charged to other comprehensive income	Total impairment provision
Debt instruments	197,716	197,073	(643)	(1,089)
The Bank				
31 December 2020				
	Amortised cost	Fair value	Fair value changes charged to other comprehensive income	Total impairment provision
Debt instruments	196,312	195,661	(651)	(1,089)
The Group and the Bank				
31 December 2019				
	Amortised cost	Fair value	Fair value changes charged to other comprehensive income	Total impairment provision
Debt instruments	180,906	182,264	1,358	(1,278)

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)
10. Other equity investments

	The Group and the Bank	
	31 December 2020	31 December 2019
Listed equity	14	14
Unlisted equity	1,635	1,830
Total	1,649	1,844

	The Group and the Bank		
	31 December 2020		
	Cost	Fair value	Fair value changes charged to other comprehensive income
Listed equity	4	14	10
Unlisted equity	2,345	1,635	(710)
Total	2,349	1,649	(700)

	The Group and the Bank		
	31 December 2019		
	Cost	Fair value	Fair value changes charged to other comprehensive income
Listed equity	4	14	10
Unlisted equity	1,905	1,830	(75)
Total	1,909	1,844	(65)

11. Long-term equity investments

	The Bank	
	31 December 2020	31 December 2019
Subsidiaries	5,000	-
Less: Provision for impairment of long-term equity investments	-	-
Total	5,000	-

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

11. Long-term equity investments (Continued)

(a) Subsidiaries

	31 December 2019	Movements in the current year								31 December 2020	Provision for impairment at the end of the year
		Increase	Decrease in investment	Share of net profit/(loss) under the equity method	Adjustment to the other comprehensive income	Other changes in equity	Cash dividends or profits declared to be distributed	Provision for impairment	Others		
Ping An Wealth Management Co., Ltd.	-	5,000	-	-	-	-	-	-	-	5,000	-

(b) Main subsidiaries of the Group

Name of subsidiaries	Place of major business	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
Ping An Wealth Management Co., Ltd. (i)	Shenzhen, PRC	Shenzhen, PRC	Asset management	100%	-	Established

(i) On 19 August 2020, the Bank received *the Approval from CBIRC on the Opening of Ping An Wealth Management Co., Ltd.* (Yin Bao Jian Fu [2020] No. 513). The CBIRC approved the opening of Ping An Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, with a registered capital of RMB5,000 million.

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

12. Investment properties

	The Group and the Bank	
	31 December 2020	31 December 2019
Cost:		
Balance at the beginning of the year	402	312
Transfer to property and equipment	(228)	(38)
Transfer from property and equipment	596	128
Balance at the end of the year	770	402
Accumulated depreciation:		
Balance at the beginning of the year	155	118
Provision	23	11
Transfer to property and equipment	(16)	(10)
Transfer from property and equipment	35	36
Balance at the end of the year	197	155
Carrying amount		
Balance at the end of the year	573	247
Balance at the beginning of the year	247	194

As at 31 December 2020, there were RMB1 million (31 December 2019: RMB6 million) investment properties for which the corresponding registration certificates had not been obtained.

The gross rental income earned from the investment properties for the year ended 31 December 2020 amounted to RMB43 million (2019: RMB33 million). The accrued direct operating expense amounted to RMB1 million (2019: RMB1 million).

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

13. Property and equipment

	The Group and the Bank			
	2020			
	Buildings	Transportation vehicles	Office and electronic equipment	Total
Cost:				
Balance at the beginning of the year	10,887	92	7,605	18,584
Additions	55	1	1,780	1,836
Transfer from investment properties	228	-	-	228
Transfer to investment properties	(596)	-	-	(596)
Transfer from construction in progress	27	-	12	39
Decrease	(220)	(2)	(810)	(1,032)
Balance at the end of the year	10,381	91	8,587	19,059
Accumulated depreciation:				
Balance at the beginning of the year	3,185	63	4,242	7,490
Additions	399	8	1,101	1,508
Transfer from investment properties	16	-	-	16
Transfer to investment properties	(35)	-	-	(35)
Decrease	(114)	(2)	(699)	(815)
Balance at the end of the year	3,451	69	4,644	8,164
Impairment provision:				
Balance at the beginning of the year	2	-	-	2
Balance at end of the year (Note III 19)	2	-	-	2
Carrying amount				
31 December 2020	6,928	22	3,943	10,893
31 December 2019	7,700	29	3,363	11,092

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

13. Property and equipment (Continued)

	The Group and the Bank			
	2019			
	Buildings	Transportation vehicles	Office and electronic equipment	Total
Cost:				
Balance at the beginning of the year	10,857	92	6,538	17,487
Additions	100	-	1,585	1,685
Transfer from investment properties	38	-	-	38
Transfer to investment properties	(128)	-	-	(128)
Transfer from construction in progress	68	-	26	94
Decrease	(48)	-	(544)	(592)
Balance at the end of the year	10,887	92	7,605	18,584
Accumulated depreciation:				
Balance at the beginning of the year	2,739	54	3,793	6,586
Additions	499	9	918	1,426
Transfer from investment properties	10	-	-	10
Transfer to investment properties	(36)	-	-	(36)
Decrease	(27)	-	(469)	(496)
Balance at the end of the year	3,185	63	4,242	7,490
Impairment provision:				
Balance at the beginning of the year	2	-	-	2
Balance at end of the year (Note III 19)	2	-	-	2
Carrying amount				
31 December 2019	7,700	29	3,363	11,092
31 December 2018	8,116	38	2,745	10,899

As at 31 December 2020, the original cost of RMB64 million (31 December 2019: RMB64 million) and net book value of RMB19 million (31 December 2019: RMB21 million) of buildings were in use by the Group and the Bank without having the registration certificates of property.

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

14. Leases contracts

(a) Recognised in the balance sheet

2020

	The Group	
	31 December 2020	31 December 2019
Cost of right-of-use assets:		
Balance at the beginning of the year	9,776	7,396
Increase in the current year	2,588	2,380
Decrease in the current year	(983)	-
Balance at the end of the year	11,381	9,776
Accumulated depreciation of right-of-use assets:		
Balance at the beginning of the year	2,259	-
Increase in the current year	2,663	2,259
Decrease in the current year	(690)	-
Balance at the end of the year	4,232	2,259
Impairment provision:		
Balance at the beginning of the year	-	-
Balance at the end of the year	-	-
Carrying amount of right-of-use assets		
Balance at the end of the year	7,149	7,517
Balance at beginning of the year	7,517	7,396
Lease liabilities	7,346	7,600

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

14. Leases contracts (Continued)

(a) Recognised in the balance sheet

2020

	The Bank	
	31 December 2020	31 December 2019
Cost of right-of-use assets:		
Balance at the beginning of the year	9,776	7,396
Increase in the current year	2,533	2,380
Decrease in the current year	(983)	-
Balance at the end of the year	11,326	9,776
Accumulated depreciation of right-of-use assets:		
Balance at the beginning of the year	2,259	-
Increase in the current year	2,660	2,259
Decrease in the current year	(690)	-
Balance at the end of the year	4,229	2,259
Impairment provision:		
Balance at the beginning of the year	-	-
Balance at the end of the year	-	-
Carrying amount of right-of-use assets		
Balance at the end of the year	7,097	7,517
Balance at beginning of the year	7,517	7,396
Lease liabilities	7,296	7,600

- (b) As at 31 December 2020, lease payments related to lease contracts signed but unexecuted amounted to RMB84 million (31 December 2019: RMB53 million).

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

15. Intangible assets

	The Group and the Bank			
	2020			
	Core deposits (Note)	Software	Others	Total
Cost/valuation				
Balance at the beginning of the year	5,757	4,980	8	10,745
Additions in the current year	-	213	1	214
Transfer from development expenditure	-	362	-	362
Decrease in the current year	-	(44)	-	(44)
Balance at the end of the year	5,757	5,511	9	11,277
Amortisation				
Balance at the beginning of the year	2,447	3,930	7	6,384
Amortisation in the current year	287	771	1	1,059
Decrease in the current year	-	(18)	-	(18)
Balance at the end of the year	2,734	4,683	8	7,425
Carrying amount				
31 December 2020	3,023	828	1	3,852
31 December 2019	3,310	1,050	1	4,361
	The Group and the Bank			
	2019			
	Core deposits (Note)	Software	Others	Total
Cost/valuation				
Balance at the beginning of the year	5,757	4,088	7	9,852
Additions in the current year	-	220	1	221
Transfer from development expenditure	-	681	-	681
Decrease in the current year	-	(9)	-	(9)
Balance at the end of the year	5,757	4,980	8	10,745
Amortisation				
Balance at the beginning of the year	2,159	2,916	6	5,081
Amortisation in the current year	288	1,018	1	1,307
Decrease in the current year	-	(4)	-	(4)
Balance at the end of the year	2,447	3,930	7	6,384
Carrying amount				
31 December 2019	3,310	1,050	1	4,361
31 December 2018	3,598	1,172	1	4,771

Note: Core deposits were accounts that a financial institution expected to maintain for an extended period of time due to ongoing business relationships. The intangible asset value associated with core deposits reflected the use of the deposits at a lower cost alternative source of funding.

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

16. Goodwill

	The Group and the Bank				
	2020				
	Balance at the beginning of the year	Increase in the current year	Decrease in the current year	Balance at the end of the year	Impairment provision
Former Ping An Bank	7,568	-	-	7,568	-

	The Group and the Bank				
	2019				
	Balance at the beginning of the year	Increase in the current year	Decrease in the current year	Balance at the end of the year	Impairment provision
Former Ping An Bank	7,568	-	-	7,568	-

Former Ping An Bank was acquired by the Group in July 2011 and the goodwill acquired from this business combination amounted to RMB7,568 million. The goodwill acquired from the business combination was allocated to the eastern district, southern district, western district, northern district and credit card centre cash-generating units for impairment test so as to compare the recoverable amount with the carrying amount of the cash-generating units. Those cash-generating units were consistent with the cash-generating units recognised at the acquisition date and during the impairment test of goodwill in prior years.

The recoverable amounts of the cash-generating units were determined based on the present value of the expected future cash flows of the cash-generating units. The expected future cash flows were determined based on the expected cash flows from the 5 years' budget plan as approved by management. The cash flows beyond the 5 years' period were extrapolated based on the long-term average growth rates within the operating geographic locations and industries of the cash-generating units. The pre-tax discounted rate used to discount the cash flows reflected the specific risk associated with the cash-generating units. The discount rate for future cash flow is 11.56% (31 December 2019: 10.47%).

According to the results of impairment tests, as at 31 December 2020, there was no indication that goodwill may be impaired (31 December 2019: not impaired).

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

17. Deferred income tax assets

The temporary differences of deferred income tax assets and liabilities before offsetting are shown below:

	The Group			
	31 December 2020		31 December 2019	
	Deductible/ (Taxable) temporary difference	Deferred income tax assets/(liabilities)	Deductible/ (Taxable) temporary difference	Deferred income tax assets/(liabilities)
<u>Deferred income tax assets</u>				
Provision for asset impairments	150,204	37,551	137,240	34,310
Salaries and bonuses	6,292	1,573	5,296	1,324
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	1,220	305	2,352	588
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments	1,160	290	-	-
Others	3,048	762	400	100
Sub-total	161,924	40,481	145,288	36,322
<u>Deferred income tax liabilities</u>				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(3,220)	(805)	(3,516)	(879)
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(8)	(2)	(1,236)	(309)
Others	(2,568)	(642)	(1,636)	(409)
Sub-total	(5,796)	(1,449)	(6,388)	(1,597)
Net book value	156,128	39,032	138,900	34,725

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

17. Deferred income tax assets (Continued)

The temporary differences of deferred income tax assets and liabilities before offsetting are shown below:

	The Bank			
	31 December 2020		31 December 2019	
	Deductible/ (Taxable) temporary difference	Deferred income tax assets/(liabilities)	Deductible/ (Taxable) temporary difference	Deferred income tax assets/(liabilities)
<u>Deferred income tax assets</u>				
Provision for asset impairments	150,204	37,551	137,240	34,310
Salaries and bonuses	6,292	1,573	5,296	1,324
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	1,220	305	2,352	588
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments	1,160	290	-	-
Others	3,048	762	400	100
Sub-total	161,924	40,481	145,288	36,322
<u>Deferred income tax liabilities</u>				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(3,220)	(805)	(3,516)	(879)
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	-	-	(1,236)	(309)
Others	(2,568)	(642)	(1,636)	(409)
Sub-total	(5,788)	(1,447)	(6,388)	(1,597)
Net book value	156,136	39,034	138,900	34,725

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

17. Deferred income tax assets (Continued)

	The Group			
	2020			
	31 December 2019	Recognised in profit or loss (Note III 46)	Recognised in other comprehensive income (Note III 47)	31 December 2020
<u>Deferred income tax assets</u>				
Provision for asset impairments	34,310	3,219	22	37,551
Salaries and bonuses	1,324	249	-	1,573
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	588	(283)	-	305
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments	-	-	290	290
Others	100	662	-	762
Sub-total	36,322	3,847	312	40,481
<u>Deferred income tax liabilities</u>				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(879)	74	-	(805)
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(309)	-	307	(2)
Others	(409)	(233)	-	(642)
Sub-total	(1,597)	(159)	307	(1,449)
Net book value	34,725	3,688	619	39,032

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

17. Deferred income tax assets (Continued)

	The Bank			
	2020			
	31 December 2019	Recognised in profit or loss (Note III 46)	Recognised in other comprehensive income (Note III 47)	31 December 2020
<u>Deferred income tax assets</u>				
Provision for asset impairments	34,310	3,219	22	37,551
Salaries and bonuses	1,324	249	-	1,573
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	588	(283)	-	305
Changes in fair value of financial instruments designated at fair value and changes included into other comprehensive income and derivative financial instruments	-	-	290	290
Others	100	662	-	762
Sub-total	36,322	3,847	312	40,481
<u>Deferred income tax liabilities</u>				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(879)	74	-	(805)
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(309)	-	309	-
Others	(409)	(233)	-	(642)
Sub-total	(1,597)	(159)	309	(1,447)
Net book value	34,725	3,688	621	39,034

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

17. Deferred income tax assets (Continued)

	The Group and the Bank			
	2019			
	31 December 2018	Recognised in profit or loss (Note III 46)	Recognised in other comprehensive income (Note III 47)	31 December 2019
<u>Deferred income tax assets</u>				
Provision for asset impairments	29,641	4,994	(325)	34,310
Salaries and bonuses	1,146	178	-	1,324
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	-	588	-	588
Others	58	42	-	100
Sub-total	30,845	5,802	(325)	36,322
<u>Deferred income tax liabilities</u>				
Identifiable assets acquired in business combination of Former Ping An Bank at fair value	(949)	70	-	(879)
Changes in fair value of financial assets and liabilities held for trading, derivatives and precious metals	(34)	34	-	-
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	(125)	-	(184)	(309)
Others	(269)	(140)	-	(409)
Sub-total	(1,377)	(36)	(184)	(1,597)
Net book value	29,468	5,766	(509)	34,725

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

18. Other assets

(a) Summarised by nature

	The Group	
	31 December 2020	31 December 2019
Prepayments and guarantee deposits (Note III 18b)	1,867	1,366
Deposit of litigation fees (Note III 18c)	1,112	1,177
Fees receivable	2,422	1,560
Foreclosed assets (Note III 18d)	3,689	4,895
Construction in progress (Note III 18e)	1,345	876
Long-term prepaid expenses (Note III 18f)	1,526	1,516
Settlement receivables	7,666	4,713
Development expenditure	109	336
Interest receivable	1,169	1,333
Others (Note III 18g)	2,084	2,140
Total other assets	22,989	19,912
Less: Impairment provision		
Deposit of litigation fees (Note III 18c)	(679)	(643)
Foreclosed assets (Note III 18d)	(1,271)	(925)
Others (Note III 18g)	(459)	(403)
Total impairment provision	(2,409)	(1,971)
Net amount	20,580	17,941

	The Bank	
	31 December 2020	31 December 2019
Prepayments and guarantee deposits (Note III 18b)	1,859	1,366
Deposit of litigation fees (Note III 18c)	1,112	1,177
Fees receivable	2,408	1,560
Foreclosed assets (Note III 18d)	3,689	4,895
Construction in progress (Note III 18e)	1,345	876
Long-term prepaid expenses (Note III 18f)	1,526	1,516
Settlement receivables	7,666	4,713
Development expenditure	109	336
Interest receivable	1,169	1,333
Others (Note III 18g)	2,084	2,140
Total other assets	22,967	19,912
Less: Impairment provision		
Deposit of litigation fees (Note III 18c)	(679)	(643)
Foreclosed assets (Note III 18d)	(1,271)	(925)
Others (Note III 18g)	(459)	(403)
Total impairment provision	(2,409)	(1,971)
Net amount	20,558	17,941

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

18. Other assets (Continued)

(b) Prepayments and guarantee deposits summarised by ageing

	The Group			
	31 December 2020		31 December 2019	
	Amount	%	Amount	%
Less than 1 year	1,398	74.87%	877	64.20%
1 to 2 years	125	6.70%	227	16.62%
2 to 3 years	125	6.70%	43	3.15%
Over 3 years	219	11.73%	219	16.03%
Total	1,867	100.00%	1,366	100.00%

	The Bank			
	31 December 2020		31 December 2019	
	Amount	%	Amount	%
Less than 1 year	1,390	74.78%	877	64.20%
1 to 2 years	125	6.72%	227	16.62%
2 to 3 years	125	6.72%	43	3.15%
Over 3 years	219	11.78%	219	16.03%
Total	1,859	100.00%	1,366	100.00%

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

18. Other assets (Continued)

(c) Deposit of litigation fees

The Group and the Bank				
31 December 2020				
	Book balance		Provision for bad debts	
	Amount	%	Amount	Coverage
Less than 1 year	265	23.83%	(60)	22.64%
1 to 2 years	250	22.48%	(132)	52.80%
2 to 3 years	199	17.90%	(138)	69.35%
Over 3 years	398	35.79%	(349)	87.69%
Total	1,112	100.00%	(679)	61.06%

The Group and the Bank				
31 December 2019				
	Book balance		Provision for bad debts	
	Amount	%	Amount	Coverage
Less than 1 year	376	31.95%	(65)	17.29%
1 to 2 years	325	27.61%	(183)	56.31%
2 to 3 years	258	21.92%	(196)	75.97%
Over 3 years	218	18.52%	(199)	91.28%
Total	1,177	100.00%	(643)	54.63%

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

18. Other assets (Continued)

(d) Foreclosed assets

	The Group and the Bank	
	31 December 2020	31 December 2019
Lands and buildings	3,573	4,879
Others	116	16
Total	3,689	4,895
Less: Impairment provision (Note III 19)	(1,271)	(925)
Net amount	2,418	3,970

In 2020, the Group and the Bank took possession of collateral held as a security with a carrying amount of RMB245 million (2019: RMB1,730 million). The collateral mainly comprised buildings. During the year, the Group and the Bank disposed debt assets of RMB1,451 million (2019: RMB1,458 million). The Group and the Bank planned to dispose of the repossessed assets through auctions, bidding or transfers in the subsequent years.

(e) Construction in progress

	The Group and the Bank	
	31 December 2020	31 December 2019
Balance at the beginning of the year	876	739
Increase in the current year	890	1,000
Transfer to property and equipment	(39)	(94)
Transfer to long-term prepaid expenses	(382)	(769)
Balance at the end of the year	1,345	876

Construction in progress of the Group and the Bank is listed as follows:

The Group and the Bank						
2020						
	Budget	Balance at the beginning of the year	Increase in the current year	Decrease in the current year	Balance at the end of the year	Percentage of engineering investment to budget
Changsha branch						
Xiangjiang financial centre	1,155	710	312	-	1,022	88.48%
Others		166	578	(421)	323	
Total		876	890	(421)	1,345	

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

18. Other assets (Continued)

(f) Long-term prepaid expenses

	The Group and the Bank	
	31 December 2020	31 December 2019
Balance at the beginning of the year	1,516	1,094
Increase in the current year	418	337
Transfer from construction in progress	382	769
Amortisation in the current year	(630)	(597)
Other decreases in the current year	(160)	(87)
Balance at the end of the year	1,526	1,516

(g) Others

	The Group and the Bank			
	31 December 2020			
	Book balance		Impairment provision	
	Amount	%	Amount	Coverage
Less than 1 year	388	18.62%	(38)	9.79%
1 to 2 years	978	46.93%	(101)	10.33%
2 to 3 years	115	5.52%	(44)	38.26%
Over 3 years	603	28.93%	(276)	45.77%
Total	2,084	100.00%	(459)	22.02%

	The Group and the Bank			
	31 December 2019			
	Book balance		Impairment provision	
	Amount	%	Amount	Coverage
Less than 1 year	1,120	52.34%	(63)	5.63%
1 to 2 years	315	14.72%	(38)	12.06%
2 to 3 years	173	8.08%	(59)	34.10%
Over 3 years	532	24.86%	(243)	45.68%
Total	2,140	100.00%	(403)	18.83%

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

19. Provision for asset impairments

The Group and the Bank								
2020								
Note III	31 December 2019	Provision/ (Reversal) in the current year (Note III 45)	Amounts written off in the current year	Recovery of assets written off previously	Amounts released upon disposal of assets	Decrease of loans due to rise in discount value	Other movements	31 December 2020
Impairment provision for deposits with banks and other financial institutions	2	869	(183)	(30)	-	-	(13)	643
Impairment provision for placements with and loans to banks and other financial institutions measured at amortised cost	3	180	(102)	-	-	-	(8)	70
Impairment provision for placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income		72	156	-	-	-	-	228
Impairment provision for financial assets held under resale agreements	5	52	(33)	-	-	-	-	19
Impairment provision for loans and advances to customers measured at amortised cost	6	69,560	43,203	(59,360)	13,099	(3,238)	(183)	62,821
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	6	453	(55)	-	-	-	-	398
Impairment provision for investment on debts	8	8,913	27,259	(30,861)	-	(187)	(24)	5,100
Impairment provision for other investment on debts	9	1,278	261	(450)	-	-	-	1,089
Impairment provision for property and equipment	13	2	-	-	-	-	-	2
Impairment provision for foreclosed assets	18d	925	807	-	-	(461)	-	1,271
Impairment provision for others		1,831	(116)	(235)	10	-	(2)	1,488
Total		84,135	71,197	(90,936)	13,109	(3,886)	(230)	73,129

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

19. Provision for asset impairments (Continued)

	The Group and the Bank								
	2019								
	Note III	31 December 2018	Provision in the current year (Note III 45)	Amounts written off in the current year	Recovery of assets written off previously	Amounts released upon disposal of assets	Decrease of loans due to rise in discount value	Other movements	31 December 2019
Impairment provision for deposits with banks and other financial institutions	2	363	502	-	-	-	-	4	869
Impairment provision for placements with and loans to banks and other financial institutions measured at amortised cost	3	172	8	-	-	-	-	-	180
Impairment provision for placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income		16	56	-	-	-	-	-	72
Impairment provision for financial assets held under resale agreements	5	2	50	-	-	-	-	-	52
Impairment provision of loans and advances to customers measured at amortised cost	6	54,033	52,989	(47,555)	11,110	(126)	(481)	(410)	69,560
Impairment provision for loans and advances to customers designated at fair value and changes included into other comprehensive income	6	154	299	-	-	-	-	-	453
Impairment provision for investment on debts	8	7,361	2,185	(642)	-	-	-	9	8,913
Impairment provision for other investment on debts	9	332	946	-	-	-	-	-	1,278
Impairment provision for property and equipment	13	2	-	-	-	-	-	-	2
Impairment provision for foreclosed assets	18d	256	794	-	-	(123)	-	(2)	925
Impairment provision for others		725	830	(252)	4	-	-	524	1,831
Total		63,416	58,659	(48,449)	11,114	(249)	(481)	125	84,135

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

20. Borrowings from the Central Bank

	The Group and the Bank	
	31 December 2020	31 December 2019
Medium-term borrowing facility	115,400	105,800
Selling repurchase bills to the Central Bank	7,430	5,611
Add: Accrued interest	1,757	1,920
Total	124,587	113,331

21. Deposits from banks and other financial institutions

	The Group	
	31 December 2020	31 December 2019
Domestic banks	180,237	142,919
Other domestic financial institutions	287,032	223,804
Overseas banks	177	360
Other overseas financial institutions	35	-
Add: Accrued interest	2,070	1,608
Total	469,551	368,691

	The Bank	
	31 December 2020	31 December 2019
Domestic banks	180,237	142,919
Other domestic financial institutions	287,382	223,804
Overseas banks	177	360
Other overseas financial institutions	35	-
Add: Accrued interest	2,070	1,608
Total	469,901	368,691

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

22. Placements from banks and other financial institutions

	The Group and the Bank	
	31 December 2020	31 December 2019
Domestic banks	12,524	8,920
Overseas banks	28,486	16,946
Other overseas financial institutions	-	3
Add: Accrued interest	24	202
Total	<u>41,034</u>	<u>26,071</u>

23. Financial liabilities held for trading

	The Group and the Bank	
	31 December 2020	31 December 2019
Payables of short position of bonds	24,363	23,731
Payables of gold leases	7,142	5,960
Total	<u>31,505</u>	<u>29,691</u>

24. Financial assets sold under repurchase agreements

	The Group and the Bank	
	31 December 2020	31 December 2019
(a) Summarised by collateral		
Bonds	30,099	40,093
Bills	5,183	-
Add: Accrued interest	4	6
Total	<u>35,286</u>	<u>40,099</u>
(b) Summarised by banks and other financial institutions		
Banks	35,282	39,995
Other financial institutions	-	98
Add: Accrued interest	4	6
Total	<u>35,286</u>	<u>40,099</u>

Financial assets transferred as collateral under repurchase agreements are not derecognised.

As at 31 December 2020, the carrying amount of financial assets sold under repurchase agreements as hedged items was RMB30,103 million (31 December 2019: Nil).

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

25. Deposits due to customers

	The Group	
	31 December 2020	31 December 2019
Demand deposits		
Corporate customers	694,240	595,317
Individual customers	242,269	199,949
Sub-total	936,509	795,266
Time deposits		
Corporate customers	1,029,074	1,032,226
Individual customers	411,737	362,613
Sub-total	1,440,811	1,394,839
Pledged deposits held as collateral	235,710	185,259
Fiscal deposits	35,423	29,422
Time deposits from PBOC	12,579	16,716
Inward and outward remittances	12,086	15,433
Add: Accrued interest	22,817	22,833
Total	2,695,935	2,459,768
	The Bank	
	31 December 2020	31 December 2019
Demand deposits		
Corporate customers	694,242	595,317
Individual customers	242,269	199,949
Sub-total	936,511	795,266
Time deposits		
Corporate customers	1,029,074	1,032,226
Individual customers	411,737	362,613
Sub-total	1,440,811	1,394,839
Pledged deposits held as collateral	235,710	185,259
Fiscal deposits	35,423	29,422
Time deposits from PBOC	12,579	16,716
Inward and outward remittances	12,086	15,433
Add: Accrued interest	22,817	22,833
Total	2,695,937	2,459,768

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

26. Employee benefits payable

	The Group	
	31 December 2020	31 December 2019
Short-term employee benefits payable (a)	16,885	14,130
Defined contribution plans and defined benefit plans payable (b)	73	87
Termination benefits payable (c)	1	1
	<u>16,959</u>	<u>14,218</u>

	The Bank	
	31 December 2020	31 December 2019
Short-term employee benefits payable (a)	16,772	14,130
Defined contribution plans and defined benefit plans payable (b)	73	87
Termination benefits payable (c)	1	1
	<u>16,846</u>	<u>14,218</u>

(a) Short-term employee benefits

	The Group 2020			
	1 January 2020	Increase in the current year	Paid in the current year	31 December 2020
Wages and salaries, bonus, allowances and subsidies	13,466	17,349	(14,628)	16,187
Social insurance, supplementary pension contributions and staff welfare	563	1,419	(1,397)	585
Housing funds	-	846	(846)	-
Labour union and training expenses	101	420	(408)	113
Others	-	19	(19)	-
Total	<u>14,130</u>	<u>20,053</u>	<u>(17,298)</u>	<u>16,885</u>

	The Bank 2020			
	1 January 2020	Increase in the current year	Paid in the current year	31 December 2020
Wages and salaries, bonus, allowances and subsidies	13,466	17,236	(14,627)	16,075
Social insurance, supplementary pension contributions and staff welfare	563	1,417	(1,396)	584
Housing funds	-	846	(846)	-
Labour union and training expenses	101	420	(408)	113
Others	-	19	(19)	-
Total	<u>14,130</u>	<u>19,938</u>	<u>(17,296)</u>	<u>16,772</u>

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

26. Employee benefits payable (Continued)

(a) Short-term employee benefits (Continued)

	The Group and the Bank			
	2019			
	1 January 2019	Increase in the current year	Paid in the current year	31 December 2019
Wages and salaries, bonus, allowances and subsidies	11,389	16,456	(14,379)	13,466
Social insurance, supplementary pension contributions and staff welfare	669	1,431	(1,537)	563
Housing funds	-	760	(760)	-
Labour union and training expenses	101	410	(410)	101
Others	-	7	(7)	-
Total	12,159	19,064	(17,093)	14,130

(b) Defined contribution plans and defined benefit plans

	The Group and the Bank			
	2020			
	1 January 2020	Increase in the current year	Paid in the current year	31 December 2020
Basic pensions	40	504	(514)	30
Unemployment insurance	1	13	(13)	1
Defined benefit plan	46	-	(4)	42
Total	87	517	(531)	73

(c) Termination benefits payable

	The Group and the Bank	
	31 December 2020	31 December 2019
Early retirement benefits payable	1	1

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

27. Taxes payable

	The Group	
	31 December 2020	31 December 2019
Corporate income tax payable	8,480	9,258
Unpaid VAT	2,394	2,270
VAT payable on transferring financial products	22	15
Additional taxes and surcharges payable	324	269
Others	224	219
Total	11,444	12,031

	The Bank	
	31 December 2020	31 December 2019
Corporate income tax payable	8,433	9,258
Unpaid VAT	2,375	2,270
VAT payable on transferring financial products	22	15
Additional taxes and surcharges payable	322	269
Others	224	219
Total	11,376	12,031

28. Debt securities issued

	The Group and the Bank	
	31 December 2020	31 December 2019
Debt securities issued		
Hybrid capital debt instrument (Note 1)	3,650	3,650
Financial bonds (Note 2)	64,990	49,986
Tier 2 capital bonds (Note 3)	39,986	39,986
Sub-total	108,626	93,622
Interbank certificates of deposit issued (Note 4)	501,371	418,422
Add: Accrued interest	1,868	1,718
Total	611,865	513,762

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

28. Debt securities issued (Continued)

As at 31 December 2020 and 31 December 2019, the Group and the Bank did not have any defaults of principal, interest or other breaches with respect to debt securities issued.

Note 1: As approved by the PBOC and CBIRC, the Bank issued a fixed-rate hybrid capital debt instrument amounting to RMB3.65 billion in the inter-bank market on 29 April 2011. The debt instrument has 15 years to maturity with an annual interest rate of 7.50%. The Bank has the option to redeem the debt instrument at face value on 29 April 2021.

Note 2: As approved by the PBOC and CBIRC, the Bank issued a financial debt instrument amounting to RMB35 billion and RMB30 billion respectively in the inter-bank market on 14 December 2018 and 26 May 2020. The debt instruments have 3 years to maturity, with a fixed coupon rate of 3.79% and 2.30% respectively.

Note 3: As approved by the PBOC and CBIRC, the Bank issued Tier 2 capital bonds in the inter-bank market with total amounts of RMB10 billion and RMB30 billion respectively on 8 April 2016 and 25 April 2019. These subordinated bonds have 10 years to maturity with fixed coupon rates. The company has the option to redeem these bonds at the end of the fifth year on certain conditions and the coupon rates are 3.85% and 4.55% respectively.

When the triggering event occurs, the Bank has the right to irrevocably fully write down the principals of bonds and other tier one capital tools issued in the current period, without the consent from bondholders, from the day following the triggering event. Any unpaid accumulated interest payable will no longer be paid. Once the principals of bonds are written down, the bonds are permanently cancelled, no longer be restored in any condition. The triggering event is the earlier of following: (i) if the principals are not written down, the issuer will be prohibited from operating by CBIRC; (ii) if no capital injection or equivalent support from the public sector, the issuer will be prohibited from operating by CBIRC.

Note 4: As at 31 December 2020, the original term of interbank certificates of deposit issued but unmatured was from 1 month to 1 year, and the annual interest rate was from 0.63% to 3.35% (31 December 2019: the original term was from 1 month to 1 year, and the annual interest rate was from 2.60% to 3.25%).

29. Provisions

	The Group and the Bank	
	31 December 2020	31 December 2019
Off-balance sheet provision for expected credit losses	925	1,704
Expected litigation losses	32	28
Other provisions	1	2
Total	958	1,734

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

30. Other liabilities

	The Group	
	31 December 2020	31 December 2019
Settlement & clearing and pending payables	4,294	6,224
Accrued and payable expenses	5,502	4,678
Inactive deposit account balances	116	139
Dividends payable (Note 1)	12	12
Amounts payable for custody	604	1,013
Contract liabilities	1,879	1,974
Quality warranties and deposits	466	440
Others	3,553	3,207
Total	16,426	17,687

	The Bank	
	31 December 2020	31 December 2019
Settlement & clearing and pending payables	4,294	6,224
Accrued and payable expenses	5,826	4,678
Inactive deposit account balances	116	139
Dividends payable (Note 1)	12	12
Amounts payable for custody	604	1,013
Contract liabilities	1,879	1,974
Quality warranties and deposits	466	440
Others	3,546	3,207
Total	16,743	17,687

Note 1: As at 31 December 2020 and 31 December 2019, the above-mentioned dividends payable of RMB12 million had been overdue for more than 1 year as the related shareholders had not collected the dividends.

31. Share capital

As at 31 December 2020, the number of the Group and the Bank's ordinary shares registered and fully paid was RMB19,405,918,198, with a par value of RMB1 per share. The nature and the structure of the share capital are as follows:

	The Group and the Bank			
	31 December 2019	%	Movements in the year	31 December 2020
RMB ordinary shares	19,406	100%	-	19,406

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

32. Other equity instrument

	The Group and the Bank	
	31 December 2020	31 December 2019
Preference shares (Note 1)	19,953	19,953
Perpetual bonds (Note 2)	49,991	19,995
Total	69,944	39,948

Note 1:

Outstanding financial instruments	Dividend rate	Issue price (Yuan)	Number of shares issued (Million)	Issued amount (Million)	Maturity or renewal	Conversion
Preference shares	4.37%	100	200	20,000	No maturity date	No conversion during the period

On 7 March 2016, the Bank issued 200 million preference shares at par. The amount of RMB19,952.5 million was included in other equity instrument after deducting issuance costs. In the duration, in the case that relevant requirements are satisfied, the Bank has the option to redeem the whole or part of the preference shares on dividend payment day every year since the date of expiry of 5 years after the approval of CBIRC. The redemption right for the preference shares is entitled to the Bank after approval of the CBIRC. The nominal dividend rate of the preference shares is 4.37%, and the dividend is paid by cash at fixed rate annually.

As authorised by the shareholders' annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares. No profit will be distributed to ordinary shareholders unless the Bank decides to completely distribute the current dividends on preference shares. The preference shares are non-cumulative preference shares and the Bank has the option to cancel a portion or all of the dividend distribution. Preference shareholders shall not participate in the distribution of residual profits with ordinary shareholders.

As approved by CBIRC, the existing preference shares issued by the Bank will be completely or partially converted to ordinary shares of the Bank when the following triggering events of mandatory conversion happen:

(1) Where the triggering events of other tier 1 capital instruments happen, namely when the core tier 1 capital adequacy ratio falls to 5.125% (or lower), the preference shares will be completely or partially converted to A shares at once as agreed in the contract to restore the core tier 1 capital adequacy ratio above the triggering point.

(2) Where the triggering events of tier 2 capital instruments happen, the preference shares will be mandatorily converted to ordinary shares of the Bank.

If the triggering conditions for mandatory conversion are all met, the existing preference shares will be completely or partially converted to A shares at agreed conversion price after approval of the regulator. Since the issuing scheme for preference shares is approved by the Board of Directors, where such conditions as bonus shares (excluding the option of cash dividend distribution), transfer to paid-in capital, issuance of new shares (excluding transfer to paid-in capital from issuance of financial instruments (e.g., preference shares, convertible bonds, etc.) with the terms of being convertible to ordinary shares) and allotment of shares happen, the company will make accumulative adjustments for mandatory conversion price successively following the sequential order of the above conditions without consideration of ordinary share cash dividends.

The preference shares issued by the Bank are classified as equity instrument and presented in shareholders' equity in balance sheet. Based on relevant provisions of CBIRC, the preference shares meet all the criteria of qualified other tier 1 capital instruments.

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

32. Other equity instrument (Continued)

Note 2: As approved by the PBOC and CBIRC, the Bank proposed to issue debt instruments totalling RMB50 billion with write-down features and without fixed terms by instalment in the national inter-bank market. On 19 December 2019, the Bank issued a debt instrument amounting to RMB20 billion with write-down features and without fixed terms in the national inter-bank market, and the issuance was completed on 26 December 2019. The par value per unit of the bonds was RMB100 and the coupon rate is 4.10% for the first 5 years, which shall be adjusted every 5 years. On 21 February 2020, the Bank issued a debt instrument amounting to RMB30 billion with write-down features and without fixed terms in the national inter-bank market, and the issuance was completed on 25 February 2020. The par value per unit of the bonds was RMB100 and the coupon rate is 3.85% for the first 5 years, which shall be adjusted every 5 years.

Lifetime of the bonds is consistent with that of the Bank to continue as a going concern. The Bank has the option to redeem the whole or part of such bonds on annual interest payment date 5 years after the issuance date, provided that prerequisite for redemption is met and such redemption is approved by the CBIRC. When the operation prohibited triggering event occurs, the Bank has the right to partially or fully write down the principals of the above existing bonds issued, which is not subject to the consent from bondholders. The above bonds are written down by the proportion of remaining par value to total remaining par value of other tier 1 capital instruments subject to the same triggering event. The operation prohibited triggering event is the earlier of following: (i) if the principals are not written down, the issuer will be prohibited from operating by CBIRC; (ii) if no capital injection or equivalent support from the public sector, the issuer will be prohibited from operating by relevant department. The written down part is irreversible. The principals of the bonds rank after depositors, general creditors and subordinated debts of higher ranks than bonds issued in the current period, but before shares held by shareholders when liquidated; bonds and other tier 1 capital instruments with the same liquidation ranks are liquidated in sequence.

Payment of interests on the above bonds are non-cumulative and the Bank has the right to cancel a portion or all of the interest distribution, which will not constitute a breach of contract. The Bank can dominate the bond interests cancelled for timely repayment of other debts. No interests shall be distributed to ordinary shareholders before the Bank decides to distribute interests in full amount to bondholders again.

After deduction of issuance expenses, the net amount of funds raised by above bonds will all be used to replenish other tier 1 capital and to improve capital adequacy ratio.

Changes in outstanding perpetual bonds:

	31 December 2019		Increase in the current year		31 December 2020	
	Number of bonds	Carrying amount	Number of bonds	Carrying amount	Number of bonds	Carrying amount
	Million	(RMB million)	Million	(RMB million)	Million	(RMB million)
Issued amount of perpetual bonds	200	20,000	300	30,000	500	50,000
Issuance expenses	-	(5)	-	(4)	-	(9)
Total perpetual bonds	200	19,995	300	29,996	500	49,991

Equity attributable to holders of equity instrument is summarised as follows:

	The Group	
	31 December 2020	31 December 2019
Equity attributable to holders of ordinary shares	294,187	273,035
Equity attributable to holders of other equity	69,944	39,948
Total	364,131	312,983

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

32. Other equity instruments (Continued)

Equity attributable to holders of equity instrument is summarised as follows: (Continued)

	The Bank	
	31 December 2020	31 December 2019
Equity attributable to holders of ordinary shares	294,016	273,035
Equity attributable to holders of other equity	69,944	39,948
Total	<u>363,960</u>	<u>312,983</u>

33. Capital reserve

	The Group and the Bank	
	31 December 2020	31 December 2019
Share premium	<u>80,816</u>	<u>80,816</u>

34. Surplus reserve

In accordance with the Company Law, the Bank is required to appropriate 10% of its profit after tax to its statutory surplus reserve until the reserve balance exceeds 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses or be converted to paid-in capital. When converting the statutory surplus reserve to paid-in capital, new shares can be distributed to shareholders according to the original share proportion, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital. The Bank may also appropriate its profit after tax to the discretionary surplus reserve upon approval of the shareholders in general meetings.

As at 31 December 2020 and 31 December 2019, the amount of the surplus reserve represented the statutory surplus reserve.

35. General reserve

Pursuant to the relevant regulations issued by the MOF, the Bank is required to maintain a general reserve within equity, through the appropriation of net profit.

The general reserve also includes the general reserve drawn by the Bank's subsidiaries in accordance with the applicable regulations of their industry or region.

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

36. Retained earnings

According to a resolution at the meeting of the Board of Directors dated 1 February 2021, the Bank will appropriate RMB5,186 million to the general reserve based on net profit of 2020 audited by domestic certified public accountant. No appropriation was made to the statutory surplus reserve temporarily as the balance of statutory surplus reserve exceeds 50% of the registered capital. The above distribution is pending for the approval by the general meeting of shareholders.

The Bank passed its profit appropriation resolution for the year of 2019 through the annual general meeting held on 14 May 2020. According to the resolution, the Bank had made appropriation of cash dividends of RMB4,230 million for 2019 to its shareholders.

According to a resolution at the Board of Directors dated 13 February 2020, the Bank will appropriate RMB6,498 million to the general reserve based on net profit of 2019 audited by domestic certified public accountant. No appropriation will be made to the statutory surplus reserve temporarily as the balance of statutory surplus reserve exceeds 50% of the registered capital. The above distribution scheme was approved by the general meeting of shareholders on 14 May 2020.

According to a resolution at the Board of Directors dated 13 February 2020, the Bank distributed RMB4.37 (inclusive of tax) per preference share as dividends based on the amount of issued preference shares of 200 million (with a face value of RMB100 per share), and calculated with a nominal dividend rate of 4.37%. The calculation period for the dividends on preference shares was from 7 March 2019 to 6 March 2020. The dividends date was 9 March 2020. The total amount of the dividends distributed was RMB874 million (inclusive of tax). The Bank distributed dividends directly to preference shareholders.

As at 26 December 2020, the Bank recognised the interest of perpetual bonds issued amounting to RMB820 million at the initial annual interest rate of 4.10% prior to the interest rate reset date determined by the terms of the first tranche of capital bonds without fixed term in 2019.

37. Net interest income

	The Group	
	2020	2019
Interest income:		
Balances with the Central Bank	3,379	3,345
Due from transaction between financial enterprises	7,850	9,681
Loans and advances to customers	144,415	133,610
Financial investments	31,543	30,913
Total	187,187	177,549
Interest expenses:		
Borrowings from the Central Bank	3,745	4,290
Due from transaction between financial enterprises	11,495	12,615
Deposits due to customers	56,170	56,002
Debt securities issued	15,909	14,477
Others	218	204
Total	87,537	87,588
Net interest income	99,650	89,961

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

37. Net interest income (Continued)

	The Bank	
	2020	2019
Interest income:		
Balances with the Central Bank	3,379	3,345
Due from transaction between financial enterprises	7,838	9,681
Loans and advances to customers	144,415	133,610
Financial investments	31,540	30,913
Total	187,172	177,549
Interest expenses:		
Borrowings from the Central Bank	3,745	4,290
Due from transaction between financial enterprises	11,505	12,615
Deposits due to customers	56,170	56,002
Debt securities issued	15,909	14,477
Others	218	204
Total	87,547	87,588
Net interest income	99,625	89,961

38. Net fee and commission income

	The Group	
	2020	2019
Fee and commission income:		
Settlement fee income	2,692	2,789
Agency business fee income	9,426	6,841
Bank card fee income	32,775	30,200
Asset custody fee income	2,189	2,181
Others	6,214	3,892
Sub-total	53,296	45,903
Fee and commission expenses:		
Bank card fee expenses	7,089	6,981
Agency business fee expenses	2,279	1,705
Others	447	474
Sub-total	9,815	9,160
Net fee and commission income	43,481	36,743

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

38. Net fee and commission income (Continued)

	The Bank	
	2020	2019
Fee and commission income:		
Settlement fee income	2,692	2,789
Agency business fee income	9,426	6,841
Bank card fee income	32,775	30,200
Asset custody fee income	2,189	2,181
Others	6,201	3,892
Sub-total	53,283	45,903
Fee and commission expenses:		
Bank card fee expenses	7,089	6,981
Agency business fee expenses	2,601	1,705
Others	447	474
Sub-total	10,137	9,160
Net fee and commission income	43,146	36,743

39. Investment income

	The Group	
	2020	2019
(Losses)/Gains on investments in precious metals	(209)	701
Net gain on derivative financial instruments (excluding foreign exchange derivative financial instruments)	34	413
Spread gains on loans and advances to customers designated at fair value and changes included into other comprehensive income	1,411	1,182
Spread gains/(losses) on loans and advances to customers measured at amortised cost	42	(21)
Interest income, spread gains and dividend income from financial instruments held for trading	7,859	7,070
Spread gains on other investment on debts	389	436
Spread gains on investment on debts	579	99
Other losses	(184)	(170)
Total	9,921	9,710

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

39. Investment income (Continued)

	The Bank	
	2020	2019
(Losses)/Gains on investments in precious metals	(209)	701
Net gain on derivative financial instruments (excluding foreign exchange derivative financial instruments)	34	413
Spread gains on loans and advances to customers designated at fair value and changes included into other comprehensive income	1,411	1,182
Spread gains/(losses) on loans and advances to customers measured at amortised cost	42	(21)
Interest income, spread gains and dividend income from financial instruments held for trading	7,844	7,070
Spread gains on other investment on debts	389	436
Spread gains on investment on debts	579	99
Other losses	(184)	(170)
Total	9,906	9,710

40. Gains or losses on changes in fair value

	The Group	
	2020	2019
Financial instruments held for trading	(1,143)	(191)
Derivative financial instruments (excluding foreign exchange derivative financial instruments)	529	240
Total	(614)	49

	The Bank	
	2020	2019
Financial instruments held for trading	(1,145)	(191)
Derivative financial instruments (excluding foreign exchange derivative financial instruments)	529	240
Total	(616)	49

41. Net gains from foreign exchange and foreign exchange products

	The Group and the Bank	
	2020	2019
(Losses)/Gains on changes in fair values of foreign exchange derivatives	(1,771)	708
Other foreign exchange gains	2,533	488
Total	762	1,196

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

42. Other operating income

	The Group and the Bank	
	2020	2019
Rental income	106	107
Others	5	3
Total	111	110

43. Taxes and surcharges

	The Group	
	2020	2019
City maintenance and construction tax	793	675
Educational surcharge	569	476
Others	163	139
Total	1,525	1,290

	The Bank	
	2020	2019
City maintenance and construction tax	792	675
Educational surcharge	568	476
Others	162	139
Total	1,522	1,290

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

44. Business and administrative expenses

	The Group	
	2020	2019
Staff expenses		
Wages and salaries, bonus, allowances and subsidies	17,349	16,456
Social insurance and staff welfare	1,936	2,438
Housing funds	846	760
Labour union and training expenses	420	410
Others	19	7
Sub-total	20,570	20,071
Depreciation of property and equipment	1,508	1,426
Amortisation of expenses of improvements to property and equipment held under operating leases	508	476
Amortisation of intangible assets	1,059	1,307
Depreciation expenses of right-of-use assets	2,663	2,259
Rental expenses	559	842
Sub-total	6,297	6,310
Business and administrative expenses	17,823	14,471
Total	44,690	40,852

	The Bank	
	2020	2019
Staff expenses		
Wages and salaries, bonus, allowances and subsidies	17,236	16,456
Social insurance and staff welfare	1,934	2,438
Housing funds	846	760
Labour union and training expenses	420	410
Others	19	7
Sub-total	20,455	20,071
Depreciation of property and equipment	1,508	1,426
Amortisation of expenses of improvements to property and equipment held under operating leases	508	476
Amortisation of intangible assets	1,059	1,307
Depreciation expenses of right-of-use assets	2,660	2,259
Rental expenses	558	842
Sub-total	6,293	6,310
Business and administrative expenses	17,782	14,471
Total	44,530	40,852

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

45. Impairment losses on credit

	The Group and the Bank	
	2020	2019
Impairment losses accrued/(reversed) in the current year:		
Deposits with banks and other financial institutions	(183)	502
Placements with and loans to banks and other financial institutions	54	64
Financial assets held under resale agreements	(33)	50
Loans and advances to customers	43,148	53,288
Investment on debts	27,259	2,185
Other investment on debts	261	946
Other assets	(116)	568
Expected loss of credit commitment for off-balance-sheet items (Note III 29)	(779)	868
Total	69,611	58,471

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

46. Income tax expense

	The Group	
	2020	2019
Income tax expenses for the current period	11,514	13,811
Deferred income tax expenses	(3,688)	(5,766)
Total	7,826	8,045

	The Bank	
	2020	2019
Income tax expenses for the current period	11,465	13,811
Deferred income tax expenses	(3,688)	(5,766)
Total	7,777	8,045

The reconciliation of income tax expense applicable to profit before tax at the statutory tax rate to income tax expense at the Group and the Bank's effective income tax rate is as follows:

	The Group	
	2020	2019
Profit before tax	36,754	36,240
Income tax at the statutory tax rate of 25%	9,189	9,060
Tax-exempt income	(4,626)	(3,944)
Non-deductible expenses and other adjustments	3,263	2,929
Income tax expenses	7,826	8,045

	The Bank	
	2020	2019
Profit before tax	36,540	36,240
Income tax at the statutory tax rate of 25%	9,135	9,060
Tax-exempt income	(4,621)	(3,944)
Non-deductible expenses and other adjustments	3,263	2,929
Income tax expenses	7,777	8,045

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

47. Other comprehensive income

	The Group					
	Other comprehensive income in balance sheet		Other comprehensive income in the income statement for the year ended 31 December 2020			
	31 December 2019	31 December 2020	Amount incurred before tax for the current year	Less: Reclassification of previous other comprehensive income to current profit or loss	Less: Income tax expenses	Other comprehensive income after tax
I. Items that may not be reclassified into profit or loss in subsequent periods						
Changes in fair value of other equity investments	(48)	(524)	(635)	-	159	(476)
II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met						
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	1,011	(513)	(1,321)	(711)	508	(1,524)
Provisions for credit losses on financial assets designated at fair value and changes included into other comprehensive income	1,350	1,284	1,310	(1,398)	22	(66)
Cash flow hedging reserve	-	209	279	-	(70)	209
Exchange differences on translation of foreign currency financial statements	1	6	5	-	-	5
Total	2,314	462	(362)	(2,109)	619	(1,852)

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

47. Other comprehensive income (Continued)

	Other comprehensive income in balance sheet		The Bank			
			Other comprehensive income in the income statement for the year ended 31 December 2020			
	31 December 2019	31 December 2020	Amount incurred before tax for the current year	Less: Reclassification of previous other comprehensive income into current profit or loss	Less: Income tax expenses	Other comprehensive income after tax
I. Items that may not be reclassified into profit or loss in subsequent periods						
Changes in fair value of other equity investments	(48)	(524)	(635)	-	159	(476)
II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met						
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	1,011	(519)	(1,329)	(711)	510	(1,530)
Provisions for credit losses on financial assets designated at fair value and changes included into other comprehensive income	1,350	1,284	1,310	(1,398)	22	(66)
Cash flow hedging reserve	-	209	279	-	(70)	209
Exchange differences on translation of foreign currency financial statements	1	6	5	-	-	5
Total	2,314	456	(370)	(2,109)	621	(1,858)

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

47. Other comprehensive income (Continued)

	The Group and the Bank					
	Other comprehensive income in balance sheet		Other comprehensive income in the income statement for the year ended 31 December 2019			
	31 December 2018	31 December 2019	Amount incurred before tax for the current year	Less: Reclassification of previous other comprehensive income into current profit or loss	Less: Income tax expenses	Other comprehensive income after tax
I. Items that may not be reclassified into profit or loss in subsequent periods						
Changes in fair value of other equity investments	(43)	(48)	(7)	-	2	(5)
II. Items that will be reclassified into profit or loss in subsequent periods when specific condition is met						
Changes in fair value of financial assets designated at fair value and changes included into other comprehensive income	453	1,011	803	(59)	(186)	558
Provisions for credit losses on financial assets designated at fair value and changes included into other comprehensive income	376	1,350	1,644	(345)	(325)	974
Exchange differences on translation of foreign currency financial statements	-	1	1	-	-	1
Total	<u>786</u>	<u>2,314</u>	<u>2,441</u>	<u>(404)</u>	<u>(509)</u>	<u>1,528</u>

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

48. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares issued by the Bank during the year. Diluted earnings per share are calculated by dividing the net profit attributable to the ordinary shareholders of the Bank after adjustment based on potential dilutive ordinary shares by the adjusted weighted average number of ordinary shares issued by the Bank during the year. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2020 and therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

i. Basic earnings per share are calculated as follows:

	2020	2019
Net profit for the current year attributable to shareholders of the Bank	28,928	28,195
Less: The preference dividends declared by the Bank	(874)	(874)
Interests on perpetual bonds of the Bank	(820)	-
Net profit for the current year attributable to ordinary shareholders of the Bank	27,234	27,321
Weighted average number of outstanding ordinary shares (million)	19,406	17,764
Basic earnings per share (RMB Yuan)	1.40	1.54

ii. Diluted earnings per share are calculated as follows:

	2020	2019
Net profit for the current year attributable to shareholders of the Bank	28,928	28,195
Less: The preference dividends declared by the Bank	(874)	(874)
Interests on perpetual bonds of the Bank	(820)	-
Add: Interest expenses of convertible corporate bonds in the current year (after tax)	-	520
Net profit for the current year attributable to ordinary shareholders of the Bank	27,234	27,841
Weighted average number of outstanding ordinary shares (million)	19,406	17,764
Add: Assume that convertible corporate bonds are entirely converted to weighted average number of ordinary shares from the beginning of the period to the conversion date (million)	-	1,455
Weighted average number of outstanding ordinary shares of the year for calculating diluted earnings per share (million)	19,406	19,219
Diluted earnings per share (RMB Yuan)	1.40	1.45

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

49. Cash and cash equivalents

	The Group	
	31 December 2020	31 December 2019
Cash	3,805	5,459
Cash equivalents:		
Within three months before the original maturity date		
- Deposits with banks and other financial institutions	73,122	28,818
- Placements with and loans to banks and other financial institutions	43,390	46,389
- Financial assets held under resale agreements	95,321	62,168
Unrestricted balance with the Central Bank	61,973	31,211
Bond investments (with maturity of less than three months since acquired)	1,339	5,013
Sub-total	275,145	173,599
Total	278,950	179,058

	The Bank	
	31 December 2020	31 December 2019
Cash	3,805	5,459
Cash equivalents:		
Within three months before the original maturity date		
- Deposits with banks and other financial institutions	73,008	28,818
- Placements with and loans to banks and other financial institutions	43,390	46,389
- Financial assets held under resale agreements	94,756	62,168
Unrestricted balance with the Central Bank	61,973	31,211
Bond investments (with maturity of less than three months since acquired)	1,252	5,013
Sub-total	274,379	173,599
Total	278,184	179,058

50. Cash received relating to other operating activities

	The Group and the Bank	
	2020	2019
Precious metals	20,176	13,198
Collection of amounts already written-off	12,878	10,158
Cash receipts from disposal of foreclosed assets	1,072	1,327
Derivative financial instruments	34	413
Gain on trading of bills	1,058	990
Short position of bonds	2,854	19,925
Others	8,924	375
Total	46,996	46,386

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

51. Cash paid relating to other operating activities

	The Group	
	2020	2019
Administrative expenses such as marketing and public relation expenses, rental expenses and others	23,657	26,083
Total	23,657	26,083

	The Bank	
	2020	2019
Administrative expenses such as marketing and public relation expenses, rental expenses and others	23,633	26,083
Total	23,633	26,083

52. Structured entities

- (a) Unconsolidated structured entities
 - (i) Unconsolidated structured entities managed by the Group
 - (1) Wealth management products

The unconsolidated structured entities managed by the Group are primarily non-principal-guaranteed wealth management products (hereafter referred to as the “WMPs”) issued and managed by the Group as an agency. On the basis of analysing the potential target group of customers, the Group designs and sells the investment plan to the specific target customer group. The Group distributes the funds and investment income to the investors in accordance with contracts. As the manager of non-principal-guaranteed WMPs, the Group charges fees and commissions such as selling charges, fixed management fee, fluctuant management fee, etc. The variable return from the structured entities is not significant.

As at 31 December 2020, the total size of unconsolidated WMPs issued and managed by the Group amounted to RMB648,185 million (31 December 2019: RMB590,499 million).

As the manager of WMPs, the Group proactively manages the due date of assets and liabilities, and also the position and the proportion of the current assets in order to maximise the interest of investors. Temporary placements to WMPs are a commonly used way to manage liquidity risk. The placements are not specified in the contracts. The transaction price is set by referencing the market interest rate. As at 31 December 2020, the balance of placements mentioned above was nil (31 December 2019: RMB11,000 million); and interest income for the year ended 31 December 2020 was RMB2 million (2019: RMB223 million). The placements balance was presented in “Placements with banks and loans to banks and other financial institutions”.

In July 2020, the regulatory authorities announced to extend the transitional period of *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* to the end of 2021, encouraging to adopt multiple methods, such as new products undertaking, market-based transfer, and re-including, to dispose of stock assets in an orderly manner. Based on the regulatory requirements, the Bank actively and orderly promotes net value management on products and disposal of stock assets in an efficient and pragmatic way, striving to achieve smooth transition and steady and sound development of wealth management business.

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

52. Structured entities (Continued)

- (a) Unconsolidated structured entities (Continued)
- (i) Unconsolidated structured entities managed by the Group (Continued)
- (2) Asset-backed securitisations

The other type of unconsolidated entity managed by the Group is the Special Purpose Trust (hereafter referred to as the “SPT”) established by the third party in order to facilitate the asset-backed securitisations business. The credit assets are transferred from the Group to the SPTs to issue asset-backed securities for financing. As at 31 December 2020, the unconsolidated SPTs managed by the Group amounted to RMB21,820 million (31 December 2019: RMB48,426 million). Performing as the loan service provider, the Group manages the loans in associate with the SPTs and charges fee and commissions.

The Group also holds part of all levels of the asset-backed securities in SPTs. The variable return from the structured entities is not significant. As at 31 December 2020, the maximum exposure of unconsolidated SPTs is asset-backed securities initiated by the SPTs and held by the Group, which are recognised in financial assets and the carrying amount of which amounts to RMB823 million (31 December 2019: RMB855 million). The carrying amount of these asset-backed securities approximates their fair value.

For the year ended 31 December 2020, the Group did not give financial support to any of these unconsolidated SPTs (2019: Nil).

For certain asset-backed securitisations, the Group may hold part of subordinated tranches which may give rise to the Group’s continuing involvement in the transferred assets. The assets are recognised on the balance sheet to the extent of the Group’s continuing involvement, and the rest part shall be de-recognised. The extent of the Group’s continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset. As at 31 December 2020, the Group continued to recognise assets totalling to RMB730 million (31 December 2019: RMB903 million).

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

52. Structured entities (Continued)

(a) Unconsolidated structured entities (Continued)

(ii) Unconsolidated structured entities invested by the Group

The Group invests in a number of other unconsolidated structured entities which are issued and managed by other entities for investment return in 2020. These assets include WMPs, funds, trust plans and earning rights, asset management plans and earning rights, loan support bills issued and managed by independent third parties and asset-backed securities from asset securitisation initiated by the Group and managed by independent third parties, etc. Trust plans and asset management plans the Group invests are issued and managed by non-banking financial institutions. Underlying assets in such plan mainly comprise corporate loans, notes, deposit receipt and asset-backed securities from asset securitisation. In 2020, the Group did not provide any liquidity support to those unconsolidated structured entities (2019: Nil).

As at 31 December 2020 and 31 December 2019, the carrying amount (including accrued interest) of and the Group's maximum exposure to these other unconsolidated structured entities was summarised in the table below:

	The Group		
	31 December 2020		
	Carrying amount	Maximum exposure to loss	Total size of structured entities
Financial assets held for trading			
Funds	99,392	99,392	Note
Trust plans and earning rights	1,103	1,103	Note
Asset management plans and earning rights	2,174	2,174	Note
Asset-backed securities from asset securitisation	893	893	15,153
Sub-total	103,562	103,562	
Investment on debts			
Trust plans and earning rights	47,514	47,514	Note
Asset management plans and earning rights	60,890	60,890	Note
Asset-backed securities from asset securitisation and others	27,100	27,100	258,754
Loan-backed bills	660	660	Note
Sub-total	136,164	136,164	
Other investment on debts			
Trust plans and earning rights	30,120	30,120	Note
Asset management plans and earning rights	14,556	14,556	Note
Asset-backed securities from asset securitisation	20,793	20,793	173,273
Sub-total	65,469	65,469	
Total	305,195	305,195	

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III. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS (CONTINUED)

52. Structured entities (Continued)

(a) Unconsolidated structured entities (Continued)

(ii) Unconsolidated structured entities invested by the Group (Continued)

	The Group		
	31 December 2019		
	Carrying amount	Maximum exposure to loss	Total size of structured entities
Financial assets held for trading			
Funds	60,949	60,949	Note
WMPs	1,525	1,525	Note
Trust plans and earning rights	3,028	3,028	Note
Asset management plans and earning rights	7,217	7,217	Note
Asset-backed securities from asset securitisation	1,286	1,286	52,958
Sub-total	74,005	74,005	
Investment on debts			
Trust plans and earning rights	31,287	31,287	Note
Asset management plans and earning rights	66,642	66,642	Note
Asset-backed securities from asset securitisation	886	886	13,747
Loan-backed bills	702	702	Note
Sub-total	99,517	99,517	
Other investment on debts			
Trust plans and earning rights	58,413	58,413	Note
Asset management plans and earning rights	27,900	27,900	Note
Asset-backed securities from asset securitisation	15,911	15,911	100,361
Sub-total	102,224	102,224	
Total	275,746	275,746	

The Group earns interest income, service fee income and investment income from its investments or providing services to structured entities.

Note: The information of total size of the unconsolidated structured entities listed above is not readily available from the public.

(b) Consolidated structured entities

Consolidated structured entities consist principally of principal-guaranteed WMPs that are issued and managed by the Group. In 2020, the Group did not enter into financial support with any financial support to any of these consolidated structured entities (2019: Nil).

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IV. OPERATING SEGMENT INFORMATION

The Group identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and implements management on such basis. The Group mainly manages the operation by way of geographical segments and business segments. Geographically, the Group separately operates five reporting segments, Eastern Region, Southern Region, Western Region, Northern Region and Head Office. And in business lines, the Group separately manages the production and operation of three reporting segments, wholesale banking business, retail banking business and other businesses. The operating segment information is shown in detail as follows:

Geographical operating segments

The geographical operating segments are identified as follows:

- Eastern Region: Shanghai branch, Hangzhou branch, Yangzhou branch, Yiwu branch, Taizhou branch, Shaoxing branch, Huzhou branch, Ningbo branch, Wenzhou branch, Nanjing branch, Wuxi branch, Changzhou branch, Suzhou branch, Nantong branch, Taizhou branch, Fuzhou branch, Zhangzhou branch, Fujian Pilot Free Trade Zone Fuzhou branch, Xiamen branch, Fujian Pilot Free Trade Zone Xiamen branch, Quanzhou branch, Shanghai Pilot Free Trade Zone branch, Hefei branch, Wuhu branch, Xuzhou branch, Nanchang branch, Yancheng branch, Putian branch, Zhenjiang branch, Fuyang branch, Ganzhou branch;
- Southern Region: Shenzhen branch, Shenzhen Qianhai branch, Guangzhou branch, Guangdong Pilot Free Trade Zone Nansha branch, Zhuhai branch, Guangdong Pilot Free Trade Zone Hengqin branch, Foshan branch, Dongguan branch, Huizhou branch, Zhongshan branch, Haikou branch, Changsha branch, Hengyang branch, Yueyang branch, Nanning branch, Sanya branch, Changde branch, Liuzhou branch, Shantou branch, Zhanjiang branch;
- Western Region: Chongqing branch, Chengdu branch, Deyang branch, Leshan branch, Mianyang branch, Kunming branch, Honghe branch, Wuhan branch, Jingzhou branch, Xiangyang branch, Yichang branch, Xi'an branch, Xianyang branch, Guiyang branch, Chongqing Pilot Free Trade Zone branch, Zunyi branch;
- Northern Region: Beijing branch, Dalian branch, Tianjin branch, Tianjin Pilot Free Trade Zone branch, Jinan branch, Linyi branch, Weifang branch, Dongying branch, Qingdao branch, Yantai branch, Rizhao branch, Zhengzhou branch, Luoyang branch, Shenyang branch, Shijiazhuang branch, Taiyuan branch, Tangshan branch, Zibo branch, Jining branch, Jinzhong branch, Langfang branch, Nanyang branch, Weihai branch, Hohhot branch, Kaifeng branch, Taian branch, Baoding branch, Urumchi branch, Anshan branch, Lanzhou branch, Cangzhou branch, Harbin branch;
- Head Office: The departments of Head Office (including credit card department, capital operation department, special asset management department, financial institution department, asset management department, transaction banking department, auto consumer finance centre etc.);
- Overseas: Hong Kong branch.

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IV. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical operating segments (Continued)

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocations and performance assessment. When monitoring operating results of geographic regions, management mainly considers operating income, operating costs and operating profit.

<u>2020</u>	Eastern Region	Southern Region	Western Region	Northern Region	Head Office	Overseas		Total
Net interest income (1)	18,902	23,645	8,030	14,808	34,167	98		99,650
Net non-interest income (2)	2,770	3,615	816	1,927	44,634	130		53,892
Operating income	21,672	27,260	8,846	16,735	78,801	228		153,542
Operating expenses (3)	(6,810)	(7,486)	(2,904)	(5,782)	(23,050)	(183)		(46,215)
Including: Depreciation, amortisation and rental expenses	(1,130)	(1,019)	(541)	(993)	(2,582)	(32)		(6,297)
Impairment losses on credit and other assets	(2,153)	(4,638)	(4,859)	(5,932)	(52,717)	(119)		(70,418)
Net non-operating income /(expenses)	7	(33)	(23)	(23)	(83)	-		(155)
Segment profits/(losses)	12,716	15,103	1,060	4,998	2,951	(74)		36,754
Income tax expenses								(7,826)
Net profit								28,928

<u>31 December 2020</u>	Eastern Region	Southern Region	Western Region	Northern Region	Head Office	Overseas	Offsetting	Total
Total assets	959,280	1,098,926	258,022	616,773	2,643,044	21,151	(1,128,682)	4,468,514
Total liabilities	948,515	1,085,496	258,715	613,768	2,305,404	21,167	(1,128,682)	4,104,383

- (1) Included exterior net interest income/expense and interior net interest income/expense.
(2) Included net fee and commission income, investment income, gains or losses from changes in fair value, net gains from foreign exchange and foreign exchange products, other operating income, gains or losses from disposal of assets and other income.
(3) Included taxes and surcharges, and business and administrative expenses.

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IV. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical operating segments (Continued)

<u>2019</u>	Eastern Region	Southern Region	Western Region	Northern Region	Head Office	Overseas	Total	
Net interest income/(expenses) (1)	26,025	22,020	7,948	12,987	20,983	(2)	89,961	
Net non-interest income (2)	2,550	3,308	843	1,663	39,633	-	47,997	
Operating income	28,575	25,328	8,791	14,650	60,616	(2)	137,958	
Operating expenses (3)	(7,226)	(6,699)	(2,714)	(5,355)	(20,113)	(35)	(42,142)	
Including: Depreciation, amortisation and rental expenses	(1,153)	(959)	(533)	(1,036)	(2,629)	-	(6,310)	
Impairment losses on credit and other assets	(11,955)	(9,256)	(4,036)	(14,341)	(19,923)	(16)	(59,527)	
Net non-operating (expenses)/income	(20)	2	(28)	(26)	23	-	(49)	
Segment profits/(losses)	9,374	9,375	2,013	(5,072)	20,603	(53)	36,240	
Income tax expenses							(8,045)	
Net profit							28,195	
<u>31 December 2019</u>	Eastern Region	Southern Region	Western Region	Northern Region	Head Office	Overseas	Offsetting	Total
Total assets	814,711	1,021,204	260,253	578,605	2,395,256	3,695	(1,134,654)	3,939,070
Total liabilities	806,785	1,013,051	258,730	584,361	2,094,069	3,745	(1,134,654)	3,626,087

(1) Included exterior net interest income/expense and interior net interest income/expense.

(2) Included net fee and commission income, investment income, gains or losses from changes in fair value, net gains from foreign exchange and foreign exchange products, other operating income, gains or losses from disposal of assets and other income.

(3) Included taxes and surcharges, and business and administrative expenses.

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IV. OPERATING SEGMENT INFORMATION (CONTINUED)

Business lines operating segments

In 2020, based on the management structure and policies, the business decisions, reporting and performance assessment should be in accord with two main business lines - wholesale banking business and retail banking business and other business segments. The segments are set out as follows:

Wholesale banking business

Wholesale banking business comprises corporate business and inter-bank capital business, providing financial products and services to corporate clients, governments and banks and other institutions. The financial products and services include: corporate loan, corporate deposit, trade financing, all kinds of corporate intermediary businesses, all kinds of inter-bank capital businesses, and business relate to Ping An Wealth Management.

Retail banking business

Retail banking business provides financial products and services to retail customers. The financial products and services include: personal loan, deposit, bank cards, and all kinds of individual intermediary businesses.

Other operations

The business line refers to the bond and money market investment by the Head Office in need of liquidity management. In addition, it refers to the collective management of non-performing assets and equity investment as well as assets, liabilities, income and expenses that are not directly attributable to a segment.

Segment assets, liabilities, revenues and profits are measured in accordance with the Group's accounting policy. Corporate tax is managed at company level, not for distribution in the operating segments. Segment income is mainly from interest income, and therefore interest income is presented in net amount. Net interest income, instead of interest income and interest expense, is used by the management.

Inter-segment transactions are mainly money transference. The terms of the transaction are set by period and by referencing the capital cost in the market. "Internal interest net income/expense" refers to the net interest income and expense from transfer pricing between operating segments, which will be presented in operation business of each branch after offsetting. In addition, "external interest net income/expense" refers to the interest income received from the third party or interest expense paid to the third party. The total amount of "external interest net income/expense" from every operating segment should be equal to the net interest income in the Group's income statement.

Segment revenue, profit, assets and liabilities include those directly attributable to a segment, and those allocated pro rata.

The Group thoroughly conducts internal funds transfer pricing, using term matching and re-pricing method to calculate the income and expense of an individual account (contract), in order to enhance gearing, reasonable pricing, and comprehensive evaluation of the Group's performance.

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IV. OPERATING SEGMENT INFORMATION (CONTINUED)

Business lines operating segments (Continued)

<u>For the year ended 31 December 2020</u>	Wholesale banking business (1)	Retail banking business	Other operations	Total
Net interest income (2)	34,723	54,853	10,074	99,650
Net non-interest income (3)	21,120	33,725	(953)	53,892
Operating income	55,843	88,578	9,121	153,542
Operating expenses (4)	(15,361)	(30,854)	-	(46,215)
Including: Depreciation, amortisation and rental expenses	(1,820)	(4,477)	-	(6,297)
Impairment losses on credit and other assets	(35,280)	(35,213)	75	(70,418)
Non-operating expenses	(24)	(59)	(72)	(155)
Segment profits	5,178	22,452	9,124	36,754
Income tax expenses				(7,826)
Net profit				28,928
<u>31 December 2020</u>				
Total assets	1,872,302	1,544,067	1,052,145	4,468,514
Total liabilities	3,028,057	694,043	382,283	4,104,383

(1) Included small enterprise business.

(2) Included exterior net interest income/expense and interior net interest income/expense.

(3) Included net fee and commission income, investment income, gains or losses from changes in fair value, net gains from foreign exchange and foreign exchange products, other operating income, gains or losses from disposal of assets and other income.

(4) Included taxes and surcharges, and business and administrative expenses.

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V. COMMITMENTS AND CONTINGENT LIABILITIES

1. Capital commitments

	The Group and the Bank	
	31 December 2020	31 December 2019
Authorised but not contracted	3,087	2,259
Contracted but not provided	5,702	1,416
Total	8,789	3,675

2. Credit commitments

	The Group and the Bank	
	31 December 2020	31 December 2019
Bank acceptance notes	409,218	363,574
Letters of guarantee issued	82,860	69,168
Letter of credit issued	61,644	62,643
Sub-total	553,722	495,385
Unused limit of credit cards	689,305	433,267
Total	1,243,027	928,652
Credit risk weighted amounts of credit commitments	348,043	275,106

Financial guarantee contracts commit the Bank to make payments on behalf of customers upon the failure of the customers to perform the terms of the contracts. Provisions for expected credit losses of bank acceptance notes, letters of guarantee issued and letters of credit issued are presented in provisions. Provisions for expected credit losses of unused limit of credit cards are presented in impairment provision for loans and advances to customers.

As at 31 December 2020, the Bank had revocable loan commitments amounting to RMB2,818.5 billion (31 December 2019: RMB1,497.3 billion).

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V. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

3. Fiduciary activities

Entrusted loans business

The Group and the Bank act as an agent and grant such entrusted loans to borrowers under the direction of the third-party lenders who fund these loans. The Group and the Bank have been contracted by the third-party lenders to manage the administration and collection of these loans on their behalf. The credit risk is not recognised on the balance sheet as it remains with the trustees. As at 31 December 2020 and 31 December 2019, the scale of entrusted loans and deposits is as follows:

	The Group and the Bank	
	31 December 2020	31 December 2019
Entrusted deposits	191,133	214,517
Entrusted loans	191,133	214,517

Entrusted funding and entrusted investments

The Group and the Bank's entrusted funding and entrusted investments are primarily unconsolidated non-principal guaranteed WMPs sold to enterprises or individuals. Details are set out in Note III 52.

4. Contingency

4.1 Outstanding proceedings

As at 31 December 2020, the total claimed amount of the litigation cases of which the Bank was the defendant was RMB1,957 million (31 December 2019: RMB2,367 million). These litigation cases are under legal proceedings. In the opinion of management, the Bank has made adequate allowance for any probable losses based on the prevailing facts and circumstances.

4.2 Redemption and underwriting commitments of voucher-type government bonds and savings bonds (electronic)

As an underwriting agent of the MOF, the Group and the Bank underwrite PRC voucher-type government bonds and savings bonds (electronic) and sell the bonds to the general public. The Group and the Bank are obliged to redeem the bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the notional value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2020, the Group and the Bank have sold voucher-type government bonds and savings bonds (electronic) with accumulated amounts of RMB1,250 million (31 December 2019: RMB1,393 million) and RMB2,652 million (31 December 2019: RMB2,767 million) respectively, to the general public that the Group and the Bank have the obligation of early redemption. The MOF will not provide funding for the early redemption of these voucher-type government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

As at 31 December 2020 and 31 December 2019, there was no unexpired underwriting commitment of the government bonds.

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VI. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard its continued and steady business growth, to ensure compliance with regulatory requirements and to maximise return on capital. The Group regularly reviews its capital position and the implementation of related capital management strategies across the Bank, and adopts active capital management to support the achievement of medium and long-term business objectives and continuously improve the efficiency of its capital employment. In response to changes in its economic environment and the nature of risks it is exposed to, the Group makes active adjustments to its capital structure. The Group reports the required capital adequacy information to the CBIRC on a quarterly basis.

The Group calculates capital adequacy ratio pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Provisional)* promulgated by CBIRC in June 2012. As required and for this reporting period, the Group applies the risk-weighted method to measure its credit-risk-weighted assets, the standard method for its market-risk-weighted assets, and the basic indicator approach for its operational risk-weighted assets.

Pursuant to the *Administrative Measures for the Capital Management of Commercial Banks (Provisional)* issued by CBIRC, the regulatory capital positions of the Group on 31 December 2020 are shown below:

	Note	31 December 2020	31 December 2019
Core tier 1 capital adequacy ratio	(a)	8.69%	9.11%
Tier 1 capital adequacy ratio	(a)	10.91%	10.54%
Capital adequacy ratio	(a)	13.29%	13.22%
Core tier 1 capital			
Share capital		19,406	19,406
Capital reserve and investment revaluation reserve		80,816	80,816
Surplus reserve		10,781	10,781
General reserve		51,536	46,348
Retained earnings		131,186	113,370
Other comprehensive income		462	2,314
Deduction items from core tier 1 capital			
Goodwill	(b)	7,568	7,568
Other intangible assets (excluding land use rights)	(b)	3,204	3,870
Other net deferred income tax assets that rest on bank's future earnings		9,624	7,951
Other tier 1 capital		69,944	39,948
Tier 2 capital			
Tier 2 capital tool and surplus		43,202	43,636
Excessive loan impairment provision		31,830	30,963
Net core tier 1 capital	(c)	273,791	253,646
Net tier 1 capital	(c)	343,735	293,594
Net capital	(c)	418,767	368,193
Risk-weighted assets	(d)	3,151,764	2,784,405

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VI. CAPITAL MANAGEMENT (CONTINUED)

Note:

- (a) Core tier 1 capital adequacy ratio equals to net amount of core tier 1 capital over risk-weighted assets. Tier 1 capital adequacy ratio equals to net amount of tier 1 capital over risk-weighted assets.
- (b) Goodwill and other intangible assets (excluding land use right) are the net amounts from deduction of the associated deferred income tax liability.
- (c) Net amount of core tier 1 capital is core tier 1 capital minuses exclusive items of core tier 1 capital. Net amount of tier 1 capital equals to tier 1 capital minuses exclusive items of core tier 1 capital. Net amount of capital equals to total capital minus exclusive items of total capital.
- (d) Risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, and operating risk-weighted assets.

VII. RISK DISCLOSURE

1. Credit risk

Credit risk is the risk of loss arising from that a party of the financial instrument fails to fulfil its obligations.

The Group have established relevant mechanism for unified credit management, and periodically monitors the limit and reviews the credit risk.

1.1 Credit risk management

(i) Loans and advances to customers and credit commitments

The Group has established a concentrated, vertical and individual comprehensive risk management framework and a “dispatched risk management, matrix and double-line reporting” risk management model. The Risk Management Committee of the Head Office is responsible for coordinating risk management of all levels. Professional departments such as the Risk Management Department, Corporate Credit Authorisation Department, Retail Risk Management Department, are responsible of credit management of the bank. The Risk Management Committee of the Head Office dispatch responsible leader for risk management or risk directors to branches and business units, who undertake credit management duties in their own institutions.

The Group has formulated a complete set of credit management processes and internal control mechanisms, so as to carry out whole process management of credit business. Credit management procedures for its corporate and personal loans comprise the processes of credit investigation, credit review, credit approval, disbursement and post management. In addition, the Group has formulated relevant policies of credit underwriting, which have defined the functions and responsibilities of different credit operational processes, and have enhanced the monitoring of the related compliance for improving the overall effective control of credit risk.

For the year ended 31 December 2020, COVID-19 affected the operations of business enterprises in certain industries in some cities and provinces, including Hubei, as well as the overall economic performance of the country, and as a result, had a negative impact on the asset quality of the Group’s credit assets and investments. In response to the government’s anti-epidemic policies, the Group delivered timely solutions to assist existing customers who had been affected by the outbreak, including relief measures, and at the same time, further enhanced its credit risk monitoring and early warning management system to step up credit risk monitoring. The Group and the Bank actively respond to the change of the credit environment by conducting regular analysis on credit risk situations and matters and taking precautionary risk control measures with a forward-looking vision. The Group and the Bank have also set up a troubled loan workout mechanism to speed up the workout of troubled loans and to prevent them from becoming non-performing loans.

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VII. RISK DISCLOSURE (CONTINUED)

1. Credit risk (Continued)

1.1 Credit risk management (Continued)

(i) Loans and advances to customers and credit commitments (Continued)

Risks arising from credit commitments are similar to those associated with loans and advances. Transactions of financial guarantees and loan commitments are, therefore, subject to the same portfolio management and the same requirements for application and collateral as loans and advances to customers.

If the Group, after executing all necessary procedures, still considers that it is not expected to recover the whole or part of the financial assets, they shall be write-off. Signs indicating that amounts are not expected to be recovered include: (1) the enforcement has been terminated, and (2) the Group recovers the amounts by confiscating and disposing the collaterals but it is estimated that the value of the collaterals could not fully cover the principal and interest.

(ii) Bonds

The Group manages credit risk exposure of bonds and bills by setting restriction of investment size, issuer profile and rating and also post-investment management. Generally, corporate credit rating of issuer of overseas bonds is required to be equal to or higher than BBB- (by Standard & Poor's or equivalent rating agencies) when purchasing. Corporate credit rating of domestic bonds is required to be equal to or higher than AA (credit rating institutes shall obtain the admission by the Group) when purchasing. With overall consideration taken into internal rating and external data, the Group continues to conduct strict risk management on bond investment.

(iii) Non-bond investment on debts

Non-bond investment on debts include WMPs issued by other banks, asset management plans and trust plans, etc. The Group has rating-based access policies in place towards the cooperating trust companies, securities companies and fund companies, and grants credit facility to the repurchase parties of trust beneficial rights, issuers of WMPs, and ultimate financing parties of directional asset management plans. Subsequent risk management is carried out on a regular basis.

(iv) Interbank transactions

Interbank transactions include deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held under resale agreements by other banks, etc. The Group reviews and monitors credit risk of individual financial institutions periodically and credit quota has been maintained for each bank and other institutions.

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VII. RISK DISCLOSURE (CONTINUED)

1. Credit risk (Continued)

1.2 Measurement of expected credit losses

The Group uses the “ECL model” to make impairment provision for debt-instrument financial assets measured at amortised cost and those designated at fair value and changes included into other comprehensive income, loan commitments and financial guarantee contracts.

For financial instruments included in the measurement of expected credit losses, the Group applies “three stages” impairment model to measure the loss allowance and recognise expected credit losses in assessing whether the credit risk on a financial instrument has increased significantly since initial recognition.

Stage 1: Financial instruments with credit risk not increased significantly since initial recognition are classified to Stage 1.

Stage 2: Financial instruments with credit risk increased significantly since initial recognition yet without credit impairment are classified to Stage 2.

Stage 3: Financial instrument with credit impairment are classified to Stage 3.

The loss allowance for the financial instruments at Stage 1 is determined at the amount of expected credit losses on the financial instrument within the next 12 months. The loss allowance for the financial instruments at Stage 2 and Stage 3 is determined at the amount of expected credit losses on the financial instrument within the lifetime.

Purchased or underlying financial assets that are impaired for which the credit impairment has been incurred refer to financial assets that are impaired at initial recognition. Impairment provision of these assets represent the expected credit losses over the whole duration period.

The Group tests financial assets for expected credit losses impairment using risk parameter model and discounted cash flow model. The risk parameter model is applicable to personal loan assets, and corporate loan assets and investment on debts classified as Stage 1 and Stage 2. The discounted cash flow model is applicable to corporate loan assets and investment on debts classified as Stage 3.

Expected credit losses are assessed by taking into account the forward-looking information, and complicated models and assumptions are used in measuring expected credit losses. These models and assumptions involve future macroeconomic conditions and the credit record of the borrower (such as, possibility of default by customers and losses therefrom). The Group uses judgements, assumptions and estimates in measuring the expected credit risk in accordance with the accounting standards, including:

- Classification of similar credit risk portfolios
- Parameters for measuring expected credit losses
- Criteria for significant increase in credit risk and default definition
- Definition of credit-impaired assets
- Forward-looking information
- Future cash flows forecast for loans and advances to corporates and investment on debts in stage 3

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VII. RISK DISCLOSURE (CONTINUED)

1. Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

Parameters for measuring expected credit losses

Based on whether the credit risk has increased significantly and whether the credit impairment has occurred, the Group measures impairment provision for different assets by the 12-month or lifetime expected credit losses. Key parameters for measuring expected credit losses include default probability, default loss rate, default risk exposure and discount rate. Based on the internal rating system used in current risk management, the Group, in accordance with the accounting standards for financial instruments, establishes the default probability, default loss rate and default risk exposure model by taking into account the quantitative analysis of historical statistics (such as counterparty rating, guarantee method and collateral category, repayment method, etc.) and forward-looking information.

- Default probability refers to the possibility that borrowers are unable to perform their repayment obligation in the next 12 months or during the rest of the lifetime. The Group calculates default probability by combining historical default experience, which is calculated by adjusting the result of internal rating model or collective assessment, and forward-looking information to reflect the debtor's default probability under the current macroeconomic environment at a certain time point;
- Default loss rate refers to the Group's expectation of the extent of the losses caused by default risk exposure. Default loss rate varies with the type of the counterparty in the transaction, the measure and priority of recourse, and the accessibility of collaterals and other credit supports. The default loss rate is the percentage of the risk exposure loss in the event of default;
- Default risk exposure refers to the repayment due to the Group when default occurs.

The Group adopts internal credit risk rating to reflect the default probability assessment results of a single counterparty and adopt different internal rating models for different counterparties. The information about the borrower and specific information of the loan collected upon the application for loan will be included in rating model. The Group's rating system consists of 24 grades for non-default and one grade for default. The Group regularly monitors and reviews assumptions related to the calculation of expected credit losses, including the default probability, default loss rate and default risk exposure in terms of different maturities and changes in value of collaterals.

Criteria for significant increase in credit risk

At each balance sheet date, the Group assesses whether the credit risk of relevant financial instruments has increased significantly since initial recognition. The Group fully considers all the reasonable and supportable information on whether the credit risk has changed significantly, including forward-looking information. Main considerations include regulatory and business environment, internal and external credit rating, solvency, operation capacity, loan contract terms, repayment behaviour, etc. The Group, based on individual financial instruments or financial instrument groupings with similar credit risk characteristics, determines changes in the risk of default in the estimated lifetime of financial instruments by comparing the risk of default of financial instruments at the balance sheet date with that at the initial recognition.

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VII. RISK DISCLOSURE (CONTINUED)

1. Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

Criteria for significant increase in credit risk (Continued)

The Group sets quantitative and qualitative criteria to judge whether the credit risk of financial instruments changes significantly since initial recognition, and the criteria include: overdue for more than 30 days, changes in default probability, changes in credit risk classification and other situations indicating significant changes in credit risk.

After the outbreak of COVID-19, in response to the government's anti-pandemic policies, the Group delivered relief measures to assist existing customers who had been affected. The Group prudently assesses the repayment ability of customers who apply for loan relief measures, and adopts measures, including deferred interest repayment, repayment plan adjustment, etc., for those meeting the policy standards, and at the same time, the Group also evaluates whether the credit risks of these customers have increased significantly.

Definition of credit-impaired assets

Under the accounting standards for financial instruments, in order to determine whether credit impairment occurs, the defined criteria adopted by the Group are consistent with the internal credit risk management objectives for relevant financial instruments, both of which incorporate quantitative and qualitative indicators. When assessing whether a debtor has suffered a credit impairment, the Group usually considers the following factors:

- Borrowings overdue for over 90 days after the contractual payment day
- Default of internal credit rating
- Concessions made by the lender to the borrower for economic or contractual reasons related to the financial difficulties of the borrower
- Significant financial difficulty of the borrower
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation
- The active market for financial assets disappears

Financial assets may be credit-impaired due to the joint effect of multiple events rather than separately identifiable events.

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VII. RISK DISCLOSURE (CONTINUED)

1. Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

Forward-looking information

Both the assessment of significant increase in credit risk and the calculation of expected credit losses involve forward-looking information. The Group identifies key economic indicators that affect credit risks and expected credit losses of all asset portfolios based on historical data analysis, such as quarter-on-year growth rate of GDP, Consumer Price Index, and Purchasing Managers' Index, etc.

The Group evaluates and predicts the economic indicators at least annually, and provides best estimates and examines the evaluation results on a regular basis. In 2020, the Group adjusted the forecasting of forward-looking economic indicators using the statistical analysis with combination of expert judgement, and also considered the range of possible outcomes represented by each scenario, and determined the final macroeconomic scenarios and weights. Similar to other economic estimates, the expected economic indicators and probability of occurrence are inherently highly uncertain. As a result, the actual results may be materially different from the estimates. The Group believes that the forecasting reflects the Group's best estimate of possible outcomes. The above weighted credit loss is calculated by multiplying the expected credit loss under each scenario by the weight of the corresponding scenario.

The impact of these economic indicators on default probability and default loss rate varies between different business types. The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and default probability, default loss rate and default risk exposure. The Group annually reviews key parameters and assumptions used in the calculation of expected credit losses and makes necessary updates and adjustments according to the external economic development and changes in industrial and regional risks.

In 2020, the key macroeconomic assumptions used by the Group in macroeconomic scenarios included quarter-on-year growth rate of GDP, Consumer Price Index, and Purchasing Managers' Index. Among them:

- Accumulated quarter-on-year growth rate of GDP: The average forecasting value under baseline scenario in 2021 is about 8.45%, with that under optimistic scenario increasing by 0.88 percentage point and that under pessimistic scenario decreasing by 1.12 percentage points. The average forecasting value under baseline scenario in 2022 is about 5.68%, with that under optimistic scenario increasing by 0.58 percentage point and that under pessimistic scenario decreasing by 0.65 percentage point;
- Consumer Price Index: The forecasting value under baseline scenario in 2021 is about 1.70%, with that under optimistic scenario increasing by 0.50 percentage point and that under pessimistic scenario decreasing by 0.55 percentage point. The forecasting value under baseline scenario in 2022 is about 2.13%, with that under optimistic scenario increasing by 0.70 percentage point and that under pessimistic scenario decreasing by 0.65 percentage point;
- Purchasing Managers' Index: The forecasting value under baseline scenario in 2021 is about 50.27, with that under optimistic scenario increasing by 0.78 and that under pessimistic scenario decreasing by 0.75. The forecasting value under baseline scenario in 2022 is about 50.15, with that under optimistic scenario increasing by 0.83 and that under pessimistic scenario decreasing by 0.73.

In 2020, the impact of COVID-19 on the macro economy and the banking industry was fully considered in the forward-looking information used by the Group to assess the measurement model of expected credit losses.

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VII. RISK DISCLOSURE (CONTINUED)

1. Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

Sensitivity analysis and management overlay

Expected credit losses are sensitive to parameters used in the model, macroeconomic variables of forward-looking estimates, weight probability of the three scenarios, and other factors considered in the expert judgement. Changes in these input parameters, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of expected credit losses.

As at 31 December 2020, the weights of basis scenario of the Group and the Bank are slightly higher than the sum of the weights of non-basis scenario. If the weight of optimistic scenario increases by 10% while the weight of basis scenario decreases by 10%, provision for credit impairment as at 31 December 2020 decreases by RMB741 million (31 December 2019: RMB918 million); if the weight of pessimistic scenario increases by 10% while the weight of basis scenario decreases by 10%, provision for credit impairment increases by RMB1,327 million (31 December 2019: RMB1,554 million).

In 2020, the Group assessed the relevant impacts under the expected credit loss model with consideration to the significant impact of COVID-19 on the macro economy, and increased the loss provision for loan assets receiving relief solutions to further boost the risk compensation capability. The amount increased is considered to be insignificant compared to the loss provision.

The table below illustrates changes in impairment provision and provisions recognised by the Group and the Bank in balance sheet after all financial assets and credit commitments in Stage 2 are transferred into Stage 1 due to significant changes in credit risk.

	31 December 2020	31 December 2019
The total amount of impairment provision and provisions as all financial assets and credit commitments in Stage 2 are transferred into Stage 1	64,138	77,612
The total amount of impairment provision and provisions recognised in balance sheet	72,431	84,912
Difference - amount	(8,293)	(7,300)
Difference - %	-11%	-9%

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VII. RISK DISCLOSURE (CONTINUED)

1. Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

The table below illustrates the changes in the carrying amount of the Group's major financial assets for the current year (including accrued interest):

		The Group 2020						
Item	Stage of impairment	Opening balance	Net increase/(decrease) in the current year (Note)	Changes in three stages			Write-off in the current year	Ending balance
				Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3		
Loans and advances to customers	Stage 1	2,232,416	442,425	(72,212)	(1,115)	-	-	2,601,514
	Stage 2	49,365	(30,425)	72,212	-	(53,919)	-	37,233
	Stage 3	47,128	(7,887)	-	1,115	53,919	(59,360)	34,915
	Sub-total	2,328,909	404,113	-	-	-	(59,360)	2,673,662
Investment on debts	Stage 1	644,891	(15,256)	(8,761)	-	-	-	620,874
	Stage 2	1,513	(870)	8,761	-	-	-	9,404
	Stage 3	18,799	20,503	-	-	-	(30,861)	8,441
	Sub-total	665,203	4,377	-	-	-	(30,861)	638,719
Other investment on debts	Stage 1	181,622	15,959	(2,604)	-	-	-	194,977
	Stage 2	100	(647)	2,604	-	-	-	2,057
	Stage 3	542	(53)	-	-	-	(450)	39
	Sub-total	182,264	15,259	-	-	-	(450)	197,073

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

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VII. RISK DISCLOSURE (CONTINUED)

1. Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

The table below illustrates the changes in the carrying amount of the Bank's major financial assets for the current year (including accrued interest):

		The Bank						
		2020						
Item	Stage of impairment	Opening balance	Net increase/(decrease) in the current year (Note)	Changes in three stages			Write-off in the current year	Ending balance
				Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3		
Loans and advances to customers	Stage 1	2,232,416	442,425	(72,212)	(1,115)	-	-	2,601,514
	Stage 2	49,365	(30,425)	72,212	-	(53,919)	-	37,233
	Stage 3	47,128	(7,887)	-	1,115	53,919	(59,360)	34,915
	Sub-total	2,328,909	404,113	-	-	-	(59,360)	2,673,662
Investment on debts	Stage 1	644,891	(15,256)	(8,761)	-	-	-	620,874
	Stage 2	1,513	(870)	8,761	-	-	-	9,404
	Stage 3	18,799	20,503	-	-	-	(30,861)	8,441
	Sub-total	665,203	4,377	-	-	-	(30,861)	638,719
Other investment on debts	Stage 1	181,622	14,547	(2,604)	-	-	-	193,565
	Stage 2	100	(647)	2,604	-	-	-	2,057
	Stage 3	542	(53)	-	-	-	(450)	39
	Sub-total	182,264	13,847	-	-	-	(450)	195,661

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

VII. RISK DISCLOSURE (CONTINUED)

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1. Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

The table below illustrates the changes in the carrying amount of the Group and the Bank's major financial assets in 2019 (including accrued interest):

		The Group and the Bank						
		2019						
Item	Stage of impairment	Opening balance	Net increase/(decrease) in the current year (Note)	Changes in three stages			Write-off in the current year	Ending balance
				Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3		
Loans and advances to customers	Stage 1	1,899,923	416,765	(84,351)	79	-	-	2,232,416
	Stage 2	45,185	(38,679)	84,351	-	(41,492)	-	49,365
	Stage 3	58,682	(5,412)	-	(79)	41,492	(47,555)	47,128
	Sub-total	2,003,790	372,674	-	-	-	(47,555)	2,328,909
Investment on debts	Stage 1	620,382	38,999	(13,318)	(1,172)	-	-	644,891
	Stage 2	5,797	(7,544)	13,318	-	(10,058)	-	1,513
	Stage 3	10,548	(2,337)	-	1,172	10,058	(642)	18,799
	Sub-total	636,727	29,118	-	-	-	(642)	665,203
Other investment on debts	Stage 1	70,109	112,113	(600)	-	-	-	181,622
	Stage 2	34	(34)	600	-	(500)	-	100
	Stage 3	521	(479)	-	-	500	-	542
	Sub-total	70,664	111,600	-	-	-	-	182,264

Note: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

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VII. RISK DISCLOSURE (CONTINUED)

1. Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

The table below illustrates the changes in the balance of the impairment provision for major financial assets of the Group and the Bank for the current year:

		The Group and the Bank							
		2020							
Item	Stage of impairment	Opening balance	Net increase/(decrease) in the current year (Note 1)	Increase in/(reversal of) provision (Note 2)	Changes in three stages			Write-off in the current year	Ending balance
					Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3		
Loans and advances to customers	Stage 1	30,408	10,194	(5,855)	(3,428)	399	-	-	31,718
	Stage 2	7,889	(2,029)	14,001	3,428	-	(15,425)	-	7,864
	Stage 3	31,716	(6,255)	42,510	-	(399)	15,425	(59,360)	23,637
	Sub-total	70,013	1,910	50,656	-	-	-	(59,360)	63,219
Investment on debts	Stage 1	1,299	763	(162)	(144)	-	-	-	1,756
	Stage 2	90	(70)	537	144	-	-	-	701
	Stage 3	7,524	18,991	6,989	-	-	-	(30,861)	2,643
	Sub-total	8,913	19,684	7,364	-	-	-	(30,861)	5,100
Other investment on debts	Stage 1	757	134	3	(65)	-	-	-	829
	Stage 2	1	(9)	164	65	-	-	-	221
	Stage 3	520	(266)	235	-	-	-	(450)	39
	Sub-total	1,278	(141)	402	-	-	-	(450)	1,089

Note 1: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Note 2: This item mainly includes changes in default probability, default risk exposure, default loss rate caused by regular updates of model parameters, and impacts of changes in stages and management overlay on the measurement of expected credit losses.

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VII. RISK DISCLOSURE (CONTINUED)

1. Credit risk (Continued)

1.2 Measurement of expected credit losses (Continued)

The table below illustrates the changes in the balance of the impairment provision for the Group and the Bank's major financial assets in 2019:

		The Group and the Bank							
		2019							
Item	Stage of impairment	Opening balance	Net increase/(decrease) in the current year (Note 1)	Increase in/(reversal of) provision (Note 2)	Changes in three stages			Write-off in the current year	Ending balance
					Net transfer/(reversal) from Stage 1 to Stage 2	Net transfer/(reversal) from Stage 1 to Stage 3	Net transfer/(reversal) from Stage 2 to Stage 3		
Loans and advances to customers	Stage 1	17,266	12,723	3,803	(3,765)	381	-	-	30,408
	Stage 2	7,931	(3,202)	12,881	3,765	-	(13,486)	-	7,889
	Stage 3	28,990	(1,304)	38,480	-	(381)	13,486	(47,555)	31,716
	Sub-total	54,187	8,217	55,164	-	-	-	(47,555)	70,013
Investment on debts	Stage 1	1,438	136	(80)	(159)	(36)	-	-	1,299
	Stage 2	329	(221)	497	159	-	(674)	-	90
	Stage 3	5,594	(202)	2,064	-	36	674	(642)	7,524
	Sub-total	7,361	(287)	2,481	-	-	-	(642)	8,913
Other investment on debts	Stage 1	275	638	(80)	(76)	-	-	-	757
	Stage 2	1	(1)	5	76	-	(80)	-	1
	Stage 3	56	(99)	483	-	-	80	-	520
	Sub-total	332	538	408	-	-	-	-	1,278

Note 1: Changes due to purchase, origination, or derecognition (except for write-off) for the current year.

Note 2: This item mainly includes changes in default probability, default risk exposure, default loss rate caused by regular updates of model parameters, and impacts of changes in stages and management overlay on the measurement of expected credit losses.

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VII. RISK DISCLOSURE (CONTINUED)
1. Credit risk (Continued)
1.3 Credit risk measurement
Credit risk exposure analysis

The Group conducts internal rating on the risk characteristics of assets based on the quality status of assets, and classifies the credit ratings of financial assets included in the measurement of expected credit losses into "low risk", "medium risk", "high risk" and "default" according to the internal rating yardstick. The credit ratings are only for internal credit risk management. "Low risk" means that an asset has high quality, and there is sufficient evidence to show that no default is expected to occur on the asset, or there is no sufficient reason to suspect that default is expected to occur on the asset; "medium risk" refers to factors that may adversely affect the quality of an asset, but there is no sufficient reason to suspect that the asset is expected to default; "high risk" means that there are factors that have an obvious adverse effect on the quality of an asset, but no occurrence of default; the criterion for "default" is consistent with the definition of credit-impaired assets.

The table below provides an analysis on the credit risk rate of the loans and advances to customers and investment on debts included in the expected credit losses assessment. The carrying amount of financial assets below represents the Group's maximum credit risk exposure with these assets.

Loans and advances to customers

The Group and the Bank 31 December 2020				
	Stage 1	Stage 2	Stage 3	Total
Credit rating	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	1,495,550	368	-	1,495,918
Medium risk	1,098,640	10,093	-	1,108,733
High risk	7,324	26,772	-	34,096
Default	-	-	34,915	34,915
Book balance	2,601,514	37,233	34,915	2,673,662
Impairment provision	(31,320)	(7,864)	(23,637)	(62,821)
Carrying amount	2,570,194	29,369	11,278	2,610,841

The Group and the Bank 31 December 2019				
	Stage 1	Stage 2	Stage 3	Total
Credit rating	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	1,196,528	670	-	1,197,198
Medium risk	1,029,144	18,079	-	1,047,223
High risk	6,744	30,616	-	37,360
Default	-	-	47,128	47,128
Book balance	2,232,416	49,365	47,128	2,328,909
Impairment provision	(29,955)	(7,889)	(31,716)	(69,560)
Carrying amount	2,202,461	41,476	15,412	2,259,349

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VII. RISK DISCLOSURE (CONTINUED)
1. Credit risk (Continued)
1.3 Credit risk measurement (Continued)
Credit risk exposure analysis (Continued)
Investment on debts

The Group and the Bank 31 December 2020				
	Stage 1	Stage 2	Stage 3	Total
Credit rating	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	541,868	1,150	-	543,018
Medium risk	79,006	54	-	79,060
High risk	-	8,200	-	8,200
Default	-	-	8,441	8,441
Book balance	620,874	9,404	8,441	638,719
Impairment provision	(1,756)	(701)	(2,643)	(5,100)
Carrying amount	619,118	8,703	5,798	633,619

The Group and the Bank 31 December 2019				
	Stage 1	Stage 2	Stage 3	Total
Credit rating	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	
Low risk	588,546	-	-	588,546
Medium risk	56,345	1,513	-	57,858
High risk	-	-	-	-
Default	-	-	18,799	18,799
Book balance	644,891	1,513	18,799	665,203
Impairment provision	(1,299)	(90)	(7,524)	(8,913)
Carrying amount	643,592	1,423	11,275	656,290

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VII. RISK DISCLOSURE (CONTINUED)

1. Credit risk (Continued)

1.3 Credit risk measurement (Continued)

Risk concentration of the maximum credit risk exposure

Credit risk is often greater when counterparties are concentrated in a single industry or geographic location or have comparable economic characteristics.

The majority of the loans and financial guarantee contracts of the Group are related to the local customers within Mainland China. However, different areas in Mainland China have their own unique characteristics in terms of economic development. Therefore, each area in Mainland China could present different credit risks.

Please refer to Note III 6 for an analysis of concentration of loans and advances by industry and geographical region.

Collateral and other credit enhancements

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. The Group has implemented guidelines regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For reverse repurchase transactions, mainly in bills, beneficial right of trust, or securities;
- For corporate lending, mainly charges over real estate properties, inventories, shares or trade receivables;
- For retail lending, mainly in residential properties mortgages.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of impairment provision.

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VII. RISK DISCLOSURE (CONTINUED)
1. Credit risk (Continued)
1.3 Credit risk measurement (Continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (deducting impairment provision):

	The Group				
	31 December 2020				
	Stage 1	Stage 2	Stage 3	N/A	Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
Balances with the Central Bank	280,177	-	-	-	280,177
Deposits with banks and other financial institutions	106,174	-	-	-	106,174
Placements with and loans to banks and other financial institutions	70,996	-	-	-	70,996
Financial assets held for trading (excluding equity investments)	-	-	-	311,084	311,084
Derivative financial assets	-	-	-	36,607	36,607
Financial assets held under resale agreements	95,314	-	-	-	95,314
Loans and advances to customers	2,570,194	29,369	11,278	-	2,610,841
Other investment on debts (excluding equity investments)	194,977	2,057	39	-	197,073
Investment on debts	619,118	8,703	5,798	-	633,619
Other financial assets	15,182	-	-	-	15,182
Sub-total	3,952,132	40,129	17,115	347,691	4,357,067
Off-balance-sheet items (Note)	1,239,364	2,123	615	-	1,242,102
Including: Bank acceptance notes	406,956	1,339	421	-	408,716
Letters of guarantee issued	82,398	72	-	-	82,470
Letters of credit issued	61,280	237	94	-	61,611
Unused limit of credit cards	688,730	475	100	-	689,305
Total	5,191,496	42,252	17,730	347,691	5,599,169

Note: Off-balance-sheet items represented letters of credit issued, bank acceptance notes, letters of guarantee issued and unused limit of credit cards, after deducting off-balance-sheet provision for expected credit losses.

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VII. RISK DISCLOSURE (CONTINUED)
1. Credit risk (Continued)
1.3 Credit risk measurement (Continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (deducting impairment provision):

	The Bank				
	31 December 2020				
	Stage 1	Stage 2	Stage 3	N/A	Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
Balances with the Central Bank	280,177	-	-	-	280,177
Deposits with banks and other financial institutions	106,060	-	-	-	106,060
Placements with and loans to banks and other financial institutions	70,996	-	-	-	70,996
Financial assets held for trading (excluding equity investments)	-	-	-	308,514	308,514
Derivative financial assets	-	-	-	36,607	36,607
Financial assets held under resale agreements	94,749	-	-	-	94,749
Loans and advances to customers	2,570,194	29,369	11,278	-	2,610,841
Other investment on debts (excluding equity investments)	193,565	2,057	39	-	195,661
Investment on debts	619,118	8,703	5,798	-	633,619
Other financial assets	15,160	-	-	-	15,160
Sub-total	3,950,019	40,129	17,115	345,121	4,352,384
Off-balance-sheet items (Note)	1,239,364	2,123	615	-	1,242,102
Including: Bank acceptance notes	406,956	1,339	421	-	408,716
Letters of guarantee issued	82,398	72	-	-	82,470
Letters of credit issued	61,280	237	94	-	61,611
Unused limit of credit cards	688,730	475	100	-	689,305
Total	5,189,383	42,252	17,730	345,121	5,594,486

Note: Off-balance-sheet items represented letters of credit issued, bank acceptance notes, letters of guarantee issued and unused limit of credit cards, after deducting off-balance-sheet provision for expected credit losses.

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VII. RISK DISCLOSURE (CONTINUED)
1. Credit risk (Continued)
1.3 Credit risk measurement (Continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (deducting impairment provision):

	The Group and the Bank				
	31 December 2019				
	Stage 1	Stage 2	Stage 3	N/A	Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
Balances with the Central Bank	246,771	-	-	-	246,771
Deposits with banks and other financial institutions	85,684	-	-	-	85,684
Placements with and loans to banks and other financial institutions	79,369	-	-	-	79,369
Financial assets held for trading (excluding equity investments)	-	-	-	206,210	206,210
Derivative financial assets	-	-	-	18,500	18,500
Financial assets held under resale agreements	62,216	-	-	-	62,216
Loans and advances to customers	2,202,461	41,476	15,412	-	2,259,349
Other investment on debts (excluding equity investments)	181,622	100	542	-	182,264
Investment on debts	643,592	1,423	11,275	-	656,290
Other financial assets	10,459	-	-	-	10,459
Sub-total	3,512,174	42,999	27,229	224,710	3,807,112
Off-balance-sheet items (Note)	921,478	4,805	665	-	926,948
Including: Bank acceptance notes	358,448	3,905	281	-	362,634
Letters of guarantee issued	68,349	133	-	-	68,482
Letters of credit issued	62,024	541	-	-	62,565
Unused limit of credit cards	432,657	226	384	-	433,267
Total	4,433,652	47,804	27,894	224,710	4,734,060

Note: Off-balance-sheet items represented letters of credit issued, bank acceptance notes, letters of guarantee issued and unused limit of credit cards, after deducting off-balance-sheet provision for expected credit losses.

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VII. RISK DISCLOSURE (CONTINUED)
1. Credit risk (Continued)
1.3 Credit risk measurement (Continued)

The Group closely monitors collateral related to credit-impaired financial assets, as the possibility is greater that the Group confiscates such collateral in order to lower the potential losses when compared with other collaterals. On 31 December 2020 and 31 December 2019, the Group's credit-impaired financial assets and the value of the collateral held to lower the potential losses were set out as follows:

The Group and the Bank				
31 December 2020				
	Total exposure	Impairment provision (Note)	Carrying amount	Fair value of the collateral held
Credit-impaired assets				
Loans and advances to customers:				
- Loans and advances to corporates	16,923	9,215	7,708	12,179
- Loans and advances to individuals	17,992	14,422	3,570	8,981
Financial investments:				
- Investment on debts	8,441	2,643	5,798	3,574
- Other investment on debts	39	39	39	-
Total credit-impaired assets	43,395	26,319	17,115	24,734

The Group and the Bank				
31 December 2019				
	Total exposure	Impairment provision (Note)	Carrying amount	Fair value of the collateral held
Credit-impaired assets				
Loans and advances to customers:				
- Loans and advances to corporates	31,054	19,171	11,883	12,738
- Loans and advances to individuals	16,074	12,545	3,529	7,328
Financial investments:				
- Investment on debts	18,799	7,524	11,275	9,315
- Other investment on debts	542	520	542	-
Total credit-impaired assets	66,469	39,760	27,229	29,381

Note: As at 31 December 2020, an impairment provision, amounting to RMB39 million (31 December 2019: RMB520 million), in the Group and the Bank's loans and advances to corporates and other investment on debts was included in other comprehensive income.

Restructured loans and advances to customers

Restructured loans and advances to customers refer to those loans with renegotiated contract provisions due to deteriorated financial performance or inability to scheduled repayment. The Group reaches agreement with the borrowers in consideration of their financial difficulty or makes concessions based on the court order. As at 31 December 2020, the restructured loans and advances to customers of the Group and the Bank amounted to RMB15,627 million (31 December 2019: RMB19,707 million).

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VII. RISK DISCLOSURE (CONTINUED)

2. Liquidity risk

Liquidity risk refers to that an enterprise encounters the shortage of funds when fulfilling its obligations associated with financial liabilities.

The Boards of the Group and the Bank assume the ultimate responsibility of liquidity risk management. The Group and the Bank's senior management is responsible for managing liquidity risk. The Asset and Liability Management Committee is the top management body of liquidity risk management. The Asset and Liability Management Department is responsible for specific management of liquidity risk under the guidance of the Asset and Liability Management Committee. The performance of Board of Directors and senior management is evaluated regularly by Board of Supervisors. Internal audit department is responsible for the internal auditing of liquidity risk.

Liquidity risk has been paid attention to by the Group and the Bank, not only by constantly improving the liquidity risk management framework, but also by effective identification, measurement, monitoring, controlling the liquidity risk, conducting pressure test on liquidity risk, cautiously assessing the future needs on liquidity, continuously improving and refining emergency plan against liquidity risk, and enhancing the communication and coordination of each relevant department in order to improve the response efficiency of liquidity risk.

At the end of reporting period, the Group and the Bank's liquidity is sufficiently maintained, with major liquid index equal to or higher than the regulatory requirements. Various businesses grow steadily, with adequate and superior liquid asset reserve on a continuous basis.

The Group and the Bank will continuously work on the improvement on the pertinence and flexibility of liquidity risk management to maintain the balanced development of capital sources and operations. Meanwhile, the Group and the Bank will continuously promote the structure optimisation of assets and liabilities, and strengthen the management of stable deposits and liquidation base.

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VII. RISK DISCLOSURE (CONTINUED)**2. Liquidity risk (Continued)**

As at 31 December 2020, the remaining contractual maturity analysis of the Group's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	The Group 31 December 2020							
	Overdue/On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial instruments cash flows:								
Financial assets:								
Cash and balances with the Central Bank	66,743	-	-	-	-	-	217,239	283,982
Amounts due from other financial institutions (1)	66,738	133,488	29,665	43,693	-	-	-	273,584
Financial assets held for trading	3,795	8,514	13,972	67,051	110,590	27,459	99,714	331,095
Loans and advances to customers	12,859	326,615	399,660	765,634	873,254	691,185	-	3,069,207
Investment on debts	15,613	11,263	21,581	96,058	357,995	222,568	-	725,078
Other investment on debts	-	5,494	8,230	44,884	125,236	34,293	-	218,137
Other equity investments	-	-	-	-	-	-	1,649	1,649
Other financial assets	7,811	609	2,951	4	814	755	-	12,944
Total financial assets	173,559	485,983	476,059	1,017,324	1,467,889	976,260	318,602	4,915,676
Financial liabilities:								
Borrowings from the Central Bank	-	28,886	10,983	86,543	-	-	-	126,412
Amounts due to other financial institutions (2)	284,141	117,789	58,266	87,379	-	-	-	547,575
Financial liabilities held for trading	1,244	26,355	3,614	305	-	-	-	31,518
Deposits due to customers	973,084	494,219	269,346	441,032	556,705	27,639	-	2,762,025
Debt securities issued	-	64,910	159,443	335,412	65,458	-	-	625,223
Lease liabilities	224	263	388	1,933	5,019	348	-	8,175
Other financial liabilities	10,606	-	25	5,069	-	726	-	16,426
Total financial liabilities	1,269,299	732,422	502,065	957,673	627,182	28,713	-	4,117,354
Net liquidity	(1,095,740)	(246,439)	(26,006)	59,651	840,707	947,547	318,602	798,322
Derivative cash flows:								
Derivative financial instruments settled on a net basis	-	385	456	(145)	(1,354)	30	-	(628)
Derivative financial instruments settled on a gross basis								
Including: Cash inflow	14,811	414,763	289,402	626,930	48,922	3	-	1,394,831
Cash outflow	(20,378)	(416,780)	(289,194)	(627,707)	(48,854)	(9)	-	(1,402,922)
	(5,567)	(2,017)	208	(777)	68	(6)	-	(8,091)

- (1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.
- (2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

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VII. RISK DISCLOSURE (CONTINUED)**2. Liquidity risk (Continued)**

As at 31 December 2020, the remaining contractual maturity analysis of the Bank's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	The Bank							
	31 December 2020							
	Overdue/On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial instruments cash flows:								
Financial assets:								
Cash and balances with the Central Bank	66,743	-	-	-	-	-	217,239	283,982
Amounts due from other financial institutions (1)	66,623	132,923	29,665	43,693	-	-	-	272,904
Financial assets held for trading	3,795	8,428	13,472	65,051	110,590	27,459	99,714	328,509
Loans and advances to customers	12,859	326,615	399,660	765,634	873,254	691,185	-	3,069,207
Investment on debts	15,613	11,263	21,581	96,058	357,995	222,568	-	725,078
Other investment on debts	-	5,494	8,230	44,846	123,978	34,080	-	216,628
Other equity investments	-	-	-	-	-	-	1,649	1,649
Other financial assets	7,811	595	2,951	4	807	755	-	12,923
Total financial assets	173,444	485,318	475,559	1,015,286	1,466,624	976,047	318,602	4,910,880
Financial liabilities:								
Borrowings from the Central Bank	-	28,886	10,983	86,543	-	-	-	126,412
Amounts due to other financial institutions (2)	284,491	117,789	58,266	87,379	-	-	-	547,925
Financial liabilities held for trading	1,244	26,355	3,614	305	-	-	-	31,518
Deposits due to customers	973,086	494,219	269,346	441,032	556,705	27,639	-	2,762,027
Debt securities issued	-	64,910	159,443	335,412	65,458	-	-	625,223
Lease liabilities	224	263	381	1,913	4,992	348	-	8,121
Other financial liabilities	10,606	342	-	5,069	-	726	-	16,743
Total financial liabilities	1,269,651	732,764	502,033	957,653	627,155	28,713	-	4,117,969
Net liquidity	(1,096,207)	(247,446)	(26,474)	57,633	839,469	947,334	318,602	792,911
Derivative cash flows:								
Derivative financial instruments settled on a net basis	-	385	456	(145)	(1,354)	30	-	(628)
Derivative financial instruments settled on a gross basis								
Including: Cash inflow	14,811	414,763	289,402	626,930	48,922	3	-	1,394,831
Cash outflow	(20,378)	(416,780)	(289,194)	(627,707)	(48,854)	(9)	-	(1,402,922)
	(5,567)	(2,017)	208	(777)	68	(6)	-	(8,091)

- (1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.
- (2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

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VII. RISK DISCLOSURE (CONTINUED)**2. Liquidity risk (Continued)**

As at 31 December 2019, the remaining contractual maturity analysis of the Group and the Bank's financial assets and financial liabilities (based on contractual undiscounted cash flows) was as follows:

	The Group and the Bank 31 December 2019							
	Overdue/On demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
Non-derivative financial instruments cash flows:								
Financial assets:								
Cash and balances with the Central Bank	39,768	-	-	-	-	-	212,462	252,230
Amounts due from other financial institutions (1)	27,181	101,127	31,522	69,191	-	-	-	229,021
Financial assets held for trading	4,565	5,394	16,024	45,843	49,925	41,614	61,421	224,786
Loans and advances to customers	15,828	303,409	360,291	706,053	707,156	543,304	-	2,636,041
Investment on debts	7,422	5,732	29,072	110,920	342,480	259,864	-	755,490
Other investment on debts	600	3,943	8,153	65,444	92,605	33,743	-	204,488
Other equity investments	-	-	-	-	-	-	1,844	1,844
Other financial assets	4,854	352	2,405	-	1,413	29	-	9,053
Total financial assets	100,218	419,957	447,467	997,451	1,193,579	878,554	275,727	4,312,953
Financial liabilities:								
Borrowings from the Central Bank	-	28,940	1,740	84,261	-	-	-	114,941
Amounts due to other financial institutions (2)	189,156	108,059	80,541	58,191	-	-	-	435,947
Financial liabilities held for trading	1,369	27,282	870	180	-	-	-	29,701
Deposits due to customers	822,358	368,059	261,958	514,509	547,200	9,572	-	2,523,656
Debt securities issued	-	38,250	173,020	230,782	86,108	-	-	528,160
Lease liabilities	440	351	368	1,872	5,375	469	-	8,875
Other financial liabilities	12,769	-	-	4,016	903	-	-	17,688
Total financial liabilities	1,026,092	570,941	518,497	893,811	639,586	10,041	-	3,658,968
Net liquidity	(925,874)	(150,984)	(71,030)	103,640	553,993	868,513	275,727	653,985
Derivative cash flows:								
Derivative financial instruments settled on a net basis	-	192	889	2,143	(71)	16	-	3,169
Derivative financial instruments settled on a gross basis								
Including: Cash inflow	20,354	121,521	120,083	267,473	36,491	-	-	565,922
Cash outflow	(25,204)	(121,561)	(120,681)	(268,643)	(36,287)	-	-	(572,376)
	(4,850)	(40)	(598)	(1,170)	204	-	-	(6,454)

- (1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.
- (2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

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VII. RISK DISCLOSURE (CONTINUED)**2. Liquidity risk (Continued)**

Analysis of credit commitments by contractual expiry date:

	The Group and the Bank						
	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
<u>31 December 2020</u>							
Bank acceptance notes	52,949	123,501	232,768	-	-	-	409,218
Credit card commitments	32	2,794	16,427	371,997	298,055	-	689,305
Letters of guarantee issued	6,752	7,057	31,360	37,328	363	-	82,860
Letters of credit issued	7,707	22,515	30,765	586	71	-	61,644
Total	<u>67,440</u>	<u>155,867</u>	<u>311,320</u>	<u>409,911</u>	<u>298,489</u>	<u>-</u>	<u>1,243,027</u>
<u>31 December 2019</u>							
Bank acceptance notes	56,173	90,057	217,344	-	-	-	363,574
Credit card commitments	40	3,175	15,155	201,163	213,734	-	433,267
Letters of guarantee issued	5,871	5,668	20,450	35,809	1,370	-	69,168
Letters of credit issued	9,438	20,040	32,993	172	-	-	62,643
Total	<u>71,522</u>	<u>118,940</u>	<u>285,942</u>	<u>237,144</u>	<u>215,104</u>	<u>-</u>	<u>928,652</u>

Management expects that not all of the commitments will be drawn before expiry of the commitments.

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VII. RISK DISCLOSURE (CONTINUED)

3. Market risk

The principal market risk faced by the Group and the Bank comes from interest rates and the position of exchange rate products. The target of market risk management is to avoid uncontrollable loss of revenue or equity caused by market risk, and to offset the impact of volatility risk of financial instruments on the Group and the Bank. The Board of Directors of the Group and the Bank is responsible for approving policies of market risk management, and authorises the Asset and Liability Management Committee to specifically approve the credit limit on market risk for capital investment business, while conducting regular supervision on market risks. The specialised department under the Asset and Liability Management Committee undertakes regular functions of market risk monitoring, including determining a reasonable level of market risk exposure, monitoring daily operation of treasury business, giving advice to adjust maturity structure and interest rate structure of assets and liabilities.

Transaction account interest rate risk comes from the change in interest rates and product price of the transaction account resulting from the change in market interest rates, which in turn affects the profit or loss of the Bank for the year. The Group and the Bank mainly manage the transaction account by adopting measures such as the interest rate sensitive limit and daily and monthly stop-loss limit to ensure that the fluctuations of interest rate and market value of products are within the affordable scope of the Bank.

Bank account interest rate risk comes from the mismatch of the maturity date or contract re-pricing date between interest-earning assets and interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities of the Group and the Bank are primarily denominated in RMB. The Group and the Bank manage interest rate risk primarily by adjusting the asset/liability pricing structure, regularly monitoring sensitive gaps of interest rate, analysing characteristics of asset/liability re-pricing, and using an asset/liability management system to conduct scenario analysis on interest risk. The Group and the Bank regularly convene the Asset and Liability Management Committee meetings to adjust the asset/liability structure timely and appropriately and manage interest rate risk by predicting future macroeconomic trends and analysing base rate policies of the Peoples' Bank of China.

In the opinion of management, as the market risk of the Group and the Bank's trading business activities is not material, the Group and the Bank have not separately disclosed quantitative information about exposure to market risk arising from the trading portfolio.

3.1 Foreign exchange risk

The Group and the Bank's foreign exchange risk exposure mainly comprises exposures from the mismatch of foreign currency assets and liabilities, and off-balance-sheet foreign exchange position arising from derivative transactions. The currency risk of the Group and the Bank mainly arises from loans and advances, investments and deposits denominated in foreign currencies. The Group and the Bank have set limits on positions by currency. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

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VII. RISK DISCLOSURE (CONTINUED)
3. Market risk (Continued)
3.1 Foreign exchange risk (Continued)

As at 31 December 2020, the Group's foreign currency assets and liabilities summarised by currency are as follows:

	The Group and the Bank			
	31 December 2020			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
<u>Assets:</u>				
Cash and balances with the Central Bank	7,985	504	71	8,560
Amounts due from other financial institutions (1)	74,478	5,161	4,677	84,316
Financial assets held for trading and derivative financial assets	6,252	-	247	6,499
Loans and advances to customers	135,085	13,867	25,722	174,674
Investment on debts	25,219	642	1,115	26,976
Other investment on debts	14,949	371	-	15,320
Other equity investments	15	-	-	15
Other assets	307	15	5	327
Total assets	264,290	20,560	31,837	316,687
<u>Liabilities:</u>				
Amounts due to other financial institutions (2)	20,034	2,771	18,863	41,668
Financial liabilities held for trading and derivative financial liabilities	185	-	-	185
Deposits due to customers	214,880	12,138	6,481	233,499
Debt securities issued	1,208	-	-	1,208
Other liabilities	210	61	27	298
Total liabilities	236,517	14,970	25,371	276,858
Net position of foreign currency (3)	27,773	5,590	6,466	39,829
Notional amount of derivative financial instruments	(19,765)	(5,873)	(5,106)	(30,744)
Total	8,008	(283)	1,360	9,085
Off-balance-sheet credit commitments	24,272	25	5,669	29,966

- (1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.
- (2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.
- (3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

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VII. RISK DISCLOSURE (CONTINUED)
3. Market risk (Continued)
3.1 Foreign exchange risk (Continued)

As at 31 December 2019, the Group and the Bank's foreign currency assets and liabilities summarised by currency are as follows:

	The Group and the Bank			
	31 December 2019			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
<u>Assets:</u>				
Cash and balances with the Central Bank	8,836	756	94	9,686
Amounts due from other financial institutions (1)	59,091	2,417	3,392	64,900
Financial assets held for trading and derivative financial assets	1,750	-	370	2,120
Loans and advances to customers	133,309	5,809	21,422	160,540
Investment on debts	21,408	667	1,463	23,538
Other investment on debts	8,394	-	-	8,394
Other equity investments	16	-	-	16
Other assets	61	31	1	93
Total assets	232,865	9,680	26,742	269,287
<u>Liabilities:</u>				
Amounts due to other financial institutions (2)	13,546	47	11,934	25,527
Financial liabilities held for trading and derivative financial liabilities	44	-	-	44
Deposits due to customers	203,274	11,873	5,724	220,871
Other liabilities	245	27	275	547
Total liabilities	217,109	11,947	17,933	246,989
Net position of foreign currency (3)	15,756	(2,267)	8,809	22,298
Notional amount of derivative financial instruments	(10,548)	2,118	(8,555)	(16,985)
Total	5,208	(149)	254	5,313
Off-balance-sheet credit commitments	26,656	27	4,358	31,041

- (1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.
- (2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.
- (3) The net position of foreign currency comprised the related net position of monetary assets and liabilities.

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VII. RISK DISCLOSURE (CONTINUED)
3. Market risk (Continued)
3.1 Foreign exchange risk (Continued)

The table below indicates the sensitivity analysis of exchange rate changes of the currencies to which the Group and the Bank had significant exposure on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement in the exchange rates against the RMB, with all other variables held constant on profit before tax. A negative amount in the table reflects a potential net reduction in profit before tax, while a positive amount reflects a net potential increase. As the Group and the Bank have no cash flow hedges based on foreign exchange risk and have only a minimal amount of equity instruments denominated in foreign currencies, changes in exchange rates do not have any material potential impact on equity.

Currency	The Group and the Bank			
	31 December 2020		31 December 2019	
	Change in exchange rate in %	Effect on profit before tax (RMB equivalent)	Change in exchange rate in %	Effect on profit before tax (RMB equivalent)
USD	+/-5	+/-400	+/-5	+/-260
HKD	+/-5	-/+14	+/-5	-/+7

3.2 Interest rate risk

The Group and the Bank's interest rate risk comes from the mismatch of the maturity date or contract re-pricing date between interest-earning assets and interest-bearing liabilities. Interest-earning assets and interest-bearing liabilities of the Group and the Bank are primarily denominated in RMB. Since the Loan Prime Rate (LPR) reform launched by the Central Bank, the Group and the Bank have implemented relevant policies in accordance with regulatory requirements and actively promoted the application of LPR.

The Group and the Bank manage the interest rate risk by adjusting the composition of assets and liabilities, monitoring indicators such as the interest rate sensitivity gap on a regular basis and measuring risk exposure in accordance with the re-pricing characteristics of assets and liabilities. The Asset and Liability Management Committee of the Group and the Bank meets regularly and manages interest rate risk exposures by adjusting the composition of the assets and liabilities in accordance with movements in market interest rates.

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VII. RISK DISCLOSURE (CONTINUED)
3. Market risk (Continued)
3.2 Interest rate risk (Continued)

As at 31 December 2020, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Group's balance sheet items were summarised as follows:

	The Group					
	31 December 2020					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with the Central Bank	271,144	-	-	-	12,838	283,982
Precious metals	-	-	-	-	31,340	31,340
Amounts due from other financial institutions (1)	229,556	42,463	-	-	465	272,484
Financial assets held for trading and derivative financial assets	24,235	62,244	100,987	21,366	139,045	347,877
Loans and advances to customers	1,144,481	1,072,082	371,817	15,095	7,366	2,610,841
Investment on debts	35,352	83,547	302,421	204,604	7,695	633,619
Other investment on debts	13,351	38,903	111,770	30,726	2,323	197,073
Other equity investments	-	-	-	-	1,649	1,649
Property and equipment	-	-	-	-	10,893	10,893
Goodwill	-	-	-	-	7,568	7,568
Right-of-use assets	-	-	-	-	7,149	7,149
Other assets	-	-	-	-	64,039	64,039
Total assets	1,718,119	1,299,239	886,995	271,791	292,370	4,468,514
Liabilities:						
Borrowings from the Central Bank	38,720	84,110	-	-	1,757	124,587
Amounts due to other financial institutions (2)	458,142	85,631	-	-	2,098	545,871
Financial liabilities held for trading and derivative financial liabilities	24,031	-	-	-	48,959	72,990
Deposits due to customers	1,723,106	425,014	485,083	26,970	35,762	2,695,935
Debt securities issued	234,731	315,281	59,986	-	1,867	611,865
Lease liabilities	-	-	-	-	7,346	7,346
Other liabilities	-	-	-	-	45,789	45,789
Total liabilities	2,478,730	910,036	545,069	26,970	143,578	4,104,383
Interest rate risk gap	(760,611)	389,203	341,926	244,821	N/A	N/A

- (1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.
- (2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

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VII. RISK DISCLOSURE (CONTINUED)
3. Market risk (Continued)
3.2 Interest rate risk (Continued)

As at 31 December 2020, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Bank's balance sheet items were summarised as follows:

	The Bank					
	31 December 2020					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with the Central Bank	271,144	-	-	-	12,838	283,982
Precious metals	-	-	-	-	31,340	31,340
Amounts due from other financial institutions (1)	228,877	42,463	-	-	465	271,805
Financial assets held for trading and derivative financial assets	23,657	60,269	100,987	21,366	139,028	345,307
Loans and advances to customers	1,144,481	1,072,082	371,817	15,095	7,366	2,610,841
Investment on debts	35,352	83,547	302,421	204,604	7,695	633,619
Other investment on debts	13,351	38,903	110,570	30,525	2,312	195,661
Other equity investments	-	-	-	-	1,649	1,649
Property and equipment	-	-	-	-	10,893	10,893
Goodwill	-	-	-	-	7,568	7,568
Right-of-use assets	-	-	-	-	7,097	7,097
Other assets	-	-	-	-	69,017	69,017
Total assets	1,716,862	1,297,264	885,795	271,590	297,268	4,468,779
Liabilities:						
Borrowings from the Central Bank	38,720	84,110	-	-	1,757	124,587
Amounts due to other financial institutions (2)	458,492	85,631	-	-	2,098	546,221
Financial liabilities held for trading and derivative financial liabilities	24,031	-	-	-	48,959	72,990
Deposits due to customers	1,723,108	425,014	485,083	26,970	35,762	2,695,937
Debt securities issued	234,731	315,281	59,986	-	1,867	611,865
Lease liabilities	-	-	-	-	7,296	7,296
Other liabilities	-	-	-	-	45,923	45,923
Total liabilities	2,479,082	910,036	545,069	26,970	143,662	4,104,819
Interest rate risk gap	(762,220)	387,228	340,726	244,620	N/A	N/A

- (1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.
- (2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

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VII. RISK DISCLOSURE (CONTINUED)
3. Market risk (Continued)
3.2 Interest rate risk (Continued)

As at 31 December 2019, the contractual re-pricing dates or maturity dates, whichever were earlier, of the Group and the Bank's balance sheet items were summarised as follows:

	The Group and the Bank					
	31 December 2019					
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with the Central Bank	237,234	-	-	-	14,996	252,230
Precious metals	-	-	-	-	51,191	51,191
Amounts due from other financial institutions (1)	159,199	67,031	-	-	1,039	227,269
Financial assets held for trading and derivative financial assets	22,083	44,895	40,669	35,251	82,284	225,182
Loans and advances to customers	1,094,488	893,222	262,523	3,412	5,704	2,259,349
Investment on debts	40,301	90,270	283,941	233,686	8,092	656,290
Other investment on debts	11,768	59,655	78,637	30,182	2,022	182,264
Other equity investments	-	-	-	-	1,844	1,844
Property and equipment	-	-	-	-	11,092	11,092
Goodwill	-	-	-	-	7,568	7,568
Right-of-use assets	-	-	-	-	7,517	7,517
Other assets	-	-	-	-	57,274	57,274
Total assets	1,565,073	1,155,073	665,770	302,531	250,623	3,939,070
Liabilities:						
Borrowings from the Central Bank	29,810	81,601	-	-	1,920	113,331
Amounts due to other financial institutions (2)	376,210	56,836	-	-	1,815	434,861
Financial liabilities held for trading and derivative financial liabilities	23,230	-	-	-	27,865	51,095
Deposits due to customers	1,481,982	479,828	447,554	8,981	41,423	2,459,768
Debt securities issued	210,272	223,150	78,622	-	1,718	513,762
Lease liabilities	-	-	-	-	7,600	7,600
Other liabilities	-	-	-	-	45,670	45,670
Total liabilities	2,121,504	841,415	526,176	8,981	128,011	3,626,087
Interest rate risk gap	(556,431)	313,658	139,594	293,550	N/A	N/A

- (1) Amounts due from other financial institutions included deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.
- (2) Amounts due to other financial institutions included financial assets sold under repurchase agreements.

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VII. RISK DISCLOSURE (CONTINUED)
3. Market risk (Continued)
3.2 Interest rate risk (Continued)

The Group and the Bank principally use sensitivity analyses to measure and control interest rate risk. In respect of the financial assets and liabilities held for trading, in the opinion of management, the interest rate risk to the Group and the Bank arising from this portfolio is not significant. For other financial assets and liabilities, the Group and the Bank mainly use a gap analysis to measure and control the related interest rate risk.

As at 31 December 2020 and 31 December 2019, the gap analyses of the financial assets and liabilities (excluding financial assets and liabilities designated at fair value and changes included into the profits and losses) were as follows:

	The Group			
	31 December 2020		31 December 2019	
	Changes in interest rate (basis points)		Changes in interest rate (basis points)	
	(50)	50	(50)	50
Effect on the net interest income increase/(decrease)	2,847	(2,847)	2,089	(2,089)
Effect on equity increase/(decrease)	1,960	(1,960)	1,441	(1,441)

	The Bank			
	31 December 2020		31 December 2019	
	Changes in interest rate (basis points)		Changes in interest rate (basis points)	
	(50)	50	(50)	50
Effect on the net interest income increase/(decrease)	2,851	(2,851)	2,089	(2,089)
Effect on equity increase/(decrease)	1,944	(1,944)	1,441	(1,441)

The above gap analyses assume that the interest rate risk profile of the financial assets and liabilities (excluding financial assets and liabilities designated at fair value and changes included into the profits and losses) remains static.

The sensitivity of the net interest income is the effect of a reasonable possible change in interest rates on the net interest income for one year, in respect of the financial assets and liabilities (excluding financial assets and liabilities designated at fair value and changes included into the profits and losses) held by the Group and the Bank at the balance sheet date. The sensitivity of equity is calculated by revaluing the year end portfolio of fixed-rate financial assets designated at fair value and changes included into other comprehensive income, based on a reasonable possible change in interest rates. Impact on income tax has not been considered in calculating the above effect on the net interest income and equity.

The above sensitivity analyses are based on the following assumptions: all assets and liabilities that are re-priced/due within three months (inclusive), and between three months and one year (inclusive) are assumed to be re-priced in the mid of the respective bands; and there are parallel shifts in the yield curve.

Regarding the above assumptions, the effect on the net interest income and equity of the Group and the Bank as a result of the actual increases or decreases in interest rates may differ from that of the above sensitivity analyses.

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VII. RISK DISCLOSURE (CONTINUED)
4. Fair value of financial instruments
4.1 Financial assets and liabilities measured at fair value on a recurring basis

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The sources of the inputs comprise Bloomberg, Reuters, China Bond Market Website and National Equities Exchange and Quotations.
- Level 3 Unobservable inputs for the asset or liability.

As at 31 December 2020, the Group's assets measured at fair value on a recurring basis by the above three levels were analysed below:

	The Group			
	31 December 2020			
	Quoted prices in active markets ("Level 1")	Valuation technique- observable market variables ("Level 2")	Valuation technique- unobservable market variables ("Level 3")	Total
Financial assets:				
Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	-	13,223	-	13,223
Financial assets held for trading	671	309,764	835	311,270
Derivative financial assets	-	36,607	-	36,607
Loans and advances to customers designated at fair value and changes included into other comprehensive income	-	-	202,087	202,087
Other investment on debts	-	197,073	-	197,073
Other equity investments	13	1	1,635	1,649
Total	684	556,668	204,557	761,909
Financial liabilities:				
Financial liabilities held for trading	7,142	24,363	-	31,505
Derivative financial liabilities	-	41,485	-	41,485
Total	7,142	65,848	-	72,990

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VII. RISK DISCLOSURE (CONTINUED)
4. Fair value of financial instruments (Continued)
4.1 Financial assets and liabilities measured at fair value on a recurring basis (Continued)

As at 31 December 2020, the Bank's assets measured at fair value on a recurring basis by the above three levels were analysed below:

	The Bank			
	31 December 2020			
	Quoted prices in active markets ("Level 1")	Valuation technique- observable market variables ("Level 2")	Valuation technique- unobservable market variables ("Level 3")	Total
Financial assets:				
Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	-	13,223	-	13,223
Financial assets held for trading	671	307,194	835	308,700
Derivative financial assets	-	36,607	-	36,607
Loans and advances to customers designated at fair value and changes included into other comprehensive income	-	-	202,087	202,087
Other investment on debts	-	195,661	-	195,661
Other equity investments	13	1	1,635	1,649
Total	684	552,686	204,557	757,927
Financial liabilities:				
Financial liabilities held for trading	7,142	24,363	-	31,505
Derivative financial liabilities	-	41,485	-	41,485
Total	7,142	65,848	-	72,990

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VII. RISK DISCLOSURE (CONTINUED)
4. Fair value of financial instruments (Continued)
4.1 Financial assets and liabilities measured at fair value on a recurring basis (Continued)

As at 31 December 2019, the Group and the Bank's assets measured at fair value on a recurring basis by the above three levels were analysed below:

	The Group and the Bank			
	31 December 2019			
	Quoted prices in active markets ("Level 1")	Valuation technique- observable market variables ("Level 2")	Valuation technique- unobservable market variables ("Level 3")	Total
Financial assets:				
Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	-	6,553	-	6,553
Financial assets held for trading	538	205,394	750	206,682
Derivative financial assets	-	18,500	-	18,500
Loans and advances to customers designated at fair value and changes included into other comprehensive income	-	-	156,485	156,485
Other investment on debts	-	182,264	-	182,264
Other equity investments	11	3	1,830	1,844
Total	549	412,714	159,065	572,328
Financial liabilities:				
Financial liabilities held for trading	5,960	23,731	-	29,691
Derivative financial liabilities	-	21,404	-	21,404
Total	5.960	45.135	-	51.095

The Group and the Bank take the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. In 2020, the Group and the Bank had no transfer between Level 1 and Level 2.

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market; the fair value of those not traded in an active market is determined by the Group and the Bank using valuation techniques. The valuation models used mainly comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier and restricted discount.

Financial instruments classified to Level 2 are mainly investments in bonds, foreign exchange forwards and swaps, interest rate swaps, currency options, precious metal contracts, inter-bank borrowings, financial investments, etc. The fair value of RMB denominated bonds is determined based on the valuation result from the China Central Depository & Clearing Co., Ltd. while the fair value of the foreign currency denominated bonds is determined based on the valuation results published by Bloomberg. The fair value of foreign exchange forwards and swaps, interest rate swaps, and currency options are determined by using the discounted cash flow method and the Blair-Scholes model. The fair value of the precious metals is determined in accordance with the closing price from Shanghai Gold Exchange. Inter-bank borrowings and financial investments are evaluated using the discounted cash flow method. All significant parameters used valuation techniques which was observable market information.

The Group and the Bank had no financial assets or liabilities that were not measured at fair value on a recurring basis as at 31 December 2020 and 31 December 2019.

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VII. RISK DISCLOSURE (CONTINUED)

4. Fair value of financial instruments (Continued)

4.1 Financial assets and liabilities measured at fair value on a recurring basis (Continued)

The changes in Level 3 financial assets are analysed below:

Financial assets held for trading

	<u>The Group and the Bank</u>
	2020
31 December 2019	750
Purchases	31
Sales	(1)
Gains recognised in the profits and losses	<u>55</u>
31 December 2020	<u>835</u>

Loans and advances to customers designated at fair value and changes included into other comprehensive income

	<u>The Group and the Bank</u>
	2020
31 December 2019	156,485
Purchases	3,671,119
Sales	(3,632,495)
Gains recognised in the profits and losses	<u>6,978</u>
31 December 2020	<u>202,087</u>

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VII. RISK DISCLOSURE (CONTINUED)
4. Fair value of financial instruments (Continued)
4.1 Financial assets and liabilities measured at fair value on a recurring basis (Continued)

The changes in Level 3 financial assets are analysed below (Continued):

Other equity investments

	<u>The Group and the Bank</u>
	<u>2020</u>
31 December 2019	1,830
Purchases	440
Sales	-
Gains recognised in the other comprehensive income	<u>(635)</u>
31 December 2020	<u>1,635</u>

4.2 Financial assets and liabilities not measured at fair value

Financial assets and liabilities that are not measured at fair value include: balances with the Central Bank, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions measured at amortised cost, financial assets held under resale agreements, loans and advances to customers measured at amortised cost, investment on debts, borrowings from the Central Bank, deposits from banks and other financial institutions, placements from banks and other financial institutions, proceeds from financial assets sold under repurchase agreements, deposits due to customers, and debt securities issued.

The following table summarises the carrying amount and fair value of the investment on debts and debt securities issued that are not measured or disclosed at fair value:

		<u>The Group and the Bank</u>			
		<u>31 December 2020</u>			
	<u>Carrying amount</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment on debts	633,619	-	634,592	-	634,592
Debt securities issued	611,865	-	610,219	-	610,219

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VII. RISK DISCLOSURE (CONTINUED)
4. Fair value of financial instruments (Continued)
4.2 Financial assets and liabilities not measured at fair value (Continued)

		The Group and the Bank			
		31 December 2019			
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Investment on debts	656,290	-	664,131	-	664,131
Debt securities issued	513,762	-	513,698	-	513,698

- (1) The fair value of investment on debts is determined based on quoted market prices, presented in Level 1. If relevant market information cannot be obtained for investment on debts, discounted cash flow model is used to carry on the valuation, or where applicable, the quoted price with similar credit risk, maturity and yield is used, presented in Level 2 and Level 3.
- (2) The fair value of debt securities issued is determined based on quoted market prices, presented in Level 1. If all the significant inputs in calculating the fair value of debt securities issued are observable, the fair value is presented in Level 2.

Discounted cash flow model is used to determine the financial assets and financial liabilities that are not measured at fair value other than the above. As the periods for these financial instruments are short or their interest rates float based on the market interest rate, there are no significant differences between their carrying amounts and fair values:

Assets

Cash and balances with the Central Bank

Deposits with banks and other financial institutions

Placements with and loans to banks and other financial institutions measured at amortised cost

Financial assets held under resale agreements

Loans and advances to customers measured at amortised cost

Other financial assets

Liabilities

Borrowings from the Central Bank

Deposits from banks and other financial institutions

Placements from banks and other financial institutions

Financial assets sold under repurchase agreements

Deposits due to customers

Other financial liabilities

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VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS
1. Major related party relationship
(1) The parent company:

Name	Place of registration	Percentage of equity interest held	
		31 December 2020	31 December 2019
Ping An Insurance (Group) Company of China, Ltd.	Shenzhen, PRC	58.00%	58.00%

Ping An Insurance (Group) Company of China, Ltd. (hereafter referred to as “China Ping An”) was established in Shenzhen, the People’s Republic of China on 21 March 1988. The business scope of China Ping An includes investment in insurance business; supervision and management of various domestic and international businesses of investment holding enterprises; management of insurance funds; conducting of domestic and international insurance businesses with the approval; conducting of other businesses approved by the China Insurance Regulatory Commission and the relevant state departments.

As at 31 December 2020, 8.44% of shares (31 December 2019: 8.44%) of the Group were indirectly held by China Ping An through its subsidiary, Ping An Life Insurance Company of China, Ltd.

(2) Subsidiaries:

For the subsidiaries, please refer to Note III 11.

(3) Other major shareholders:

Name	Relationship with the Group
China Electronics Shenzhen Company	Shareholder that holds less than 5% of the equity interests of the Group and dispatches directors to the Group
Shenzhen Yingzhongtai Investment Co., Ltd.	Shareholder that holds less than 5% of the equity interests of the Group and dispatches directors to the Group

The transactions between the Group and its parent company and related parties, other major shareholders and their related parties are processed according to the normal commercial terms and business procedures. The above related parties mainly refer to subsidiaries, associates, joint ventures, key management personnel, etc. Key management personnel refers to the personnel that have the authority and responsibility to plan, direct and control business activities, including directors, supervisors and senior management of the Group.

2. Major transactions between the Group and China Ping An and its related parties during the year are as follows:

Balance at the end of the year	31 December 2020	31 December 2019
Derivative financial assets	1,414	1,282
Loans and advances to customers	17,629	25,132
Right-of-use assets	557	422
Other assets	100	11
Deposits from banks and other financial institutions	16,099	13,640
Derivative financial liabilities	399	1,277
Deposits due to customers	86,341	51,485
Lease liabilities	565	460
Other liabilities	1,613	1,113
Letters of guarantee issued	580	279
Letters of guarantee under comprehensive financial business (Note 1)	8,000	15,000
Other equity instrument (Note 2)	11,589	11,589

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VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

2. Major transactions between the Group and China Ping An and its related parties during the year are as follows (Continued):

Transactions during the year	2020	2019
Interest income from transaction between financial enterprises	352	667
Interest income from loans and advances to customers	522	843
Agency fee income	662	1,666
Custody fee income	20	14
Investment income	61	44
Interest expenses on deposits from banks and other financial institutions	306	67
Interest expenses for transaction between financial enterprises	319	679
Interest expenses of deposits due to customers	991	732
Interest expenses of lease liabilities	41	9
Insurance premium expenses	2	62
Payment under operating leases	17	50
Service fee expenditure (Note 3)	7,596	6,574
Depreciation expenses of right-of-use assets	422	129
Gains on changes in fair value	17	46
Exchange gains or losses	942	(104)

Note 1: For the purpose of letters of guarantee under comprehensive financial business, Ping An Group raises funds to establish debt investment plans in order to loan to the client for investing certain projects, where the Group issues financing guarantee, and Ping An Group acts as beneficiaries. The Group provides letters of guarantee based on credit granting to the borrowers, whose credit granting risk control measures are primarily based on the guarantee provided by the borrowers.

Note 2: On 7 March 2016, the Group issued 200 million preference shares at par, with a total amount of RMB20 billion. The net amount of raised money excluding issuance expenses amounted to RMB19,953 million. Ping An Group subscribed to RMB11.6 billion of the total amount, and the actual subscription amount excluding issuance expenses amounted to RMB11,589 million. On 9 March 2020, the Group distributed a total amount of dividends on preference shares amounting to RMB507 million to Ping An Group, and the nominal dividend rate was 4.37%.

Note 3: Service fee expenditure is mainly arising from the use of Ping An Group's Wanlitong credit card reward platform service, network platform service fee, the use of communication service, etc.

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VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3. Major transactions with its controlling subsidiaries during the year are listed below:

Balance at the end of the year	31 December 2020
Deposits from banks and other financial institutions	350
Deposits due to customers	2
Other liabilities	342
Transactions during the year	2020
Interest expenses on deposits from banks and other financial institutions	10
Fee and commission expenses	322

4. Major transactions between the Group and other major shareholders and their related parties during the year are as follows:

Balance at the end of the year	31 December 2020	31 December 2019
Deposits due to customers	<u>2</u>	<u>3</u>

5. Major transactions with the key management personnel during the year are listed below:

Loans	2020	2019
Balance at the beginning of the year	25	29
Increase in the current year	-	-
Decrease in the current year	<u>(4)</u>	<u>(4)</u>
Balance at the end of the year	<u>21</u>	<u>25</u>
Interest income from loans	<u>1</u>	<u>1</u>

As at 31 December 2020 and 31 December 2019, the annual interest rates of these loan transactions ranged from 1.13% to 8.53% and from 1.13% to 8.53% respectively.

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VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)
5. Major transactions with the key management personnel during the year are listed below (Continued):

Deposits	2020	2019
Balance at the beginning of the year	33	30
Increase in the current year	1,112	996
Decrease in the current year	(1,121)	(993)
Balance at the end of the year	<u>24</u>	<u>33</u>
Interest expenses on deposits	<u>-</u>	<u>-</u>

The above deposit transactions were processed according to the normal commercial terms and business procedures.

6. Details of the compensation for key management personnel are as follows:

	2020	2019
Salaries and other short-term employee benefits	34	33
Post-employment benefits	1	1
Deferred bonus accruals	<u>-</u>	<u>-</u>
Total	<u>35</u>	<u>34</u>

As at 31 December 2020, the Group authorised a total credit facility of RMB55,965 million (31 December 2019: RMB58,365 million) for entities relating to the key management personnel of the Group and the associates, which included an outstanding loan balance amounting to RMB6,666 million (31 December 2019: RMB3,661 million) and an outstanding facility of the off-balance-sheet items amounting to RMB2,370 million (31 December 2019: RMB1,098 million). As at 31 December 2020, the Group took a deposit amounting to RMB10,566 million from the above entities relating to the key management personnel of the Group and the associates (31 December 2019: RMB3,095 million).

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IX. Events after the balance sheet date

1. Profit distribution after the balance sheet date

As approved by the 16th meeting of the 11th session of the Board of Directors of the Bank on 1 February 2021, the Bank distributed RMB4.37 (inclusive of tax) per preference share as dividends based on the amount of issued preference shares of 200 million (with a face value of RMB100 per share), and calculated with a nominal dividend rate of 4.37%. The calculation period for the dividends on preference shares was from 7 March 2020 to 6 March 2021. The dividends date was 8 March 2021. The total amount of the dividends distributed was RMB874 million (inclusive of tax). The Bank distributed dividends directly to preference shareholders.

As approved by the 16th meeting of the 11th session of the Board of Directors of the Bank on 1 February 2021, the Bank proposed to distribute a cash dividend of RMB1.80 (inclusive of tax) for every 10 shares based on the total share capital of 19,406 million shares as at 31 December 2020 after the appropriation to general risk reserve. The cash dividends proposed to distribute totalled RMB3,493 million. The above distribution scheme was pending for approval by the general meeting of shareholders.

2. Issuance of special financial bonds for loans to small and micro enterprises

On 28 January 2021, the Bank issued the first tranche of special financial bonds for loans to small and micro enterprises of Ping An Bank Co., Ltd. of 2021. The bonds amounted to RMB20 billion at a coupon rate of 3.45% for 3 years.

X. COMPARATIVE INFORMATION

Certain comparative figures have been restated to conform to the current year's presentation.

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XI. OTHER SIGNIFICANT ITEMS
Assets and liabilities measured at fair value

	The Group			
	2020			
	1 January 2020	Gains or losses from changes in fair value during the year	Accumulated valuation gain taken into other comprehensive income	31 December 2020
Assets:				
Precious metals	51,191	486	-	31,340
Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	6,553	-	(51)	13,223
Financial assets held for trading	206,682	(1,125)	-	311,270
Derivative financial assets	18,500	19,668	279	36,607
Loans and advances to customers designated at fair value and changes included into other comprehensive income	156,485	-	-	202,087
Other investment on debts	182,264	-	(643)	197,073
Other equity investments	1,844	-	(700)	1,649
Total	623,519	19,029	(1,115)	793,249
Liabilities:				
Financial liabilities held for trading	29,691	(149)	-	31,505
Derivative financial liabilities	21,404	19,892	-	41,485
Total	51,095	19,743	-	72,990

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XI. OTHER SIGNIFICANT ITEMS (CONTINUED)
Assets and liabilities measured at fair value (Continued)

	The Bank 2020			
	1 January 2020	Gains or losses from changes in fair value during the year	Accumulated valuation gain taken into other comprehensive income	31 December 2020
Assets:				
Precious metals	51,191	486	-	31,340
Placements with and loans to banks and other financial institutions designated at fair value and changes included into other comprehensive income	6,553	-	(51)	13,223
Financial assets held for trading	206,682	(1,127)	-	308,700
Derivative financial assets	18,500	19,668	279	36,607
Loans and advances to customers designated at fair value and changes included into other comprehensive income	156,485	-	-	202,087
Other investment on debts	182,264	-	(651)	195,661
Other equity investments	1,844	-	(700)	1,649
Total	623,519	19,027	(1,123)	789,267
Liabilities:				
Financial liabilities held for trading	29,691	(149)	-	31,505
Derivative financial liabilities	21,404	19,892	-	41,485
Total	51,095	19,743	-	72,990

**SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS
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Net asset return and earnings per share

<u>2020</u>	Net asset return (%)		Earnings per share (RMB Yuan)	
	Fully diluted	Weighted average	Basic	Diluted
Net profit attributable to ordinary shareholders of the Bank	9.26%	9.58%	1.40	1.40
Net profit attributable to ordinary shareholders of the Bank after deduction of non-recurring profit or loss	9.23%	9.55%	1.40	1.40
<u>2019</u>	Net asset return (%)		Earnings per share (RMB Yuan)	
	Fully diluted	Weighted average	Basic	Diluted
Net profit attributable to ordinary shareholders of the Bank	10.01%	11.30%	1.54	1.45
Net profit attributable to ordinary shareholders of the Bank after deduction of non-recurring gains or losses	9.97%	11.25%	1.53	1.44

Including: Net profit therein attributable to ordinary shareholders of the Bank after deduction of non-recurring gains or losses:

	2020	2019
Net profit for the current year attributable to shareholders of the Bank	28,928	28,195
Less: The preference dividends declared by the Bank	(874)	(874)
Interests on perpetual bonds of the Bank	(820)	-
Net profit attributable to ordinary shareholders of the Bank	27,234	27,321
Add/(Less): Non-recurring gains or losses		
Loss/gain on disposals of property and equipment, foreclosed assets and long-term equity investments	(92)	30
Loss/gain from contingencies	6	3
Other net loss/gain	(25)	(173)
Income tax effect	23	31
Net profit attributable to ordinary shareholders of the Bank after deduction of non-recurring gains or losses	27,146	27,212

The above net asset return and earnings per share are calculated in accordance with the rules stipulated in the *Regulation on Information Disclosure of Public Companies No. 9* as revised by the China Securities Regulatory Commission on 11 January 2010. The non-recurring gains or losses are calculated in accordance with the rules stipulated in the CSRC Announcement [2008] No. 43 *Interpretation of Information Disclosure of Public Companies No. 1 - Non-recurring Gains or Losses*, effective from 1 December 2008.

The profit or loss arising from changes in the fair value of financial assets and liabilities held for trading in the Group's ordinary course of business, and investment income arising from disposals of investment on debts, other investment on debts and financial liabilities held for trading are not disclosed as non-recurring gains or losses.