



中国农业银行

AGRICULTURAL BANK OF CHINA
(INCORPORATED IN THE PEOPLE'S REPUBLIC OF CHINA)

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Consolidated Statement of Financial Position

As at 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	31.12.2020	31.12.2019
ASSETS		
Cash and balances with central banks	2,437,275	2,699,895
Deposits with banks and other financial institutions	434,185	235,742
Precious metals	87,357	30,063
Placements with and loans to banks and other financial institutions	546,948	523,183
Derivative financial assets	61,937	24,944
Financial assets held under resale agreements	816,206	708,551
Loans and advances to customers	14,552,433	12,819,764
Financial investments		
Financial assets at fair value through profit or loss	583,069	801,361
Debt instrument investments at amortized cost	5,684,220	4,946,741
Other debt instrument and other equity investments at fair value through other comprehensive income	1,555,370	1,674,828
Investment in associates and joint ventures	8,865	6,672
Property and equipment	151,154	152,484
Goodwill	1,381	1,381
Deferred tax assets	133,355	120,952
Other assets	151,292	130,930
Total assets	27,205,047	24,877,491
LIABILITIES		
Borrowings from central banks	737,161	608,536
Deposits from banks and other financial institutions	1,394,516	1,503,909
Placements from banks and other financial institutions	390,660	325,363
Financial liabilities at fair value through profit or loss	27,817	30,234
Derivative financial liabilities	65,282	29,548
Financial assets sold under repurchase agreements	109,195	53,197
Due to customers	20,372,901	18,849,155
Debt securities issued	1,371,845	1,108,212
Deferred tax liabilities	334	520
Other liabilities	524,590	414,956
Total liabilities	24,994,301	22,923,630
EQUITY		
Ordinary shares	349,983	349,983
Other equity instruments	319,875	199,886
Preference shares	79,899	79,899
Perpetual bonds	239,976	119,987
Capital reserve	173,556	173,556
Investment revaluation reserve	25,987	29,684
Surplus reserve	196,071	174,910
General reserve	311,449	277,016
Retained earnings	828,240	741,101
Foreign currency translation reserve	(372)	2,219
Equity attributable to equity holders of the Bank	2,204,789	1,948,355
Non-controlling interests	5,957	5,506
Total equity	2,210,746	1,953,861
Total equity and liabilities	27,205,047	24,877,491

Notes to the consolidated financial statements form an integral part of the audited financial statements and a full understanding of the statements and the state of affairs of the Bank cannot be achieved without reference to the complete set of the Bank's audited financial statements. Copies of report and accounts can be obtained upon request from the Singapore Branch.

Consolidated Income Statement

As at 31 December 2020
(Amounts in millions of Renminbi, unless otherwise stated)

	31.12.2020	31.12.2019
Interest income	930,932	873,140
Interest expense	(385,853)	(372,270)
Net interest income	545,079	500,870
Fee and commission income	91,166	88,316
Fee and commission expense	(16,621)	(15,389)
Net fee and commission income	74,545	72,927
Net trading gain	16,405	19,067
Net gain on financial investments	(7,312)	5,793
Net gain on derecognition of financial assets measured at amortized cost	1	-
Other operating income	30,614	30,693
Operating income	659,332	629,350
Operating expenses	(229,897)	(224,096)
Credit impairment losses	(164,699)	(138,605)
Impairment losses on other assets	(204)	(118)
Operating profit	264,532	266,531
Share of result of associates and joint ventures	518	45
Profit before tax	265,050	266,576
Income tax expense	(48,650)	(53,652)
Profit for the year	216,400	212,924
Attributable to:		
Equity holders of the Bank	215,925	212,098
Non-controlling interests	475	826
	216,400	212,924
Earnings per share attributable to the ordinary equity holders of the Bank (expressed in RMB yuan per share) - Basic and diluted	0.59	0.59
Capital Adequacy Ratio	16.59%	16.13%

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT:

INCUMBENT DIRECTORS

Chairman of the Board of Directors, Executive Director: GU Shu
Vice Chairman of the Board of Directors, Executive Director, President: ZHANG Qingsong
Executive Director, Executive Vice President: ZHANG Xuguang
Non-executive Director: ZHU Hailin, LIAO Luming, LI Qiyun, LI Wei, WU Jiangtao, ZHOU Ji
Independent Non-executive Director: XIAO Xing, WANG Xinxin, HUANG Zhenzhong, Margaret LEUNG KO May Yee, LIU Shouying

INCUMBENT SUPERVISORS

Chairman of the Board of Supervisors, Supervisor Representing Shareholders: WANG Jingdong
Supervisor Representing Shareholders: XIAN Jianqiang
Supervisor Representing Employees: FAN Taili, SHAO Lihong, WU Gang
External Supervisor: LI Wang, ZHANG Jie, LIU Hongxia

INCUMBENT SENIOR MANAGEMENT

Vice Chairman of the Board of Directors, Executive Director, President: ZHANG Qingsong
Executive Director, Executive Vice President: ZHANG Xuguang
Executive Vice President: LIN Li, ZHAN Dongsheng, CUI Yong, XU Han
Chief Risk Officer: LI Zhicheng
Secretary to the Board of Directors: HAN Guoqiang

FORMER DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Former Chairman of the Board of Directors, Executive Director: ZHOU Mubing
Former Executive Director, Executive Vice President: ZHANG Keqiu
Non-executive Director: XU Jiandong, CHEN Jianbo
Supervisor Representing Shareholders: WANG Xingchun
Former Secretary to the Board of Directors: ZHOU Wanfu

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Agricultural Bank of China Limited (Incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Agricultural Bank of China Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 188 to 349, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated 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.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 summarized as follows:

- Measurement of expected credit losses for loans and advances to customers
- Consolidation of structured entities

Key Audit Matter: Measurement of expected credit losses for loans and advances to customers
Refer to Note II 8.5, Note III 1, Note IV 8, Note IV 17 and Note IV 44.1 to the consolidated financial statements.

As at 31 December 2020, the carrying amount of Group's loans and advances to customers was RMB14,552.43 billion, of which RMB13,974.38 billion were measured at amortized cost and RMB578.00 billion were measured at fair value through other comprehensive income. A loss allowance of RMB618.01 billion was recognized for loans and advances to customers measured at amortized cost and a loss allowance of RMB13.20 billion was recognized for loans and advances to customers measured at fair value through other comprehensive income in the Group's consolidated statement of financial position. The credit impairment losses on loans and advances to customers recognized in the Group's consolidated income statement for the year ended 31 December 2020 amounted to RMB138.99 billion.

The loss allowances for loans and advances to customers represent the management's best estimates at the balance sheet date of expected credit losses under International Financial Reporting Standard 9: Financial Instruments expected credit losses ("ECL") models.

The Group assessed whether the credit risk of loans and advances to customers had increased significantly since their initial recognition, and applied a three-stage impairment approach to calculate their ECL. For corporate loans and advances classified into stages I and II and for all personal loans, management assessed ECL using the risk parameter modelling approach that incorporated relevant parameters (including probability of default, loss given default, exposure at default, etc.). For corporate loans and advances in stage III, management assessed ECL by estimating the future cash flows from the loans.

The measurement of ECL for loans and advances to customers involves significant management judgments and assumptions, primarily including:

- (1) Segmentation of portfolio based on credit risk characteristics, selection of appropriate models and determination of relevant parameters;
- (2) Determination of whether or not there was a significant increase in credit risk, default or credit-impaired;
- (3) Economic indicators, economic scenarios and weightings used in the forward looking measurement;
- (4) Estimation of future cash flows for corporate loans and advances in stage III.

The Group established internal controls for the measurement of ECL.

The loss allowances for loans and advances to customers involved significant amounts, and were subject to high degree of estimation uncertainty. The inherent risk in relation to ECL measurement was considered significant as the Group adopted complex models, employed numerous parameters and data inputs, and applied significant management judgments and assumptions. In view of these reasons, we identified this as a key audit matter.

How our audit addressed the Key Audit Matter

We obtained an understanding of the management's internal control and assessment process of the measurement of expected credit losses for loans and advances to customers, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.

We evaluated and tested the design and operating effectiveness of the internal controls relating to the measurement of expected credit losses for loans and advances to customers, primarily including:

- (1) Internal controls over ECL models, including the selection, approval and application of modelling methodology; and ongoing monitoring and optimization of the models;
- (2) Review and approval of significant management judgments and assumptions, including portfolio segmentation, model selections, relevant parameters estimation, determination of significant increase in credit risk, identification of default and credit-impaired assets and forward-looking measurement;
- (3) Internal controls over the accuracy and completeness of data used by the models;
- (4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and advances in stage III;
- (5) Internal controls over the information systems for ECL measurement;
- (6) Evaluation and approval of the measurement result of expected credit losses for loans and advances to customers.

The substantive procedures we performed, primarily including:

According to the risk characteristics of the assets, we evaluated the segmentation of business operations. We assessed the appropriateness of the modelling methodologies adopted for ECL measurement by comparing with the industry practice. We examined the ECL calculation engines on a sample basis, to validate whether or not the ECL calculation engines reflect the management's modelling methodologies.

We examined the accuracy of data inputs for the ECL models, and evaluated the reasonableness of relevant parameters, covering (i) examination of supporting information on a sample basis, including contractual information, such as maturity dates, and other financial and non-financial information, such as the borrower's historical and reporting date information, which have been agreed with the underlying data used to generate probability of default and internal credit ratings, and assessment of the reasonableness of probability of default; (ii) assessment of the reasonableness of the loss given default using historical data and benchmarking against industry practices; and (iii) examination of borrowing contracts and assessment of the reasonableness of exposure at default and discount rates. In addition, we performed back-testing on probability of default, loss given default, and assessed the impact of back-testing results on the models.

We performed substantive testing over a sample of loans and advances to customers, and considered financial and non-financial information, relevant external evidence and other factors of the borrowers, to assess the appropriateness of management's identification of significant increase in credit risk, defaults and credit-impaired loans.

For forward-looking measurement, we evaluated management's analysis of their selection of economic indicators, economic scenarios and weightings assigned. We assessed the reasonableness of the parameters and inputs used in the forward looking and multiple economic scenarios models. We performed sensitivity analysis of the economic indicators, economic scenarios and weightings assigned.

For corporate loans and advances in stage III, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on available information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance.

Based on our procedures performed, in the context of the inherent uncertainties associated with measurement of ECL, for loans and advances to customers, the models, relevant parameters and data, significant judgement and assumptions adopted by management and the measurement results were considered acceptable.

Key Audit Matter: Consolidation of structured entities

Refer to Note II 2, Note III 5 and Note IV 41 to the consolidated financial statements.

Structured entities primarily included Wealth Management Products ("WMPs"), securitization products, funds, trust investment plans and asset management plans issued, managed and/or invested by the Group. As at 31 December 2020, total assets of the consolidated structured entities and the carrying amount of unconsolidated structured entities invested by the Group included in the consolidated statement of financial position amounted to RMB241.50 billion and RMB92.19 billion, respectively. In addition, as at 31 December 2020, total assets of non-principal guaranteed WMPs, funds and asset management plans sponsored and managed by the Group which were not consolidated and not included in the consolidated statement of financial position amounted to RMB2,170.62 billion and RMB440.73 billion, respectively.

Management had determined whether the Group had control of certain structured entities based on their assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities.

The significant judgement exercised by management in assessing whether the Group had control of structured entities and the amount of such structured entities resulted in this matter being identified as a key audit matter.

How our audit addressed the Key Audit Matter

We evaluated and tested the design and operating effectiveness of the Group's relevant controls over consolidation assessment of structured entities, including approval of transaction structure, review and approval of contractual terms, variable return computations, and consolidation assessment results.

We selected samples of structured entities and assessed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities. We performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned by the Group as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities.

We also assessed whether the Group acted as a principal or an agent, through analysis of the scope of the Group's decision-making authority over the sampled structured entities, the remuneration to which the Group was entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

Based on the procedures performed, we found management's consolidation judgment of these structured entities acceptable.

Other Information

The directors of the Bank are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group 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 identified 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, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Kwok Wal, Jimmy.