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

Capital Adequacy Ratio Report

CONTENTS

This report is prepared in both Chinese and English. In the case of discrepancy between the two versions, the Chinese version shall prevail.

Introduction

Company Profile

Industrial and Commercial Bank of China was established on 1 January 1984. On 28 October 2005, the Bank was wholly restructured to a joint-stock limited company. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Through its continuous endeavor and stable development, the Bank has developed into the leading bank in the world, possessing an excellent customer base, a diversified business structure, strong innovation capabilities and market competitiveness. The Bank regards service as the very foundation to seek further development and adheres to creating value through services while providing a comprehensive range of financial products and services to 8,098 thousand corporate customers and 650 million personal customers. The Bank has been consciously integrating the social responsibilities with its development strategy and operation and management activities, and gaining wide recognition in the aspects of promoting inclusive finance, supporting precision poverty alleviation, protecting environment and resources and participating in public welfare undertakings.

The Bank always keeps in mind its underlying mission of serving the real economy with its principal business, and along with the real economy it prospers, suffers and grows. Taking a risk-based approach and never overstepping the bottom line, it constantly enhances its capability of controlling and mitigating risks. Besides, the Bank remains steadfast in understanding and following the business rules of commercial banks to strive to be a century-old bank. It also stays committed to seeking progress with innovation while maintaining stability, continuously enhances the development strategy of personal and corporate banking business as well as international and comprehensive strategy, and actively embraces the internet. The Bank advances the intelligent bank building in depth, unswervingly delivers specialized services, and pioneers a specialized business model, thus making it "a craftsman in large banking".

The Bank was ranked the 1st place among the Top 1000 World Banks by *The Banker*, ranked 1st place in the Global 2000 listed by *Forbes* and topped the sub-list of commercial banks of the Global 500 in Fortune for the seventh consecutive year, and took the 1st place among the Top 500 Banking Brands of *Brand Finance* for the fourth consecutive year.

Disclosure Basis

This report is prepared and disclosed in accordance with the Capital Regulation and related regulations.

Disclosure Statement

The report contains forward-looking statements on the Bank's financial positions, business performance and development. The statements are made based on existing plans, estimates and forecasts, and bear upon future external events or the Group's future finance, business or performance in other aspects, and may involve future plans which do not constitute substantive commitment to investors. Hence, investors and persons concerned shall be fully aware of the risks and understand the difference between plans, estimates and commitments.

Scope of Calculation of Capital Adequacy Ratio

Investees' Consolidation Treatment under Capital Adequacy Ratio Calculation

The Bank calculated capital adequacy ratios at all tiers in accordance with the Capital Regulation. 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 Capital Regulation.

TREATMENT OF DIFFERENT TYPES OF INVESTEES FOR THE CALCULATION OF CONSOLIDATED CAPITAL ADEQUACY RATIO

S/N	Type of investee	Treatment for the calculation of consolidated capital adequacy ratio
1	Financial institutions with majority voting rights or controlling interest (excluding insurance companies)	Included in the calculation of consolidated capital adequacy ratio
2	Insurance companies with majority voting rights or controlling interest	Excluded from the calculation of consolidated capital adequacy ratio, deducted corresponding capital investment from capital at all tiers; deducted the corresponding capital shortfall, if any
3	Significant minority investments in capital instruments issued by financial institutions	Excluded from the calculation of consolidated capital adequacy ratio, deducted the part of core tier 1 capital investments exceeding 10% of the Bank's core tier 1 capital and deducted all of additional tier 1 and tier 2 capital investments from corresponding tiers of capital. The part failing to reach the deduction threshold shall be calculated as risk-weighted assets
4	Non-significant minority investments in capital instruments issued by financial institutions	Excluded from the calculation of consolidated capital adequacy ratio and deducted the part of total investments exceeding 10% of the Bank's core tier 1 capital from corresponding tiers of regulatory capital. The part failing to reach the deduction threshold shall be calculated as risk-weighted assets
5	Minority investments in the equity of commercial entities	Excluded from the calculation of consolidated capital adequacy ratio and calculated as risk-weighted assets

At the end of 2019, the difference between the scope of the calculation of consolidated capital adequacy ratio and the scope of financial reporting consolidation is ICBC-AXA. Pursuant to the Capital Regulation, ICBC-AXA was excluded from the calculation of consolidated capital adequacy ratio.

Major Investees Included in and Deducted from the Calculation of Consolidated Capital Adequacy Ratio

TOP 10 INVESTEES INCLUDED IN THE CALCULATION OF CONSOLIDATED CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

S/N	Name of investee	Balance of investment	Shareholding percentage (%)	Place of incorporation	Principal activity
1	ICBC (Asia)	47,633	100.00	Hong Kong, China	Commercial banking
2	ICBC Wealth Management	16,000	100.00	Beijing, China	Wealth management
3	ICBC Investment	12,000	100.00	Nanjing, China	Financial assets investment
4	ICBC Leasing	11,000	100.00	Tianjin, China	Leasing
5	ICBC (Macau)	10,316	89.33	Macau, China	Commercial banking
6	ICBC Standard Bank	5,348	60.00	London, UK	Commercial banking
7	ICBC (Thai)	4,898	97.86	Bangkok, Thailand	Commercial banking
8	ICBC (Argentina)	4,436	80.00	Buenos Aires, Argentina	Commercial banking
9	ICBC International	4,066	100.00	Hong Kong, China	Investment banking
10	ICBC (Europe)	3,294	100.00	Luxembourg	Commercial banking

INVESTEES DEDUCTED FROM THE CALCULATION OF CONSOLIDATED CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

S/N	Name of investee	Balance of investment	Shareholding percentage (%)	Place of incorporation	Principal activity
1	ICBC-AXA	7,980	60.00	Shanghai, China	Insurance

Capital Deficiencies and Restrictions on Capital Transfer

As at the end of 2019, there is no capital deficiency in the financial institutions in which the majority or controlling interests is held by the Bank as measured in accordance with local regulatory requirements. During the reporting period, there is no material restriction on the fund transfer within the Group.

Capital and Capital Adequacy Ratio

Implementation of Advanced Capital Management Approaches

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.

Capital Adequacy Ratio

RESULTS OF CAPITAL ADEQUACY RATIO CALCULATION OF THE GROUP AND PARENT COMPANY

In RMB millions, except for percentages

	At 31 December 2019		At 31 December 2018	
Item	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%

Capital Composition

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 Capital Regulation stood at 13.20%, 14.27% and 16.77%, respectively, complying with regulatory requirements.

CAPITAL ADEQUACY RATIO OF THE GROUP CALCULATED IN ACCORDANCE WITH THE CAPITAL REGULATION

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.

For information disclosed in accordance with the Notice on Enhancing Disclosure Requirements for Composition of Capital, Appendix 2 to the Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks, please refer to the Appendixes of this report, including Capital Composition, Balance Sheet at the Group's level (financial consolidation and regulatory consolidation), Illustrated Balance Sheet, Mapped Components of Balance Sheet to Capital Item as well as Main Features of Eligible Capital Instruments.

CAPS IN THE CAPITAL CALCULATION

In RMB millions

Item	At 31 December 2019	At 31 December 2018
I. Valid caps of surplus provision for loan impairment to tier 2 capital		
Parts covered by internal ratings-based approach		
Provision for loan impairment	460,851	393,682
Expected loss	227,853	228,454
Surplus provision for loan impairment	232,998	165,228
Valid cap of surplus provision for loan impairment in tier 2 capital irrespective of adjustment during the parallel period	66,488	62,242
Valid portion of surplus provisions for loan impairment in tier 2 capital higher than 150% of allowance to non-performing loans ("NPL") giving consideration to adjustment during the parallel period	115,158	57,982
Valid cap of surplus provisions for loan impairment in tier 2 capital giving consideration to adjustment during the parallel period	181,646	120,224
Valid portion of surplus provision for loan impairment in tier 2 capital during the parallel period	181,646	120,224
Parts uncovered by internal ratings-based approach		
Provision for loan impairment	17,647	19,049
Minimum requirement on provision for loan impairment	9,724	11,283
Surplus provision for loan impairment	7,923	7,766
Valid caps of surplus provision for loan impairment in tier 2 capital	75,006	64,705
Valid portion of surplus provision for loan impairment in tier 2 capital	7,923	7,766
II. Deduction cap for items applicable to thresholds deduction		
Non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	84,515	64,004
Relevant cap	245,727	223,203
Deductible portion	–	–
Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	37,654	32,215
Relevant cap	245,727	223,203
Deductible portion	–	–
Deferred tax assets arising from temporary differences	60,846	57,073
Relevant cap	245,727	223,203
Deductible portion	–	–
Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and deferred tax assets arising from temporary differences	98,500	89,288
Relevant cap	368,590	334,805
Deductible portion	–	–

For changes in share capital of the Bank during the reporting period, please refer to "Details of Changes in Share Capital and Shareholding of Substantial Shareholders" in the 2019 Annual Report. For material capital investment activities of the Bank during the reporting period, please refer to "Significant Events" in the 2019 Annual Report.

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	**18,616,886**	**17,190,992**

Internal Capital Adequacy Assessment

The Bank's internal capital adequacy assessment comprises the risk identification, material risk assessment, capital adequacy forecast and enterprise risk stress testing. The risk identification is to make a judgment on all the major risks the Bank is exposed to. The material risk assessment system provides an assessment on all material risks of the Bank and conducts a comprehensive analysis on the risk profile and management status of various material risks to compute the target capital adequacy ratio of the Bank. The capital adequacy forecast is to forecast changes in risk-weighted assets and capital, taking into account the Bank's business planning and financial planning so as to further predict the capital adequacy levels in the following years. The enterprise risk stress testing is to set stress scenarios reflecting business operation, asset-liability portfolio and risk features of the Bank under the premise of analysis on future macroeconomic trends to work out changes in indicators such as capital adequacy ratios of the Bank under the stress scenarios.

Capital Planning and Management Plan for Capital Adequacy Ratios

The Board of Directors and the Shareholders' General Meeting of the Bank reviewed and approved the 2018–2020 Capital Planning of ICBC in response to the new economic and financial trends and regulatory requirements. Comprehensively taking into account domestic and overseas regulatory requirements and the needs for sustainable development and shareholder return, the Planning defined the capital management objectives and specific measures to be undertaken. During the planning period, the Bank will endeavor to ensure that capital adequacy ratios at all tiers comply with regulatory rules of China and regulatory requirements on capital surcharges of Global Systemically Important Banks. The Bank will also endeavor to maintain a safety margin and buffer, so as to support its strategic development and prevent capital adequacy ratio from falling below the regulatory requirement due to unforeseen circumstances. On the basis of keeping capital adequacy ratio at a reasonable level, the Bank will attach great importance to the balance between capital adequacy and return on capital, and maintain stable capital adequacy ratio. Moreover, the Bank will continue to strengthen capital replenishment and coordinated management on capital use, further improve capital management mechanism and constantly deepen the reform on economic capital management to increase capital use efficiency. The Bank's capital adequacy ratios at all tiers had reached the regulatory standard during the reporting period and will continue to fulfill the regulatory requirements.

On the basis of capital replenishment by retained profits, the Bank proactively expanded the channels for external capital replenishment and continuously promoted the innovation of capital instruments, to reinforce the capital strength, optimize capital structure and control the cost of capital rationally.

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.

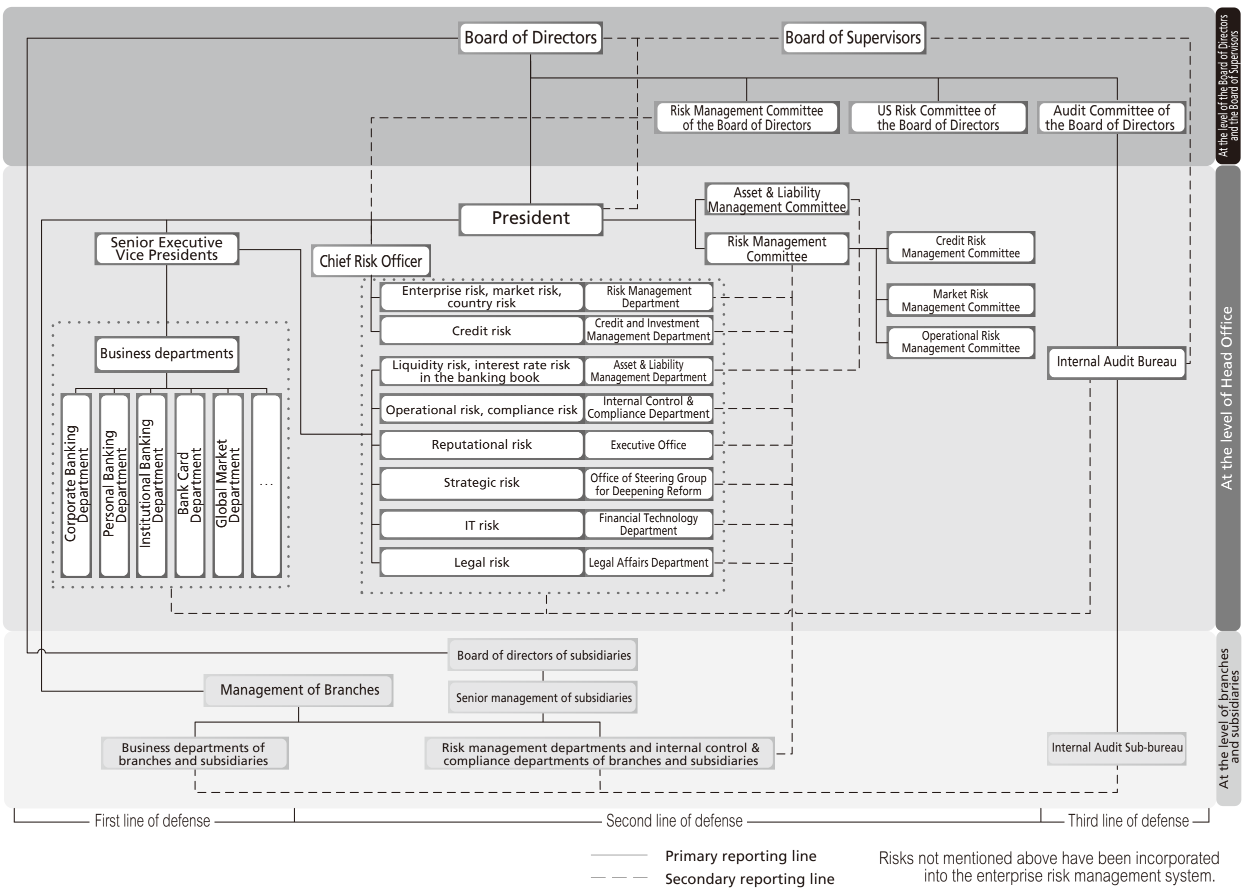
The relevant proposals on the issuance of domestic and offshore preference shares were reviewed and approved at the First Extraordinary General Meeting of 2018 of the Bank, planning to issue preference shares with the total amount up to RMB100.0 billion equivalent in the domestic and offshore markets. 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 CBIRC, 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.

Enterprise Risk Management

Enterprise risk management is a process to effectively identify, assess, measure, monitor, control or mitigate and report risks in order to ensure the realization of the Group's operating and strategic objectives by setting up effective and balanced risk governance structure, fostering robust and prudent risk culture, formulating unified risk management strategies and risk appetite, and implementing the risk limit and risk management policies. The principles of enterprise risk management of the Bank include full coverage, matching, independence, perspectiveness and effectiveness, etc.

The Bank's organizational structure of risk management comprises the Board of Directors and its special committees, the Board of Supervisors, the Senior Management and its special committees, the risk management departments, the internal audit departments, etc. The risk management organizational structure is illustrated below:



In 2019, the Bank continued to push for development of the enterprise risk management system, strengthened risk data governance, and upgraded risk management technologies and methods, so as to make enterprise risk management more forward-looking and effective. It further improved the enterprise risk management system, enhanced risk appetite transmission and limit management and control, and intensified the capability of risk response and crisis management. The Bank enhanced the Group's foundation for consolidated risk management, boosted business penetration of non-banking subsidiaries, and strengthened regional risk management of overseas institutions. It enhanced its capability of managing cross risks, strengthened risk management and control of cooperative institutions, and promoted the application of the Group's investment and financing risk monitoring platform to achieve risk data integration involving different risks, markets, institutions and products. The Bank actively advanced FinTech application such as big data, developed an intelligent risk monitoring system and enterprise-level anti-fraud platform, and continued to upgrade risk measurement models for better application.

Credit Risk

Credit risk is the risk where loss is caused to the banking business when the borrower or counterparty fails to meet its contractual obligations. The Bank's credit risks mainly originate from loans, treasury operations (including due from banks, placements with banks, reverse repurchase agreements, corporate bonds and financial bonds investment), receivables and off-balance sheet credit business (including guarantees, commitments and financial derivatives trading).

Credit Risk Management

The Bank strictly adheres to regulatory requirements regarding credit risk management, diligently fulfills established strategies and objectives under the leadership of the Board of Directors and the Senior Management, and implements an independent, centralized and vertical credit risk management mode. The Board of Directors assumes the ultimate responsibility for the effectiveness of credit risk management. The Senior Management is responsible for executing the strategies, overall policy and system regarding credit risk management approved by the Board of Directors. The Credit Risk Management Committee of the Senior Management is the reviewing and decision-making organ of the Bank in respect of credit risk management, is responsible for reviewing material and important affairs of credit risk management, and performs its duty in accordance with the Charters of the Credit Risk Management Committee. The credit and investment management departments at different levels undertake the responsibility of coordinating credit risk management at respective levels, and the business departments implement credit risk management policies and standards for their respective business areas in accordance with their functions.

The Bank's credit risk management has the following characteristics: (1) Unified risk appetite. Unified credit risk appetite is implemented for the Bank's credit risk exposures; (2) Entire-process management. The credit risk management covers the entire process including customer investigation, credit rating, loan evaluation, loan review and approval, loan payment and post-lending monitoring; (3) System management. It continues to enhance the building of credit information system, and improve the tools to manage and control credit risk; (4) Strict management over credits. Strict qualification management is enforced on the business institutions and the credit practitioners. The Bank supervises and inspects its credits to promote compliant and robust operation; (5) The specialized institution is set up to conduct unified risk monitoring over credit risk businesses; and (6) The specialized institution is established to effectively coordinate management. The Bank directly participates in the collection and disposal of non-performing assets ("NPAs") in a timely manner or guides its branches to do so.

According to the regulatory requirement on loan risk classification, the Bank implemented five-category classification management in relation to loan quality and classified loans into five categories: pass, special mention, substandard, doubtful and loss, based on the possibility of collecting the principal and interest of loans. In order to implement sophisticated management of credit asset quality and improve risk management, the Bank implemented the twelve-category internal classification system for corporate loans. The Bank applied five-category classification management to personal credit assets and ascertained the category of the loans based on the number of months in default, anticipated loss rate, credit rating, collateral and other quantitative and qualitative factors.

Credit Risk Management of Corporate Loans

The Bank continued to strengthen the building of the credit policy system. It revised the regulations on the uniform risk limit management for investment and financing of corporate customers across the board, and formulated basic provisions, basic procedures, calculation methods and occupation rules concerning uniform investment and financing risk limit management. Further advances have been made in improving the customer-oriented limit management system and strengthening the coordinated management of the Group's overall credit risks.

The Bank emphasized the leading role of credit policy. It proactively supported infrastructure projects under construction and major projects to strengthen areas of weakness, and gave top priority to advancing high-quality development of manufacturing. It stepped up efforts to support the financing needs of service industries related to people's livelihood, including healthcare, education, elderly care, tourism and culture, and fully implemented the development strategies for private enterprises and inclusive finance. The Bank enhanced the connection between industrial and regional policies, and strived to meet requirements of China's major regional strategies, with a focus on the investment and financing business development and innovation in key areas like Guangdong-Hong Kong-Macau Greater Bay Area, the coordinated development of the Beijing-Tianjin-Hebei region and Yangtze River Delta Integration as well as the investment and financing needs of Xiongan New Area.

The Bank strengthened risk management in the real estate industry. It made efforts to guarantee public wellbeing in real estate industry, strengthened real estate classification, and continued to support first-tier and key second-tier cities featuring solid economic foundation and net inflow of population, and whose real estate markets have medium and long-term development potential. Specifically, it mainly supported ordinary commercial housing projects aimed to satisfy rigid demands that are in line with regulatory policies. The Bank proactively and prudently promoted financing for commercial rental housing projects, and for building government-subsidized housing projects in compliance with laws and regulations, and strictly controlled financing for commercial property development and shantytown renovation projects for commercial use.

The Bank intensified credit risk management of small and micro enterprises. It proactively applied the FinTech means to comprehensively integrate data information inside and outside the Bank, continued to optimize dynamic model monitoring mechanism, and embedded data models into the whole risk management process including pre-lending customer access screening, analysis and decision-making in the lending process and post-lending supervision and warning, to build an online financing risk management system featured "data-driven, intelligent warning, dynamic management and continuous operation". Moreover, the Bank strengthened the risk prevention and control responsibilities of special institutions such as the inclusive finance departments and small and micro centers at branches, and improved the entire risk management system covering customer access and post-lending management, so as to build a closed loop for efficient risk management.

Credit Risk Management of Personal Loans

The Bank continued to perfect policies on personal loans. Focusing on personal loan risk inspection and governance, the Bank studied and analyzed the risk of granting loans to second-hand housing projects in key areas and the quality of new personal loans. It conducted inspections on personal loan management system reform and collateral management, and continued to examine in-depth personal loans. The Bank strengthened daily monitoring of and early warning inspection on personal loan risks, optimized its early warning models, and conducted inspections on false mortgage and risk projects across the board. It intensified efforts to collect and dispose personal NPLs and actively promoted the securitization of personal NPLs.

Credit Risk Management of Credit Card Business

The Bank improved policies on credit card risk management. It continued to improve credit granting policies, and promoted the development and upgrading of intelligent inspection and approval system, so as to make the Bank's credit management smarter. It promoted the building of a big data-based risk control system, and continuously improved access models and business strategies by introducing multidimensional external data such as credit reference information of the PBC. BLAZE, a decision-making engine, was further put into use in credit card issuance and limit adjustment to make risk control smarter. The Bank continued to improve the grade-based management and control system for high default risks arising from the lending process, and established a mechanism whereby credit limit of high-risk customers from all channels in the lending process can be managed and controlled in a dynamic manner, thus taking the initiative in strengthening management and control over high-default and high-risk customers in the lending process.

Credit Risk Management of Treasury Operations

Based on the strict implementation of bank-wide, unified credit risk management policy requirements, the Bank strengthened pre-investment analysis and management throughout the term of business on credit risk exposed to investment business, did a good job in potential risk analysis and inspection, and intensified the monitoring of existing bonds in key risk industries. It strictly implemented the regulatory requirements for currency market transactions, strengthened ex-ante examination on credit risks of counterparties and collaterals, and implemented differentiated and tiered management in accordance with the result. The Bank paid close attention to changes in counterparties' qualification, pledged bond value and all types of market information, and took proactive measures to prevent risks. The Bank actively promoted the signing of ISDA, NAFMII and other legal agreements regarding derivatives, strictly managed and controlled the counterparty credit limit through the Global Financial Market Transaction platform, and strengthened regular monitoring and dynamic management of client margins and credit limit.

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	**16,157,698**	**16,941,220**	**14,988,232**	**16,196,302**

Internal Ratings-based Approach

Governance Structure of Internal Rating System

The Board of Directors assumes the ultimate responsibility for the internal rating system of the Bank, supervises and ensures formulation and implementation by the Senior Management of necessary internal rating policies and procedures, and approves major policies, rules and implementation plans regarding the internal rating system. The Senior Management is responsible for implementation of IRB system across the Bank. The Risk Management Department of the Head Office is responsible for design, development, implementation, monitoring and promotion of the IRB management. The Credit Approval Department of the Head Office is responsible for management of corporate customer rating of the Bank. Relevant departments of the Head Office including the Credit and Investment Management Department, the Personal Banking Department, the Bank Card Department, the Asset & Liability Management Department and the Finance & Accounting Department are responsible for application of the internal rating results. The Internal Audit Bureau of the Head Office is responsible for internal audit of the internal rating system. Risk management departments of the branches are responsible for monitoring, application, analysis and reporting of the internal rating system. Relevant customer management departments of the branches are responsible for investigation, implementation and rating application regarding the internal rating system.

Non-retail Business

The Bank adopts the foundation IRB approach to measure non-retail credit risk satisfying regulatory requirements with rating models established based on quantitative technologies as well as judgmental experience. The models assess debt-paying ability and willingness of customers based on financial indicators, competitiveness, management quality and operation status of the customers from quantitative and qualitative aspects. Customer's probability of default (PD), mapped via the master scale uniformly set, is determined by rating score.

The Bank measures risk parameters of the internal rating models in strict accordance with relevant regulatory requirements. Under the non-retail credit risk foundation IRB approach, obligor PD is determined by referring to past 10 years or more defaults of corporate customers of the Bank as well as the long-term default tendency of different asset portfolios. The internal rating parameters, maintained according to the rules regarding management of internal rating parameters of the Bank, are monitored and validated on a regular basis.

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%**

Retail Business

The Bank adopts IRB approach to measure retail credit risk pursuant to regulatory requirements, establishes the internal grading models covering entire life cycle of all types of retail products and asset pool classification and risk parameter measurement models covering all risk exposures of retail credit assets with the help of modeling methods and expert management experience, and realizes quantitative management of retail credit risk models.

The Bank conducts comprehensive analysis of loan repayment ability and willingness of customers by using modern mathematical statistics technologies to mine, analyze and extract data of customers, assets, debts and transactions, and develops the credit score model system including application score, behavior score and collection score models and realizing the coverage of entire life cycle of retail business.

According to relevant IRB approach requirements, the Bank has put in place asset pool classification procedures and technologies suited for the actual retail business, developed the asset pool classification system applied to measurement of all risk parameters and accordingly realized measurement of risk parameters for retail credit assets like PD, loss given default (LGD) and exposure at default, etc.

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%**

Application of Internal Rating Results

The internal rating results of the Bank are widely used throughout the whole credit risk management process including the credit risk strategy and credit policy formulation, customer access, credit approval, loan pricing, post-lending management, capital measurement, risk limit management, allowance management and performance assessment. While complying with the regulatory requirements, the Bank also takes into account the internal rating results as an important base for decision-making over credit risk management and credit business.

Weighted Approach

The Bank adopts weighted approach to measure credit risk exposures uncovered by the IRB approach.

RISK EXPOSURE UNCOVERED BY IRB APPROACH BY WEIGHT

In RMB millions

	At 31 December 2019		At 31 December 2018	
Risk weight	Risk exposure	Unmitigated risk exposure	Risk exposure	Unmitigated risk exposure
0%	5,546,742	5,544,641	5,669,941	5,664,069
2%	365,057	19,111	465,876	20,342
20%	4,053,912	3,961,892	3,672,365	3,608,768
25%	2,160,000	1,765,233	1,778,173	1,218,306
50%	137,065	132,505	104,871	104,832
75%	662,334	661,318	519,617	512,848
100%	3,725,953	3,337,843	3,802,030	2,995,969
150%	11,147	11,147	6,402	229
250%	113,752	113,618	104,421	104,269
400%	110,617	110,617	37,259	37,259
1250%	54,641	54,641	35,347	35,347
Total	**16,941,220**	**15,712,566**	**16,196,302**	**14,302,238**

Note: The weights adopted in the weighted approach-based measurement of credit risk by the Bank were in strict compliance with the relevant provisions of the Capital Regulation.

RISK EXPOSURE OF CAPITAL INSTRUMENTS ISSUED BY OTHER COMMERCIAL BANKS HELD BY THE BANK, EQUITY INVESTMENT IN COMMERCIAL ENTITIES AND REAL ESTATE FOR NON-SELF USE

In RMB millions

Item	At 31 December 2019	At 31 December 2018
Ordinary shares issued by other commercial banks	30,011	27,933
Long-term subordinated bonds issued by other commercial banks	48,116	29,917
Preference shares issued by other commercial banks	2,265	3,231
Equity investment in commercial entities	111,544	42,076
Total	**191,936**	**103,157**

Credit Risk Mitigation

The Bank generally transfers or lowers credit risk through collateral and guarantees. The credit risk mitigation instruments effectively cover credit risk exposure of borrowers. The Bank reviews its risk mitigation instruments in handling the credit business to ensure their credit risk mitigation capability.

The Bank monitors the market value of collateral and pledges and the solvency of a guarantor regularly or irregularly if special circumstances warrant. Collateral mainly includes real estate, land and the right of construction land use, and the management right of contracted land, and pledges mainly include document of title and marketable securities, etc. Collateral and pledges valuation procedures are divided into basic procedures and direct identification procedures. Basic procedures include investigation, review and examination, and approval; direct identification procedures include investigation and approval. For initial value appraisal of collateral, the Bank shall consider the characteristics of different types of collateral and employ proper appraisal methods to determine collateral value in consideration of market price, difficulty degree of liquidation and existence of flaws and other factors affecting the asset disposal price, thereby reasonably identifying the amount of collateral that can be guaranteed. Revaluation cycle of collateral and pledges is determined according to regulatory requirements, changes of market and other risk factors, and revaluation shall be completed before the revaluation cycle expires. The Bank shall reassess the collateral and pledge value irregularly upon discovering conditions which may possibly result in an impairment of the collateral and pledge or obvious adverse changes happening to the customer.

The Bank analyzes concentration risk of mitigation regularly or according to changes in internal and external environment, and takes appropriate countermeasures. Through the Bank's efforts in adjusting credit structure, the Bank continues to improve the structure of collateral and pledges and strengthen collateral concentration management so as to prevent risks arising from high proportion of single collateral or single type of collateral.

COVERAGE OF ELIGIBLE RISK MITIGATION INSTRUMENTS COVERED BY IRB APPROACH

In RMB millions

	At 31 December 2019				At 31 December 2018			
Type of risk exposure	Eligible financial pledge	Other eligible collateral	Guarantee	Total	Eligible financial pledge	Other eligible collateral	Guarantee	Total
Non-retail business								
Corporate loans	250,828	955,872	723,482	1,930,182	208,892	981,140	652,877	1,842,909
Subtotal	**250,828**	**955,872**	**723,482**	**1,930,182**	**208,892**	**981,140**	**652,877**	**1,842,909**
Retail business								
Residential mortgages	–	5,090,032	–	5,090,032	–	4,523,389	–	4,523,389
Other retail exposures	7,003	374,507	5,206	386,716	7,765	289,491	5,051	302,307
Subtotal	**7,003**	**5,464,539**	**5,206**	**5,476,748**	**7,765**	**4,812,880**	**5,051**	**4,825,696**
Total	**257,831**	**6,420,411**	**728,688**	**7,406,930**	**216,657**	**5,794,020**	**657,928**	**6,668,605**

COVERAGE OF ELIGIBLE RISK MITIGATION INSTRUMENTS UNCOVERED BY IRB APPROACH

In RMB millions

	At 31 December 2019				At 31 December 2018			
Type of risk exposure	Netting settlement	Mortgage & pledge and guarantee	Others	Total	Netting settlement	Mortgage & pledge and guarantee	Others	Total
On-balance sheet credit risk	–	399,969	–	399,969	–	779,779	–	779,779
Off-balance sheet credit risk	–	44,584	–	44,584	–	54,756	–	54,756
Counterparty credit risk	5,881	–	778,220	784,101	11,618	–	1,047,911	1,059,529
Total	**5,881**	**444,553**	**778,220**	**1,228,654**	**11,618**	**834,535**	**1,047,911**	**1,894,064**

Loan Quality and Allowance for Impairment Losses on Loans

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**

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.

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	**215,316**	**78,494**	**184,688**	**478,498**	**227**	**–**	**5**	**232**

For provisioning method of allowance for impairment losses on loans, please refer to the Significant Accounting Policies and Estimates in the Notes to the Financial Statements of the 2019 Annual Report.

Counterparty Credit Risk

Counterparty credit risk is the risk that economic loss is caused when the counterparty fails to perform its contractual obligations. The Bank is exposed to counterparty credit risk mainly as a result of over-the-counter (OTC) derivatives trading and securities financing trading.

The counterparty shall meet relevant requirements on customer access standards before conducting derivatives trading with the Bank. The Bank assesses credit status, risk management level and capital strength of the counterparty, approves and regularly reviews special credit extension for derivatives trading. Before trading, the Bank will first enquire whether the credit limit of the counterparty is adequate.

For OTC derivatives financial trading, the Bank concludes the Credit Support Appendix (CSA) under the ISDA master agreement with certain counterparty in accordance with the requirements of both sides' regulatory authorities. Where the counterparty's credit rating is downgraded, it shall be set based on the agreement provisions as to whether the downgraded party has to provide extra collateral to its counterparty. In case that there is no relevant expression in the agreement, such downgrading will not affect both sides' collateral swap; and if there is relevant expression in the agreement, the quantity of collateral will be adjusted as per the agreement. For institutions that have not signed the CSA agreement, the signing strategy will be adjusted in a timely manner in accordance with changes in compliance requirements of domestic and overseas regulatory authorities.

COUNTERPARTY CREDIT RISK EXPOSURE OF DERIVATIVES TRADING

In RMB millions

Item	At 31 December 2019
Risk exposure at default of parts covered by netting settlement	82,123
Risk exposure at default of parts uncovered by netting settlement	100,488
Total of counterparty credit risk exposure of derivatives trading before mitigation	**182,611**
Counterparty credit risk mitigation	–
Total of counterparty credit risk exposure of derivatives trading	**182,611**

NOMINAL PRINCIPAL OF CREDIT DERIVATIVES

In RMB millions

	At 31 December 2019		At 31 December 2018	
Item	Credit derivatives bought	Credit derivatives sold	Credit derivatives bought	Credit derivatives sold
Nominal principal of credit derivatives as credit portfolios of the Bank	**2,284**	**1,755**	**3,819**	**3,698**
Credit default swap	1,936	1,755	125	99
Total return swap	348	–	3,684	3,599
Others	–	–	10	–
Nominal principal of credit derivatives where the Bank acts as intermediary	**9,748**	**9,748**	**5,931**	**6,680**
Credit default swap	4,526	4,526	5,931	6,278
Total return swap	5,222	5,222	–	402

Asset Securitization

Credit asset securitization refers to structured financing activities where the originator trusts credit assets to the trustee, and the trustee issues beneficiary securities in the form of asset-backed securities to institutional investors, and the cash flow from the credit assets is used to pay income of asset-backed securities. All securitization originated by the Bank is traditional securitization.

Asset Securitization Business

The Bank participates in the asset securitization business mainly by acting as originator of asset securitization business, lending services provider, lead underwriter and institutional investor.

◆ *As originator and lending services provider*

The Bank continued to stimulate the development of asset securitization business and effectively supported disposal of non-performing loans, revitalization of stock assets and optimization of credit structure. As at the end of 2019, some underlying assets of the asset securitization projects originated by the Bank were still retained, and the project operation remained steady. As the originator, the Bank held part of asset-backed securities which the Bank issued in line with the regulatory authority's risk self-retention requirement, and took corresponding credit risk and market risk for the part the risk of which was self-retained. At the end of 2019, assets continued to be recognized by the Group amounted to RMB52,016 million.

CREDIT ASSET SECURITIZATION BUSINESS ORIGINATED BY THE GROUP AND NOT SETTLED AT THE END OF THE REPORTING PERIOD

In RMB millions

				Underlying assets				
Asset securitization product	Originating year	Originator	External credit rating institution	Type of underlying assets	Exposure at origination	Exposure at the end of 2019	Non-performing at the end of 2019	Overdue at the end of 2019
2016 Gongyuan Phase III non-performing asset-backed securities	2016	The Bank	CCXI, China Ratings	Personal loans	4,080	366	366	366
2016 Gongyuan Phase IV residential mortgage asset-backed securities	2016	The Bank	CCXI, China Ratings	Personal loans	10,255	4,075	–	–
2017 Gongyuan Phase II non-performing asset-backed securities	2017	The Bank	CCXI, China Ratings	Personal loans	3,600	798	798	798
2017 Gongyuan Phase III residential mortgage asset-backed securities	2017	The Bank	CCXI, China Ratings	Personal loans	13,922	7,511	–	–
2017 Gongyuan Phase IV residential mortgage asset-backed securities	2017	The Bank	CCXI, China Ratings	Personal loans	12,726	6,881	–	–
2017 Gongyuan Phase V residential mortgage asset-backed securities	2017	The Bank	LH Ratings, China Ratings	Personal loans	13,052	7,060	–	–
2017 Gongyuan Phase VII non-performing asset-backed securities	2017	The Bank	CCXI, China Ratings	Personal loans	2,350	907	907	907
2018 Gongyuan Phase I residential mortgage asset-backed securities	2018	The Bank	LH Ratings, China Ratings	Personal loans	10,950	6,917	–	–

CREDIT ASSET SECURITIZATION BUSINESS ORIGINATED BY THE GROUP AND NOT SETTLED AT THE END OF THE REPORTING PERIOD (CONTINUED)

In RMB millions

Asset securitization product	Originating year	Originator	External credit rating institution	Underlying assets				
				Type of underlying assets	Exposure at origination	Exposure at the end of 2019	Non-performing at the end of 2019	Overdue at the end of 2019
2018 Gongyuan Phase II residential mortgage asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	10,877	6,738	–	–
2018 Gongyuan Phase III residential mortgage asset-backed securities	2018	The Bank	LH Ratings, China Ratings	Personal loans	10,943	6,663	–	–
2018 Gongyuan Phase IV residential mortgage asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	11,864	8,860	–	–
2018 Gongyuan Zhicheng Phase II non-performing asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	1,240	702	702	702
2018 Gongyuan Zhicheng Phase III non-performing asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	441	254	254	254
2018 Gongyuan Zhicheng Phase IV non-performing asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	525	362	362	362
2018 Gongyuan Phase V residential mortgage asset-backed securities	2018	The Bank	LH Ratings, China Ratings	Personal loans	11,800	8,659	–	–
2018 Gongyuan Phase VI residential mortgage asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	11,409	8,425	–	–
2018 Gongyuan Phase VII residential mortgage asset-backed securities	2018	The Bank	LH Ratings, China Ratings	Personal loans	11,302	8,447	–	–
2018 Gongyuan Phase VIII residential mortgage asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	13,422	10,337	–	–
2018 Gongyuan Phase IX residential mortgage asset-backed securities	2018	The Bank	LH Ratings, China Ratings	Personal loans	13,363	10,255	–	–
2018 Gongyuan Zhiyuan Phase I credit asset-backed securities	2018	The Bank	LH Ratings, China Ratings	Corporate loans	5,455	1,526	–	–
2018 Gongyuan Phase X residential mortgage asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	13,379	10,222	–	–
2018 Gongyuan Phase XI residential mortgage asset-backed securities	2018	The Bank	LH Ratings, China Ratings	Personal loans	13,341	10,149	–	–
2018 Gongyuan Anju Phase I residential mortgage asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	14,364	10,926	–	–

CREDIT ASSET SECURITIZATION BUSINESS ORIGINATED BY THE GROUP AND NOT SETTLED AT THE END OF THE REPORTING PERIOD (CONTINUED)

In RMB millions

Asset securitization product	Originating year	Originator	External credit rating institution	Underlying assets				
				Type of underlying assets	Exposure at origination	Exposure at the end of 2019	Non-performing at the end of 2019	Overdue at the end of 2019
2018 Gongyuan Anju Phase II residential mortgage asset-backed securities	2018	The Bank	LH Ratings, China Ratings	Personal loans	14,323	10,951	–	–
2018 Gongyuan Anju Phase III residential mortgage asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	14,284	10,928	–	–
2018 Gongyuan Zhicheng Phase VI non-performing asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	2,250	1,220	1,220	1,220
2018 Gongyuan Zhicheng Phase VII non-performing asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	555	281	281	281
2018 Gongyuan Zhicheng Phase VIII non-performing asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	880	469	469	469
2018 Gongyuan Anju Phase IV residential mortgage asset-backed securities	2018	The Bank	LH Ratings, China Ratings	Personal loans	14,275	10,958	–	–
2018 Gongyuan Anju Phase V residential mortgage asset-backed securities	2018	The Bank	CCXI, China Ratings	Personal loans	14,328	10,989	–	–
2019 Gongyuan Anju Phase I residential mortgage asset-backed securities	2019	The Bank	LH Ratings, China Ratings	Personal loans	14,232	10,843	–	–
2019 Gongyuan Anju Phase II residential mortgage asset-backed securities	2019	The Bank	CCXI, China Ratings	Personal loans	14,193	10,781	–	–
2019 Gongyuan Zhicheng Phase I non-performing asset-backed securities	2019	The Bank	CCXI, China Ratings	Personal loans	860	201	201	201
2019 Gongyuan Yiju Phase I residential mortgage asset-backed securities	2019	The Bank	LH Ratings, China Ratings	Personal loans	14,977	13,458	–	–
2019 Gongyuan Zhicheng Phase II non-performing asset-backed securities	2019	The Bank	Golden Credit Rating, China Ratings	Personal loans	2,470	2,470	2,470	2,470
2019 Gongyuan Yiju Phase II residential mortgage asset-backed securities	2019	The Bank	CCXI, China Ratings	Personal loans	14,995	13,934	–	–

CREDIT ASSET SECURITIZATION BUSINESS ORIGINATED BY THE GROUP AND NOT SETTLED AT THE END OF THE REPORTING PERIOD (CONTINUED)

In RMB millions

Asset securitization product	Originating year	Originator	External credit rating institution	Underlying assets: Type of underlying assets	Exposure at origination	Exposure at the end of 2019	Non-performing at the end of 2019	Overdue at the end of 2019
2019 Gongyuan Zhicheng Phase III non-performing asset-backed securities	2019	The Bank	Golden Credit Rating, China Ratings	Personal loans	261	261	261	261
2019 Gongyuan Zhicheng Phase IV non-performing asset-backed securities	2019	The Bank	Golden Credit Rating, China Ratings	Personal loans	489	489	489	489
2019 Gongyuan Yiju Phase III residential mortgage asset-backed securities	2019	The Bank	LH Ratings, China Ratings	Personal loans	15,128	14,049	–	–
2019 Gongyuan Zhiyuan Phase I credit asset-backed securities	2019	The Bank	CCXI, China Ratings	Corporate loans	3,537	3,537	–	–
2019 Gongyuan Zhicheng Phase V non-performing asset-backed securities	2019	The Bank	LH Ratings, China Ratings	Personal loans	437	130	130	130
2019 Gongyuan Yiju Phase IV residential mortgage asset-backed securities	2019	The Bank	CCXI, China Ratings	Personal loans	13,913	12,785	–	–
2019 Gongyuan Yiju Phase V residential mortgage asset-backed securities	2019	The Bank	LH Ratings, China Ratings	Personal loans	13,938	12,844	–	–
2019 Gongyuan Yiju Phase VI residential mortgage asset-backed securities	2019	The Bank	CCXI, China Ratings	Personal loans	13,932	13,932	–	–
2019 Gongyuan Yiju Phase VII residential mortgage asset-backed securities	2019	The Bank	CCXI, China Ratings	Personal loans	7,942	7,942	–	–
2019 Gongyuan Yiju Phase VIII residential mortgage asset-backed securities	2019	The Bank	LH Ratings, China Ratings	Personal loans	7,988	7,988	–	–
2019 Gongyuan Zhicheng Phase VI non-performing asset-backed securities	2019	The Bank	CCXI, China Ratings	Personal loans	937	937	937	937
2019 Gongyuan Zhicheng Phase VII non-performing asset-backed securities	2019	The Bank	Shanghai Brilliance Rating, China Ratings	Personal loans	450	450	450	450
Total					**416,235**	**309,865**	**10,296**	**10,296**

Note: As at the end of 2019, the Bank did not originate any credit asset securitization products with underlying assets with revolving and early amortization features.

◆ *As lead underwriter*

The Bank performs obligations that are set forth in relevant requirements and agreements, works diligently, and carries out the sales and distribution of asset-backed securities in strict compliance with laws and regulations, as well as codes of conducts and professional ethics.

◆ *As institutional investor*

The Bank invests in the asset-backed securities which the Bank issues and retains, and the asset-backed securities which the other institutions issue, most of which are senior AAA-rated. The Bank undertakes credit risk and market risk of the asset securitization products invested.

For accounting policies regarding asset securitization, please refer to the Significant Accounting Policies and Estimates in the Notes to the Financial Statements of the 2019 Annual Report.

Asset Securitization Risk Exposure and Capital Requirement

The Bank measures asset securitization risk exposure and capital requirement according to the Capital Regulation. At the end of 2019, risk-weighted assets for asset securitization stood at RMB165,243 million and capital requirement RMB13,219 million.

ASSET SECURITIZATION RISK EXPOSURE

In RMB millions

Type of risk exposure	At 31 December 2019	At 31 December 2018
As originator		
Asset-backed securities	53,076	39,492
As investor		
Asset-backed securities	44,587	39,690
Total	**97,663**	**79,182**

Market Risk

Market risk is defined as the risk of loss to the Bank's on- and off-balance sheet activities caused by adverse movements in market rates (including interest rates, exchange rates, stock prices and commodity prices). The Bank is primarily exposed to interest rate risk and currency risk (including gold).

Market Risk Management

Market risk management is the process of identifying, measuring, monitoring, controlling and reporting market risk for the purposes of setting up and enhancing the market risk management system, specifying responsibilities and process, determining and standardizing the measurement approaches, limit management indicators and market risk reports, controlling and mitigating market risk and improving the level of market risk management. The objective of market risk management is to control market risk exposures within a tolerable level and maximize risk-adjusted return according to the Bank's risk appetite.

The Bank strictly complies with regulatory requirements on market risk management, has implemented an independent, centralized and coordinated market risk management model, and formed a management organizational structure featuring the segregation of the front, the middle and the back offices in the financial market business. The Board of Directors assumes the ultimate responsibility for monitoring market risk management. The Senior Management is responsible for executing the strategies, overall policy and system concerning market risk management approved by the Board of Directors. The Market Risk Management Committee of the Senior Management is the reviewing and decision-making organ of the Bank in respect of market risk management, is responsible for reviewing material affairs of market risk management, and performs its duty in accordance with the Working Regulations for the Market Risk Management Committee. The risk management departments at different levels undertake the responsibility of coordinating market risk management at respective levels, and the business departments implement market risk management policies and standards for their respective business areas in accordance with their functions.

In 2019, the Bank continued to improve the Group's market risk management, deepened the establishment of a market risk management system at the Group's level, and strengthened market risk management of overseas institutions. The Bank improved the group-wide market risk appetite limit transmission mechanism, conducted forward-looking analysis on the Group's interest rate risk and currency risk in a timely manner, improved regulations on market data quality management, and revised measures to better manage market risk reports. The Bank pushed ahead with the market risk management system for better performance, enhanced upgrade, management and application of functions such as stress testing, and continuously pushed forward the application and promotion of the Global Market Risk Management (GMRM) system.

Market Risk Measurement

CAPITAL REQUIREMENT FOR MARKET RISK

In RMB millions

Risk type	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)

In RMB millions

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

The Bank carries out daily back-testing to verify the accuracy of VaR models. During the past 250 trading days before the end of the reporting period, the number of back-testing exceptions of the Group lied in the green zone demarcated by CBIRC. The market risk measurement models of the Bank captured the financial market fluctuations timely and produced objective pictures of market risk faced by the Bank.

In 2019, the Bank continued to improve the market risk stress testing plan, and conducted the stress tests of market risk at different levels and of different trading portfolios on a regular basis or from time to time by using the GMRM system, consistent with the regulatory requirements and the Group's internal management needs. The Bank kept widening the application of stress testing management of market risk and continued to ameliorate the Group's market risk stress testing level.

Interest Rate Risk in the Banking Book

Interest rate risk in the banking book is defined as the risk of loss in the economic value and overall profit of the banking book arising from adverse movements in interest rate and maturity structure, etc.

Management of Interest Rate Risk in the Banking Book

In 2019, the Bank fully implemented relevant regulatory requirements of CBIRC on managing interest rate risk in the banking book. With a focus on improving the regulations regarding interest rate risk management at the Group's level, the Bank continued to strengthen the construction of the management system and mechanism, promoted building of the interest rate risk system and model management, and consolidated the foundation for the Group's interest rate risk management. The Bank adopted positive and forward-looking interest rate risk management strategies, applied a combination of quantity, pricing and derivative instruments regarding assets and liabilities, and precisely regulated and controlled the duration structure and mismatch levels, so as to effectively rise to the challenges in managing interest rate risk in the banking book.

Management System and Governance Structure for Interest Rate Risk in the Banking Book

The Bank's management system for interest rate risk in the banking book conforms to the system importance, risk status and business complexity, and fits the Bank's overall development strategy and the enterprise risk management system. The system mainly consists of the following elements: an effective risk governance structure; sound risk management strategies, policies and procedures; effective risk identification, measurement, monitoring, control and mitigation that cover all areas; a complete internal control and review mechanism; a fully-built risk management system; and adequate information disclosure and reporting.

The Bank strictly complied with regulatory requirements for interest rate risk in the banking book, effectively managed interest rate risk in the banking book at the Bank and consolidated level, and developed a sound governance structure for interest rate risk management in the banking book that is fully built and well-structured, with clearly defined rights and responsibilities. The Board of Directors and the Senior Management are vested with the ultimate and executive responsibilities, respectively, for managing interest rate risk in the banking book. The Asset & Liability Management Department of the Head Office takes the leading role in managing interest rate risk in the banking book, and other departments and institutions play their roles in implementing policies and standards concerning interest rate risk in the banking book. The Internal Audit Bureau and Internal Control & Compliance Department of the Head Office are responsible for reviewing and evaluating duties in respective of interest rate risk in the banking book.

Objective, Strategy and Important Policy of Management of Interest Rate Risk in the Banking Book

The objective of management of interest rate risk in the banking book: the Bank aims at maximizing the risk-adjusted net interest income within the tolerable level of interest rate risk under its risk management and risk appetite.

The Bank formulated strategies and clarified objectives and modes for managing interest rate risk in the banking book based on risk appetite, risk status, macroeconomic and market changes. Based on the pre-judging of the interest rate trend and measurement results of the changes in overall profit and economic value, the Bank formulated and put into practice relevant management policies, and adopted a coordinated approach to using interest rate risk control tools to mitigate and manage risks, so as to ensure the Bank's actual interest rate risks conform to its bearing capability and willingness.

Interest Rate Risk in the Banking Book

On the basis of management strategies and objectives, the Bank developed policies and made clear the modes and instruments for managing interest rate risk in the banking book. By developing and modifying such methods as on-balance sheet adjustment and off-balance sheet hedging to manage interest rate risk, adeptly using quantity, pricing and derivative instruments regarding assets and liabilities, and applying limit management system, business plan, performance assessment and capital evaluation in all areas for interest rate risk management and assessment, the Bank achieved effective control of interest rate risk at the business lines, the branches, the affiliates and the products and portfolios easily affected by interest rate risk.

Stress Testing

In line with the principles of comprehensiveness, prudence and foresight, the Bank's stress testing on interest rate risk in the banking book adopted the interest rate risk exposure measurement approach and standardized duration approach to measure the effect of interest rate changes under different stress scenarios on the overall profit and economic value. Based on the domestic and overseas regulatory requirements, the bank-wide asset and liability business structure, operation and management as well as risk appetite, the Bank set stress testing scenarios for interest rate risk in the banking book by taking into account the current interest rate level, historical changes and trends, total assets and liabilities and their term characteristics, business development strategies, customer behaviors and other factors, and conducted stress testing quarterly.

Banking Book Interest Rate Sensitivity Analysis

The Bank measures interest rate risk in the banking book on a monthly basis and reports the same on a quarterly basis in accordance with relevant requirements of CBIRC. While measuring the impact of interest rate change on net interest income and equity value, the Bank assigns the deposits without a maturity date to a reasonable time bucket in consideration of the deposit and loan characteristics and historic data, and assesses the impact of prepayment on interest rate risk measurement by taking the possibility of prepaying residential mortgages into full consideration.

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

	+100 basis points		-100 basis points	
Currency	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**

Operational Risk

Operational risk is defined as the risk of loss resulting from insufficient or problematic internal processes, employees and IT systems or from external events, including legal risk, but excluding strategic and reputational risk. There are seven major types of operational risks faced by the Bank, including internal fraud, external fraud, employment system and workplace safety, customers, products and business activities, damage to physical assets, IT system, execution and delivery and process management. Among these, external fraud, execution and delivery and process management constitute major sources of operational risk losses of the Bank.

Operational Risk Management

The Bank strictly followed regulatory requirements on operational risk management and adopted the operational risk control mode of "integrated management, classified control". The Board of Directors assumes relevant responsibility for the effectiveness of the operational risk management according to the Articles of Association, and the Senior Management is responsible for implementing the strategy, overall policy and system for operational risk management approved by the Board of Directors. The Operational Risk Management Committee under the Senior Management, as the organizer and coordinator of operational risk management of the Bank, is responsible for reviewing and approving significant matters related to operational risk management according to the Working Regulations for the Operational Risk Management Committee. Marketing and product departments at all levels form the first line of defense of operational risk management, which assume direct responsibility for operational risk management in each business line. Internal control and compliance departments at various levels are comprehensive management departments for operational risk in institutions at various levels and assume the duty of operating the second line of defense of operational risk management, which are responsible for the arrangement and organization for the establishment and implementation of operational risk management system at each level; security, human resources, IT, finance and accounting, legal affairs, operation management, credit management and risk management departments at all levels are classification control departments for operational risk in institutions at various levels, which are responsible for management and control on specific types of operational risk. These departments, together with comprehensive management departments, form the second line of defense of operational risk management. The internal audit departments are responsible for auditing and evaluating the operation of the operational risk management system, and form the third line of defense.

Operational risk management objectives of the Bank are: to enhance the confidence of shareholders and the public by establishing a sound operational risk governance structure and improving operational risk management and control; to enhance customer satisfaction and employees' sense of belonging as well as overall services by identifying high-risk areas and resolving potential operational risks; to enhance operational efficiency of the Bank by improving process control and operational risk management resources allocation while weighing benefits against costs; to reduce operational risk losses of the Bank and improve the control ability and level by taking effective risk control and mitigation measures; to minimize the legal risk by conducting review and supervision and satisfying the external regulatory requirements.

The Bank adopts a differential operational risk management strategy: avoiding operational risks characterized with high severity and high frequency, transferring those characterized with high severity and low frequency, mitigating those characterized with low severity and high frequency, and taking those characterized with low severity and low frequency.

The Bank's operational risk management procedures include operational risk identification, assessment, control/mitigation, monitoring, measurement and reporting.

- Risk identification: The Bank identifies operational risk of new products and new businesses, operational risk event, operational risk loss event, etc.
- Risk assessment: The Bank formulates and implements management measures for operational risk and control self-assessment and scenario analysis, and makes comprehensive, timely, objective and forward-looking estimation of inherent risk, control effectiveness and residual risk of all business lines and all branches on a regular basis.

- Risk control/mitigation: The Bank formulates and implements operational risk control basic standards and measures, establishes and implements operational risk mitigation related management measures, builds operational risk control system of the Bank, and promptly prevents and mitigates potential operational risk. The Bank's operational risk mitigation measures include but are not limited to outsourcing, insurance, business continuity plan and capital allocation.
- Risk monitoring: The Bank formulates and implements management measures for operational risk monitoring, establishes an overall, professional and regional operational risk indicators monitoring system, and monitors, analyzes and warns key risk exposures of respective business line and institution on a regular basis.
- Risk measurement: The Bank formulates and implements management measures for operational risk capital measurement; relevant departments research and improve calculation methods and models for economic capital and regulatory capital, make capital allocation and adjustment, and monitor operational risk capital management according to their responsibilities.
- Risk reporting: The Bank formulates and implements operational risk management measures for risk reporting, truly and fully reflects the operational risk profile of all business lines and institutions, reveals potential critical risks and proposes effective measures and suggestions for improvement.

In 2019, the Bank continued to push the Group's operational risk management to a higher level in line with the regulatory focus and operational risk trends. It conducted risk governance in key fields and links on an ongoing basis, and improved or updated policies, procedures, systems and mechanisms and the procedure-based hard control over key links. The Bank improved the mechanism of risk limit decomposition and implementation, urged its institutions to implement differentiated risk limit management, and reinforced prediction and foresighted control of large-value operational risk events. Furthermore, the operational risk measurement system was upgraded to an operational risk application and management system to continuously enhance effective risk data aggregation and risk reporting. During the reporting period, the operational risk management system of the Bank operated smoothly and the operational risk was controllable on the whole.

Legal Risk

Legal risk is the risk of incurring legal sanctions, regulatory penalties, financial losses, reputational losses or other negative consequences that arises out of or in connection with the failure of the Bank to comply with relevant laws, regulations, administrative rules, regulatory provisions or requirements of other relevant rules during the Bank's operation; the unfavorable legal defects that exist in products, services or information provided to clients, transactions engaged in, and contracts, agreements or other documents executed by the Bank; legal disputes (litigation or arbitration proceedings) between the Bank and its clients, counterparties and stakeholders; important changes in relevant laws and regulations, administrative rules, regulatory provisions and other relevant rules; and other relevant legal events that occur internally and externally.

Based on the objective to ensure legal and compliant operation, the Bank always attaches great importance to establishing a sound legal risk management system, forming a full-process legal risk prevention and control mechanism to support and secure business innovation and market competition, and to prevent and eliminate various potential or practical legal risks. The Board of Directors is responsible for reviewing and determining the strategy and policy relating to legal risk management, and assumes the ultimate responsibility of legal risk management. The Senior Management is responsible for executing the strategy and policy relating to legal risk management, examining and approving relevant important affairs. The Legal Affairs Department of the Head Office is in charge of legal risk management across the Group, with relevant business departments providing related support and assistance on legal risk prevention and control. The affiliates, domestic and overseas branches undertake the responsibility of legal risk management of their respective institutions.

In 2019, the Bank continued to strengthen legal risk management, by improving the risk prevention and control capacity in legal risk management, ensuring the legal and compliant operation, healthy business development and overall business stability of the Group. The Bank improved both the vertical linkage and horizontal coordination mechanism between the Head Office and branches. By systematically embedding legal risk prevention and control into business negotiations, product design, contract signing and other links, the Bank made risk prevention and control more prospective, proactive and targeted. Legal risk prevention and control in key areas and links have made headway in line with new financial regulatory requirements. The Bank improved the cross-border coordination and management for legal work and strengthened the legal risk management of overseas institutions, properly responding to cross-border legal issues emerging in the development of international operations. Moreover, the Bank pragmatically strengthened the risk management and control of lawsuit-related risks, thereby preventing and mitigating lawsuit-related risks and losses. It actively assisted in online judicial inquiry and enforcement, and helped competent authorities in improving the efficiency of law enforcement and case handling as well as social credibility building. The Bank developed an electronic signing system on its own to strictly control seal use of business contracts during the whole process, and effectively prevent and control operational risk, legal risk and reputational risk caused by misuse of contract seal. The Bank reinforced authorization management, related party management, trademark management and intellectual property protection, and made continuous efforts to institutionalize risk management and control, and refine the structure of the system.

Anti-Money Laundering

In strict compliance with anti-money laundering ("AML") laws and regulations of China and host countries (regions) of overseas institutions, the Bank earnestly implemented the "risk-based" regulatory requirements in respect of AML, sincerely fulfilled the legal obligations and social responsibilities concerning AML, and kept enhancing the Group's AML management system.

The Bank conducted special governance in customer identification, focused efforts on consolidating the AML foundation of domestic institutions, and steadily increased the AML management level of its comprehensive subsidiaries. It strengthened AML management of key overseas institutions, established a long-term AML compliance management mechanism for overseas institutions, further implemented the AML intelligence system and improved AML monitoring and analysis of domestic and overseas institutions. Moreover, it strengthened AML staffing and stepped up training for AML compliance personnel. As a result, the Bank improved the compliance and effectiveness of its AML work at the same time.

Operational Risk Measurement

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.

Liquidity Risk

Liquidity risk is the risk that the Bank is unable to raise funds on a timely basis or at a reasonable cost to settle liabilities as they fall due, or perform other payment obligations and satisfy other funding demands arising from the normal course of business. Liquidity risk may arise from the following events or factors: withdrawal of customers' deposits, drawing of loans by customers, overdue payment of debtors, mismatch between assets and liabilities, difficulties in assets realization, operating losses, derivatives trading risk and risk associated with its affiliates.

Liquidity Risk Management

In 2019, the Bank continued to uphold a steady and prudent liquidity risk management strategy, kept a close eye on factors affecting liquidity risk management and took measures to ensure that the Group's liquidity could be stable and safe. It made coordinated efforts to manage liquidity risks in both domestic and overseas institutions, in RMB and foreign currencies, and on- and off-balance sheet, and improved liquidity risk policy and system to shore up the foundation. The Bank continuously intensified efforts to improve and adjust the total size and structure of the fund sources and utilization, in a bid to strike a dynamic balance between liquidity risk management and profitability. The Bank strengthened the monitoring over key businesses, customers and funds to ensure sound liquidity risk management during payment peak times, major holidays as well as critical times. The liquidity risk management system was steadily improved, with more automatic supporting system for monitoring, measuring and managing liquidity risks, so as to boost the efficiency and sophistication level of the liquidity risk management.

Liquidity Risk Management System and Governance Structure

The Bank's liquidity risk management system conforms to the overall development strategy and the overall risk management system of the Bank, and is commensurate with the business scale, business nature, complexity and other aspects of the Bank. The system includes the following fundamental elements: effective governance structure for liquidity risk management; sound strategy, policy and procedures for liquidity risk management; effective identification, measurement, monitoring and control for liquidity risk and a complete management information system.

In respect of liquidity risk management, the Bank's governance structure embodies the decision-making system comprising the Board of Directors and its special committees as well as the Asset and Liability Management Committee and the Risk Management Committee of the Head Office; the supervision system comprising the Board of Supervisors, the Internal Audit Bureau and the Internal Control and Compliance Department; and the execution system comprising the Asset and Liability Management Department, leading management departments of on- and off-balance sheet businesses, the Information Technology Department, operation management departments of the Head Office and relevant departments of branches. Each of these systems performs the corresponding functions of decision making, supervision and execution according to division of responsibilities.

Objective, Strategy and Important Policy of Liquidity Risk Management

Objective of liquidity risk management: by establishing and improving the liquidity risk management system, the Bank aims at realizing complete identification, accurate measurement, continuous monitoring and effective control of the liquidity risk at the Group level, the Bank, the affiliates, the branches and the business lines, and ensuring the liquidity demand is satisfied at a reasonable cost in time under the normal business scenario and the stress scenario.

The Bank's liquidity risk management strategy and policy are formulated in accordance with the liquidity risk appetite, and they cover all businesses on- and off-balance sheet, all domestic and overseas business departments, branches and affiliates that are likely to have a material impact on the liquidity risk, and contain the liquidity risk management under normal and stressed scenarios. The liquidity risk management strategy specifies the overall objective and mode of liquidity risk management and lists major policies and procedures for liquidity risk management. Important policies for liquidity risk management are formulated in accordance with external and macro operating environments and business development of the Bank, with a view to striking an effective balance among security, liquidity and profitability.

Liquidity Risk Management Mode

The mode of liquidity risk management of the Bank is consolidated liquidity risk management based on management of liquidity risk at the Bank level. The Head Office manages the liquidity risk of the Bank in a unified and centralized manner and ensures liquidity security of the Bank through dynamic adjustment of the aggregate and structure of assets and liabilities, whereas the affiliates assume primary responsibilities concerning liquidity risk management of respective institution, and undertake corresponding responsibilities as required by the leading liquidity risk management departments of the Head Office.

Stress Testing

Following the prudence principle, the Bank employs the scenario analysis and the sensitivity analysis to perform stress testing on liquidity risk. The Bank has taken full consideration of various macroscopic and microscopic factors that may influence the Bank's liquidity status to set stress scenarios against those products, businesses and institutions with concentrated liquidity risk in line with the characteristics and complexity of the Bank's businesses. The Bank performs stress testing on a quarterly basis. Where necessary, the Bank may carry out temporary and special stress testing at a particular time in light of changes in the external operating environment and regulatory requirements.

Liquidity Risk Analysis

In 2019, RMB liquidity ratio and foreign currency liquidity ratio of the Bank were 43.0% and 85.9% respectively, both meeting the regulatory requirements. Loan-to-deposit ratio was 71.6%.

Net stable funding ratio aims to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of assets and off-balance sheet risk exposures. The net stable funding ratio is the ratio of the available stable funding to the required stable funding. As at the end of the fourth quarter of 2019, the net stable funding ratio was 127.54%, 0.84 percentage points higher than that at the end of the previous quarter, mainly because the Bank constantly strengthened the Group's liquidity coordination and management to ensure the sufficient sources of stable funds.

The daily average liquidity coverage ratio for the fourth quarter of 2019 was 121.89%, 0.71 percentage points higher than the previous quarter, mainly due to the increase in the balance of eligible high-quality liquid assets. High-quality liquid assets cover cash, available central bank reserve under stress and primary and secondary bond assets that can be included in the liquidity coverage ratio under the regulatory requirements.

The Bank also assessed its liquidity risk profile by using liquidity exposure analysis. Deposits maintained steady growth with a high deposition rate, and at the same time the Bank made major investment in highly liquid bond assets, and possessed sufficient liquidity reserves. Therefore, the overall liquidity of the Bank maintained at a safe level. As at the end of 2019, the negative liquidity exposure for the 3 months to 1 year category decreased from the end of last year, mainly due to the increase of matured bond investments and the decrease of due to customers within corresponding term. The positive liquidity exposure for the 1 to 5 years category decreased, mainly due to the increase of matured due to customers and the decrease of bond investments within corresponding term. The positive liquidity exposure for the category of over 5 years expanded, which was mainly due to the increase in matured loans and advances to customers and bond investments within corresponding term.

LIQUIDITY EXPOSURE ANALYSIS

In RMB millions

	Overdue/ repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Undated	Total
At 31 December 2019	(13,148,663)	372,311	(701,406)	(715,546)	3,498,846	10,069,296	3,317,165	2,692,003
At 31 December 2018	(12,057,413)	432,760	(674,702)	(1,884,799)	4,412,116	8,793,935	3,322,986	2,344,883

Equity Risk in the Banking Book

The Bank's equity investments in the banking book mainly include long-term equity investments, the portion of equity investments measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income which belong to the banking book. The Bank strictly follows the Capital Regulation to measure significant and non-significant equity investment.

EQUITY RISK IN THE BANKING BOOK

In RMB millions

	At 31 December 2019			At 31 December 2018		
Equity type	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.

For accounting policies regarding equity investment, please refer to the Significant Accounting Policies and Estimates in the Notes to the Financial Statements of the 2019 Annual Report.

Reputational Risk

Reputational risk is defined as the risk of negative assessment or comments on a commercial bank from stakeholders as a result of its operation, management and other behaviors or external events. Reputational risk may arise in any part of the Bank's operation and management, and usually co-exists and correlates with credit risk, market risk, operational risk and liquidity risk.

Reputational risk management of the Bank refers to the process and method for ensuring the achievement of the overall objective of reputational risk management based on the reputational risk management objective and planning, through the establishment and improvement of the reputational risk management system and through daily reputational risk management and proper handling of reputational events. Good reputation is central to the operation and management of a commercial bank. The Bank highly values its reputation and has incorporated reputational risk management in the corporate governance and enterprise risk management system to prevent reputational risk.

The Board of Directors is responsible for reviewing and finalizing bank-wide policies concerning reputational risk management that are in line with the strategic objective of the Bank, establishing a bank-wide system of reputational risk management, monitoring the overall status and effectiveness of reputational risk management across the Bank and assuming the ultimate responsibility for reputational risk management. The Senior Management is responsible for leading reputational risk management of the Bank, implementing the strategies and policies established by the Board of Directors, reviewing and finalizing the rules, measures and operating procedures for reputational risk management and the plans to handle extraordinarily major reputational events and ensuring the proper and effective operation of the reputational risk management system. The Bank has established a special reputational risk management team to take charge of the daily management of reputational risk.

In 2019, the Bank constantly advanced the building of the reputational risk management policies and mechanism, and reinforced the prevention, control and management of the reputational risk sources. It performed reputational risk management and protection of consumer rights and interests by synchronized method, actively responded to the comments and suggestions of the public, and continued to increase the reputational risk awareness of all the employees. The Bank made on-going efforts to organize a series of featured campaigns with great influence for publicity to enhance its brand image. It also reinforced the application of information technology in reputational risk management. During the reporting period, the Bank's reputational risk was controllable with no material reputational risk event occurred.

Country Risk

Country risk is the risk incurred to a bank arising from the inability or refusal by the borrower or debtor to repay bank debt, losses suffered by the Bank or its commercial presence in such country or region and other losses due to economic, political and social changes and events in a country or a region. Country risk may be triggered by deterioration of economic conditions, political and social turmoil, asset nationalization or expropriation, government's refusal to pay external debt, foreign exchange control or currency depreciation in a country or a region.

The Bank strictly observes regulatory requirements on country risk management. The Board of Directors assumes the ultimate responsibility for the effectiveness of country risk management. The Senior Management is responsible for executing the country risk management policies approved by the Board of Directors. The Risk Management Committee of the Head Office is responsible for reviewing matters regarding country risk management. The Bank manages and controls country risk with a series of tools, including country risk assessment and rating, country risk limit, country risk exposure calculation and monitoring and stress testing. The Bank reviews the country risk rating and limits at least once every year.

In 2019, facing the increasingly complicated international political and economic environment, the Bank strictly abode by regulatory requirements and, with consideration of its business development needs, continued to strengthen country risk management. The Bank closely observed changes in country risk exposures, constantly tracked, monitored and reported country risk, and timely updated and adjusted the country risk rating and limits. It continued to strengthen early warning mechanism for country risk, proactively conducted stress testing on country risk and reasonably and effectively controlled country risk while pushing ahead with the internationalization strategy.

Remuneration

Remuneration Governance Framework

In line with corporate governance requirements, the Bank is committed to establishing and improving remuneration governance framework, specifying the scope of roles and responsibilities of relevant entities, improving decision-making mechanism of remuneration policies and building remuneration governance system with full participation of all stakeholders.

The Board of Directors assumes the ultimate responsibility of remuneration management. The Board of Directors proactively supervises the design and operation of the remuneration system, periodically reviews its compliance, and ensures the remuneration system achieves the intended goals. The Bank set up the Compensation Committee of the Board of Directors in accordance with the Articles of Association to assist the Board of Directors in remuneration management. The Senior Management is responsible for organizing and implementing remuneration management related resolutions of the Board of Directors as well as organizing and formulating incentive assessment and remuneration distribution measures within the scope of authorization. The Human Resources Department is responsible for implementing specific remuneration management issues. Departments including the Risk Management Department, the Internal Audit Bureau, the Internal Control and Compliance Department and the Finance and Accounting Department participate in and supervise the execution of remuneration management mechanism and provide feedback for improvement.

Compensation Committee of the Board of Directors

The Compensation Committee is mainly responsible for formulating assessment measures on the performance of duties and compensation plans for Directors, organizing the assessment on the performance of duties of Directors, putting forth proposal on remuneration distribution for Directors, formulating and reviewing the assessment measures and compensation plans for Senior Management members of the Bank and evaluating the performance and behaviors of Senior Management members. As at the disclosure date of the results, the Compensation Committee consisted of seven directors, including Executive Director Mr. Gu Shu; Independent Non-executive Directors Mr. Nout Wellink, Mr. Anthony Francis Neoh, Ms. Sheila Colleen Bair and Mr. Shen Si; Non-executive Directors Ms. Mei Yingchun and Mr. Lu Yongzhen. Independent Non-executive Director Mr. Nout Wellink was Chairman of the Committee. During the reporting period, the Compensation Committee held three meetings.

Remuneration Management Policies

The Bank adopts the remuneration policy that is in line with corporate governance requirements and sustainable development targets, adapted to risk management systems and talent development strategies, and matched to employees' value contribution so as to promote bank-wide steady business operation and sustainable development. The remuneration policy applies to all institutions and employees of the Bank.

Performance-based Remuneration Mechanism

The remuneration package of the Bank's employees mainly consists of basic remuneration and performance-based remuneration. The remuneration allocation takes "job value, capabilities and performance" as the basic principles. The basic remuneration level depends on the employees' value contribution and capabilities of fulfilling duties while the level of the performance-based remuneration depends on performance assessment of the Bank as a whole, the institution or department of the employee and the employee. Currently, in accordance with relevant laws and regulations promulgated by the state and regulatory authorities, the Bank has not yet implemented share options or any other form of long- or medium-term share incentives; all performance-based remuneration of the employees is paid in cash.

Focused on value creation, risk control and sustainable development, the Bank has established an integrated performance assessment system comprised of three categories of indicators: performance management, risk and internal control, operational transformation and business development, which guides the bank-wide attention to not only the indicators of current period, but also the indicators relating to long-term development, such as customers, markets and structural adjustments. The Bank also reasonably controls the balance of profits, risk and quality so as to improve the steadiness and scientism of business management.

Risk-aligned Remuneration Mechanism

The Bank's remuneration policy is in line with the risk management system and adapted to the institutional scale, and the nature and the sophistication of the business. The remuneration structures of each institution or position are different according to the need of risk management. The Bank adjusts the risks that have not yet been reflected in the period by taking risk mitigation measures including risk-adjusted performance and deferred remuneration payment, and implements performance assessment and incentives to promote a positive and healthy risk management culture.

The Bank gradually established deferred payment mechanism based on business needs and deferred part of the performance-related remuneration of employees who assume responsibilities for material risk and risk management and control. For persons receiving deferred payment, if significant losses of risk exposures are incurred within their responsibility during their employment, the Bank can recall part or all of performance-related remuneration paid in relevant period and stop further payments.

Independence of the Remuneration for Risk and Compliance Employees

Remuneration for risk and compliance employees is based on their value contributed, capability, and job performance, not directly related to their responsible businesses. The Bank sets up a vertical internal audit system, which takes on the responsibility for the Board of Directors and reports to the Board of Directors directly. The remuneration of the internal audit employees is independent from that of other lines of business.

For basic information and annual remuneration of Senior Management members and remuneration of the Compensation Committee of the Board of Directors of the Bank, please refer to the 2019 Annual Report.

Appendixes

The following information is disclosed in accordance with the Notice on Issuing Regulatory Documents on Capital Regulation for Commercial Banks Appendix 2 Notice on Enhancing Disclosure Requirements for Composition of Capital.

CAPITAL COMPOSITION

In RMB millions, except for percentages

S/N	Item	At 31 December 2019	At 31 December 2018	Reference[1]
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	–	–	
14	Unrealised gains and losses due to changes in own credit risk on fair valued liabilities	–	–	

Note: (1) For mapped components of the balance sheet under regulatory scope of consolidation to capital items, please refer to "Explanations for Detailed Items".

CAPITAL COMPOSITION (CONTINUED)

In RMB millions, except for percentages

S/N	Item	At 31 December 2019	At 31 December 2018	Reference
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	Investments in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980	X11
26b	Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	

CAPITAL COMPOSITION (CONTINUED)

In RMB millions, except for percentages

S/N	Item	At 31 December 2019	At 31 December 2018	Reference
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	**Total regulatory adjustments to core tier 1 capital**	**15,500**	**14,988**	
29	**Core tier 1 capital**	**2,457,274**	**2,232,033**	
Additional tier 1 capital:				
30	Additional tier 1 capital instruments and related premium	199,456	79,375	
31	Including: Portion classified as equity	199,456	79,375	X28+X32
32	Including: Portion classified as liabilities	–	–	
33	Invalid instruments to additional tier 1 capital after the transition period	–	–	
34	Valid portion of minority interests	793	735	X26
35	Including: Invalid portion to additional tier 1 capital after the transition period	–	–	
36	**Additional tier 1 capital before regulatory adjustments**	**200,249**	**80,110**	
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	–	–	
41a	Investments in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
41b	Shortfall in additional tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	

CAPITAL COMPOSITION (CONTINUED)

In RMB millions, except for percentages

S/N	Item	At 31 December 2019	At 31 December 2018	Reference
41c	Others that should be deducted from additional tier 1 capital	–	–	
42	Undeducted shortfall that should be deducted from tier 2 capital	–	–	
43	**Total regulatory adjustments to additional tier 1 capital**	**–**	**–**	
44	**Additional tier 1 capital**	**200,249**	**80,110**	
45	**Tier 1 capital (core tier 1 capital + additional tier 1 capital)**	**2,657,523**	**2,312,143**	
Tier 2 capital:				
46	Tier 2 capital instruments and related premium	272,680	202,761	X17
47	Invalid instruments to tier 2 capital after the transition period	60,855	81,140	
48	Valid portion of minority interests	1,707	1,991	X27
49	Including: Invalid portion to tier 2 capital after the transition period	439	856	
50	Valid portion of surplus provision for loan impairment	189,569	127,990	X02+X04
51	**Tier 2 capital before regulatory adjustments**	**463,956**	**332,742**	
Tier 2 capital: Regulatory adjustments				
52	Direct or indirect investments in own tier 2 instruments	–	–	
53	Reciprocal cross-holdings in tier 2 capital between banks or between banks and other financial institutions	–	–	
54	Deductible portion of non-significant minority investment in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
55	Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	–	X31
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	–	–	

CAPITAL COMPOSITION (CONTINUED)

In RMB millions, except for percentages

S/N	Item	At 31 December 2019	At 31 December 2018	Reference
56c	Others that should be deducted from tier 2 capital	–	–	
57	**Total regulatory adjustments to tier 2 capital**	**–**	**–**	
58	**Tier 2 capital**	**463,956**	**332,742**	
59	**Total capital (tier 1 capital + tier 2 capital)**	**3,121,479**	**2,644,885**	
60	**Total risk-weighted assets**	**18,616,886**	**17,190,992**	
Requirements for capital adequacy ratio and reserve capital				
61	Core tier 1 capital adequacy ratio	13.20%	12.98%	
62	Tier 1 capital adequacy ratio	14.27%	13.45%	
63	Capital adequacy ratio	16.77%	15.39%	
64	Institution specific buffer requirement	4.0%	4.0%	
65	Including: Capital conservation buffer requirement	2.5%	2.5%	
66	Including: Countercyclical buffer requirement	–	–	
67	Including: G-SIB buffer requirement	1.5%	1.5%	
68	Percentage of core tier 1 capital meeting buffers to risk-weighted assets	8.20%	7.98%	
Domestic minima for regulatory capital				
69	Core tier 1 capital adequacy ratio	5%	5%	
70	Tier 1 capital adequacy ratio	6%	6%	
71	Capital adequacy ratio	8%	8%	
Amounts below the thresholds for deduction				
72	Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	84,515	64,004	X05+X07+X08+X09+X12+X29+X30
73	Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	37,654	32,215	X06+X10+X13
74	Mortgage servicing rights (net of deferred tax liabilities)	N/A	N/A	
75	Deferred tax assets arising from temporary differences (net of deferred tax liabilities)	60,846	57,073	
Valid caps of surplus provision for loan impairment in tier 2 capital				
76	Provision for loan impairment under the weighted approach	17,647	19,049	X01

CAPITAL COMPOSITION (CONTINUED)

In RMB millions, except for percentages

S/N	Item	At 31 December 2019	At 31 December 2018	Reference
77	Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	7,923	7,766	X02
78	Surplus provision for loan impairment under the internal ratings-based approach	460,851	393,682	X03
79	Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	181,646	120,224	X04
Capital instruments subject to phase-out arrangements				
80	Valid cap to core tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
81	Excluded from core tier 1 capital due to cap	–	–	
82	Valid cap to additional tier 1 capital instruments for the current period due to phase-out arrangements	–	–	
83	Excluded from additional tier 1 capital due to cap	–	–	
84	Valid cap to tier 2 capital instruments for the current period due to phase-out arrangements	60,855	81,140	
85	Excluded from tier 2 capital for the current period due to cap	63,383	67,102	

BALANCE SHEET AT THE GROUP'S LEVEL

In RMB millions

Item	At 31 December 2019		At 31 December 2018	
	Consolidated balance sheet as in published financial statements	Balance sheet under regulatory scope of consolidation	Consolidated balance sheet as in published financial statements	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 fair value through profit or loss	962,078	921,042	805,347	772,191
— Financial investments measured at fair value through other comprehensive income	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**

BALANCE SHEET AT THE GROUP'S LEVEL (CONTINUED)

In RMB millions

Item	At 31 December 2019		At 31 December 2018	
	Consolidated balance sheet as in published financial statements	Balance sheet under regulatory scope of consolidation	Consolidated balance sheet as in published financial statements	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 fair value through profit or loss	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	**27,417,433**	**27,271,337**	**25,354,657**	**25,250,947**
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	**2,692,003**	**2,684,206**	**2,344,883**	**2,338,381**

Note: Prepared in accordance with PRC GAAP.

EXPLANATIONS FOR DETAILED ITEMS

In RMB millions

Item	At 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 fair value through profit or loss	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 fair value through other comprehensive income	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
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

EXPLANATIONS FOR DETAILED ITEMS (CONTINUED)

In RMB millions

Item	At 31 December 2019 Balance sheet under regulatory scope of consolidation	Reference
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	
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

MAIN FEATURES OF ELIGIBLE CAPITAL INSTRUMENTS AT THE END OF 2019

S/N	Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)
1	Issuer	The Bank	The Bank	The Bank	The Bank	The Bank	The Bank
2	Unique identifier	601398	1398	4604	360011	360036	1928018
3	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 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	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	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
	Regulatory treatment						
4	Including: 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
5	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
6	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
7	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
8	Amount recognized in regulatory capital (in millions, as at the latest reporting date)	RMB336,931	RMB168,496	RMB equivalent 4,542	RMB44,947	RMB69,981	RMB79,987

MAIN FEATURES OF ELIGIBLE CAPITAL INSTRUMENTS AT THE END OF 2019 (CONTINUED)

S/N	Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)
9	Par value of instrument (in millions)	RMB269,612	RMB86,795	EUR600	RMB45,000	RMB70,000	RMB80,000
10	Accounting treatment	Share capital, Capital reserve	Share capital, Capital reserve	Other equity	Other equity	Other equity	Other equity
11	Original date of issuance	19 October 2006	19 October 2006	10 December 2014	18 November 2015	19 September 2019	26 July 2019
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
14	Issuer call (subject to prior supervisory approval)	No	No	Yes	Yes	Yes	Yes
15	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 24 September 2024, in full or partial amount	The First Redemption Date is 30 July 2024, in full or partial amount
16	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	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	Redemption of present bonds in full or in part on each Distribution Payment 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 qualify as additional tier 1 capital after they are issued due to unpredictable changes in regulatory rules
	Coupons/dividends						
17	Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
18	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	4.2% (dividend rate) before 24 September 2024	4.45% (interest rate) before 30 July 2024

MAIN FEATURES OF ELIGIBLE CAPITAL INSTRUMENTS AT THE END OF 2019 (CONTINUED)

S/N	Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)
19	Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes	Yes	Yes
20	Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
21	Including: Redemption incentive mechanism	No	No	No	No	No	No
22	Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	No	No	Yes	Yes	Yes	No
24	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	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	N/A
25	Including: If convertible, fully or partially	N/A	N/A	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	Fully or partially convertible when an Additional Tier 1 Capital Trigger Event occurs; fully convertible when a Tier 2 Capital Trigger Event occurs	N/A
26	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	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	N/A
27	Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory	Mandatory	N/A

MAIN FEATURES OF ELIGIBLE CAPITAL INSTRUMENTS AT THE END OF 2019 (CONTINUED)

S/N	Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)
28	Including: If convertible, specify instrument type convertible into	N/A	N/A	Core tier 1 capital	Core tier 1 capital	Core tier 1 capital	N/A
29	Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	The Bank	The Bank	The Bank	N/A
30	Write-down feature	No	No	No	No	No	Yes
31	Including: If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
32	Including: If write-down, full or partial	N/A	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
33	Including: If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	Permanent write-down
34	Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to depositor, general creditor, creditor of the subordinated debts and preference shareholders	Subordinated to depositor, general creditor, 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 and undated additional tier 1 capital bonds	Subordinated to deposits, general debts, subordinated debts and tier 2 capital bonds
36	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 ELIGIBLE CAPITAL INSTRUMENTS AT THE END OF 2019 (CONTINUED)

S/N	Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
1	Issuer	The Bank	The Bank	The Bank	The Bank	The Bank	The Bank	The Bank
2	Unique identifier	Rule 144A ISIN: US455881AD47 Regulation S ISIN: USY39656AC06	1728021	1728022	1928006	1928007	1928011	1928012
3	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	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							
4	Including: Transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
5	Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital	Tier 2 capital
6	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	Parent company/Group
7	Instrument type	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument	Tier 2 capital instrument
8	Amount recognized in regulatory capital (in millions, as at the latest reporting date)	RMB equivalent 13,825	RMB44,000	RMB44,000	RMB45,000	RMB10,000	RMB45,000	RMB10,000
9	Par value of instrument (in millions)	USD2,000	RMB44,000	RMB44,000	RMB45,000	RMB10,000	RMB45,000	RMB10,000

MAIN FEATURES OF ELIGIBLE CAPITAL INSTRUMENTS AT THE END OF 2019 (CONTINUED)

S/N	Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
10	Accounting treatment	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued	Debt securities issued
11	Original date of issuance	21 September 2015	6 November 2017	20 November 2017	21 March 2019	21 March 2019	24 April 2019	24 April 2019
12	Perpetual or dated	Dated	Dated	Dated	Dated	Dated	Dated	Dated
13	Including: Original maturity date	21 September 2025	8 November 2027	22 November 2027	25 March 2029	25 March 2034	26 April 2029	26 April 2034
14	Issuer call (subject to prior supervisory approval)	No	Yes	Yes	Yes	Yes	Yes	Yes
15	Including: Optional call date, contingent call dates and redemption amount	N/A	8 November 2022, in full amount	22 November 2022, in full 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
16	Including: Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Coupons/dividends							
17	Including: Fixed or floating dividend/coupon	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed	Fixed
18	Including: Coupon rate and any related index	4.875%	4.45%	4.45%	4.26%	4.51%	4.40%	4.69%
19	Including: Existence of a dividend stopper	No	No	No	No	No	No	No
20	Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Including: Redemption incentive mechanism	No	No	No	No	No	No	No
22	Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	No	No	No	No	No	No	No
24	Including: If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
25	Including: If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A	N/A
26	Including: If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A

MAIN FEATURES OF ELIGIBLE CAPITAL INSTRUMENTS AT THE END OF 2019 (CONTINUED)

S/N	Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
27	Including: If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A	N/A
28	Including: If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A	N/A
29	Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down feature	Yes	Yes	Yes	Yes	Yes	Yes	Yes
31	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	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
32	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	Partial or full write-down	Partial or full write-down	Partial or full write-down
33	Including: If write-down, permanent or temporary	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down	Permanent write-down
34	Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A

MAIN FEATURES OF ELIGIBLE CAPITAL INSTRUMENTS AT THE END OF 2019 (CONTINUED)

S/N	Main features of regulatory capital instrument	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds	Tier 2 capital bonds
35	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	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
36	Non-compliant transitioned features	No	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	N/A

Definitions

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below:

Articles of Association	The Articles of Association of Industrial and Commercial Bank of China Limited
Capital Regulation	Regulation Governing Capital of Commercial Banks (Provisional) promulgated in June 2012
CBIRC	China Banking and Insurance Regulatory Commission
CCXI	China Cheng Xin International Credit Rating Co., Ltd.
China Ratings	China Bond Rating Co., Ltd.
Global Systemically Important Banks/G-SIB	Banks undertaking key functions with global features in the financial markets as released by the Financial Stability Board
Golden Credit Rating	Golden Credit Rating International Co., Ltd.
ICBC (Argentina)	Industrial and Commercial Bank of China (Argentina) S.A.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBC (Europe)	Industrial and Commercial Bank of China (Europe) S.A.
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC International	ICBC International Holdings Limited
ICBC Investment	ICBC Financial Asset Investment Co., Limited
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
ICBC Standard Bank	ICBC Standard Bank PLC
ICBC Wealth Management	ICBC Wealth Management Co., Ltd.
ICBC-AXA	ICBC-AXA Assurance Co., Ltd.
LH Ratings	China Lianhe Credit Rating Co., Ltd.
PBC	The People's Bank of China
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai Brilliance Rating	Shanghai Brilliance Credit Rating & Investors Service Co, Ltd.
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
the Bank/the Group/ICBC	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries

ICBC

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