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中國工商銀行股份有限公司

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398

EUR Preference Shares Stock Code: 4604

2019 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of Industrial and Commercial Bank of China Limited (the “Bank”) announces the annual audited results of the Bank and its subsidiaries for the year ended 31 December 2019. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the annual audited results. Summary of the Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) is also presented in this Announcement.

1. Corporate Information

1.1 Basic Information

	Stock name	Stock code	Stock exchange on which shares are listed
A Share	工商銀行	601398	Shanghai Stock Exchange
H Share	ICBC	1398	The Stock Exchange of Hong Kong Limited
Offshore Preference Share	ICBC EURPREF1	4604	The Stock Exchange of Hong Kong Limited
Domestic Preference Share	工行優1	360011	Shanghai Stock Exchange
	工行優2	360036	Shanghai Stock Exchange

1.2 Contact

Board Secretary and Company Secretary

Name	Guan Xueqing
Address	55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Telephone	86-10-66108608
Facsimile	86-10-66107571
E-mail	ir@icbc.com.cn

2. Financial Highlights

(Financial data and indicators in this annual results announcement are prepared in accordance with International Financial Reporting Standards (“IFRSs”) and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

2.1 Financial Data

	2019	2018	2017	2016	2015
Annual operating results					
(in RMB millions)					
Net interest income	606,926	572,518	522,078	471,846	507,867
Net fee and commission income	155,600	145,301	139,625	144,973	143,391
Operating income	776,002	725,121	675,654	641,681	668,733
Operating expenses	207,776	194,203	186,194	193,112	220,835
Impairment losses on assets	178,957	161,594	127,769	87,894	86,993
Operating profit	389,269	369,324	361,691	360,675	360,905
Profit before taxation	391,789	372,413	364,641	363,279	363,235
Net profit	313,361	298,723	287,451	279,106	277,720
Net profit attributable to equity holders of the parent company	312,224	297,676	286,049	278,249	277,131
Net cash flows from operating activities	694,521	724,133	770,864	239,221	1,131,764
As at the end of reporting period (in RMB millions)					
Total assets	30,109,436	27,699,540	26,087,043	24,137,265	22,209,780
Total loans and advances to customers	16,761,319	15,419,905	14,233,448	13,056,846	11,933,466
Allowance for impairment losses on loans ⁽¹⁾	478,730	413,177	340,482	289,512	280,654
Investment	7,647,117	6,754,692	5,756,704	5,481,174	5,009,963
Total liabilities	27,417,433	25,354,657	23,945,987	22,156,102	20,409,261
Due to customers	22,977,655	21,408,934	19,562,936	18,113,931	16,514,992
Due to banks and other financial institutions	2,266,573	1,814,495	1,706,549	2,016,799	2,265,860
Equity attributable to equity holders of the parent company	2,676,186	2,330,001	2,127,491	1,969,751	1,789,474
Share capital	356,407	356,407	356,407	356,407	356,407
Net core tier 1 capital ⁽²⁾	2,457,274	2,232,033	2,030,108	1,874,976	1,701,495
Net tier 1 capital ⁽²⁾	2,657,523	2,312,143	2,110,060	1,954,770	1,781,062
Net capital base ⁽²⁾	3,121,479	2,644,885	2,406,920	2,127,462	2,012,103
Risk-weighted assets ⁽²⁾	18,616,886	17,190,992	15,902,801	14,564,617	13,216,687

	2019	2018	2017	2016	2015
Per share data					
(in RMB yuan)					
Net asset value per share ⁽³⁾	6.93	6.30	5.73	5.29	4.80
Basic earnings per share	0.86	0.82	0.79	0.77	0.77
Diluted earnings per share	0.86	0.82	0.79	0.77	0.77
Credit rating					
S&P ⁽⁴⁾	A	A	A	A	A
Moody's ⁽⁴⁾	A1	A1	A1	A1	A1

Notes: (1) Calculated by adding allowance for impairment losses on loans and advances to customers measured at amortised cost with allowance for impairment losses on loans and advances to customers measured at fair value through other comprehensive income.

(2) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

(3) Calculated by dividing equity attributable to equity holders of the parent company after deduction of other equity instruments at the end of the reporting period by the total number of ordinary shares at the end of the reporting period.

(4) The rating results are in the form of “long-term foreign currency deposits rating”.

2.2 Financial Indicators

	2019	2018	2017	2016	2015
Profitability (%)					
Return on average total assets ⁽¹⁾	1.08	1.11	1.14	1.20	1.30
Return on weighted average equity ⁽²⁾	13.05	13.79	14.35	15.24	17.10
Net interest spread ⁽³⁾	2.08	2.16	2.10	2.02	2.30
Net interest margin ⁽⁴⁾	2.24	2.30	2.22	2.16	2.47
Return on risk-weighted assets ⁽⁵⁾	1.75	1.81	1.89	2.01	2.16
Ratio of net fee and commission income to operating income	20.05	20.04	20.67	22.59	21.44
Cost-to-income ratio ⁽⁶⁾	25.79	25.71	26.45	27.40	26.69
Asset quality (%)					
Non-performing loans (“NPLs”) ratio ⁽⁷⁾	1.43	1.52	1.55	1.62	1.50
Allowance to NPLs ⁽⁸⁾	199.32	175.76	154.07	136.69	156.34
Allowance to total loans ratio ⁽⁹⁾	2.86	2.68	2.39	2.22	2.35
Capital adequacy (%)					
Core tier 1 capital adequacy ratio ⁽¹⁰⁾	13.20	12.98	12.77	12.87	12.87
Tier 1 capital adequacy ratio ⁽¹⁰⁾	14.27	13.45	13.27	13.42	13.48
Capital adequacy ratio ⁽¹⁰⁾	16.77	15.39	15.14	14.61	15.22
Total equity to total assets ratio	8.94	8.47	8.21	8.21	8.11
Risk-weighted assets to total assets ratio	61.83	62.06	60.96	60.34	59.51

Notes: (1) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

(2) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by China Securities Regulatory Commission.

(3) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.

(4) Calculated by dividing net interest income by the average balance of interest-generating assets.

- (5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (6) Calculated by dividing operating expenses (less taxes and surcharges) by operating income.
- (7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
- (8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.
- (9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.
- (10) Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

2.3 Quarterly Financial Data

		2019			
	Q1	Q2	Q3	Q4	
(In RMB millions)					
Operating income	201,818	192,385	190,481	191,318	
Net profit attributable to equity holders of the parent company	82,005	85,926	83,781	60,512	
Net cash flows from operating activities	1,044,774	(39,976)	370,409	(680,686)	

		2018			
	Q1	Q2	Q3	Q4	
(In RMB millions)					
Operating income	183,185	178,117	178,578	185,241	
Net profit attributable to equity holders of the parent company	78,802	81,640	79,185	58,049	
Net cash flows from operating activities	62,160	124,372	696,370	(158,769)	

2.4 Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and Those under IFRSs

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the year ended 31 December 2019 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

3. Business Review

In 2019, the Bank achieved stable development despite rising domestic and international risks and challenges in a complicated situation, once again withstanding the cyclical and practical test. The Group recorded RMB313.4 billion in net profit, representing an increase of 4.9% from the previous year. Profit before provision was RMB570.7 billion, representing an increase of 6.9%. The NPL ratio dropped 0.09 percentage points to 1.43% from the end of the previous year. Allowance to NPLs rose 23.56 percentage points to 199.32% from the end of the previous year. The capital adequacy ratio climbed 1.38 percentage points to 16.77%. Cost-to-income ratio stood at 25.79%, staying in a satisfactory level in the industry.

Stability is rooted in the sound interaction between finance and economy. Serving the real economy is the obligation of the financial sector and the principal law governing its development. By implementing the counter-cyclical policies and increasing financing support, the Bank registered new domestic RMB loans of RMB1.33 trillion, representing a year-on-year increase of RMB172.3 billion or 9.8%. In 2019, new RMB-denominated bond investment accumulatively reached RMB1.5 trillion at home, including RMB676.0 billion local government bond investment, ranking first in the market. In serving the real economy, the Bank gave priority to the high-quality development of manufacturing, launched the “Year of Financial Services for Manufacturing” program, and granted nearly RMB120.0 billion new manufacturing loans after the recovery of NPLs disposal, driving the balance to RMB1.45 trillion, which remained to be the largest in the market. In particular, the balance of mid-to-long term manufacturing loans and credit loans accounted for 33% and 37% respectively. The Bank enhanced the quality and efficiency of inclusive finance, and inclusive loans increased by more than 50% from the beginning of the year, five times of the average growth of total loans. The three guarantees for private enterprises, including special fund, special credit grant and special service team, were improved, and loans for them increased by RMB175.4 billion or 10% from the beginning of the year. The Bank gave full play to the three scientific innovation centers at the Head Office level and 20 special branches, launched a series of ICBC New Energy Funds on a pilot basis, and issued public funds at the SSE STAR Market among the first batch to provide more support for new economic drivers such as the happiness industries and IoT.

Stability is attributed to strengthened risk management on all fronts. Determined to win the battle of preventing and resolving financial risks, the Bank prioritized its tasks, took the initiative to tackle the priorities, and played a “ballast stone” role in stabilizing the financial sector. The Group tightened overall credit risk control, perfected the risk control mechanism in key areas and for major customers, worked harder to dispose of non-performing assets by category, and improved the asset quality quarter by quarter. The NPL ratio fell for 12 consecutive quarters. The Group established platforms to monitor the cross risks and investment and financing risks, which could display different types of information uniformly and dynamically monitor diverse risks and issue alerts to prevent cross-risk transmission. Compliance management was intensified at home and abroad to implement relevant governance measures and fortify the compliance culture.

Stability stems from accelerated transformation. The Bank fostered its sustainability and various development drivers in a number of areas with vast room for growth and strong radiating effects. It registered RMB155.6 billion net fee and commission income, an increase of 7.1% from last year. Following an addition of over 43.00 million new personal customers in the year, which represented the strongest growth in recent years, the Bank's total number of personal customers reached 650 million. The number of ICBC credit card users exceeded 100 million, leading in the global banking industry; and 42.03 million new ETC customers were registered in the year, the largest increment in the market. Based on a solid customer base and consistent service innovations, the Bank saw an increase of RMB1.90 trillion in domestic RMB deposits (including interbank deposits), leading the market both in aggregate and increment. Corporate and personal banking businesses were more interconnected to foster advantages throughout the G-B-C chain. Steady progress was made in the transformation of businesses such as asset management, private banking and investment banking. With ICBC Wealth Management, ICBC (Austria) and Greece Representative Office starting operation, the Bank has further improved its internationalized layout and reinforced the cross-border, cross-market service capability.

Stability is born out of FinTech innovations. FinTech is a keyword of the Bank's innovative development in the past year. Promoting the in-depth integration of technology and finance on a full range of dimensions, including ecology, scenario, architecture, technology and institution, the Bank has created an all-round intelligent banking system without boundary. Integrating online and offline businesses and connecting diverse domains, the system boasts intelligent and inclusive customer service, open and interconnected financial ecology, shared and connected operations, and efficient and flexible product innovation. ICBC Information and Technology Co., Ltd. was set up in the Xiongan New Area to "serve the society, co-build ecology, lead innovation and attract talents". FinTech institute and 5G and blockchain labs were created to explore the R&D mode integrating "production, study, research and application" and upgrade the technological innovation capability across the Bank. The Bank launched the intelligent banking ecosystem ECOS 1.0 to demonstrate its achievements in FinTech innovation. In particular, the dual-core IT architecture comprised of the "host plus open platform" and the open financial ecosphere for win-win cooperation marked a new stage in the Bank's intelligent banking and digital banking development.

In general, the world economy remains in a period of profound adjustments after the international financial crisis, with increasing hotspots of turmoil and risk around the globe. While the domestic economy has remained generally stable, it is facing mounting downward pressure, especially with the heavy blow from the sudden COVID-19 outbreak. However, we must keep in mind that the economic fundamentals for sustained growth have not changed, with strong resilience, great potential and ample leeway. In the past 36 years, ICBC has formed a sound foundation and unique advantages. We have the confidence and capability to keep up the solid operations throughout the economic cycle. We will assist in the nation's "Six Stabilities" campaign with our own stability, and continue to contribute to the high-quality economic development.

4. Discussion and Analysis

4.1 Income Statement Analysis

In 2019, the Bank strictly implemented the financial regulatory requirements, and adhering to the general principle of pursuing progress while ensuring stability, better served the real economy, speeded up innovation and transformation and strengthened risk prevention and control, so as to promote the high-quality development of various businesses. In 2019, the Bank realized a net profit of RMB313,361 million, representing an increase of RMB14,638 million or 4.9% as compared to the previous year. Return on average total assets stood at 1.08%, and return on weighted average equity was 13.05%. Operating income amounted to RMB776,002 million, representing an increase of 7.0%, of which, net interest income grew by 6.0% to RMB606,926 million; non-interest income was RMB169,076 million, up by 10.8%. Operating expenses amounted to RMB207,776 million, representing an increase of 7.0%, and the cost-to-income ratio was 25.79%. Impairment losses on assets were RMB178,957 million, indicating an increase of 10.7%. Income tax expense grew by 6.4% to RMB78,428 million.

Net Interest Income

In 2019, net interest income was RMB606,926 million, RMB34,408 million or 6.0% higher than that of last year, accounting for 78.2% of the Bank's operating income. Interest income grew by RMB90,060 million or 9.5% to RMB1,038,154 million and interest expenses increased by RMB55,652 million or 14.8% to RMB431,228 million. Net interest spread and net interest margin came at 2.08% and 2.24%, 8 basis points and 6 basis points lower than those of the previous year, respectively.

AVERAGE YIELD OF INTEREST-GENERATING ASSETS AND AVERAGE COST OF INTEREST-BEARING LIABILITIES

In RMB millions, except for percentages

Item	Average balance	2019 Interest income/ expense	Average yield/cost (%)	Average balance	2018 Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	15,897,368	707,400	4.45	14,600,596	640,031	4.38
Investment	6,141,181	221,184	3.60	5,483,420	200,157	3.65
Due from central banks ⁽²⁾	2,979,028	46,185	1.55	3,155,407	49,246	1.56
Due from banks and other financial institutions ⁽³⁾	<u>2,029,662</u>	<u>63,385</u>	3.12	<u>1,628,820</u>	<u>58,660</u>	3.60
Total interest-generating assets	<u>27,047,239</u>	<u>1,038,154</u>	3.84	<u>24,868,243</u>	<u>948,094</u>	3.81
Non-interest-generating assets	2,802,458			2,211,163		
Allowance for impairment losses on assets	<u>(461,121)</u>			<u>(387,490)</u>		
Total assets	<u>29,388,576</u>			<u>26,691,916</u>		
Liabilities						
Deposits	20,847,046	331,066	1.59	19,317,269	280,212	1.45
Due to banks and other financial institutions ⁽³⁾	2,658,948	63,296	2.38	2,668,229	64,991	2.44
Debt securities issued	<u>1,035,442</u>	<u>36,866</u>	3.56	<u>845,347</u>	<u>30,373</u>	3.59
Total interest-bearing liabilities	<u>24,541,436</u>	<u>431,228</u>	1.76	<u>22,830,845</u>	<u>375,576</u>	1.65
Non-interest-bearing liabilities	<u>2,085,315</u>			<u>1,729,863</u>		
Total liabilities	<u>26,626,751</u>			<u>24,560,708</u>		
Net interest income		<u>606,926</u>			<u>572,518</u>	
Net interest spread			<u>2.08</u>			<u>2.16</u>
Net interest margin			<u>2.24</u>			<u>2.30</u>

Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses on assets represent the average of the balances at the beginning of the year and at the end of the year.

(2) Due from central banks mainly includes mandatory reserves and surplus reserves with central banks.

(3) Due from banks and other financial institutions includes the amount of reverse repurchase agreements, and due to banks and other financial institutions includes the amount of repurchase agreements.

Interest Income

• Interest Income on Loans and Advances to Customers

Interest income on loans and advances to customers was RMB707,400 million, RMB67,369 million or 10.5% higher as compared to that of last year, as affected by the increase in the size of loans and advances to customers and the increase in the average yield of loans and advances to customers by 7 basis points.

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY MATURITY STRUCTURE

In RMB millions, except for percentages

Item	2019			2018		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Short-term loans	3,271,880	129,265	3.95	3,334,008	135,948	4.08
Medium to long-term loans	<u>12,625,488</u>	<u>578,135</u>	<u>4.58</u>	<u>11,266,588</u>	<u>504,083</u>	4.47
Total loans and advances to customers	<u><u>15,897,368</u></u>	<u><u>707,400</u></u>	4.45	<u><u>14,600,596</u></u>	<u><u>640,031</u></u>	4.38

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	2019			2018		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	8,570,732	383,600	4.48	8,019,984	356,176	4.44
Discounted bills	372,127	12,415	3.34	312,438	14,493	4.64
Personal loans	5,534,278	254,216	4.59	4,891,776	214,317	4.38
Overseas business	1,420,231	57,169	4.03	1,376,398	55,045	4.00
Total loans and advances to customers	<u>15,897,368</u>	<u>707,400</u>	4.45	<u>14,600,596</u>	<u>640,031</u>	4.38

- **Interest Income on Investment**

Interest income on investment amounted to RMB221,184 million, representing an increase of RMB21,027 million or 10.5% as compared to that of last year, mainly due to the increase in investment.

- **Interest Income on Due from Central Banks**

Interest income on due from central banks was RMB46,185 million, recording a decrease of RMB3,061 million or 6.2% as compared to that of last year, mainly due to the impact of the adjustment of the statutory reserve requirement ratio.

- **Interest Income on Due from Banks and Other Financial Institutions**

Interest income on due from banks and other financial institutions was RMB63,385 million, representing an increase of RMB4,725 million or 8.1% as compared to that of last year, principally due to the Bank's relatively abundant liquidity and reasonable increase in its efforts to offer fund lending during the reporting period, which resulted in the increase in the size of due from banks and other financial institutions.

Interest Expense

- Interest Expense on Deposits**

Interest expense on deposits amounted to RMB331,066 million, representing an increase of RMB50,854 million or 18.1% over the previous year, principally due to the increase in the cost of deposits by 14 basis points and the expansion in the size of due to customers.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	2019		2018			
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	4,506,960	106,580	2.36	4,286,839	98,625	2.30
Demand deposits	<u>6,417,558</u>	<u>49,299</u>	<u>0.77</u>	<u>5,983,490</u>	<u>42,012</u>	0.70
Subtotal	<u>10,924,518</u>	<u>155,879</u>	1.43	<u>10,270,329</u>	<u>140,637</u>	1.37
Personal deposits						
Time deposits	5,175,228	139,533	2.70	4,488,128	108,872	2.43
Demand deposits	<u>3,866,882</u>	<u>15,399</u>	<u>0.40</u>	<u>3,719,278</u>	<u>14,105</u>	0.38
Subtotal	<u>9,042,110</u>	<u>154,932</u>	1.71	<u>8,207,406</u>	<u>122,977</u>	1.50
Overseas business	<u>880,418</u>	<u>20,255</u>	2.30	<u>839,534</u>	<u>16,598</u>	1.98
Total deposits	<u><u>20,847,046</u></u>	<u><u>331,066</u></u>	1.59	<u><u>19,317,269</u></u>	<u><u>280,212</u></u>	1.45

- **Interest Expense on Due to Banks and Other Financial Institutions**

Interest expense on due to banks and other financial institutions was RMB63,296 million, RMB1,695 million or 2.6% lower than that of last year, principally attributable to the decrease in the cost of due to banks and other financial institutions.

- **Interest Expense on Debt Securities Issued**

Interest expense on debt securities issued was RMB36,866 million, indicating an increase of RMB6,493 million or 21.4% over last year, mainly attributable to the new issuance of RMB110.0 billion of tier 2 capital bonds by the Bank and the increase in the size of the financial bonds, bills and CDs issued by overseas institutions and domestic subsidiaries during the reporting period.

Non-interest Income

In 2019, non-interest income was RMB169,076 million, RMB16,473 million or 10.8% higher than that of last year, accounting for 21.8% of the Bank's operating income. Specifically, net fee and commission income increased by 7.1% to RMB155,600 million, and other non-interest income rose by 84.6% to RMB13,476 million.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	2019	2018	Increase/ (decrease)	Growth rate (%)
Bank card business	47,054	43,719	3,335	7.6
Settlement, clearing business and cash management	37,321	31,785	5,536	17.4
Personal wealth management and private banking services	27,337	27,596	(259)	(0.9)
Investment banking business	23,860	24,002	(142)	(0.6)
Corporate wealth management services	14,024	14,582	(558)	(3.8)
Guarantee and commitment business	10,836	8,861	1,975	22.3
Asset custody business	7,004	7,045	(41)	(0.6)
Trust and agency services	1,590	1,959	(369)	(18.8)
Others	2,615	2,798	(183)	(6.5)
Fee and commission income	171,641	162,347	9,294	5.7
Less: Fee and commission expense	16,041	17,046	(1,005)	(5.9)
Net fee and commission income	155,600	145,301	10,299	7.1

The Bank proactively responded to the New Rules on Asset Management and other regulatory requirements, focused on serving the real economy and satisfying the financial needs of consumers, and made continuous efforts to promote the transformation and innovation of intermediary services. In 2019, the Bank realized a net fee and commission income of RMB155,600 million, representing an increase of RMB10,299 million or 7.1% over last year. Specifically, the bank card business income recorded an increase of RMB3,335 million, as benefited by the increase in credit card installment service income; income on settlement, clearing business and cash management increased by RMB5,536 million, mainly driven by the rapid growth of third party payment; income on guarantee and commitment business registered an increase of RMB1,975 million, mainly due to the increase in income driven by the fast development of commitment business.

OTHER NON-INTEREST RELATED GAINS

In RMB millions, except for percentages

Item	2019	2018	Increase/ (decrease)	Growth rate (%)
Net trading income	8,447	2,846	5,601	196.8
Net (loss)/gain on financial investments	(3,682)	1,345	(5,027)	(373.8)
Other operating income, net	8,711	3,111	5,600	180.0
Total	<u>13,476</u>	<u>7,302</u>	<u>6,174</u>	84.6

Other non-interest related gains amounted to RMB13,476 million, RMB6,174 million or 84.6% higher than that of the previous year. Specifically, the increase in net trading income was mainly attributable to the increase in gains from derivatives and equity investment; the net loss on financial investments was primarily due to the increase in payments to customers resulted from the growth of structured deposits; and the increase in other net operating income was principally derived from the increase in the income on operating lease business and decrease in net loss on exchange and exchange rate products.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	2019	2018	Increase/ (decrease)	Growth rate (%)
Staff costs	126,950	121,074	5,876	4.9
Property and equipment expenses	27,713	27,088	625	2.3
Taxes and surcharges	7,677	7,781	(104)	(1.3)
Amortisation	2,315	2,339	(24)	(1.0)
Others	43,121	35,921	7,200	20.0
Total	<u>207,776</u>	<u>194,203</u>	<u>13,573</u>	7.0

The Bank paid attention to value creation oriented development, and continually strengthened the refined cost management. Operating expenses amounted to RMB207,776 million, an increase of RMB13,573 million or 7.0% over last year.

Impairment Losses on Assets

In 2019, the Bank set aside the impairment losses on assets of RMB178,957 million, an increase of RMB17,363 million or 10.7% as compared to that of last year. Specifically, the impairment losses on loans was RMB162,108 million, indicating an increase of RMB14,761 million or 10.0%.

Income Tax Expense

Income tax expense increased by RMB4,738 million or 6.4% to RMB78,428 million as compared to the previous year. The effective tax rate stood at 20.02%.

4.2 Segment Information

The Bank's principal operating segments include corporate banking, personal banking and treasury operations. The Bank adopts the MOVA (Management of Value Accounting) to evaluate the performance of each of its operating segments.

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Operating income	776,002	100.0	725,121	100.0
Corporate banking	388,408	50.1	353,859	48.8
Personal banking	286,569	36.9	273,490	37.7
Treasury operations	96,422	12.4	92,484	12.8
Others	4,603	0.6	5,288	0.7
Profit before taxation	391,789	100.0	372,413	100.0
Corporate banking	159,368	40.7	151,714	40.7
Personal banking	152,919	39.0	144,284	38.7
Treasury operations	78,191	20.0	75,828	20.4
Others	1,311	0.3	587	0.2

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2019		2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Operating income	776,002	100.0	725,121	100.0
Head Office	100,925	13.0	86,107	11.9
Yangtze River Delta	128,672	16.6	126,151	17.4
Pearl River Delta	100,667	13.0	94,375	13.0
Bohai Rim	143,891	18.5	136,799	18.7
Central China	94,915	12.2	88,192	12.2
Western China	115,747	14.9	108,518	15.0
Northeastern China	29,216	3.8	27,958	3.9
Overseas and others	61,969	8.0	57,021	7.9
Profit before taxation	391,789	100.0	372,413	100.0
Head Office	40,088	10.2	38,506	10.3
Yangtze River Delta	82,336	21.0	77,056	20.7
Pearl River Delta	61,250	15.6	52,131	14.0
Bohai Rim	70,099	17.9	75,483	20.3
Central China	42,270	10.8	36,027	9.7
Western China	58,635	15.0	54,409	14.6
Northeastern China	2,743	0.7	5,562	1.5
Overseas and others	34,368	8.8	33,239	8.9

4.3 Balance Sheet Analysis

In 2019, in response to the complicated development trends externally, the Bank adhered to the prudent and steady business strategy based on the macroeconomic policies, performance of the real economy, sources of funds and state of risk control, and promoted the moderate growth, continuous structure optimization and coordinated development in quantity and price of total assets and liabilities. In addition, the Bank made active efforts to support the development of the real economy and adhered to the strategy of integrated development of investment and financing, thereby comprehensively improving the efficiency of serving the real economy. It cemented the foundation for deposit business development, thereby ensuring a stable and sustainable growth of funding sources. Moreover, the Bank deepened efforts to improve the structure of assets and liabilities and established a long-term mechanism for high-quality development of assets and liabilities.

Assets Deployment

As at the end of 2019, total assets of the Bank amounted to RMB30,109,436 million, RMB2,409,896 million or 8.7% higher than that at the end of the previous year. Specifically, total loans and advances to customers (collectively referred to as “total loans”) increased by RMB1,341,414 million or 8.7% to RMB16,761,319 million, investment increased by RMB892,425 million or 13.2% to RMB7,647,117 million, and cash and balances with central banks decreased by RMB54,660 million or 1.6% to RMB3,317,916 million.

ASSETS DEPLOYMENT

Item	<i>In RMB millions, except for percentages</i>			
	At 31 December 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	16,761,319	—	15,419,905	—
Add: Accrued interest	43,731	—	38,958	—
Less: Allowance for impairment losses on loans and advances to customers measured at amortised cost	478,498	—	412,731	—
Net loans and advances to customers	16,326,552	54.2	15,046,132	54.3
Investment	7,647,117	25.4	6,754,692	24.4
Cash and balances with central banks	3,317,916	11.0	3,372,576	12.2
Due from banks and other financial institutions	1,042,368	3.5	962,449	3.5
Reverse repurchase agreements	845,186	2.8	734,049	2.6
Others	930,297	3.1	829,642	3.0
Total assets	<u>30,109,436</u>	<u>100.0</u>	<u>27,699,540</u>	<u>100.0</u>

Loan

In 2019, the Bank earnestly improved its adaptability to serve the real economy, increased its support for financing, and prioritized the funding demands of major national projects. It proactively supported the building of major infrastructure projects under construction and for weakness improvement, highlighted the support for the high-quality development of manufacturing and for the financing demands of consumption upgrade services such as health care, education, and elderly care, and implemented the development strategy for private enterprises and inclusive finance comprehensively. As at the end of 2019, total loans amounted to RMB16,761,319 million, RMB1,341,414 million or 8.7% higher compared with the end of the previous year, of which RMB denominated loans of domestic branches were RMB14,923,768 million, RMB1,332,347 million or 9.8% higher than that at the end of 2018.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	9,955,821	59.4	9,418,894	61.0
Discounted bills	421,874	2.5	364,437	2.4
Personal loans	6,383,624	38.1	5,636,574	36.6
Total	16,761,319	100.0	15,419,905	100.0

Corporate loans rose by RMB536,927 million or 5.7% from the end of last year, mainly because the Bank actively supported the development and innovation of investment and financing business in key areas such as the Guangdong-Hong Kong-Macau Greater Bay Area, the coordinated development of Beijing-Tianjin-Hebei and the Yangtze River Delta Integration, and increased its support for the key projects and livelihood projects in fields such as urban infrastructure and public services, high-quality development of manufacturing, consumption upgrade, and services related to people's well-being.

Personal loans increased by RMB747,050 million or 13.3% from the end of last year. Specifically, residential mortgages grew by RMB576,318 million or 12.6%; personal business loans increased by RMB129,913 million or 60.1%, mainly due to the rapid growth of online lending products in the inclusive finance areas such as personal e-Mortgage Quick Loan and Quick Lending for Operation; credit card overdrafts increased by RMB51,465 million or 8.2%, primarily due to the steady growth of credit card installment balance.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

Item	At 31 December 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	16,066,266	95.86	14,733,891	95.56
Special mention	454,866	2.71	450,930	2.92
NPLs	240,187	1.43	235,084	1.52
Substandard	97,864	0.58	108,821	0.70
Doubtful	113,965	0.68	90,383	0.59
Loss	28,358	0.17	35,880	0.23
Total	16,761,319	100.00	15,419,905	100.00

The asset quality continued to improve. As at the end of 2019, according to the five-category classification, pass loans amounted to RMB16,066,266 million, representing an increase of RMB1,332,375 million when compared with the end of the previous year and accounting for 95.86% of total loans. Special mention loans stood at RMB454,866 million, representing an increase of RMB3,936 million, and accounting for 2.71% of the total, with a drop of 0.21 percentage points. NPLs amounted to RMB240,187 million, showing an increase of RMB5,103 million, and NPL ratio was 1.43%, with a drop of 0.09 percentage points.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2019				At 31 December 2018			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	9,955,821	59.4	200,722	2.02	9,418,894	61.0	194,696	2.07
Discounted bills	421,874	2.5	623	0.15	364,437	2.4	268	0.07
Personal loans	6,383,624	38.1	38,842	0.61	5,636,574	36.6	40,120	0.71
Total	16,761,319	100.0	240,187	1.43	15,419,905	100.0	235,084	1.52

Corporate NPLs were RMB200,722 million, showing an increase of RMB6,026 million when compared with the end of the previous year, and representing a NPL ratio of 2.02%, with a drop of 0.05 percentage points. Personal NPLs amounted to RMB38,842 million, showing a decrease of RMB1,278 million, and represented a NPL ratio of 0.61%, with a drop of 0.10 percentage points.

DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS OF DOMESTIC BRANCHES BY INDUSTRY

In RMB millions, except for percentages

Item	At 31 December 2019				At 31 December 2018			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Transportation, storage and postal services	2,131,892	24.9	17,466	0.82	1,894,425	23.8	15,016	0.79
Manufacturing	1,445,154	16.9	73,976	5.12	1,385,463	17.4	79,790	5.76
Leasing and commercial services	1,187,749	13.9	11,664	0.98	1,048,548	13.2	6,279	0.60
Production and supply of electricity, heat, gas and water	934,414	10.9	1,900	0.20	919,768	11.5	2,113	0.23
Water, environment and public utility management	910,504	10.6	4,122	0.45	770,221	9.7	1,718	0.22
Real estate	638,055	7.5	10,936	1.71	592,031	7.4	9,823	1.66
Wholesale and retail	406,532	4.7	42,492	10.45	488,031	6.1	52,588	10.78
Construction	252,104	2.9	5,344	2.12	232,736	2.9	3,749	1.61
Science, education, culture and sanitation	208,560	2.4	3,214	1.54	170,315	2.1	1,461	0.86
Mining	166,434	2.0	7,305	4.39	185,313	2.3	3,966	2.14
Lodging and catering	88,448	1.0	7,163	8.10	95,530	1.2	4,951	5.18
Others	190,096	2.3	6,511	3.43	191,146	2.4	4,962	2.60
Total	8,559,942	100.0	192,093	2.24	7,973,527	100.0	186,416	2.34

In 2019, the Bank earnestly implemented the requirements of serving the real economy and preventing and mitigating material risks, and continued to improve the industry's credit structure. Loans to transportation, storage and postal services increased by RMB237,467 million as compared with the end of the previous year, representing a growth rate of 12.5%, mainly due to the Bank's efforts to meet financing needs of developing expressways and urban rail transit. Loans to water, environment and public utility management grew by RMB140,283 million, representing a growth rate of 18.2%, mainly for meeting financing needs arising from significant projects and projects for people's livelihood in the areas of urban infrastructure, environmental protection and public services. Loans to leasing and commercial services increased by RMB139,201 million, representing a growth rate of 13.3%, mainly for supporting the financing needs of developing projects for people's wellbeing, projects for strengthening areas of weakness in infrastructure, and for infrastructure in such strategic planned areas as national new areas, free trade zones, and industrial clusters.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2019				At 31 December 2018			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	774,578	4.6	20,725	2.68	723,302	4.7	20,036	2.77
Yangtze River Delta	3,124,793	18.6	26,024	0.83	2,823,603	18.4	24,195	0.86
Pearl River Delta	2,341,370	14.0	23,629	1.01	2,072,857	13.4	30,480	1.47
Bohai Rim	2,739,585	16.3	49,037	1.79	2,524,307	16.4	54,489	2.16
Central China	2,445,215	14.7	35,638	1.46	2,202,221	14.3	36,401	1.65
Western China	2,991,010	17.8	40,164	1.34	2,735,901	17.7	35,572	1.30
Northeastern China	798,691	4.8	35,944	4.50	759,140	4.9	25,186	3.32
Overseas and others	1,546,077	9.2	9,026	0.58	1,578,574	10.2	8,725	0.55
Total	16,761,319	100.0	240,187	1.43	15,419,905	100.0	235,084	1.52

MOVEMENTS OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

Item	Movements of allowance for impairment losses on loans and advances to customers measured at amortised cost				Movements of allowance for impairment losses on loans and advances to customers measured at FVOCI			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	158,084	81,406	173,241	412,731	198	0	248	446
Transfer:								
to stage 1	17,451	(14,987)	(2,464)	–	–	–	–	–
to stage 2	(6,868)	12,775	(5,907)	–	(5)	5	–	–
to stage 3	(959)	(28,755)	29,714	–	–	(5)	5	–
Charge/(reverse)	47,364	28,014	86,944	162,322	34	(0)	(248)	(214)
Write-offs and transfer out	–	(91)	(97,562)	(97,653)	–	–	–	–
Recoveries of loans and advances previously written off	–	–	3,302	3,302	–	–	–	–
Other movements	244	132	(2,580)	(2,204)	(0)	–	–	(0)
Balance at 31 December 2019	<u>215,316</u>	<u>78,494</u>	<u>184,688</u>	<u>478,498</u>	<u>227</u>	<u>–</u>	<u>5</u>	<u>232</u>

As at the end of 2019, the allowance for impairment losses on loans stood at RMB478,730 million, of which RMB478,498 million at amortised cost, and RMB232 million at fair value through other comprehensive income. Allowance to NPLs was 199.32%, showing an increase of 23.56 percentage points over the end of last year; allowance to total loans ratio was 2.86%, showing an increase of 0.18 percentage points.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 31 December 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Loans secured by mortgages	7,884,774	47.1	7,056,026	45.8
Pledged loans	1,427,911	8.5	1,256,196	8.1
Guaranteed loans	2,078,921	12.4	2,157,264	14.0
Unsecured loans	5,369,713	32.0	4,950,419	32.1
Total	16,761,319	100.0	15,419,905	100.0

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 31 December 2019		At 31 December 2018	
	Amount	% of total loans	Amount	% of total loans
Less than 3 months	83,084	0.50	91,153	0.59
3 months to 1 year	89,625	0.53	83,846	0.54
1 to 3 years	66,848	0.40	63,010	0.41
Over 3 years	28,659	0.17	31,923	0.21
Total	268,216	1.60	269,932	1.75

Note: Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by installments, the total amount of loans is deemed overdue if part of the installments is overdue.

Overdue loans stood at RMB268,216 million, representing a decrease of RMB1,716 million from the end of the previous year. Among which, loans overdue for over 3 months amounted to RMB185,132 million, representing an increase of RMB6,353 million.

RESCHEDULED LOANS

Rescheduled loans and advances amounted to RMB7,319 million, representing an increase of RMB108 million as compared to the end of the previous year. Rescheduled loans and advances overdue for over 3 months amounted to RMB1,335 million, representing an increase of RMB192 million.

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 3.1% and 12.6% of the Bank's net capital base respectively. The total amount of loans granted to the top ten single customers was RMB394,406 million, accounting for 2.4% of the total loans.

Investment

In 2019, the Bank moderately expanded investment scale and proactively supported the development of the real economy. As at the end of 2019, investment amounted to RMB7,647,117 million, representing an increase of RMB892,425 million or 13.2% from the end of the previous year. Among these, bonds rose by RMB813,774 million or 13.5% to RMB6,862,850 million.

INVESTMENT

In RMB millions, except for percentages

Item	At 31 December 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Bonds	6,862,850	89.7	6,049,076	89.6
Equity instruments	135,882	1.8	57,909	0.9
Funds and others ⁽¹⁾	558,366	7.3	563,346	8.3
Accrued interest	90,019	1.2	84,361	1.2
Total	<u>7,647,117</u>	<u>100.0</u>	<u>6,754,692</u>	<u>100.0</u>

Note: (1) Includes assets invested by funds raised by the issuance of principal-guaranteed wealth management products by the Bank.

DISTRIBUTION OF INVESTMENT IN BONDS BY ISSUERS

In RMB millions, except for percentages

Item	At 31 December 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	4,767,297	69.5	4,040,956	66.9
Central bank bonds	21,979	0.3	32,746	0.5
Policy bank bonds	652,522	9.5	774,732	12.8
Other bonds	1,421,052	20.7	1,200,642	19.8
Total	6,862,850	100.0	6,049,076	100.0

In terms of distribution by issuers, government bonds increased by RMB726,341 million or 18.0% over the end of last year; central bank bonds decreased by RMB10,767 million or 32.9%; policy bank bonds went down by RMB122,210 million or 15.8%; and other bonds increased by RMB220,410 million or 18.4%. In order to support the development of the real economy, the Bank stepped up the allocation to government bonds and high-quality corporate bonds based on the bond market supply and bond investment value.

DISTRIBUTION OF INVESTMENT IN BONDS BY CURRENCY

In RMB millions, except for percentages

Item	At 31 December 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
RMB-denominated bonds	6,221,395	90.7	5,547,079	91.7
USD-denominated bonds	439,219	6.4	356,034	5.9
Other foreign currency bonds	202,236	2.9	145,963	2.4
Total	6,862,850	100.0	6,049,076	100.0

In terms of currency structure, RMB-denominated bonds rose by RMB674,316 million or 12.2% over the end of last year; USD-denominated bonds added by RMB83,185 million or 23.4%; other foreign currency bonds increased by an equivalent of RMB56,273 million or 38.6%. During the reporting period, the Bank improved the investment portfolio structure of foreign currency bonds, spread portfolio risks and properly increased the investment in bonds denominated in other currencies with a focus on the investment in USD-denominated bonds.

DISTRIBUTION OF INVESTMENT BY MEASURING METHOD

In RMB millions, except for percentages

Item	At 31 December 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial investments measured at fair value through profit or loss	962,078	12.6	805,347	11.9
Financial investments measured at fair value through other comprehensive income	1,476,872	19.3	1,430,163	21.2
Financial investments measured at amortised cost	5,208,167	68.1	4,519,182	66.9
Total	7,647,117	100.0	6,754,692	100.0

As at the end of 2019, the Group held RMB1,387,779 million of financial bonds¹, including RMB652,522 million of policy bank bonds and RMB735,257 million of bonds issued by banks and non-bank financial institutions, accounting for 47.0% and 53.0% of financial bonds, respectively.

Liabilities

As at the end of 2019, total liabilities reached RMB27,417,433 million, an increase of RMB2,062,776 million or 8.1% compared with the end of last year.

LIABILITIES

In RMB millions, except for percentages

Item	At 31 December 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	22,977,655	83.8	21,408,934	84.4
Due to banks and other financial institutions	2,266,573	8.3	1,814,495	7.2
Repurchase agreements	263,273	1.0	514,801	2.0
Debt securities issued	742,875	2.7	617,842	2.4
Others	1,167,057	4.2	998,585	4.0
Total liabilities	27,417,433	100.0	25,354,657	100.0

¹ Financial bonds refer to the debt securities issued by financial institutions on the bond market, including bonds issued by policy banks, banks and non-bank financial institutions but excluding debt securities related to restructuring and central bank bonds.

Due to Customers

Due to customers is the Bank's main source of funds. As at the end of 2019, due to customers was RMB22,977,655 million, RMB1,568,721 million or 7.3% higher than that at the end of the previous year. In terms of customer structure, corporate deposits increased by RMB547,121 million or 4.8%; and personal deposits increased by RMB1,041,326 million or 11.0%. In terms of maturity structure, time deposits increased by RMB864,117 million or 8.2%, while demand deposits increased by RMB724,330 million or 7.0%. In terms of currency structure, RMB deposits stood at RMB21,509,155 million, an increase of RMB1,449,862 million or 7.2%. Foreign currency deposits were equivalent to RMB1,468,500 million, an increase of RMB118,859 million or 8.8%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	5,295,704	23.0	5,076,005	23.7
Demand deposits	6,732,558	29.3	6,405,136	29.9
Subtotal	12,028,262	52.3	11,481,141	53.6
Personal deposits				
Time deposits	6,149,654	26.8	5,505,236	25.7
Demand deposits	4,328,090	18.8	3,931,182	18.4
Subtotal	10,477,744	45.6	9,436,418	44.1
Other deposits⁽¹⁾	234,852	1.0	268,914	1.3
Accrued interest	236,797	1.1	222,461	1.0
Total	22,977,655	100.0	21,408,934	100.0

Note: (1) Includes outward remittance and remittance payables.

Repurchase Agreements

Repurchase agreements were RMB263,273 million, a decrease of RMB251,528 million or 48.9% from the end of last year, mainly because the Bank appropriately adjusted the size of funds raised based on its internal and external liquidity status.

Shareholders' Equity

As at the end of 2019, shareholders' equity amounted to RMB2,692,003 million in aggregate, RMB347,120 million or 14.8% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB346,185 million or 14.9% to RMB2,676,186 million.

4.4 Capital Adequacy Ratio and Leverage Ratio

The Bank calculated its capital adequacy ratios at all levels in accordance with the Regulation Governing Capital of Commercial Banks (Provisional). According to the scope of implementing the advanced capital management approaches as approved by the regulatory authorities, the foundation internal ratings-based (IRB) approach was adopted for corporate credit risk, the IRB approach for retail credit risk, the internal model approach (IMA) for market risk, and the standardized approach for operational risk meeting regulatory requirements. The weighted approach was adopted for credit risk uncovered by the IRB approach and the standardized approach for market risk uncovered by the IMA.

As at the end of 2019, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated by the Bank in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) stood at 13.20%, 14.27% and 16.77%, respectively, complying with regulatory requirements.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 31 December 2019	At 31 December 2018
Core tier 1 capital	2,472,774	2,247,021
Paid-in capital	356,407	356,407
Valid portion of capital reserve	149,067	151,968
Surplus reserve	292,149	261,636
General reserve	304,876	278,980
Retained profits	1,367,180	1,205,924
Valid portion of minority interests	4,178	3,752
Others	(1,083)	(11,646)
Core tier 1 capital deductions	15,500	14,988
Goodwill	9,038	8,820
Other intangible assets other than land use rights	2,933	1,927
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,451)	(3,739)
Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980
Net core tier 1 capital	2,457,274	2,232,033
Additional tier 1 capital	200,249	80,110
Additional tier 1 capital instruments and related premium	199,456	79,375
Valid portion of minority interests	793	735
Net tier 1 capital	2,657,523	2,312,143
Tier 2 capital	463,956	332,742
Valid portion of tier 2 capital instruments and related premium	272,680	202,761
Surplus provision for loan impairment	189,569	127,990
Valid portion of minority interests	1,707	1,991
Tier 2 capital deductions	—	—
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	—	—
Net capital base	3,121,479	2,644,885
Risk-weighted assets⁽¹⁾	18,616,886	17,190,992
Core tier 1 capital adequacy ratio	13.20%	12.98%
Tier 1 capital adequacy ratio	14.27%	13.45%
Capital adequacy ratio	16.77%	15.39%

Note: (1) Refers to risk-weighted assets after capital floor and adjustments.

Please refer to the 2019 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on capital measurement.

LEVERAGE RATIO

In RMB millions, except for percentages

Item	At	At	At	At	At
	31 December 2019	30 September 2019	30 June 2019	31 March 2019	31 December 2018
Net tier 1 capital	2,657,523	2,636,734	2,395,570	2,395,508	2,312,143
Balance of adjusted on- and off-balance sheet assets	31,982,214	32,402,109	32,093,349	31,442,163	29,679,878
Leverage ratio	8.31%	8.14%	7.46%	7.62%	7.79%

The Bank publicly issued two tranches of tier 2 capital bonds, each worth RMB55.0 billion, in March and April 2019 successively in China's national inter-bank bond market. The funds raised totaled RMB110.0 billion, which will be used to replenish the Bank's tier 2 capital in accordance with the applicable laws as approved by relevant regulators.

In July 2019, the Bank publicly issued the undated additional tier 1 capital bonds of RMB80.0 billion in China's national inter-bank bond market. The funds raised net of all issuance expenses will be used to replenish the Bank's additional tier 1 capital, in accordance with the applicable laws and approvals by the relevant regulators.

The proposals on the issuance of domestic and offshore preference shares were reviewed and approved at the First Extraordinary General Meeting of 2018 of the Bank, planning to issue preference shares with the total amount up to RMB100.0 billion equivalent in the domestic and offshore markets. The Bank made a non-public issuance of 700 million domestic preference shares in September 2019 and raised total RMB70.0 billion funds, which will be used to replenish the Bank's additional tier 1 capital after deducting all issuance expenses. In March 2020, the Bank received an approval from China Banking and Insurance Regulatory Commission, consenting to the Bank's offshore issuance of preference shares of no more than RMB30.0 billion in equivalent USD, which will be counted as the additional tier 1 capital of the Bank in accordance with relevant regulatory requirements.

The Board of Directors of the Bank considered and approved the Proposal on the Issuance of Undated Additional Tier 1 Capital Bonds and Eligible Tier 2 Capital Instruments on 7 January 2020. The Bank planned to issue undated additional tier 1 capital bonds in the offshore market in foreign currency of RMB40.0 billion equivalent, which will be used to replenish additional tier 1 capital of the Bank; and to issue eligible tier 2 capital instruments of RMB40.0 billion or equivalent foreign currency in the domestic and offshore markets to replenish the Bank's tier 2 capital. The undated additional tier 1 capital bonds and eligible tier 2 capital instruments issuance plan is still subject to the review and approval by the Shareholders' General Meeting of the Bank, after which it is further subject to the approval by the relevant regulatory authorities.

For details on the issuance of capital instruments of the Bank, please refer to the announcements published by the Bank on the website of Shanghai Stock Exchange, the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited and the website of the Bank.

4.5 Other Information Disclosed Pursuant to Regulatory Requirements

Major Regulatory Indicators

Item		Regulatory criteria	2019	2018	2017
Liquidity ratio (%)	RMB	≥ 25.0	43.0	43.8	41.7
	Foreign currency	≥ 25.0	85.9	83.0	86.2
Loan-to-deposit ratio (%)	RMB and foreign currency		71.6	71.0	71.1
Percentage of loans to single largest customer (%)		≤ 10.0	3.1	3.8	4.9
Percentage of loans to top 10 customers (%)			12.6	12.9	14.2
Loan migration ratio (%)	Pass		1.5	1.7	2.7
	Special mention		26.1	25.3	23.2
	Substandard		36.0	38.8	71.1
	Doubtful		15.6	25.2	10.6

Note: The regulatory indicators in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the current period. The comparative figures are not adjusted or restated.

Corporate Bonds

The Bank did not issue any corporate bonds that need to be disclosed as per the “No. 2 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report” (Revision 2017) or “No. 38 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Annual Report of Corporate Bonds”.

Global Systemically Importance Assessment Indicators of Commercial Banks

In RMB millions

Indicator	2019	2018
Balance of adjusted on- and off-balance sheet assets	31,982,214	29,679,878
Intra-financial system assets	2,008,660	1,717,824
Intra-financial system liabilities	2,273,368	1,816,041
Securities and other financing instruments issued	4,810,820	3,947,251
Payments settled via payment systems or correspondent banks	427,718,826	413,391,380
Assets under custody	16,541,581	16,301,370
Underwritten transactions in debt and equity markets	1,615,956	1,266,787
Notional amount of over-the-counter (OTC) derivatives	7,170,609	7,130,990
Trading and available-for-sale securities	595,768	432,604
Level 3 assets	201,411	209,554
Cross-jurisdictional claims	2,041,464	1,885,349
Cross-jurisdictional liabilities	2,128,717	2,010,668

4.6 Outlook

2020 is the closing year for building a moderately prosperous society in all respects and for the 13th Five-Year Plan. The Bank is presented with favorable conditions for high-quality development. **First**, despite the impact of the COVID-19, China's positive economic fundamentals and long-term trajectory remain unchanged. As China steps up efforts in policy regulation, the potential and kinetic energy of domestic economic development will be fully released. **Second**, the further deepened market-based reform and refined socialist market economic system have effectively vitalized economic development and injected new vitality into transformation and innovation of banks. **Third**, China is modernizing its system and capacity for governance, laying a solid foundation for banks to implement the new development philosophy and realize healthy development.

In 2020, the Bank will follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era to carry out the requirements of “keeping the employment, financial sector, foreign trade, foreign and domestic investments and expectations stable” and deepen the financial supply-side structural reform and the “three tasks” for financial work. It will remain committed to the principles of “Party building and strict governance, customer first and service for the real economy, value creation driven by technology, global operation with an international vision, transformation and reform for pragmatic progress, risk control and talent as foundation” and play the due role as a large-sized commercial bank in refining the highly adaptable, competitive and inclusive financial system. **First**, it will coordinate the work on the epidemic prevention and control and service for stable economic operation, contributing to securing the victory in both fighting the epidemic and promoting economic development nationwide. **Second**, it will improve its system and capacity for governance. The Bank will keep up with the times to advance reform in major sectors and key steps, refine its scientific and efficient decision-making mechanisms and operation procedures, and enhance penetration of strategies and execution of systems. **Third**, it will focus on high-quality economic development to improve adaptability of financial services. The strategy of “No.1 Personal Bank” will be prioritized to meet the need of citizens for a better life. The full-caliber investment and financing system will be matured to support advanced manufacturing for high-quality development, promote financial development of small and micro enterprises and private enterprises and actively serve the livelihood-related consumption. The Bank proactively responds to national regional development strategies and strives to construct a network of collaborated development, featured development and optimized development among major regions. In line with the rural revitalization strategy, it will focus on winning the final victory in poverty alleviation. **Fourth**, technology empowerment will be highlighted to develop a digital ICBC. The ECOS project will be completed and an “all-customer, full-channel and omni-product” new ecosystem framework set up. Collaboration between technology and business will be enhanced and capacity of agile and iterative development will be improved. The intelligent bank strategy will be carried out in depth and the primary online integrated service platform built up to promote intelligent customer marketing, operation management and risk control online. **Fifth**, the Bank will improve cross-market platforms to render better integrated services. It will construct the new ecosystem of internationalized development by steadily driving forward Renminbi internationalization, striving to become the preferred bank for foreign exchange business and facilitating the opening-up at a higher level. It will refine the layout of integrated development and connect the whole value chain of financial services, in a bid to satisfy customers’ demand for “one-stop” financial services. **Sixth**, the Bank will adhere to the bottom-line thinking and consolidate its risk control foundation. By using technological approaches, it will reinforce the “three lines of defense” in risk management and construct a comprehensive risk management system covering the whole staff and whole processes globally, so as to build a strong “firewall” against cross and imported risks, safeguard the lifeline of asset quality and secure the victory in preventing and resolving financial risks.

4.7 Hot Topics in the Capital Market

I. About the Growth of Deposits

At the end of the reporting period, the Bank's customer deposits increased by RMB1,568,721 million, representing an increase of 7.3% over the end of the previous year, which, under the complex and changing macroeconomic and financial situation, provided stable and sustained financial support for the development of asset business.

- i. Optimizing the structure of deposit growth.** **First**, varieties of deposits saw coordinated and balanced development. By grasping the rules of social capital flow and strengthening interconnection among business segments and lines and enhancing closed-loop fund management, the Bank's personal deposits increased by RMB1,041,326 million or 11.0% over the end of last year, and the balance of personal deposits exceeded RMB10 trillion; corporate deposits increased by RMB547,121 million or 4.8%. **Second**, deposit stability witnessed significant improvement. The Bank managed to keep the average daily balance increase of domestic RMB basically even with its time-point increase by continuously developing customers, accelerating product innovation, enhancing service quality and efficiency, and taking proactive measures to deal with mature deposits. **Third**, the structure of the term of deposits outperformed most of its peers. The Bank made good use of its integrated financial services to strengthen customer loyalty and increase the proportion of settlement demand deposits. **Fourth**, branches in key regions became more competitive. By following the state's key strategies, understanding regional economic characteristics like industry relocation and upgrade and demographic migration trends, and devising strategies and plans in advance, branches in the Bohai Rim, the Pearl River Delta and the Yangtze River Delta continued to improve their competitiveness in deposit business.
- ii. Consolidating the broadest customer base.** **First**, as for personal customers, the Bank enriched online service channels, advanced outlet transformation, launched "Intelligent Experience" project for customers in aspects of product, procedure, channel, safety and account to improve its intelligent service capability, thus winning 650 million personal customers, a net increase of 43,292 thousand customers. **Second**, with respect to corporate customers, the Bank gave play to its strengths in capital, channel, and technology, consolidated its advantages in finance and social security, increased the proportion of settlement demand deposits, and concentrated more efforts in medical care, education, elderly care and other areas of great potential, thus gaining 8,098 thousand corporate customers, a net increase of 1,065 thousand customers.
- iii. Promoting market-based pricing.** Keeping pace with the market-oriented interest rate pricing reform, the Bank advanced its market-based pricing mechanism in a steady manner. It depended on models and systems to speed up improvement in branches' tiered pricing management regarding deposits, and put more emphasis on coordinating the quantity and price of deposits and improving competitiveness efficiently.

Looking ahead to 2020, the competition in the domestic deposit market is expected to remain fierce, and financial institutions will still face challenges in maintaining the steady growth of deposit volume while continuously improving the deposit structure. Conforming to the macroeconomic policy and the trend of market competition, the Bank will continue to adhere to the liability development pattern based on deposit liabilities, give full play to its advantages in integrated financial services concerning products, services, channels and technologies, promote the steady growth of deposits by providing high-quality products and services, and keep the cost of interest payment at a reasonable level.

II. About the Growth of Fee and Commission Income

In 2019, the Bank reported RMB155,600 million worth of net fee and commission income, an increase of RMB10,299 million or 7.1% over last year. While strictly implementing the New Rules on Asset Management and fee reduction policy, the Bank also strengthened the compliance management of fees, and steadily promoted the transformation of income structure, achieving a healthy and sustainable growth of intermediary service income.

- i. The structure transformation of settlement business achieved remarkable results.** By accelerating income structure transformation and consolidating business development foundation, the Bank realized rapid growth in settlement products, recording RMB37,321 million of income from settlement, clearing and cash management businesses, an increase of 17.4% over the previous year.
- ii. Income from agency services increased rapidly.** The Bank made active move to meet diversified needs of residents with regard to wealth allocation during the transition period of New Rules on Asset Management, perfected the customer-oriented marketing system and steadily propelled the smooth transition of asset management business, witnessing robust growth in income from agency services such as agency insurance and precious metals.
- iii. Bank card income continued to grow.** By seizing opportunities brought by financial consumption, the Bank's bank card income achieved rapid growth, reaching RMB47,054 million, an increase of 7.6% over the previous year.
- iv. New drivers of growth were discovered.** The Bank quickened the promotion and application of new products and realized a sharp rise in income from asset securitization service and account transaction products.

In 2020, while actively responding to the epidemic outbreak, the Bank will deeply analyze the change in financial consumption behaviors and payment methods as well as the approaches to realize compensatory growth after the epidemic, make early plans and preparation, seize new opportunities and improve the intermediary service income structure. **First**, the Bank will push ahead with volume and income of settlement products. **Second**, the Bank will push forward with transformation and development of investment banking and asset management business, create new products under the New Rules on Asset Management, and safeguard its leading position in wealth management. **Third**, the Bank will accelerate innovation, foster new drivers of growth, continuously upgrade its internet-based financial platforms such as mobile banking, ICBC e Life, ICBC e Payment, and ICBC Mall, and build up the influence of syndicated loans, asset securitization and other services.

III. About the Changes Resulted from FinTech Achievements

- i. With more convenient services, the intelligent bank ecosystem saved legwork for customers.** During the reporting period, the Bank completed the ECOS project, rolled out a series of personal and corporate service scenarios including debit card replacement without card number change, credit certification, transaction details, thematic certificates of deposit, door-to-door collection and confirmation, and developed an integrated online and offline customer service mode through whole-process order-based management.

A customer can apply for debit card replacement without card number change on the mobile banking, and new card will be sent to his/her place in about three days, with no need to change quick payment protocols bound to the old card. The Bank's mobile banking can automatically process customers' orders, generate encrypted account details with electronic seal and send it to the designated e-mail address for customers to download and print. Customers can also apply for door-to-door collection on ICBC Link, which uses biometric identification, dynamic verification code, QR code and other technologies to complete identification and processing online, providing customers more convenience.

- ii. With more inclusive products, the Bank's services to lower-tiered market better benefited small and micro enterprise customers.** The Bank expanded the application of Quick Lending for Operation in "Tax Loan", "Account Opening Loan", "Cross-border Loan", "Huawei Cloud Quickpass Loan" and other big data-based customer acquisition scenarios. It proffered standardized API interface of Quick Lending for Operation in all scenarios to embed financing services into external cooperation agencies who have a large number of small and micro enterprise customers. The Bank released e-Mortgage Quick Loan for corporate customers to further extend the service channel and customer base of real estate mortgage loan business, satisfying more customers' needs with technology. The Bank rolled out e-Chain Quick Loan and ICBC e Credit to provide targeted and convenient financial and credit services for small and micro enterprises, individual businesses, farmers and other operating entities at the end of the industrial chain. Depending on AI, OCR identification, face recognition and other cutting-edge technologies, the Bank launched Version 2.0 of ICBC Enterprise

Mobile Banking, and developed a “growing version” tailored to long-tail small and micro enterprises, providing them with account opening, wealth management, investment, Small and Micro Enterprise Management and other personalized online financial services.

- iii. With more intelligent experience, flagship outlet led the intelligent transformation and upgrading.** During the reporting period, the Bank opened a new-generation intelligent banking flagship outlet in Beijing. Following the idea of integrating finance, technology and ecology, the outlet applied 54 most up-to-date technologies such as 5G, AI, Blockchain and Internet of Things, among which more than 20 were first used in the banking industry, to create more advanced, futuristic and intelligent financial services for customers and promote the integration and development of finance, technology and ecology. The Bank aimed to build new-generation intelligent outlets that are ecology-friendly and equipped with high technology, supported services and interactive scenarios, incorporate intelligent services into bank lobby management, business handling, marketing and risk control, and further promote service quality and efficiency.
- iv. With more open ecosystem, the Bank’s financial services expanded in multiple areas.** During the reporting period, the Bank, by giving equal emphasis to “Going Global” and “Bringing In” and leveraging the API open platform and ICBC Finance Cloud platform, opened up more than 1,000 financial services to over 2,000 ecological partners, incorporated payment, financing, wealth management, investment and other financial products into consumption and production scenarios including education, medical care, traveling and public service, and worked with partners to provide customers with “industry plus finance” services. The Bank launched a treasury management cloud platform, which is the first “treasury plus finance” one-stop product in the industry.
- v. With more secure protection, continuous and efficient technology input made the Bank even more trustworthy to customers.** During the reporting period, the Bank completed intra-city switch and operation of information system, the fastest system switch in history, further evidencing the high usability of the Bank’s core business system. The Bank carried out annual non-local disaster recovery drills. The continuous operation capacity of information system was improved significantly, enabling stable, reliable and powerful services for its customers. The Bank put into operation Intelligent Anti-Money Laundering 3.0 system. The Bank built an intelligent anti-fraud system, providing high risk identification and prevention services to enterprises and saving customers from losses.

5. Details of Changes in Share Capital and Shareholding of Substantial Shareholders

5.1 Details of Securities Issuance and Listing

The Bank did not conduct any share issue or issue any convertible bonds during the reporting period.

For details on the issuance of preference shares of the Bank, please refer to the section headed “Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares”.

The Bank did not have any employee shares.

5.2 Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 527,411 ordinary shareholders and no holders of preference shares with voting rights restored, including 120,525 holders of H shares and 406,886 holders of A shares. As at the end of the month immediately before the annual results announcement date (29 February 2020), the Bank had a total number of 601,971 ordinary shareholders and no holders of preference shares with voting rights restored.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 ORDINARY SHAREHOLDERS OF THE BANK

Name of shareholder	Nature of shareholder	Class of shares	Shareholding percentage (%)	Total number of shares held	Number of pledged or locked-up shares	<i>Unit: Share</i>
						Increase/ decrease of shares during the reporting period
Central Huijin Investment Ltd.	State-owned	A Share	34.71	123,717,852,951	None	–
Ministry of Finance of the People's Republic of China	State-owned	A Share	31.14	110,984,806,678	None	-12,331,645,186
HKSCC Nominees Limited/Hong Kong Securities Clearing Company Limited ⁽²⁾	Foreign legal person	H Share A Share	24.17 0.38	86,153,149,041 1,342,677,816	Unknown None	1,484,707 469,527,578
National Council for Social Security Fund ⁽²⁾⁽³⁾	State-owned	A Share	3.46	12,331,645,186	None	12,331,645,186
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other entities	A Share	1.03	3,687,330,676	None	–
China Securities Finance Co., Ltd.	State-owned legal person	A Share	0.68	2,416,131,564	None	–
Wutongshu Investment Platform Co., Ltd.	State-owned legal person	A Share	0.40	1,420,781,042	None	–
Central Huijin Asset Management Co., Ltd. ⁽⁴⁾	State-owned legal person	A Share	0.28	1,013,921,700	None	–
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other entities	A Share	0.11	377,670,327	None	-368,044,830
Taiping Life Insurance Co., Ltd. — Traditional — Ordinary insurance products — 022L — CT001 Hu	Other entities	A Share	0.10	363,285,351	None	363,285,351

Notes: (1) The above data are based on the Bank's register of shareholders as at 31 December 2019.

(2) HKSCC Nominees Limited held 86,153,149,041 H shares, including those held by National Council for Social Security Fund. According to the Simplified Report of Changes in Equity provided by National Council for Social Security Fund to the Bank on 9 January 2020, National Council for Social Security Fund held 8,037,177,174 H shares of the Bank. Hong Kong Securities Clearing Company Limited held 1,342,677,816 A shares.

(3) According to the Notice on Comprehensively Transferring Part of State-Owned Capital to Fortify Social Security Funds (Cai Zi [2019] No. 49), Ministry of Finance of the People's Republic of China transferred 12,331,645,186 shares to the state-owned capital transfer account of National Council for Social Security Fund in a lump sum. According to the Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (Guo Fa [2017] No. 49), National Council for Social Security Fund shall perform the obligation of more than 3-year lock-up period as of the date of the receipt of transferred shares.

(4) Central Huijin Asset Management Co., Ltd. is a wholly-owned subsidiary of Central Huijin Investment Ltd. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

5.3 Particulars of Substantial Shareholders

During the reporting period, the Bank's controlling shareholders and de facto controller remained unchanged.

5.4 Interests and Short Positions Held by Substantial Shareholders and Other Persons

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

As at 31 December 2019, the Bank received notices from the following persons about their interests or short positions held in the Bank's ordinary shares and underlying shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares ⁽³⁾ (%)	Percentage of total ordinary shares ⁽³⁾ (%)
Ministry of Finance of the People's Republic of China ⁽¹⁾	Beneficial owner	118,006,174,032	Long position	43.77	33.11
Central Huijin Investment Ltd. ⁽²⁾	Beneficial owner	123,717,852,951	Long position	45.89	34.71
	Interest of controlled corporations	1,013,921,700	Long position	0.38	0.28
	Total	124,731,774,651		46.26	35.00

Notes: (1) According to the register of shareholders of the Bank as at 31 December 2019, Ministry of Finance of the People's Republic of China held 110,984,806,678 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 31 December 2019, Central Huijin Investment Ltd. held 123,717,852,951 shares in the Bank, while Central Huijin Asset Management Co., Ltd., a subsidiary of Central Huijin Investment Ltd., held 1,013,921,700 shares in the Bank.

(3) Due to rounding, percentages presented herein are for reference only.

HOLDERS OF H SHARES

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Percentage of H shares ⁽³⁾ (%)	Percentage of total ordinary shares ⁽³⁾ (%)
Ping An Asset Management Co., Ltd. ⁽¹⁾	Investment manager	12,168,809,000	Long position	14.02	3.41
National Council for Social Security Fund ⁽²⁾	Beneficial owner	8,663,703,234	Long position	9.98	2.43
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,317,475,731	Long position	8.43	2.05
Citigroup Inc.	Person holding guaranteed interests in shares	2,539,728	Long position	0.00	0.00
	Interest of controlled corporations	188,009,339	Long position	0.22	0.05
	Approved lending agent	4,339,733,586	Long position	5.00	1.22
	Total	4,530,282,653		5.22	1.27
	Interest of controlled corporations	39,542,670	Short position	0.05	0.01

Notes: (1) As confirmed by Ping An Asset Management Co., Ltd., such shares were held by Ping An Asset Management Co., Ltd. on behalf of certain customers (including but not limited to Ping An Life Insurance Company of China, Ltd.) in its capacity as investment manager and the interests in such shares were disclosed based on the latest disclosure of interests form filed by Ping An Asset Management Co., Ltd. for the period ended 31 December 2019 (the date of relevant event being 12 June 2019). Both Ping An Life Insurance Company of China, Ltd. and Ping An Asset Management Co., Ltd. are subsidiaries of Ping An Insurance (Group) Company of China, Ltd. As Ping An Asset Management Co., Ltd. is in a position to fully exercise the voting rights in respect of such shares on behalf of customers and independently exercise the rights of investment and business management in its capacity as investment manager, and is completely independent from Ping An Insurance (Group) Company of China, Ltd., Ping An Insurance (Group) Company of China, Ltd. is exempted from aggregating the interests in such shares as a holding company under the aggregation exemption and disclosing the holding of the same in accordance with the Securities and Futures Ordinance of Hong Kong.

(2) According to the Simplified Report of Changes in Equity provided by National Council for Social Security Fund to the Bank on 9 January 2020, National Council for Social Security Fund held 8,037,177,174 H shares of the Bank.

(3) Due to rounding, percentages presented herein are for reference only.

5.5 Preference Shares

- **Issuance and Listing of Preference Shares in Latest Three Years**

Issuance of “工行優2”

With the approval of China Banking and Insurance Regulatory Commission by its Document Yin Bao Jian Fu [2019] No. 444 and the approval of China Securities Regulatory Commission by its Document Zheng Jian Xu Ke [2019] No. 1048, the Bank made a non-public issuance of 700 million domestic preference shares on 19 September 2019 at a par value of RMB100 per share. The dividend rate is the benchmark interest rate plus a fixed spread, remaining unchanged in the first five years. Subsequently the benchmark interest rate will be reset every five years, with the dividend rate kept unchanged in each reset period and the fixed spread remaining constant through the duration of the domestic preference shares. The initial dividend rate of the afore-mentioned domestic preference shares is set at 4.2% through market inquiry for the first five years. With the consent of Shanghai Stock Exchange by its letter Shang Zheng Han [2019] No. 1752, the afore-mentioned domestic preference shares issued were listed for transfer on the Comprehensive Business Platform of Shanghai Stock Exchange on 16 October 2019 with the stock name “工行優2” and stock code 360036. Proceeds of the afore-mentioned domestic preference shares totaled RMB70.0 billion, all of which was replenished to the additional tier 1 capital of the Bank after deduction of issuance expenses.

For issuance of domestic preference shares of the Bank, please refer to the announcements published by the Bank on the website of Shanghai Stock Exchange, the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited and the website of the Bank.

Issuance progress of offshore preference shares

The First Extraordinary General Meeting of 2018 of the Bank reviewed and approved relevant proposals on issuance of domestic and offshore preference shares. In March 2020, the Bank received an approval from China Banking and Insurance Regulatory Commission, consenting to the Bank’s offshore issuance of preference shares of no more than RMB30.0 billion in equivalent USD, which will be counted as the additional tier 1 capital of the Bank in accordance with relevant regulatory requirements. Please refer to the announcements published by the Bank on the website of Shanghai Stock Exchange, the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited and the website of the Bank.

- **Numbers of Preference Shareholders and Particulars of Shareholdings**

As at the end of the reporting period, the Bank had one offshore preference shareholder (or proxy) of “ICBC EURPREF1”, 26 domestic preference shareholders of “工行優1” and 32 domestic preference shareholders of “工行優2”. As at the end of the month immediately before the annual results announcement date (29 February 2020), the Bank had one offshore preference shareholder (or proxy) of “ICBC EURPREF1”, 26 domestic preference shareholders of “工行優1” and 32 domestic preference shareholders of “工行優2”.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 OFFSHORE PREFERENCE SHAREHOLDERS (OR PROXIES) OF THE BANK

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
The Bank of New York Depository (Nominees) Limited	Foreign legal person	EUR offshore preference shares	–	40,000,000	100.0	–	Unknown

- Notes:* (1) The above data are based on the Bank’s register of offshore preference shareholders as at 31 December 2019.
- (2) As the issuance of the offshore preference shares above was private offering, the register of preference shareholders presented the information on proxies of placees.
- (3) The Bank is not aware of any connected relations or concert party action between the afore-mentioned preference shareholder and top 10 ordinary shareholders.
- (4) “Shareholding percentage” refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF “工行優1”

Name of shareholder	Nature of shareholder	Class of shares	Increase/ decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	<i>Unit: Share</i>	
						Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	–	200,000,000	44.4	–	None
China National Tobacco Corporation	Other entities	Domestic preference shares	–	50,000,000	11.1	–	None
China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	–	35,000,000	7.8	–	None
Ping An Life Insurance Company of China, Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	30,000,000	6.7	–	None
CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
BOCOM Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
China Resources SZITIC Trust Co., Ltd.	State-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
BOC International (China) Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	15,000,000	3.3	–	None
China National Tobacco Corporation Shandong Branch	Other entities	Domestic preference shares	–	10,000,000	2.2	–	None
China National Tobacco Corporation Heilongjiang Branch	Other entities	Domestic preference shares	–	10,000,000	2.2	–	None
Ping An Property & Casualty Insurance Company of China Ltd.	Domestic non-state-owned legal person	Domestic preference shares	–	10,000,000	2.2	–	None

Notes: (1) The above data are based on the Bank’s register of domestic preference shareholders of “工行優1” as at 31 December 2019.

- (2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. “China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu” is managed by China Life Insurance Company Limited. The “Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products” is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China Ltd. have connected relations. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.
- (3) “Shareholding percentage” refers to the percentage of domestic preference shares of “工行優1” held by preference shareholders in total number (450 million shares) of domestic preference shares of “工行優1”.

PARTICULARS OF SHAREHOLDING OF THE TOP 10 DOMESTIC PREFERENCE SHAREHOLDERS OF “工行優2”

Unit: Share

Name of shareholder	Nature of shareholder	Class of shares	Increase/decrease during the reporting period	Shares held at the end of the period	Shareholding percentage (%)	Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Bosera Asset Management Co., Limited	State-owned legal person	Domestic preference shares	150,000,000	150,000,000	21.4	–	None
China Life Insurance Company Limited	State-owned legal person	Domestic preference shares	120,000,000	120,000,000	17.1	–	None
China Mobile Communications Group Co., Ltd.	State-owned legal person	Domestic preference shares	100,000,000	100,000,000	14.3	–	None
BOC International (China) Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	70,000,000	70,000,000	10.0	–	None
CCB Trust Co., Ltd.	State-owned legal person	Domestic preference shares	70,000,000	70,000,000	10.0	–	None
China National Tobacco Corporation	Other entities	Domestic preference shares	50,000,000	50,000,000	7.1	–	None
Shanghai Tobacco Group Co., Ltd.	Other entities	Domestic preference shares	30,000,000	30,000,000	4.3	–	None
Bank of Beijing Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	20,000,000	20,000,000	2.9	–	None
BOCOM Schroders Asset Management Co., Ltd.	Domestic non-state-owned legal person	Domestic preference shares	15,000,000	15,000,000	2.1	–	None
Ping An Property & Casualty Insurance Company of China Ltd.	Domestic non-state-owned legal person	Domestic preference shares	15,000,000	15,000,000	2.1	–	None

- Notes: (1) The above data are based on the Bank's register of domestic preference shareholders of “工行優2” as at 31 December 2019.
- (2) Shanghai Tobacco Group Co., Ltd., China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are all wholly-owned subsidiaries of China National Tobacco Corporation. “China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu” is managed by China Life Insurance Company Limited. The “Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products” is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China Ltd. have connected relations. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.
- (3) “Shareholding percentage” refers to the percentage of domestic preference shares of “工行優2” held by preference shareholders in total number (700 million shares) of domestic preference shares of “工行優2”.

• Dividend Distribution of Preference Shares

As per the resolution and authorization of the General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for Preference Shares at the meeting of its Board of Directors on 25 October 2019, permitting the Bank to distribute the dividends on the Bank's domestic preference shares “工行優1” on 25 November 2019 and on the offshore preference shares on 10 December 2019.

Dividends on the Bank's domestic preference shares “工行優1” are paid annually in cash, and calculated based on the aggregate value of the issued domestic preference shares. Dividends on the Bank's domestic preference shares are non-cumulative. Holders of domestic preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the domestic preference share issuance proposal, the Bank distributed a dividend of RMB2,025 million on the domestic preference shares (pre-tax) at the dividend rate of 4.5%.

Dividends on the Bank's offshore preference shares are paid annually in cash, and calculated based on the aggregate value of the offshore preference shares. Dividends on the Bank's offshore preference shares are non-cumulative. Holders of offshore preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the offshore preference share issuance proposal, the Bank distributed a dividend of USD196 million, EUR0.04 billion and RMB0.8 billion on the offshore preference shares (pre-tax), aggregating to RMB2,500 million at the rate prevailing on the date the dividend was declared. In practice, the dividend was distributed in the currency of the preference share. According to relevant laws, when the Bank distributes dividends for offshore preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank will pay the relevant taxes, in addition to the dividends for offshore preference shares.

During the reporting period, the Bank did not distribute any dividend on domestic preference shares “工行優2”.

The table below shows the distribution of dividends on preference shares by the Bank in latest three years:

In RMB millions, except for percentages

Type of preference shares	2019		2018		2017	
	Dividend rate	Dividend distributed	Dividend rate	Dividend distributed	Dividend rate	Dividend distributed
Domestic preference share “工行優1”	4.50%	2,025	4.50%	2,025	4.50%	2,025
Offshore preference share	6.00%	2,500	6.00%	2,481	6.00%	2,412

Note: Dividend distributed is tax included.

The above-mentioned preference share dividend distribution plans have been fulfilled. For particulars of the Bank’s distribution of dividends on preference shares, please refer to the announcements of the Bank on the website of Shanghai Stock Exchange, the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited and the website of the Bank.

- **Redemption or Conversion of Preference Shares**

In 2014, the Bank issued USD2.94 billion USD Preference Shares and RMB12.0 billion RMB Preference Shares in the offshore market. On 29 August 2019, the Board of Directors of the Bank considered and approved the Proposal on Exercising the Redemption Right of the Offshore Preference Shares. The Bank proposes to exercise the redemption right of all of the afore-mentioned offshore preference shares on 10 December 2019, under the condition that the approval from China Banking and Insurance Regulatory Commission is obtained. In October 2019, the Bank received a reply letter from China Banking and Insurance Regulatory Commission, pursuant to which, no objections were raised to the Bank’s redeeming USD2.94 billion USD Preference Shares and RMB12.0 billion RMB Preference Shares. Pursuant to the terms and conditions of the Offshore Preference Shares and the reply letter from China Banking and Insurance Regulatory Commission, the Bank redeemed the afore-mentioned USD Preference Shares and the RMB Preference Shares in whole on 10 December 2019 (the “Redemption Date”) at the respective redemption price of each USD Preference Share and each RMB Preference Share (being the aggregate of an amount equal to the liquidation preference of each Offshore Preference Share plus any dividends accrued but unpaid in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the Redemption Date. Subsequent to the redemption and cancellation of the afore-mentioned USD Preference Shares and RMB Preference Shares on the Redemption Date, there are no USD Preference Shares or RMB Preference Shares issued in the offshore market. For further details, please refer to the announcements published by the Bank on the website of Shanghai Stock Exchange, the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited and the website of the Bank.

During the reporting period, the Bank did not convert any preference share.

- **Restoration of Voting Rights of Preference Shares**

During the reporting period, the Bank did not restore any voting right of preference share.

- **Accounting Policy Adopted for Preference Shares and Rationale**

According to the Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, the Accounting Standard for Business Enterprises No. 37 — Presentation of Financial Instruments promulgated by Ministry of Finance of the People’s Republic of China as well as the International Financial Reporting Standard 9 — Financial Instruments and the International Accounting Standard 32 — Financial Instruments: Presentation promulgated by International Accounting Standards Board and other accounting standards and the key terms of issuance of the Bank’s preference shares, the issued and existing preference shares do not contain contractual obligations to deliver cash or other financial assets or contractual obligations to deliver variable equity instruments for settlement, and shall be accounted for as other equity instruments.

6. Other Information

6.1 Corporate Governance Code

During the reporting period, the Bank fully complied with the principles, code provisions and recommended best practices stipulated in the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules).

6.2 Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the afore-said codes of conduct during the reporting period.

6.3 Profits and Dividends Distribution

The profit and financial status of the Bank during the reporting period are presented in the Auditor's Report and Financial Statements of the Annual Report.

As approved at the Annual General Meeting for the Year 2018 held on 20 June 2019, the Bank has distributed cash dividends of about RMB89,315 million, or RMB2.506 per ten shares (pre-tax) for the period from 1 January 2018 to 31 December 2018 to the ordinary shareholders whose names appeared on the share register after the close of market on 2 July 2019.

The Board of Directors of the Bank proposed distributing cash dividends of RMB2.628 (pre-tax) for each ten shares of 356,406,257,089 ordinary shares for 2019, totaling about RMB93,664 million. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2019. Once approved, the above-mentioned dividends will be paid to the holders of A shares and H shares whose names appeared on the share register of the Bank after the close of market on 29 June 2020. The Bank will suspend the registration procedures of H share ownership transfer on 24 June 2020 (inclusive) through 29 June 2020 (inclusive). The holders of H shares of the Bank that desire to receive the proposed cash dividends but have not registered the ownership transfer documents are requested to hand over their ownership transfer documents together with the H shares to the Bank's H share registrar — Computershare Hong Kong Investor Services Limited that is located at Room 1712–1716, 17 Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. of 23 June 2020. Pursuant to relevant regulatory requirements and operational rules, dividends on A shares and H shares will be paid on 30 June 2020 and 21 July 2020, respectively.

For dividend-related tax and tax reduction, please refer to the announcements on dividend distribution of the Bank.

The Bank had no plan for converting capital reserve to share capital in the last three years. The table below sets out the dividend distribution of ordinary shares of the Bank for the last three years:

Item	2019	2018	2017
Dividend per ten shares (pre-tax, in RMB yuan)	2.628	2.506	2.408
Cash dividends (pre-tax, in RMB millions)	93,664	89,315	85,823
Percentage of cash dividends ⁽¹⁾ (%)	30.4	30.5	30.5

Note: (1) Calculated by dividing cash dividends on ordinary shares (pre-tax) by net profit attributable to ordinary shareholders of the parent company for the period.

For details on the distribution of dividends on preference shares of the Bank, please refer to the section headed “Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares”.

6.4 Purchase, Sale and Redemption of Shares

For details on the redemption of USD offshore preference shares and RMB offshore preference shares of the Bank, please refer to the section headed “Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Preference Shares”. Save as disclosed above, during the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed shares of the Bank.

7. Financial Report

7.1 Audit Opinions

The 2019 financial statements of the Bank prepared in accordance with PRC GAAP and IFRSs have been audited by KPMG Huazhen LLP and KPMG, respectively. KPMG Huazhen LLP and KPMG have expressed unqualified opinions in the independent auditor’s report.

7.2 Consolidated Statement of Profit or Loss, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement

7.2.1 Consolidated Statement of Profit or Loss

Year ended 31 December 2019

(In RMB millions, unless otherwise stated)

	2019	2018
Interest income	1,038,154	948,094
Interest expense	<u>(431,228)</u>	<u>(375,576)</u>
NET INTEREST INCOME	606,926	572,518
Fee and commission income	171,641	162,347
Fee and commission expense	<u>(16,041)</u>	<u>(17,046)</u>
NET FEE AND COMMISSION INCOME	155,600	145,301
Net trading income	8,447	2,846
Net (loss)/gain on financial investments	<u>(3,682)</u>	1,345
Other operating income, net	<u>8,711</u>	<u>3,111</u>
OPERATING INCOME	776,002	725,121
Operating expenses	<u>(207,776)</u>	<u>(194,203)</u>
Impairment losses on assets	<u>(178,957)</u>	<u>(161,594)</u>
OPERATING PROFIT	389,269	369,324
Share of profits of associates and joint ventures	<u>2,520</u>	<u>3,089</u>
PROFIT BEFORE TAXATION	391,789	372,413
Income tax expense	<u>(78,428)</u>	<u>(73,690)</u>
PROFIT FOR THE YEAR	<u>313,361</u>	<u>298,723</u>
Attributable to:		
Equity holders of the parent company	312,224	297,676
Non-controlling interests	<u>1,137</u>	<u>1,047</u>
PROFIT FOR THE YEAR	<u>313,361</u>	<u>298,723</u>
EARNINGS PER SHARE		
— Basic (RMB yuan)	<u>0.86</u>	<u>0.82</u>
— Diluted (RMB yuan)	<u>0.86</u>	<u>0.82</u>

7.2.2 Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2019

(In RMB millions, unless otherwise stated)

	2019	2018
Profit for the year	313,361	298,723
Other comprehensive income (after tax, net):		
Items that will not be reclassified to profit or loss:		
Changes in fair value of equity instruments designated as at fair value through other comprehensive income	(38)	1,605
Other comprehensive income recognised under equity method	11	(9)
Others	(5)	(5)
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at fair value through other comprehensive income	8,026	24,599
Credit losses of debt instruments measured at fair value through other comprehensive income	(64)	(1,238)
Reserve from cash flow hedging instruments	(634)	(53)
Other comprehensive income recognised under equity method	(530)	488
Foreign currency translation differences	4,271	3,325
Others	(329)	(903)
Subtotal of other comprehensive income for the year	10,708	27,809
Total comprehensive income for the year	324,069	326,532
Total comprehensive income attributable to:		
Equity holders of the parent company	322,853	324,981
Non-controlling interests	1,216	1,551
	324,069	326,532

7.2.3 Consolidated Statement of Financial Position

31 December 2019

(In RMB millions, unless otherwise stated)

	31 December 2019	31 December 2018
ASSETS		
Cash and balances with central banks	3,317,916	3,372,576
Due from banks and other financial institutions	1,042,368	962,449
Derivative financial assets	68,311	71,335
Reverse repurchase agreements	845,186	734,049
Loans and advances to customers	16,326,552	15,046,132
Financial investments	7,647,117	6,754,692
— Financial investments measured at fair value through profit or loss	962,078	805,347
— Financial investments measured at fair value through other comprehensive income	1,476,872	1,430,163
— Financial investments measured at amortised cost	5,208,167	4,519,182
Investments in associates and joint ventures	32,490	29,124
Property and equipment	286,561	290,404
Deferred income tax assets	62,536	58,375
Other assets	480,399	380,404
TOTAL ASSETS	30,109,436	27,699,540
LIABILITIES		
Due to central banks	1,017	481
Financial liabilities designated as at fair value through profit or loss	102,242	87,400
Derivative financial liabilities	85,180	73,573
Due to banks and other financial institutions	2,266,573	1,814,495
Repurchase agreements	263,273	514,801
Certificates of deposit	355,428	341,354
Due to customers	22,977,655	21,408,934
Income tax payable	96,192	84,741
Deferred income tax liabilities	1,873	1,217
Debt securities issued	742,875	617,842
Other liabilities	525,125	409,819
TOTAL LIABILITIES	27,417,433	25,354,657
EQUITY		
Equity attributable to equity holders of the parent company		
Share capital	356,407	356,407
Other equity instruments	206,132	86,051
Reserves	745,111	680,877
Retained profits	1,368,536	1,206,666
	2,676,186	2,330,001
Non-controlling interests	15,817	14,882
TOTAL EQUITY	2,692,003	2,344,883
TOTAL EQUITY AND LIABILITIES	30,109,436	27,699,540

7.2.4 Consolidated Statement of Changes in Equity

Year ended 31 December 2019

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													Total equity
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Reserves					Retained profits	Non-controlling interests		
						Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal				
Balance as at 1 January 2019	356,407	86,051	152,043	261,720	279,064	15,495	(22,894)	(3,804)	(747)	680,877	1,206,666	2,330,001	14,882	2,344,883
Profit for the year	-	-	-	-	-	-	-	-	-	-	312,224	312,224	1,137	313,361
Other comprehensive income	-	-	-	-	-	7,805	4,326	(649)	(853)	10,629	-	10,629	79	10,708
Total comprehensive income	-	-	-	-	-	7,805	4,326	(649)	(853)	10,629	312,224	322,853	1,216	324,069
Dividends – ordinary shares 2018 final	-	-	-	-	-	-	-	-	-	-	(89,315)	(89,315)	-	(89,315)
Dividends – preference shares	-	-	-	-	-	-	-	-	-	-	(4,525)	(4,525)	-	(4,525)
Appropriation to surplus reserve (i)	-	-	-	30,571	-	-	-	-	-	30,571	(30,571)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	25,955	-	-	-	-	25,955	(25,955)	-	-	-
Capital injection by other equity instruments holders	-	149,967	-	-	-	-	-	-	-	-	-	149,967	-	149,967
Capital deduction by other equity instruments holders	-	(29,886)	(2,901)	-	-	-	-	-	-	(2,901)	-	(32,787)	-	(32,787)
Change in share holding in subsidiaries	-	-	(3)	-	-	-	-	-	-	(3)	-	(3)	(8)	(11)
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	57	57
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(338)	(338)
Other comprehensive income transferred to retained earnings	-	-	-	-	-	(20)	-	-	-	(20)	12	(8)	8	-
Others	-	-	-	-	-	-	-	-	3	3	-	3	-	3
Balance as at 31 December 2019	<u>356,407</u>	<u>206,132</u>	<u>149,139</u>	<u>292,291</u>	<u>305,019</u>	<u>23,280</u>	<u>(18,568)</u>	<u>(4,453)</u>	<u>(1,597)</u>	<u>745,111</u>	<u>1,368,536</u>	<u>2,676,186</u>	<u>15,817</u>	<u>2,692,003</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB53 million and RMB785 million, respectively.

(ii) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB2 million and RMB1,194 million, respectively.

Attributable to equity holders of the parent company

	Reserves												Non-controlling interests	Total equity
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total		
Balance as at 31 December 2017	356,407	86,051	152,043	232,703	264,892	(31,752)	(26,302)	(3,761)	(334)	587,489	1,097,544	2,127,491	13,565	2,141,056
Impact of adopting IFRS 9	-	-	-	-	-	22,877	-	-	-	22,877	(55,035)	(32,158)	(32)	(32,190)
Balance as at 1 January 2018	356,407	86,051	152,043	232,703	264,892	(8,875)	(26,302)	(3,761)	(334)	610,366	1,042,509	2,095,333	13,533	2,108,866
Profit for the year	-	-	-	-	-	-	-	-	-	-	297,676	297,676	1,047	298,723
Other comprehensive income	-	-	-	-	-	24,369	3,408	(43)	(429)	27,305	-	27,305	504	27,809
Total comprehensive income	-	-	-	-	-	24,369	3,408	(43)	(429)	27,305	297,676	324,981	1,551	326,532
Dividends — ordinary shares 2017 final	-	-	-	-	-	-	-	-	-	-	(85,823)	(85,823)	-	(85,823)
Dividends — preference shares	-	-	-	-	-	-	-	-	-	-	(4,506)	(4,506)	-	(4,506)
Appropriation to surplus reserve (i)	-	-	-	29,017	-	-	-	-	-	29,017	(29,017)	-	-	-
Appropriation to general reserve (ii)	-	-	-	-	14,172	-	-	-	-	14,172	(14,172)	-	-	-
Capital injection by non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	76	76
Change in share holding in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	49	49
Dividends to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(327)	(327)
Other comprehensive income transferred to retained earnings	-	-	-	-	-	1	-	-	-	1	(1)	-	-	-
Others	-	-	-	-	-	-	-	-	16	16	-	16	-	16
Balance as at 31 December 2018	356,407	86,051	152,043	261,720	279,064	15,495	(22,894)	(3,804)	(747)	680,877	1,206,666	2,330,001	14,882	2,344,883

- (i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB103 million and RMB596 million, respectively.
- (ii) Includes the reversal made by overseas branches in the amounts of RMB9 million and appropriation made by subsidiaries in the amounts of RMB2,345 million, respectively.

7.2.5 Consolidated Cash Flow Statement

Year ended 31 December 2019

(In RMB millions, unless otherwise stated)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES	391,789	372,413
Profit before taxation		
Adjustments for:		
Share of profits of associates and joint ventures	(2,520)	(3,089)
Depreciation	26,229	20,315
Amortisation	2,315	2,339
Amortisation of financial investments	(1,360)	283
Impairment losses on assets	178,957	161,594
Unrealised loss on foreign exchange	8,574	20,009
Interest expense on debt securities issued	28,116	23,175
Accreted interest on impaired loans	(2,356)	(2,659)
Net loss/(gain) on disposal of financial investments	4,660	(1,116)
Net trading (gain)/loss on equity investments	(2,316)	151
Net (gain)/loss on changes at fair value	(11,312)	6,920
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)	(1,215)	(1,787)
Dividend income	(978)	(229)
	<u>618,583</u>	<u>598,319</u>
Net decrease/(increase) in operating assets:		
Due from central banks	135,320	297,030
Due from banks and other financial institutions	(139,844)	(88,016)
Financial investments measured at fair value through profit or loss	(41,058)	(201,848)
Reverse repurchase agreements	(190,149)	158,257
Loans and advances to customers	(1,416,849)	(1,258,665)
Other assets	(124,746)	150,444
	<u>(1,777,326)</u>	<u>(942,798)</u>
Net increase/(decrease) in operating liabilities:		
Financial liabilities designated as at fair value through profit or loss	12,103	(12,329)
Due to central banks	534	32
Due to banks and other financial institutions	447,878	70,966
Repurchase agreements	(251,349)	(531,619)
Certificates of deposit	9,762	66,036
Due to customers	1,533,642	1,780,568
Other liabilities	173,533	(237,261)
	<u>1,926,103</u>	<u>1,136,393</u>

	2019	2018
Net cash flows from operating activities before tax	767,360	791,914
Income tax paid	<u>(72,839)</u>	<u>(67,781)</u>
Net cash flows from operating activities	<u>694,521</u>	<u>724,133</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	(34,159)	(60,496)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	9,587	2,855
Purchases of financial investments	(2,466,939)	(2,171,838)
Proceeds from sale and redemption of financial investments	1,613,475	1,495,633
Investments in associates and joint ventures	(2,522)	(799)
Proceeds from disposal of associates and joint ventures	752	1,168
Dividends received	<u>3,839</u>	<u>1,732</u>
Net cash flows from investing activities	<u>(875,967)</u>	<u>(731,745)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of other equity instruments	150,000	–
Capital injection by non-controlling shareholders	57	125
Proceeds from issuance of debt securities	1,140,674	1,045,746
Interest paid on debt securities	(24,989)	(22,917)
Repayment of debt securities	(1,020,942)	(968,222)
Cash payment for redemption of other equity instruments	(32,787)	–
Acquisition of non-controlling interests	(11)	–
Dividends paid on ordinary shares	(89,315)	(85,823)
Dividends paid on preference shares	(4,525)	(4,506)
Dividends paid to non-controlling shareholders	(338)	(327)
Cash payment for other financing activities	<u>(4,950)</u>	<u>–</u>
Net cash flows from financing activities	<u>112,874</u>	<u>(35,924)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(68,572)	(43,536)
Cash and cash equivalents at beginning of the year	1,509,523	1,520,330
Effect of exchange rate changes on cash and cash equivalents	<u>9,462</u>	<u>32,729</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>1,450,413</u></u>	<u><u>1,509,523</u></u>
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	1,074,551	973,512
Interest paid	<u>(393,469)</u>	<u>(351,828)</u>

7.3 Significant Accounting Policies

The IASB has issued the following amendments to IFRSs (including International Accounting Standards (“IASs”), and International Financial Reporting Interpretations Committee (“IFRICs”)) that are effective in 2019 and relevant to the Group’s operation.

<i>IFRS 16</i>	<i>Leases</i>
<i>IFRIC 23</i>	<i>Uncertainty over income tax treatments</i>
<i>Amendments to IFRS 9</i>	<i>Financial instruments “Prepayment features with negative compensation and modifications of financial liabilities”</i>
<i>Amendments to IAS 28</i>	<i>Investment in associates and joint ventures “Long-term interests in associates and joint ventures”</i>
<i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i>	
<i>Amendments to IAS 19</i>	<i>Employee Benefits “Plan Amendment, Curtailment or Settlement”</i>

The principal effects of adopting these amended IFRSs are as follows:

IFRS 16, “Leases”

The Group has initially adopted IFRS 16 *Leases* (“IFRS 16”) from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated — i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below:

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease* (“IFRIC 4”). The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

For a contract that contains a lease component, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Group acting as a lessee

The Group leases many assets, including properties, electronic equipments, transportation, and other office equipments.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group includes all major leases in the balance sheet, and recognises right-of-use assets and lease liabilities.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets, and leases with less than 12 months of lease term. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The Group applies IAS 36 *Impairment of Assets* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified. The Group presents the right-of-use asset in other assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Group presents the lease liability in other liabilities.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Impacts on IFRS 16 transition

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, comparative information is not restated. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. At the date of initial application, the Group initially recognised lease liabilities of RMB26,867 million and right-of-use assets of RMB30,296 million and no impacts on the beginning balance of retained earnings.

When measuring lease liabilities for leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. Each institution of the Group uses interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment as incremental borrowing rate.

	Group	Bank
Operating lease commitment at 31 December 2018		
as disclosed in the Group's consolidated financial statements	21,683	13,077
— Recognition exemption of low-value assets and leases with less than 12 months of lease term at transition	(948)	(746)
— Extension options reasonably certain to be exercised	1,013	476
	<u>21,748</u>	<u>12,807</u>
Lease payments under IFRS 16 (without discounting)		
	<u>21,748</u>	<u>12,807</u>
Present value discounted using the incremental borrowing rate at 1 January 2019	19,475	11,741
Finance lease liabilities recognised as at 31 December 2018	7,392	—
	<u>26,867</u>	<u>11,741</u>
Lease liabilities recognised as at 1 January 2019	<u>26,867</u>	<u>11,741</u>

IFRIC 23, “Uncertainty over income tax treatments”

This interpretation provides guidance on how to apply IAS 12, *Income taxes* when there is uncertainty over whether a tax treatment will be accepted by the tax authority.

Under the interpretation, the key test is whether it is probable that the tax authority will accept the entity's tax treatment.

- If it is probable, then the entity should measure current and deferred tax consistently with the tax treatment in its tax return;
- If it is not probable, then the entity should reflect the effect of uncertainty in its accounting for income tax by using the “expected value” approach or the “the most likely amount” approach — whichever better predicts the resolution of the uncertainty and in that case the tax amounts in the financial statements will not be the same as the amounts in the tax return.

The adoption has no material impact on the financial position and the financial result of the Group.

Amendments to IFRS 9, Financial instruments “Prepayment features with negative compensation and modifications of financial liabilities”

The IASB has changed IFRS 9’s requirements in two areas of financial instruments accounting.

- Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9;
- For the companies that have modified or exchanged fixed rate financial liabilities that do not result in derecognition, they were required to recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original EIR; and recognise any adjustment in profit or loss.

The adoption has no material impact on the financial position and the financial result of the Group.

Amendments to IAS 28, Investment in associates and joint ventures “Long-term interests in associates and joint ventures”

The IASB has clarified that IFRS 9 applies to long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28.

The adoption has no material impact on the financial position and the financial result of the Group.

Annual Improvements to IFRS Standards 2015–2017 Cycle

The 2015–2017 cycle of annual improvements contain amendments to four standards including IFRS 3 *Business combinations*, IFRS 11 *Joint arrangements*, IAS 12 *Income taxes* and IAS 23 *Borrowing costs*.

The adoption has no material impact on the financial position and the financial result of the Group.

Amendments to IAS 19, Employee Benefits “Plan Amendment, Curtailment or Settlement”

The amendments to IAS 19 clarify that:

- on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period; and
- the effect of the asset ceiling cost is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

The adoption has no material impact on the financial position and the financial result of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretations and amendments.

7.4 Notes to Consolidated Financial Statements

(In RMB millions, unless otherwise stated)

7.4.1 Net Interest Income

	2019	2018
Interest income on:		
Loans and advances to customers	707,400	640,031
Corporate loans and advances	437,209	407,779
Personal loans	257,982	217,860
Discounted bills	12,209	14,392
Financial investments	221,184	200,157
Due from banks and other financial institutions	63,385	58,660
Due from central banks	46,185	49,246
	<u>1,038,154</u>	<u>948,094</u>
Interest expense on:		
Due to customers	(331,066)	(280,212)
Due to banks and other financial institutions	(63,296)	(64,991)
Debt securities issued	(36,866)	(30,373)
	<u>(431,228)</u>	<u>(375,576)</u>
Net interest income	<u>606,926</u>	<u>572,518</u>

7.4.2 Net Fee and Commission Income

	2019	2018
Bank card business	47,054	43,719
Settlement, clearing business and cash management	37,321	31,785
Personal wealth management and private banking services	27,337	27,596
Investment banking business	23,860	24,002
Corporate wealth management services	14,024	14,582
Guarantee and commitment business	10,836	8,861
Asset custody business	7,004	7,045
Trust and agency services	1,590	1,959
Others	2,615	2,798
	<u>171,641</u>	<u>162,347</u>
Fee and commission income	171,641	162,347
Fee and commission expense	(16,041)	(17,046)
	<u>(16,041)</u>	<u>(17,046)</u>
Net fee and commission income	<u>155,600</u>	<u>145,301</u>

7.4.3 Net Trading Income

	2019	2018
Debt securities	4,013	4,087
Equity investments	2,316	(151)
Derivatives and others	2,118	(1,090)
	<u>8,447</u>	<u>2,846</u>

7.4.4 Net (Loss)/Gain on Financial Investments

	2019	2018
Dividend income from equity investments designated as at FVOCI, including:		
Derecognised during the year	–	1
Held at the year end	978	228
(Loss)/gain on financial instruments measured at FVTPL, net	(6,144)	292
Including: Loss on financial instruments designated as at FVTPL	(19,538)	(1,824)
Gain on disposal of financial instruments measured at FVOCI, net	1,408	635
Others	76	189
	<u>(3,682)</u>	<u>1,345</u>

Note: “FVTPL” stands for fair value through profit or loss.

“FVOCI” stands for fair value through other comprehensive income.

7.4.5 Other Operating Income, Net

	2019	2018
Net premium income	53,857	33,420
Operating cost of insurance business	(54,754)	(31,772)
Net gain on disposal of property and equipment, repossessed assets and others	1,264	1,936
Others	8,344	(473)
	<u>8,711</u>	<u>3,111</u>

7.4.6 Operating Expenses

	2019	2018
Staff costs:		
Salaries and bonuses	80,757	76,985
Staff benefits	29,404	27,137
Post-employment benefits — defined contribution plans	16,789	16,952
	<u>126,950</u>	<u>121,074</u>
Property and equipment expenses:		
Depreciation charge for property and equipment assets	13,290	13,407
Lease expenses in respect of land and buildings	8,190	7,543
Repairs and maintenance charges	4,151	3,903
Utility expenses	2,082	2,235
	<u>27,713</u>	<u>27,088</u>
Amortisation	2,315	2,339
Other administrative expenses	29,308	23,294
Taxes and surcharges	7,677	7,781
Others	13,813	12,627
	<u>207,776</u>	<u>194,203</u>

7.4.7 Impairment Losses on Assets

	2019	2018
Loans and advances to customers	162,108	147,347
Others	16,849	14,247
	<u>178,957</u>	<u>161,594</u>

7.4.8 Income Tax Expense

(a) Income tax expense

	2019	2018
Current income tax expense:		
Mainland China	78,666	76,088
Hong Kong and Macau	2,244	2,510
Overseas	3,380	3,280
	<u>84,290</u>	<u>81,878</u>
Deferred income tax expense	(5,862)	(8,188)
	<u>78,428</u>	<u>73,690</u>

(b) Reconciliation between income tax and accounting profit

PRC income tax has been provided at the statutory rate of 25% in accordance with the relevant tax laws in Mainland China during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before taxation at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	2019	2018
Profit before taxation	<u>391,789</u>	<u>372,413</u>
Tax at the PRC statutory income tax rate	97,947	93,103
Effects of different applicable rates of tax prevailing in other countries/regions	(1,694)	(1,177)
Effects of non-deductible expenses	16,585	11,171
Effects of non-taxable income	(34,180)	(28,969)
Effects of profits attributable to associates and joint ventures	(630)	(772)
Effects of others	400	334
Income tax expense	<u>78,428</u>	<u>73,690</u>

7.4.9 Dividends

	2019	2018
Dividends on ordinary shares declared and paid:		
Final ordinary shares dividends for 2018:		
RMB0.2506 per share (2017: RMB0.2408 per share)	<u>89,315</u>	<u>85,823</u>
Dividends on preference shares declared and paid:		
Dividends	<u>4,525</u>	<u>4,506</u>
	2019	2018
Dividends on ordinary shares proposed for approval (not recognised as at 31 December):		
Final ordinary shares dividends for 2019: RMB0.2628 per share (2018: RMB0.2506 per share)	<u>93,664</u>	<u>89,315</u>

7.4.10 Earnings per Share

The calculation of basic and diluted earnings per share of the Group is based on the following:

	2019	2018
Earnings:		
Profit for the year attributable to equity holders of the parent company	312,224	297,676
Less: Profit for the year attributable to other equity instruments holders of the parent company	<u>(4,525)</u>	<u>(4,506)</u>
Profit for the year attributable to ordinary equity holders of the parent company	<u>307,699</u>	<u>293,170</u>
Shares:		
Weighted average number of ordinary shares in issue (in million shares)	<u>356,407</u>	<u>356,407</u>
Basic and diluted earnings per share (RMB yuan)	<u>0.86</u>	<u>0.82</u>

Basic and diluted earnings per share was calculated as the profit for the year attributable to ordinary equity holders of the parent company divided by the weighted average number of ordinary shares in issue.

7.4.11 Derivative Financial Instruments

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

In accordance with accounting policy of offsetting, the Group offsets derivative assets and derivative liabilities which meet the criteria for offsetting, and presents net amount in the financial statements. As at 31 December 2019, derivative assets and derivative liabilities which meet the criteria for offsetting were RMB36,547 million (31 December 2018: RMB44,552 million) and RMB40,614 million (31 December 2018: RMB45,254 million) respectively, and the net derivative assets and net derivative liabilities were RMB26,248 million (31 December 2018: RMB25,906 million) and RMB30,315 million (31 December 2018: RMB26,608 million) respectively.

At the end of the reporting period, the Group had derivative financial instruments as follows:

	31 December 2019			31 December 2018		
	Notional amounts	Fair values		Notional amounts	Fair values	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts	4,944,200	38,258	(36,582)	5,770,092	42,142	(42,193)
Interest rate contracts	2,125,339	16,436	(17,888)	1,956,819	16,222	(16,521)
Commodity derivatives and others	818,186	13,617	(30,710)	1,130,402	12,971	(14,859)
	<u>7,887,725</u>	<u>68,311</u>	<u>(85,180)</u>	<u>8,857,313</u>	<u>71,335</u>	<u>(73,573)</u>

Cash flow hedges

The Group's cash flow hedges consist of interest rate swap contracts, currency swap contracts and equity derivatives that are used to protect against exposures to variability of future cash flows.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

	31 December 2019					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	–	6,824	20,726	1,045	28,595	121	(284)
Currency swap contracts	52,670	55,772	4,002	–	112,444	1,077	(750)
Equity derivative	64	2	51	7	124	3	(7)
	<u>52,734</u>	<u>62,598</u>	<u>24,779</u>	<u>1,052</u>	<u>141,163</u>	<u>1,201</u>	<u>(1,041)</u>

	31 December 2018					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	1,374	344	15,216	1,855	18,789	91	(30)
Currency swap contracts	21,142	58,117	1,541	824	81,624	692	(613)
Equity derivative	51	–	43	–	94	16	(9)
	<u>22,567</u>	<u>58,461</u>	<u>16,800</u>	<u>2,679</u>	<u>100,507</u>	<u>799</u>	<u>(652)</u>

Details of the Group's hedged risk exposures in cash flow hedges and the corresponding effect on equities are as follows:

31 December 2019					
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	23,357	(7,030)	(4)	31	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/ Debt securities issued
Loans	2,914	-	(54)	(17)	Loans and advances to customers
Others	6,050	(104,846)	(639)	(4,505)	Due from banks and other financial institutions/ Other assets/Due to banks and other financial institutions/ Certificates of deposit/ Due to customers/ Other liabilities
	<u>32,321</u>	<u>(111,876)</u>	<u>(697)</u>	<u>(4,491)</u>	
31 December 2018					
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	19,410	(5,868)	(147)	35	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/ Debt securities issued
Loans	7,966	-	25	37	Loans and advances to customers
Others	-	(65,120)	80	(3,866)	Due to banks and other financial institutions/ Certificates of deposit/ Due to customers/ Other liabilities
	<u>27,376</u>	<u>(70,988)</u>	<u>(42)</u>	<u>(3,794)</u>	

There was no ineffectiveness recognised in profit or loss that arises from the cash flow hedges for the current year (2018: Nil).

Fair value hedges

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates. Interest rate swaps are used as hedging instruments to hedge the interest risk of financial assets and financial liabilities, respectively.

The effectiveness of hedges based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in profit or loss during the year is presented as follows:

	2019	2018
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	(204)	(71)
— Hedged items attributable to the hedged risk	<u>218</u>	<u>63</u>
	<u><u>14</u></u>	<u><u>(8)</u></u>

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedges are set out below:

	31 December 2019					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	<u>697</u>	<u>1,409</u>	<u>47,346</u>	<u>14,841</u>	<u>64,293</u>	<u>199</u>	<u>(1,383)</u>
	<u><u>697</u></u>	<u><u>1,409</u></u>	<u><u>47,346</u></u>	<u><u>14,841</u></u>	<u><u>64,293</u></u>	<u><u>199</u></u>	<u><u>(1,383)</u></u>
	31 December 2018					Fair values	
	Notional amounts with remaining life of				Total	Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years			
Interest rate swap contracts	<u>1,713</u>	<u>5,366</u>	<u>30,670</u>	<u>12,074</u>	<u>49,823</u>	<u>709</u>	<u>(283)</u>
	<u><u>1,713</u></u>	<u><u>5,366</u></u>	<u><u>30,670</u></u>	<u><u>12,074</u></u>	<u><u>49,823</u></u>	<u><u>709</u></u>	<u><u>(283)</u></u>

Details of the Group's hedged risk exposures in fair value hedges are set out below:

31 December 2019					
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	42,646	(120)	943	(11)	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/Debt securities issued
Loans	5,325	-	32	-	Loans and advances to customers
Others	13,962	(3,481)	(10)	-	Reverse repurchase agreements/Due to banks and other financial institutions
	<u>61,933</u>	<u>(3,601)</u>	<u>965</u>	<u>(11)</u>	

31 December 2018					
	Carrying amount of hedged items		Accumulated adjustments to the fair value of hedged items		Line items in the statement of financial position
	Assets	Liabilities	Assets	Liabilities	
Bonds	24,796	(3,500)	(42)	(48)	Financial investments measured at FVTPL/ Financial investments measured at FVOCI/ Debt securities issued
Loans	1,416	-	(185)	-	Loans and advances to customers
Others	13,405	(3,943)	(379)	11	Reverse repurchase agreements/Certificates of deposit/Due to customers
	<u>39,617</u>	<u>(7,443)</u>	<u>(606)</u>	<u>(37)</u>	

Net investment hedges

The Group's consolidated statement of financial position is affected by exchange differences between the functional currency of the Bank and functional currencies of its branches and subsidiaries. The Group hedges such exchange exposures only in limited circumstances. Hedging is undertaken using deposits taken in the same currencies as the functional currencies of related branches and subsidiaries which are accounted for as hedges of certain net investment in foreign operations.

As at 31 December 2019, an accumulated net loss from the hedging instrument of RMB747 million was recognised in "Other comprehensive income" on net investment hedges (as at 31 December 2018 net accumulated loss: RMB333 million). As at 31 December 2019, there was no ineffectiveness in profit or loss that arises from the net investment hedges (31 December 2018: Nil).

Counterparty credit risk-weighted assets of derivative financial instruments

The credit risk-weighted assets in respect of the above derivatives of the Group as at the end of the reporting date are as follows:

	31 December 2019	31 December 2018
Counterparty credit default risk-weighted assets	131,219	45,656
Including: Non-netting settled credit default risk-weighted assets	65,292	30,282
Netting settled credit default risk-weighted assets	65,927	15,374
Credit value adjustment risk-weighted assets	34,676	22,443
Central counterparties credit risk-weighted assets	3,068	3,639
	<u>168,963</u>	<u>71,738</u>

The credit risk-weighted assets of derivative financial instruments were calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional). The credit risk-weighted assets of the Group's derivative financial instruments include counterparty credit default risk-weighted assets, credit value adjustment risk-weighted assets and central counterparties credit risk-weighted assets.

7.4.12 Financial Investments

	31 December 2019	31 December 2018
Financial investments measured at FVTPL	962,078	805,347
Financial investments measured at FVOCI	1,476,872	1,430,163
Financial investments measured at amortised cost	5,208,167	4,519,182
	<u>7,647,117</u>	<u>6,754,692</u>

7.4.13 Components of Other Comprehensive Income

	2019	2018
Items that will not be reclassified to profit or loss:		
Changes in fair value of equity instruments designated as at FVOCI	(53)	2,086
Less: Income tax effect	<u>15</u>	<u>(481)</u>
	<u>(38)</u>	<u>1,605</u>
Other comprehensive income recognised under equity method	11	(9)
Others	(5)	(5)
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at FVOCI	9,687	32,971
Less: Amount transferred to profit or loss from other comprehensive income	773	337
Income tax effect	<u>(2,434)</u>	<u>(8,709)</u>
	<u>8,026</u>	<u>24,599</u>
Credit losses of debt instruments measured at FVOCI	(64)	(1,238)
Reserve from cash flow hedging instruments		
Losses during the year	(696)	(42)
Less: Income tax effect	<u>62</u>	<u>(11)</u>
	<u>(634)</u>	<u>(53)</u>
Other comprehensive income recognised under equity method	(530)	488
Foreign currency translation differences	4,271	3,325
Others	<u>(329)</u>	<u>(903)</u>
	<u><u>10,708</u></u>	<u><u>27,809</u></u>

7.4.14 Commitments and Contingent Liabilities

(a) Capital commitments

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

	31 December 2019	31 December 2018
Contracted	<u>31,915</u>	<u>33,042</u>

(b) Operating lease commitments

Operating lease commitments — Lessee

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	31 December 2018
Within one year	6,546
Over one year but within five years	12,806
Over five years	<u>2,331</u>
	<u><u>21,683</u></u>

The group is the lessee in respect of a number of properties, electronic equipments, transport equipments and other office equipments held under leases which were previously classified as operating leases under IAS 17. The group has initially applied IFRS 16 using the modified retrospective approach as at 1 January 2019, and recognised the present value of outstanding lease payments as lease liabilities. From 1 January 2019 onwards after the adoption of IFRS 16, the present value of outstanding lease payments is recognised as lease liabilities in accordance with the requirement of IFRS 16.

Operating lease commitments — Lessor

At the end of the reporting period, the Group leased certain aircraft and vessels to third parties under operating lease arrangements, and the total future minimum lease receivables in respect of non-cancellable operating leases with its tenants were as follows:

	31 December 2019	31 December 2018
Within one year	21,018	16,068
Over one year but within five years	87,494	62,722
Over five years	94,249	88,258
	<u>202,761</u>	<u>167,048</u>

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	31 December 2019	31 December 2018
Bank acceptances	311,300	263,038
Guarantees issued:		
— Financing letters of guarantees	69,634	104,146
— Non-financing letters of guarantees	414,245	405,155
Sight letters of credit	40,932	42,918
Usance letters of credit and other commitments	156,685	162,801
Loan commitments:		
— With an original maturity of under one year	187,651	151,927
— With an original maturity of one year or over	625,146	1,061,666
Undrawn credit card limit	1,157,478	1,037,861
	<u>2,963,071</u>	<u>3,229,512</u>
	31 December 2019	31 December 2018
Credit risk-weighted assets of credit commitments(i)	<u>1,306,831</u>	<u>1,402,715</u>

(i) Internal ratings-based approach was adopted to calculate the credit risk-weighted assets according to the scope approved by the former China Banking Regulating Commission, and others were calculated by weighted approach.

(d) Legal proceedings

As at 31 December 2019, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB4,233 million (31 December 2018: RMB4,154 million).

In the opinion of management, the Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits will not have a material impact on the financial position or operations of the Group.

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2019, the Bank had underwritten and sold bonds with an accumulated amount of RMB89,644 million (31 December 2018: RMB85,845 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) Underwriting obligations

As at 31 December 2019, the unexpired securities underwriting obligations of the Group amounted to RMB1,000 million (31 December 2018: RMB100 million).

7.4.15 Segment Information

(a) Operating segments

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services, etc.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services, etc.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers, etc.

Others

This segment covers the Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income/expense". Net interest income and expense relating to third parties are referred to as "external net interest income/expense".

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

	Year ended 31 December 2019				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	284,211	91,336	231,379	–	606,926
Internal net interest income/(expense)	8,114	130,988	(139,102)	–	–
Net fee and commission income	88,963	65,219	1,418	–	155,600
Other income/(expense), net	7,120	(974)	2,727	4,603	13,476
Operating income	388,408	286,569	96,422	4,603	776,002
Operating expenses	(76,305)	(109,170)	(16,484)	(5,817)	(207,776)
Impairment losses on assets	(152,735)	(24,480)	(1,747)	5	(178,957)
Operating profit/(loss)	159,368	152,919	78,191	(1,209)	389,269
Share of profits of associates and joint ventures	–	–	–	2,520	2,520
Profit before taxation	159,368	152,919	78,191	1,311	391,789
Income tax expense					(78,428)
Profit for the year					<u>313,361</u>
Other segment information:					
Depreciation	8,315	7,265	2,946	543	19,069
Amortisation	1,026	803	446	146	2,421
Capital expenditure	23,847	20,693	8,539	1,660	54,739

	31 December 2019				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>10,247,872</u>	<u>6,496,604</u>	<u>13,176,154</u>	<u>188,806</u>	<u>30,109,436</u>
Including: Investments in associates and joint ventures	–	–	–	32,490	32,490
Property and equipment	107,967	93,771	37,943	46,880	286,561
Other non-current assets	44,350	13,974	7,577	17,329	83,230
Segment liabilities	<u>12,854,095</u>	<u>10,763,847</u>	<u>3,540,594</u>	<u>258,897</u>	<u>27,417,433</u>
Other segment information:					
Credit commitments	<u>1,832,133</u>	<u>1,130,938</u>	<u>–</u>	<u>–</u>	<u>2,963,071</u>

	Year ended 31 December 2018				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	273,082	86,143	213,293	–	572,518
Internal net interest (expense)/income	(3,458)	122,772	(119,314)	–	–
Net fee and commission income	81,684	62,969	648	–	145,301
Other income/(expense), net	2,551	1,606	(2,143)	5,288	7,302
Operating income	353,859	273,490	92,484	5,288	725,121
Operating expenses	(70,797)	(98,280)	(17,449)	(7,677)	(194,203)
Impairment losses on assets	(131,348)	(30,926)	793	(113)	(161,594)
Operating profit/(loss)	151,714	144,284	75,828	(2,502)	369,324
Share of profits of associates and joint ventures	–	–	–	3,089	3,089
Profit before taxation	151,714	144,284	75,828	587	372,413
Income tax expense					(73,690)
Profit for the year					<u>298,723</u>
Other segment information:					
Depreciation	5,621	5,011	2,237	538	13,407
Amortisation	996	747	432	164	2,339
Capital expenditure	30,471	26,969	12,083	3,032	72,555

	31 December 2018				
	Corporate banking	Personal banking	Treasury operations	Others	Total
Segment assets	<u>9,706,611</u>	<u>5,711,799</u>	<u>12,095,016</u>	<u>186,114</u>	<u>27,699,540</u>
Including: Investments in associates and joint ventures	–	–	–	29,124	29,124
Property and equipment	107,201	95,256	42,370	45,577	290,404
Other non-current assets	20,760	6,982	4,241	15,863	47,846
Segment liabilities	<u>12,292,100</u>	<u>9,664,481</u>	<u>3,179,501</u>	<u>218,575</u>	<u>25,354,657</u>
Other segment information:					
Credit commitments	<u>2,222,156</u>	<u>1,007,356</u>	<u>–</u>	<u>–</u>	<u>3,229,512</u>

(b) Geographical information

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China (including: Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi, Mumbai, Phnom Penh, Vientiane, Lima, Buenos Aires, Sao Paulo, Auckland, Kuwait City, Mexico City, Yangon, Riyadh, Istanbul, Prague, Zurich, Manila and Vienna, etc.).

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

- Head Office (“HO”): the HO business division (including institutions directly managed by the HO and their offices);
- Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang and Ningbo;
- Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;
- Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;
- Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;
- Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and
- Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian.
- Overseas and others: branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and joint ventures.

Year ended 31 December 2019

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
External net interest income	252,757	63,970	63,493	24,537	64,071	85,531	16,336	36,231	-	606,926
Internal net interest (expense)/income	(194,621)	37,138	14,710	102,725	18,049	13,846	9,356	(1,203)	-	-
Net fee and commission income	33,437	31,455	23,040	20,452	14,705	18,978	4,019	11,173	(1,659)	155,600
Other income/(expense), net	9,448	(3,891)	(576)	(3,823)	(1,910)	(2,608)	(495)	15,768	1,563	13,476
Operating income	101,021	128,672	100,667	143,891	94,915	115,747	29,216	61,969	(96)	776,002
Operating expenses	(20,548)	(30,764)	(23,596)	(33,743)	(30,099)	(35,985)	(12,323)	(20,829)	111	(207,776)
Impairment losses on assets	(40,400)	(15,572)	(15,821)	(40,049)	(22,546)	(21,127)	(14,150)	(9,292)	-	(178,957)
Operating profit	40,073	82,336	61,250	70,099	42,270	58,635	2,743	31,848	15	389,269
Share of profits of associates and joint ventures	-	-	-	-	-	-	-	2,520	-	2,520
Profit before taxation	40,073	82,336	61,250	70,099	42,270	58,635	2,743	34,368	15	391,789
Income tax expense										(78,428)
Profit for the year										<u>313,361</u>
Other segment information:										
Depreciation	1,851	2,719	2,108	3,110	3,002	3,404	1,312	1,563	-	19,069
Amortisation	808	234	215	235	279	309	87	254	-	2,421
Capital expenditure	3,784	3,898	3,092	5,103	3,374	4,309	1,255	29,924	-	54,739

31 December 2019

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
Assets by geographical areas	10,687,512	6,380,888	4,126,087	4,256,707	2,973,119	3,841,497	1,140,631	3,971,298	(7,330,839)	30,046,900
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	32,490	-	32,490
Property and equipment	11,964	32,168	12,015	20,252	18,306	23,009	9,413	159,434	-	286,561
Other non-current assets	13,250	8,114	5,975	7,352	8,488	12,370	2,093	25,588	-	83,230
Unallocated assets										62,536
Total assets										<u>30,109,436</u>
Liabilities by geographical areas	8,135,659	6,694,114	4,164,747	7,051,203	2,996,409	3,675,924	1,207,528	724,638	(7,330,853)	27,319,369
Unallocated liabilities										98,064
Total liabilities										<u>27,417,433</u>
Other segment information:										
Credit commitments	1,266,960	767,677	464,593	655,424	252,299	464,788	122,273	725,581	(1,756,524)	2,963,071

Year ended 31 December 2018

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
External net interest income	228,918	61,134	55,342	30,593	59,236	80,818	18,202	38,275	-	572,518
Internal net interest (expense)/income	(141,316)	27,338	11,824	83,075	11,846	6,811	5,554	(5,132)	-	-
Net fee and commission income	3,907	38,284	27,704	23,785	17,258	20,869	4,644	8,850	-	145,301
Other (expense)/income, net	(5,114)	(605)	(495)	(654)	(148)	20	(442)	15,028	(288)	7,302
Operating income	86,395	126,151	94,375	136,799	88,192	108,518	27,958	57,021	(288)	725,121
Operating expenses	(18,802)	(29,196)	(21,976)	(31,779)	(28,482)	(33,104)	(11,960)	(19,192)	288	(194,203)
Impairment losses on assets	(29,087)	(19,899)	(20,268)	(29,537)	(23,683)	(21,005)	(10,436)	(7,679)	-	(161,594)
Operating profit	38,506	77,056	52,131	75,483	36,027	54,409	5,562	30,150	-	369,324
Share of profits of associates and joint ventures	-	-	-	-	-	-	-	3,089	-	3,089
Profit before taxation	38,506	77,056	52,131	75,483	36,027	54,409	5,562	33,239	-	372,413
Income tax expense										(73,690)
Profit for the year										<u>298,723</u>
Other segment information:										
Depreciation	1,825	1,786	1,231	2,006	2,352	2,690	1,113	404	-	13,407
Amortisation	809	233	198	196	280	335	86	202	-	2,339
Capital expenditure	<u>2,655</u>	<u>3,133</u>	<u>1,767</u>	<u>3,838</u>	<u>2,410</u>	<u>2,801</u>	<u>975</u>	<u>54,976</u>	-	<u>72,555</u>

31 December 2018

	Mainland China (HO and domestic branches)								Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others		
Assets by geographical areas	9,803,222	5,860,977	3,700,969	4,085,516	2,758,294	3,530,531	1,120,364	3,695,699	(6,914,407)	27,641,165
Including: Investments in associates and joint ventures	-	-	-	-	-	-	-	29,124	-	29,124
Property and equipment	12,038	31,408	11,332	18,605	18,359	22,807	9,650	166,205	-	290,404
Other non-current assets	11,606	5,839	3,458	3,926	6,750	10,449	1,581	4,237	-	47,846
Unallocated assets										<u>58,375</u>
Total assets										<u>27,699,540</u>
Liabilities by geographical areas	7,532,137	6,166,615	3,719,458	6,639,630	2,733,284	3,378,285	1,134,009	879,687	(6,914,407)	25,268,698
Unallocated liabilities										<u>85,959</u>
Total liabilities										<u>25,354,657</u>
Other segment information:										
Credit commitments	<u>1,140,804</u>	<u>652,201</u>	<u>372,549</u>	<u>544,264</u>	<u>231,154</u>	<u>412,271</u>	<u>82,387</u>	<u>720,824</u>	<u>(926,942)</u>	<u>3,229,512</u>

8. Unaudited Supplementary Financial Information

8.1 Correspondence between Balance Sheet in Published Financial Statements and Capital Composition

The disclosure of correspondence between balance sheet in published financial statements and capital composition is based on the Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks (Yin Jian Fa, No. 33, 2013) Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

(i) Capital composition

Item	31 December 2019	31 December 2018	Reference
Core tier 1 capital:			
1 Paid-in capital	356,407	356,407	X18
2 Retained earnings	1,964,205	1,746,540	
2a Surplus reserve	292,149	261,636	X21
2b General reserve	304,876	278,980	X22
2c Retained profits	1,367,180	1,205,924	X23
3 Accumulated other comprehensive income (and other public reserves)	147,984	140,322	
3a Capital reserve	149,067	151,968	X19
3b Others	(1,083)	(11,646)	X24
4 Valid portion to core tier 1 capital during the transition period (only applicable to non- joint stock companies. Fill in 0 for joint stock banks)	–	–	
5 Valid portion of minority interests	4,178	3,752	X25
6 Core tier 1 capital before regulatory adjustments	2,472,774	2,247,021	
Core tier 1 capital: Regulatory adjustments			
7 Prudential valuation adjustments	–	–	
8 Goodwill (net of deferred tax liabilities)	9,038	8,820	X16
9 Other intangible assets other than land use rights (net of deferred tax liabilities)	2,933	1,927	X14-X15
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of deferred tax liabilities)	–	–	
11 Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,451)	(3,739)	X20
12 Shortfall of provision for loan impairment	–	–	
13 Gain on sale related to asset securitization	–	–	

Item	31 December 2019	31 December 2018	Reference	
14	Unrealised gains and losses due to changes in own credit risk on fair valued liabilities	–	–	
15	Defined-benefit pension fund net assets (net of deferred tax liabilities)	–	–	
16	Direct or indirect investments in own ordinary shares	–	–	
17	Reciprocal cross-holdings in core tier 1 capital between banks or between banks and other financial institutions	–	–	
18	Deductible amount of non-significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
19	Deductible amount of significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
20	Mortgage servicing rights	N/A	N/A	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of deferred tax liabilities)	–	–	
22	Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of deferred tax assets arising from temporary differences (net of deferred tax liabilities)	–	–	
23	Including: Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions	–	–	
24	Including: Deductible amount of mortgage servicing rights	N/A	N/A	
25	Including: Deductible amount in deferred tax assets arising from temporary differences	–	–	
26a	Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980	X11

Item	31 December 2019	31 December 2018	Reference
26b	–	–	
Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation			
26c	–	–	
Others that should be deducted from core tier 1 capital			
27	–	–	
Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital			
28	15,500	14,988	
Total regulatory adjustments to core tier 1 capital			
29	2,457,274	2,232,033	
Core tier 1 capital			
Additional tier 1 capital:			
30	199,456	79,375	
Additional tier 1 capital instruments and related premium			
31	199,456	79,375	X28+X32
Including: Portion classified as equity			
32	–	–	
Including: Portion classified as liabilities			
33	–	–	
Invalid instruments to additional tier 1 capital after the transition period			
34	793	735	X26
Valid portion of minority interests			
35	–	–	
Including: Invalid portion to additional tier 1 capital after the transition period			
36	200,249	80,110	
Additional tier 1 capital before regulatory adjustments			
Additional tier 1 capital: Regulatory adjustments			
37	–	–	
Direct or indirect investments in own additional tier 1 instruments			
38	–	–	
Reciprocal cross-holdings in additional tier 1 capital between banks or between banks and other financial institutions			
39	–	–	
Deductible amount of non-significant minority investment in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation			
40	–	–	
Significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation			

Item	31 December 2019	31 December 2018	Reference
41a	–	–	
41b	–	–	
41c	–	–	
42	–	–	
43	–	–	
44	200,249	80,110	
45	2,657,523	2,312,143	
Tier 2 capital:			
46	272,680	202,761	X17
47	60,855	81,140	
48	1,707	1,991	X27
49	439	856	
50	189,569	127,990	X02+X04
51	463,956	332,742	
Tier 2 capital: Regulatory adjustments			
52	–	–	
53	–	–	
54	–	–	
55	–	–	X31

Item	31 December 2019	31 December 2018	Reference
56a	–	–	
Investments in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation			
56b	–	–	
Shortfall in tier 2 capital instruments issued by financial institutions that are under control but not subject to consolidation			
56c	–	–	
Others that should be deducted from tier 2 capital			
57	–	–	
Total regulatory adjustments to tier 2 capital			
58	463,956	332,742	
Tier 2 capital			
59	3,121,479	2,644,885	
Total capital (tier 1 capital + tier 2 capital)			
60	18,616,886	17,190,992	
Total risk-weighted assets			
Requirements for capital adequacy ratio and reserve capital			
61	13.20%	12.98%	
Core tier 1 capital adequacy ratio			
62	14.27%	13.45%	
Tier 1 capital adequacy ratio			
63	16.77%	15.39%	
Capital adequacy ratio			
64	4.0%	4.0%	
Institution specific buffer requirement			
65	2.5%	2.5%	
Including: Capital conservation buffer requirement			
66	–	–	
Including: Countercyclical buffer requirement			
67	1.5%	1.5%	
Including: G-SIB buffer requirement			
68	8.20%	7.98%	
Percentage of core tier 1 capital meeting buffers to risk-weighted assets			
Domestic minima for regulatory capital			
69	5.0%	5.0%	
Core tier 1 capital adequacy ratio			
70	6.0%	6.0%	
Tier 1 capital adequacy ratio			
71	8.0%	8.0%	
Capital adequacy ratio			
Amounts below the thresholds for deduction			
72	84,515	64,004	X05+X07 +X08+X09 +X12+X29 +X30
Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation			

Item	31 December 2019	31 December 2018	Reference
73	37,654	32,215	X06+X10 +X13
74	N/A	N/A	
75	60,846	57,073	
Valid caps of surplus provision for loan impairment in tier 2 capital			
76	17,647	19,049	X01
77	7,923	7,766	X02
78	460,851	393,682	X03
79	181,646	120,224	X04
Capital instruments subject to phase-out arrangements			
80	–	–	
81	–	–	
82	–	–	
83	–	–	
84	60,855	81,140	
85	63,383	67,102	

(ii) Consolidated financial statements

	31 December 2019 Consolidated balance sheet as in published financial statements*	31 December 2019 Balance sheet under regulatory scope of consolidation*	31 December 2018 Consolidated balance sheet as in published financial statements*	31 December 2018 Balance sheet under regulatory scope of consolidation*
Assets				
Cash and balances with central banks	3,317,916	3,317,916	3,372,576	3,372,576
Due from banks and other financial institutions	475,325	450,976	384,646	374,509
Precious metals	238,061	238,061	181,292	181,292
Placements with banks and other financial institutions	567,043	567,043	577,803	577,803
Derivative financial assets	68,311	68,311	71,335	71,335
Reverse repurchase agreements	845,186	841,954	734,049	733,460
Loans and advances to customers	16,326,552	16,325,339	15,046,132	15,045,239
Financial investments	7,647,117	7,528,268	6,754,692	6,662,605
– Financial investments measured at FVTPL	962,078	921,042	805,347	772,191
– Financial investments measured at FVOCI	1,476,872	1,451,357	1,430,163	1,408,749
– Financial investments measured at amortised cost	5,208,167	5,155,869	4,519,182	4,481,665
Long-term equity investments	32,490	40,470	29,124	37,104
Fixed assets	244,902	244,846	253,525	253,460
Construction in progress	39,714	39,712	35,081	35,079
Deferred income tax assets	62,536	62,536	58,375	58,097
Other assets	244,283	230,111	200,910	186,769
Total assets	30,109,436	29,955,543	27,699,540	27,589,328

* Prepared in accordance with PRC GAAP.

	31 December 2019 Consolidated balance sheet as in published financial statements*	31 December 2019 Balance sheet under regulatory scope of consolidation*	31 December 2018 Consolidated balance sheet as in published financial statements*	31 December 2018 Balance sheet under regulatory scope of consolidation*
Liabilities				
Due to central banks	1,017	1,017	481	481
Due to banks and other financial institutions	1,776,320	1,776,320	1,328,246	1,328,246
Placements from banks and other financial institutions	490,253	490,253	486,249	486,249
Financial liabilities measured at FVTPL	102,242	102,242	87,400	87,399
Derivative financial liabilities	85,180	85,180	73,573	73,573
Repurchase agreements	263,273	254,926	514,801	513,495
Certificates of deposit	355,428	355,428	341,354	341,354
Due to customers	22,977,655	22,977,655	21,408,934	21,410,976
Employee benefits payable	35,301	34,960	33,636	33,351
Taxes payable	109,601	109,545	95,678	95,318
Debt securities issued	742,875	742,875	617,842	617,842
Deferred income tax liabilities	1,873	1,690	1,217	1,024
Other liabilities	476,415	339,246	365,246	261,639
Total liabilities	<u>27,417,433</u>	<u>27,271,337</u>	<u>25,354,657</u>	<u>25,250,947</u>
Equity				
Share capital	356,407	356,407	356,407	356,407
Other equity instruments	206,132	206,132	86,051	86,051
Capital reserve	149,067	149,067	151,968	151,968
Other comprehensive income	(1,266)	(1,083)	(11,875)	(11,646)
Surplus reserve	292,291	292,149	261,720	261,636
General reserve	305,019	304,876	279,064	278,980
Retained profits	1,368,536	1,367,180	1,206,666	1,205,924
Equity attributable to equity holders of the parent company	2,676,186	2,674,728	2,330,001	2,329,320
Minority interests	15,817	9,478	14,882	9,061
Total equity	<u>2,692,003</u>	<u>2,684,206</u>	<u>2,344,883</u>	<u>2,338,381</u>

* Prepared in accordance with PRC GAAP.

(iii) Description of related items

Item	31 December 2019 Balance sheet under regulatory scope of consolidation	Reference
Loans and advances to customers	16,325,339	
Total loans and advances to customers	16,803,837	
Less: Provision for loan impairment under the weighted approach	17,647	X01
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	7,923	X02
Less: Provision for loan impairment under the internal ratings-based approach	460,851	X03
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	181,646	X04
Financial investments		
Financial investments measured at FVTPL	921,042	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	90	X05
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	6,144	X06
Including: Non-significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	3,034	X07
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	72,788	X08
Financial investments measured at FVOCI	1,451,357	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	7,091	X09
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	3,576	X10
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X29

Item	31 December 2019 Balance sheet under regulatory scope of consolidation	Reference
Financial investments measured at amortised cost	5,155,869	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	1,488	X30
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X31
Long-term equity investments	40,470	
Including: Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	24	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	27,934	X13
Other assets	230,111	
Interest receivable	2,233	
Intangible assets	19,684	X14
Including: Land use rights	16,751	X15
Other receivables	162,542	
Goodwill	9,038	X16
Long-term deferred expenses	3,767	
Repossessed assets	9,123	
Others	23,724	

Item	31 December 2019 Balance sheet under regulatory scope of consolidation	Reference
Debt securities issued	742,875	
Including: Valid portion of tier 2 capital instruments and their premium	272,680	X17
Share capital	356,407	X18
Other equity instruments	206,132	
Including: Preference shares	119,469	X28
Including: Perpetual bonds	79,987	X32
Capital reserve	149,067	X19
Other comprehensive income	(1,083)	X24
Reserve for changes in fair value of financial assets	23,560	
Reserve for cash flow hedging	(4,452)	
Including: Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(4,451)	X20
Changes in share of other owners' equity of associates and joint ventures	(1,456)	
Foreign currency translation reserve	(18,144)	
Others	(591)	
Surplus reserve	292,149	X21
General reserve	304,876	X22
Retained profits	1,367,180	X23
Minority interests	9,478	
Including: Valid portion to core tier 1 capital	4,178	X25
Including: Valid portion to additional tier 1 capital	793	X26
Including: Valid portion to tier 2 capital	1,707	X27

(iv) Main features of eligible capital instruments

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)
Issuer	The Bank	The Bank	The Bank	The Bank	The Bank	The Bank
Unique identifier	601398	1398	4604	360011	1928018	360036
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	Securities and Futures Ordinance of Hong Kong/Hong Kong, China	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	Company Law of the People's Republic of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents/China	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China
Regulatory treatment	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)						
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Core tier 1 capital instrument	Core tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB336,931	RMB168,496	RMB equivalent 4,542	RMB44,947	RMB79,987	RMB69,981
Par value of instrument (in millions)	RMB269,612	RMB86,795	EUR 600	RMB45,000	RMB80,000	RMB70,000
Accounting treatment	Share capital, Capital reserve	Share capital, Capital reserve	Other equity	Other equity	Other equity	Other equity
Original date of issuance	19 October 2006	19 October 2006	10 December 2014	18 November 2015	26 July 2019	19 September 2019

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)
Perpetual or dated Including: Original maturity date	Perpetual No maturity date	Perpetual No maturity date	Perpetual No maturity date	Perpetual No maturity date	Perpetual No maturity date	Perpetual No maturity date
Issuer call (subject to prior supervisory approval)	No	No	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	The First Redemption Date is 10 December 2021, in full or partial amount	The First Redemption Date is 18 November 2020, in full or partial amount	The First Redemption Date is 30 July 2024, in full or partial amount	The First Redemption Date is 24 September 2024, in full or partial amount
Including: Subsequent call dates, if applicable	N/A	N/A	10 December in each year after the First Redemption Date	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares	Redemption of present bonds in full or in part on each Interest Date since the First Redemption Date (30 July 2024). The Issuer has the right to redeem the present bonds in full rather than in part if the present bonds are no longer included in additional tier 1 capital after they are issued due to unpredictable changes in regulatory rules	Commences on the First Redemption Date (24 September 2024) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares
Coupons/dividends Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	6% (dividend rate) before 10 December 2021	4.5% (dividend rate) before 18 November 2020	4.45% (interest rate) before 30 July 2024	4.2% (dividend rate) before 24 September 2024
Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	Yes	Yes	No	Yes
Including: If convertible, conversion trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)
Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; Tier 2 Capital Trigger Event occurs	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; Tier 2 Capital Trigger Event occurs
Including: If convertible, conversion rate	N/A	N/A	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	N/A	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 30 August 2018, the date of publication of the Board resolution in respect of the issuance plan
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory	N/A	Mandatory
Including: If convertible, specify instrument type convertible into	N/A	N/A	Core tier 1 capital	Core tier 1 capital	N/A	Core tier 1 capital
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	The Bank	The Bank	N/A	The Bank
Write-down feature	No	No	No	No	Yes	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	N/A
Including: If write-down, full or partial	N/A	N/A	N/A	N/A	Full or partial write-down when an Additional Tier 1 Capital Trigger Event occurs; full write-down when a Tier 2 Capital Trigger Event occurs	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A	N/A	Permanent write-down	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor, general creditor of the subordinated debts, and preference shareholders	Subordinated to depositor, general creditor of the subordinated debts, and preference shareholders	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds
Non-compliant transitioned features	No	No	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Issuer	The Bank	The Bank	The Bank
Unique identifier	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06	1728021	1728022
Governing law(s) of the instrument	The Notes and the Fiscal Agency Agreement shall be governed by, and shall be construed in accordance with, New York law, except that the provisions of the Notes relating to subordination shall be governed by, and construed in accordance with, PRC law	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents
Regulatory treatment Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Eligible to the parent company/group level	Parent company/Group	Parent company/Group	Parent company/Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB equivalent 13,825	RMB44,000	RMB44,000
Par value of instrument (in millions)	USD2,000	RMB44,000	RMB44,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	21 September 2015	06 November 2017	20 November 2017
Perpetual or dated Including: Original maturity date	Dated 21 September 2025	Dated 08 November 2027	Dated 22 November 2027
Issuer call (subject to prior supervisory approval)	No	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	08 November 2022, in full amount	22 November 2022, in full amount

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Subsequent call dates, if applicable	N/A	N/A	N/A
Coupons/dividends			
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.875%	4.45%	4.45%
Including: Existence of a dividend stopper	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, pari passu with other subordinated debts	Subordinated to depositor and general creditor; but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor; but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features Including: If yes, specify non-compliant features	No N/A	No N/A	No N/A

	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Main features of regulatory capital instrument					
Issuer	The Bank 1928006	The Bank 1928007	The Bank 1928011	The Bank 1928012	
Governing law(s) of the instrument	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	Governed by the Commercial Banking Law of the People's Republic of China, the Regulation Governing Capital of Commercial Banks (Provisional) and the Measures for Administration of Financial Bond Issuance in China's Inter-bank Bond Market, as well as other applicable laws, regulations and normative documents	
Regulatory treatment	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)					
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)					
Including: Eligible to the parent company/group level	Parent company /Group	Parent company /Group	Parent company /Group	Parent company /Group	Parent company /Group
Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB45,000	RMB10,000	RMB45,000	RMB10,000	RMB10,000
Par value of instrument (in millions)	RMB45,000	RMB10,000	RMB45,000	RMB10,000	RMB10,000
Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
Original date of issuance	21 March 2019	21 March 2019	24 April 2019	24 April 2019	24 April 2019
Perpetual or dated	Dated	Dated	Dated	Dated	Dated
Including: Original maturity date	25 March 2029	25 March 2034	26 April 2029	26 April 2034	26 April 2034
Issuer call (subject to prior supervisory approval)	Yes	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	25 March 2024, in full amount	25 March 2029, in full amount	26 April 2024, in full amount	26 April 2029, in full amount	26 April 2029, in full amount

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons/dividends				
Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed
Including: Coupon rate and any related index	4.26%	4.40%	4.51%	4.69%
Including: Existence of a dividend stopper	No	No	No	No
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory
Including: Redemption incentive mechanism	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	No	No
Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A
Including: If convertible, fully or partially	N/A	N/A	N/A	N/A
Including: If convertible, conversion rate	N/A	N/A	N/A	N/A
Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A
Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A
Write-down feature	Yes	Yes	Yes	Yes
Including: If write-down, write-down trigger(s)	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable	Whichever occurs earlier: (i) CBIRC having decided that a write-down is necessary, without which the Issuer would become non-viable; or (ii) any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Issuer would become non-viable
Including: If write-down, full or partial	Partial or full write-down	Partial or full write-down	Partial or full write-down	Partial or full write-down
Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A

Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds	Subordinated to depositor and general creditor, but senior to equity capital, other tier 1 capital instruments and hybrid capital bonds; pari passu with other subordinated debts that have been issued by the Issuer and are pari passu with the present bonds; and pari passu with other tier 2 capital instruments that will possibly be issued in the future and are pari passu with the present bonds
Non-compliant transitioned features	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A

8.2 Disclosure of Leverage Ratio

The following information is disclosed in accordance with the Administrative Measures for Leverage Ratio of Commercial Banks (Revised) (CBRC No.1, 2015) Appendix 3 Disclosure Templates of Leverage Ratio.

Comparison of Regulatory Leverage Ratio Items and Accounting Items

S/N	Item	31 December 2019	31 December 2018
1	Total consolidated assets as per published financial statements	30,109,436	27,699,540
2	Consolidated adjustments for accounting purposes but outside the scope of regulatory consolidation	(153,893)	(110,212)
3	Adjustments for fiduciary assets	–	–
4	Adjustments for derivative financial instruments	12,352	68,114
5	Adjustment for securities financing transactions	18,975	35,125
6	Adjustment for off-balance sheet items	2,010,844	2,002,299
7	Other adjustments	(15,500)	(14,988)
8	Balance of adjusted on- and off-balance sheet assets	31,982,214	29,679,878

Leverage Ratio, Net Tier 1 Capital, Balance of Adjusted On- and Off-balance Sheet Assets and Related Information

S/N	Item	31 December 2019	31 December 2018
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	29,507,681	27,120,956
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital	(15,500)	(14,988)
3	Balance of adjusted on-balance sheet assets (excluding derivatives and SFTs)	29,492,181	27,105,968
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	74,843	76,179
5	Add-on amounts for PFE associated with all derivatives transactions	70,072	63,890
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Less: Exempted CCP leg of client-cleared trade exposures	(18,334)	(20,180)
9	Effective notional amount of written credit derivatives	32,286	44,968
10	Less: Adjusted effective notional deductions for written credit derivatives	(71,672)	(25,408)
11	Total derivative exposures	87,195	139,449
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	373,019	397,037
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	–	–
14	CCR exposure for SFT assets	18,975	35,125
15	Agent transaction exposures	–	–
16	Total securities financing transaction exposures	391,994	432,162
17	Off-balance sheet exposure at gross notional amount	5,025,875	4,400,110
18	Less: Adjustments for conversion to credit equivalent amounts	(3,015,031)	(2,397,811)
19	Balance of adjusted off-balance sheet assets	2,010,844	2,002,299
20	Net tier 1 capital	2,657,523	2,312,143
21	Balance of adjusted on- and off-balance sheet assets	31,982,214	29,679,878
22	Leverage ratio	8.31%	7.79%

8.3 Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

S/N	Item	Fourth-quarter 2019	
		Total un-weighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		5,009,252
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	11,157,778	1,111,081
3	Stable deposits	71,773	2,481
4	Less stable deposits	11,086,005	1,108,600
5	Unsecured wholesale funding, of which:	12,973,765	4,291,437
6	Operational deposits (excluding those generated from correspondent banking activities)	7,447,242	1,806,194
7	Non-operational deposits (all counterparties)	5,448,096	2,406,816
8	Unsecured debt	78,427	78,427
9	Secured funding		19,515
10	Additional requirements, of which:	3,255,199	1,116,826
11	Outflows related to derivative exposures and other collateral requirements	936,096	936,096
12	Outflows related to loss of funding on debt products	–	–
13	Credit and liquidity facilities	2,319,103	180,730
14	Other contractual funding obligations	63,556	62,962
15	Other contingent funding obligations	4,069,242	126,415
16	Total cash outflows		6,728,236
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	995,964	544,121
18	Inflows from fully performing exposures	1,560,312	1,135,259
19	Other cash inflows	945,895	939,606
20	Total cash inflows	3,502,171	2,618,986
		Total adjusted value	
21	Total HQLA		5,009,252
22	Total net cash outflows		4,109,250
23	Liquidity coverage ratio (%)		121.89%

Data of the above table are all the simple arithmetic means of the 92 natural days' figures of the recent quarter.

8.4 Quantitative Information Disclosure of Net Stable Funding Ratio (NSFR) Using Advanced Approaches

		31 December 2019				
		Unweighted value by residual maturity				
No.	Item	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:	2,865,732	–	–	272,901	3,138,633
2	Regulatory capital	2,865,260	–	–	272,680	3,137,940
3	Other capital instruments	472	–	–	221	693
4	Retail deposits and deposits from small business customers:	5,994,637	5,433,965	23,367	8,681	10,319,962
5	Stable deposits	37,468	41,862	10,854	6,724	92,398
6	Less stable deposits	5,957,169	5,392,103	12,513	1,957	10,227,564
7	Wholesale funding:	7,639,372	5,680,477	206,122	288,681	6,656,170
8	Operational deposits	7,252,753	277,447	21,244	2,933	3,778,655
9	Other wholesale funding	386,619	5,403,030	184,878	285,748	2,877,515
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	11,007	860,783	88,091	530,593	505,359
12	NSFR derivative liabilities				80,286	
13	All other liabilities and equities not included in the above categories	11,007	860,783	88,091	450,307	505,359
14	Total ASF					20,620,124
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					700,358
16	Deposits held at other financial institutions for operational purposes	184,215	–	11,529	1,101	98,974
17	Loans and securities:	5,296	3,585,858	2,372,383	13,626,434	14,025,884
18	Loans to financial institutions secured by Level 1 HQLA	–	250,665	2,270	11,762	49,947
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,216,077	235,934	214,270	514,735
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	1,895,739	1,884,342	7,683,559	8,363,034
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	381,871	346,339	235,104	509,140

31 December 2019

No.	Item	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
22	Residential mortgages, of which:	-	1,479	2,216	5,135,931	4,363,446
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	-	717	741	21,536	15,090
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	5,296	221,898	247,621	580,912	734,722
25	Assets with matching interdependent liabilities	-	-	-	-	-
26	Other assets:	384,768	332,135	24,884	472,350	1,102,696
27	Physical traded commodities, including gold	36,967				31,422
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				8,434	7,169
29	NSFR derivative assets				66,711	-
30	NSFR derivative liabilities with additional variation margin posted				85,697*	17,139
31	All other assets not included in the above categories	347,801	332,135	24,884	397,205	1,046,966
32	Off-balance sheet items				6,408,914	240,181
33	Total RSF					16,168,093
34	Net Stable Funding Ratio (%)					127.54%

(*) The amount of derivative liabilities shall be recorded for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 "Other assets".

No.	Item	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
Available stable funding (ASF) item						
1	Capital:	2,841,988	–	–	273,638	3,115,626
2	Regulatory capital	2,841,533	–	–	273,028	3,114,561
3	Other capital instruments	455	–	–	610	1,065
4	Retail deposits and deposits from small business customers:	5,843,148	5,531,933	43,512	6,979	10,287,851
5	Stable deposits	34,115	34,391	14,255	4,831	83,454
6	Less stable deposits	5,809,033	5,497,542	29,257	2,148	10,204,397
7	Wholesale funding:	7,559,760	6,023,084	295,735	303,807	6,847,050
8	Operational deposits	7,262,400	231,884	26,661	4,250	3,764,722
9	Other wholesale funding	297,360	5,791,200	269,074	299,557	3,082,328
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	13,850	914,595	61,397	496,518	412,134
12	NSFR derivative liabilities	–	–	–	128,933	–
13	All other liabilities and equities not included in the above categories	13,850	914,595	61,397	367,585	412,134
14	Total ASF					20,662,661
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					706,156
16	Deposits held at other financial institutions for operational purposes	199,468	–	7,276	1,251	104,624
17	Loans and securities:	3,452	3,881,312	2,478,392	13,448,654	13,972,341
18	Loans to financial institutions secured by Level 1 HQLA	–	524,328	3,696	12,703	92,645
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,224,640	306,019	210,269	547,607
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	1,902,979	2,026,707	7,528,033	8,303,612
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	333,445	383,520	247,910	512,753
22	Residential mortgages, of which:	–	1,458	2,433	5,030,118	4,272,541
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	665	669	26,961	18,578

No.	Item	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	≥ 1 year	
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	3,452	227,907	139,537	667,531	755,936
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	374,455	396,236	27,259	628,804	1,290,981
27	Physical traded commodities, including gold	30,749				26,137
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				50,770	43,154
29	NSFR derivative assets				104,038	–
30	NSFR derivative liabilities with additional variation margin posted				134,475*	26,895
31	All other assets not included in the above categories	343,706	396,236	27,259	473,996	1,194,795
32	Off-balance sheet items				6,120,143	234,592
33	Total RSF					16,308,694
34	Net Stable Funding Ratio (%)					126.70%

(*) The amount of derivative liabilities shall be recorded for this item, which is the amount of NSFR derivative liabilities without regard to maturity before deducting variation margin. It is excluded from the item 26 “Other assets”.

9. Summary of the Capital Adequacy Ratio Report Disclosed in Accordance with the Regulation Governing Capital of Commercial Banks (Provisional)

9.1 Capital Adequacy Ratio

- **Scope of Calculation of Capital Adequacy Ratio**

The Bank calculated capital adequacy ratios at all tiers in accordance with the Regulation Governing Capital of Commercial Banks (Provisional). The scope of calculation of consolidated capital adequacy ratio includes the Bank and financial institutions in which the Bank directly or indirectly invested in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

- **Results of Capital Adequacy Ratio Measurement**

In RMB millions, except for percentages

Item	At 31 December 2019		At 31 December 2018	
	Group	Parent Company	Group	Parent Company
Net core tier 1 capital	2,457,274	2,222,316	2,232,033	2,040,396
Net tier 1 capital	2,657,523	2,403,000	2,312,143	2,102,348
Net capital base	3,121,479	2,852,663	2,644,885	2,419,120
Core tier 1 capital adequacy ratio	13.20%	13.29%	12.98%	13.23%
Tier 1 capital adequacy ratio	14.27%	14.37%	13.45%	13.63%
Capital adequacy ratio	16.77%	17.06%	15.39%	15.68%

Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio and Leverage Ratio” for details on the capital adequacy ratio calculation at the end of 2019.

- **Measurement of Risk-Weighted Assets**

In RMB millions

Item	At 31 December 2019	At 31 December 2018
Credit risk-weighted assets	17,089,815	15,558,010
Parts covered by internal ratings-based approach	11,081,413	10,373,820
Parts uncovered by internal ratings-based approach	6,008,402	5,184,190
Market risk-weighted assets	178,718	368,580
Parts covered by internal model approach	102,412	308,425
Parts uncovered by internal model approach	76,306	60,155
Operational risk-weighted assets	1,348,353	1,264,402
Total	<u>18,616,886</u>	<u>17,190,992</u>

9.2 Credit Risk

- **Credit Risk Exposure**

In RMB millions

Item	At 31 December 2019		At 31 December 2018	
	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach	Parts covered by internal ratings-based approach	Parts uncovered by internal ratings-based approach
Corporate	9,905,090	1,437,024	9,509,057	1,500,505
Sovereign	—	5,998,583	—	5,391,809
Financial institution	—	3,727,940	—	3,225,894
Retail	6,252,608	484,400	5,479,175	469,137
Equity	—	161,426	—	85,409
Asset securitization	—	97,663	—	79,182
Others	—	5,034,184	—	5,444,366
Total risk exposure	<u>16,157,698</u>	<u>16,941,220</u>	<u>14,988,232</u>	<u>16,196,302</u>

- **Measurement Results of Internal Ratings-Based Approach**

MEASUREMENT RESULTS OF NON-RETAIL CREDIT RISK UNDER FOUNDATION IRB APPROACH

In RMB millions, except for percentages

At 31 December 2019

PD level	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Level 1	1,149,672	0.09%	44.85%	329,997	28.70%
Level 2	1,330,325	0.21%	41.77%	592,970	44.57%
Level 3	1,926,387	0.65%	43.31%	1,430,541	74.26%
Level 4	2,531,365	1.63%	42.94%	2,467,274	97.47%
Level 5	1,525,028	2.57%	42.44%	1,569,509	102.92%
Level 6	607,498	3.72%	42.19%	680,813	112.07%
Level 7	265,605	5.28%	41.68%	333,085	125.41%
Level 8	119,075	7.20%	41.38%	172,230	144.64%
Level 9	101,558	9.60%	42.01%	164,425	161.90%
Level 10	49,294	18.00%	41.82%	96,161	195.08%
Level 11	104,928	56.00%	42.51%	193,303	184.22%
Level 12	194,355	100.00%	44.00%	21,472	11.05%
Total	9,905,090	—	—	8,051,780	81.29%

At 31 December 2018

PD level	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Level 1	1,028,554	0.09%	44.82%	295,902	28.77%
Level 2	1,241,539	0.21%	43.07%	568,046	45.75%
Level 3	1,927,918	0.65%	42.91%	1,417,249	73.51%
Level 4	2,237,164	1.61%	42.98%	2,145,184	95.89%
Level 5	1,628,203	2.54%	42.37%	1,696,971	104.22%
Level 6	634,196	3.72%	42.17%	724,280	114.20%
Level 7	255,674	5.28%	41.72%	320,157	125.22%
Level 8	111,927	7.20%	42.07%	162,405	145.10%
Level 9	99,847	9.60%	42.76%	168,379	168.64%
Level 10	37,199	18.00%	41.75%	74,602	200.55%
Level 11	113,740	56.00%	42.88%	210,507	185.08%
Level 12	193,096	100.00%	44.01%	56,599	29.31%
Total	9,509,057	—	—	7,840,281	82.45%

MEASUREMENT RESULTS OF RETAIL CREDIT RISK UNDER IRB APPROACH

In RMB millions, except for percentages

At 31 December 2019

Type of risk exposure	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Residential mortgages	5,090,032	1.20%	27.17%	1,025,226	20.14%
Qualifying revolving retail exposure	689,431	3.95%	42.76%	139,772	20.27%
Other retail exposures	473,145	5.99%	47.59%	275,218	58.17%
Total	6,252,608	—	—	1,440,216	23.03%

At 31 December 2018

Type of risk exposure	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Residential mortgages	4,523,389	1.27%	29.51%	1,034,874	22.88%
Qualifying revolving retail exposure	591,952	3.72%	54.41%	147,188	24.86%
Other retail exposures	363,834	7.68%	47.46%	215,541	59.24%
Total	5,479,175	—	—	1,397,603	25.51%

9.3 Market Risk

CAPITAL REQUIREMENT FOR MARKET RISK

Risk type	<i>In RMB millions</i>	
	At 31 December 2019	At 31 December 2018
Parts covered by internal model approach	8,193	24,674
Parts uncovered by internal model approach	6,104	4,812
Interest rate risk	3,306	2,220
Commodity risk	2,713	2,534
Stock risk	8	16
Option risk	77	42
Total	14,297	29,486

Note: According to the implementation scope of the advanced capital management approaches approved by the regulatory authorities, parts covered by the market risk internal model approach of the Bank include currency risk of the Group, general interest rate risk of the parent company and ICBC (Canada) and commodity risk of the parent company. Parts uncovered by the internal model approach are measured by the standardized approach.

The Bank applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of ten days and historical data of 250 days) to measure the VaR, which is then used for capital measurement under the internal model approach.

VALUE AT RISK (VAR)

Item	2019				2018			
	Period end	Average	Maximum	Minimum	Period end	Average	Maximum	Minimum
VaR	1,824	2,249	3,522	987	3,559	3,630	4,432	3,087
Interest rate risk	133	174	263	93	118	98	147	51
Currency risk	1,845	2,297	3,564	1,044	3,510	3,566	4,388	2,990
Commodity risk	96	69	133	15	26	47	108	12
Stressed VaR	1,824	3,356	4,600	987	3,938	3,762	4,432	3,087
Interest rate risk	154	209	326	116	140	122	356	76
Currency risk	1,845	3,299	4,466	1,044	3,868	3,692	4,388	2,990
Commodity risk	95	68	122	32	38	43	99	11

9.4 Interest Rate Risk in the Banking Book

Supposing that there is parallel shift of overall market interest rates, and taking no account of possible risk management actions taken by the management to mitigate the interest rate risk, the analysis on interest rate sensitivity of the Bank categorized by major currencies at the end of 2019 is shown in the following table:

In RMB millions

Currency	+100 basis points		-100 basis points	
	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(6,951)	(29,652)	6,951	32,313
USD	(979)	(6,416)	979	6,420
HKD	(3,630)	(43)	3,630	43
Others	1,553	(1,144)	(1,553)	1,147
Total	(10,007)	(37,255)	10,007	39,923

9.5 Operational Risk

The Bank adopts the standardized approach to measure capital requirement for operational risk. As at the end of 2019, the capital requirement for operational risk was RMB107,868 million.

9.6 Equity Risk in the Banking Book

In RMB millions

Equity type	At 31 December 2019			At 31 December 2018		
	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealised potential gains (losses) ⁽²⁾	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealised potential gains (losses) ⁽²⁾
Financial institution	33,859	16,023	6,618	31,385	11,948	4,526
Corporate	3,537	108,007	(1,486)	1,939	40,137	976
Total	37,396	124,030	5,132	33,324	52,085	5,502

Notes: (1) Publicly-traded equity investment refers to equity investment made in listed companies, and non-publicly-traded equity investment refers to equity investment made in non-listed companies.

(2) Unrealised potential gains (losses) refer to unrealised gains or losses recognized on the balance sheet but not recognized on the income statement.

10. Issue of Results Announcement, Annual Report and Capital Adequacy Ratio Report

This Results Announcement will be released on the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com) simultaneously. The 2019 Annual Report prepared in accordance with IFRSs and the 2019 Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) will be released on the “HKEXnews” website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Bank (www.icbc-ltd.com). Specifically, the 2019 Annual Report prepared in accordance with IFRSs will be dispatched to the shareholders of H shares of the Bank. The 2019 Annual Report and its abstract prepared in accordance with PRC GAAP and the 2019 Capital Adequacy Ratio Report will be released simultaneously on the websites of Shanghai Stock Exchange (www.sse.com.cn) and the Bank (www.icbc-ltd.com).

This Results Announcement has been prepared in both Chinese and English languages. In case of any discrepancy between the two versions, the Chinese version shall prevail.

By Order of
The Board of Directors of
Industrial and Commercial Bank of China Limited

27 March 2020

As at the date of this announcement, the Board of Directors comprises Mr. CHEN Siqing and Mr. GU Shu as executive directors, Mr. ZHENG Fuqing, Ms. MEI Yingchun, Mr. LU Yongzhen, Mr. FENG Weidong, and Ms. CAO Liqun as non-executive directors, Mr. Anthony Francis NEOH, Mr. YANG Siu Shun, Ms. Sheila Colleen BAIR, Mr. SHEN Si, Mr. Nout WELLINK and Mr. Fred Zuluu HU as independent non-executive directors.