ICBC

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

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

Stock Code: 1398
EUR Preference Shares Stock Code: 4604

2019 Annual Report

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.

Strategic Objective: Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, ICBC will adhere to the general principle of pursuing progress while ensuring stability, apply the new development philosophy, modernize its governance system and capacity, and turn ICBC into a world-class and modern financial enterprise with global competitiveness.

Strategic Significance:

Adherence to the guidance of Party building and strict governance: ICBC adheres to and strengthens the Party's leadership over financial work, deepens the building of governance system and capacity, and improves the scientific decision-making and effectiveness of governance.

Adherence to the customer first and serving the real economy: ICBC sticks to the source of the real economy, commits itself to meeting people's new expectations and demands for financial services, and makes every effort to build the No.1 Personal Bank.

Adherence to the technology driven and value creation: ICBC empowers operation and management by FinTech and creates superior value for the real economy, shareholders, customers, employees and society.

Adherence to the international vision and global operation: ICBC actively utilizes domestic and overseas markets and resources, improves the layout and content of international development, and integrates it into China's new pattern of high-level opening-up.

Adherence to the pragmatic transformation and reform: ICBC advances reform in key areas and key links in keeping pace with the times, and seeks more room for transformation and more vitality for reform.

Adherence to the solid foundation by risk control and talent-oriented development: ICBC strengthens the bottom-line thinking, combines prevention and control, and holds onto the lifeline of asset quality. ICBC strengthens humanistic care and corporate culture building, and enhances staff cohesion.

Vision

Building a world-class and modern financial enterprise with global competitiveness by adhering to the principles of "delivering excellence, sticking to our founding mission, customers' favorite, leading in innovation, security and prudence, and people-oriented"

Mission

Excellence for You

—— Excellent services to clients, Maximum returns to shareholders Real success for our people, Great contribution to society

Value

Integrity Leads to Prosperity

—— Integrity, Humanity, Prudence, Innovation and Excellence

CONTENTS

For details on the Bank's fulfillment of corporate social responsibilities, please refer to the 2019 Corporate Social Responsibility Report of Industrial and Commercial Bank of China Limited issued by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

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
Bank ICBC (JSC)	Bank ICBC (Joint stock company)
Capital Regulation	Regulation Governing Capital of Commercial Banks (Provisional) promulgated in June 2012
CBIRC	China Banking and Insurance Regulatory Commission
Company Law	Company Law of the People's Republic of China
CSRC	China Securities Regulatory Commission
HKEX	Hong Kong Exchanges and Clearing Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Huijin	Central Huijin Investment Ltd.
ICBC (Almaty)	Industrial and Commercial Bank of China (Almaty) Joint Stock Company
ICBC (Argentina)	Industrial and Commercial Bank of China (Argentina) S.A.
ICBC (Asia)	Industrial and Commercial Bank of China (Asia) Limited
ICBC (Austria)	ICBC Austria Bank GmbH
ICBC (Brasil)	Industrial and Commercial Bank of China (Brasil) S.A.
ICBC (Canada)	Industrial and Commercial Bank of China (Canada)
ICBC (Europe)	Industrial and Commercial Bank of China (Europe) S.A.
ICBC (Indonesia)	PT. Bank ICBC Indonesia
ICBC (London)	ICBC (London) PLC
ICBC (Macau)	Industrial and Commercial Bank of China (Macau) Limited
ICBC (Malaysia)	Industrial and Commercial Bank of China (Malaysia) Berhad
ICBC (Mexico)	Industrial and Commercial Bank of China Mexico S.A.
ICBC (New Zealand)	Industrial and Commercial Bank of China (New Zealand) Limited
ICBC (Peru)	ICBC PERU BANK
ICBC (Thai)	Industrial and Commercial Bank of China (Thai) Public Company Limited
ICBC (Turkey)	ICBC Turkey Bank Anonim Şirketi
ICBC (USA)	Industrial and Commercial Bank of China (USA) NA
ICBC Credit Suisse Asset Management	ICBC Credit Suisse Asset Management Co., Ltd.
ICBC International	ICBC International Holdings Limited
ICBC Investment	ICBC Financial Asset Investment Co., Ltd.
ICBC Investments Argentina	ICBC Investments Argentina S.A. Sociedad Gerente de Fondos Comunes de Inversión
ICBC Leasing	ICBC Financial Leasing Co., Ltd.
ICBC Standard Bank	ICBC Standard Bank PLC
ICBC Technology	ICBC Information and Technology Co., Ltd.
ICBC Wealth Management	ICBC Wealth Management Co., Ltd.
ICBC-AXA	ICBC-AXA Assurance Co., Ltd.
ICBCFS	Industrial and Commercial Bank of China Financial Services LLC
IFRSs	The International Financial Reporting Standards promulgated by the International Accounting Standards Board, which comprise the International Accounting Standards
Inversora Diagonal	Inversora Diagonal S.A.
MOF	Ministry of Finance of the People's Republic of China
New Rules on Asset Management	The Guiding Opinions on Regulating the Asset Management Business of Financial Institutions jointly promulgated by PBC, CBIRC, CSRC and State Administration of Foreign Exchange in 2018 and relevant rules
PBC	The People's Bank of China
PRC GAAP	Accounting Standards for Business Enterprises promulgated by MOF
Securities and Futures Ordinance of Hong Kong	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SEHK	The Stock Exchange of Hong Kong Limited
SSE	Shanghai Stock Exchange
SSF	National Council for Social Security Fund
Standard Bank	Standard Bank Group Limited
State Council	The State Council of the People's Republic of China
The Bank/The Group	Industrial and Commercial Bank of China Limited; or Industrial and Commercial Bank of China Limited and its subsidiaries

Ranking and Rewards

Ranking the 1st place

Among the Top 1000 World Banks for the seventh consecutive year

The Banker

Ranking the 1st place

In the Global 2000 for the seventh consecutive year

Forbes

Ranking the 1st place

In the sub-list of commercial banks of the Global 500 for the seventh consecutive year

Fortune

Ranking the 1st place

Among the Top 500 Banking Brands for the fourth consecutive year

Brand Finance

Ranking the 1st place

Among the "Corporate Brand Value List" for the fourth consecutive year

China Council for Brand Development

Effectiveness Award for Supporting China's Winning the "Three Critical Battles"

Effectiveness Award for Practicing the Belt and Road Initiative

Best Contribution Award for Precision Poverty Alleviation

China Banking Association

The Hong Kong Corporate Governance **Excellence** Awards

The Chamber of Hong Kong Listed Companies

Best Bank in China

Best Corporate Bank in China

Star of Precious Metals in China

Global Finance

Best Mega Retail Bank in China

Best Mega Custodian Bank in China

Best Mega Private Bank in China

The Asian Banker

Best Asset Manager in China

Best Bond Advisor in China

The Asset

Important Notice

The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management members of Industrial and Commercial Bank of China Limited undertake that the information in this report contains no false record, misleading statement or material omission, and assume individual and joint and several liability for the authenticity, accuracy and completeness of the information in this report.

The 2019 Annual Report of the Bank and its abstract have been considered and approved at the meeting of the Board of Directors of the Bank held on 27 March 2020. All directors of the Bank attended the meeting.

The 2019 financial statements prepared by the Bank in accordance with PRC GAAP and IFRSs have been audited by KPMG Huazhen LLP and KPMG in accordance with Chinese and International Standards on Audit respectively, with standard unqualified auditors' reports being issued.

The Board of Directors of the Bank proposed distributing cash dividends for ordinary shares of RMB2.628 (pre-tax) for each ten shares for 2019. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2019. The Bank did not convert capital reserve to share capital.

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

27 March 2020

Mr. Chen Siqing, Legal Representative of the Bank, Mr. Gu Shu, President in charge of finance of the Bank, and Mr. Zhang Wenwu, General Manager of the Finance and Accounting Department of the Bank, hereby represent and warrant that the financial statements contained in the Annual Report are authentic, accurate and complete.

The report contains forward-looking statements on the Bank's financial position, business performance and development. The statements are 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.

The Bank is primarily exposed to credit risk, market risk, interest rate risk in the banking book, liquidity risk, operational risk, reputational risk and country risk. The Bank has actively adopted measures to effectively manage various types of risks. Please refer to the section headed "Discussion and Analysis — Risk Management" for detailed information.

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

Corporate Information

Legal name in Chinese

中國工商銀行股份有限公司 ("中國工商銀行")

Legal name in English

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED ("ICBC")

Legal Representative

Chen Siqing

Registered address and office address

55 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal code: 100140
Telephone: 86-10-66106114
Business enquiry and complaint hotline: 86-95588
Website: www.icbc.com.cn, www.icbc-ltd.com

Principal place of business in Hong Kong

33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong, China

Authorized representatives

Gu Shu and Guan Xueqing

Board Secretary and Company Secretary

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

Selected media for information disclosure

China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Website designated by CSRC for publication of the annual report in respect of A shares

www.sse.com.cn

The "HKEXnews" website of HKEX for publication of the annual report in respect of H shares

www.hkexnews.hk

Legal Advisors

Mainland China

King & Wood Mallesons
17–18/F, East Tower, World Financial Center, 1 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Haiwen & Partners
20/F, Fortune Financial Center, 5 East 3rd Ring Middle Road, Chaoyang District, Beijing, China

Hong Kong, China

Allen & Overy
9/F, Three Exchange Square, Central, Hong Kong, China

Linklaters
11/F, Alexandra House, Chater Road, Central, Hong Kong, China

Share Registrars

A Share

China Securities Depository and Clearing Corporation Limited, Shanghai Branch
3/F China Insurance Building, 166 Lujiazui Dong Road, Pudong New Area, Shanghai, China
Telephone: 86-4008058058

H Share

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, China
Telephone: 852-28628555
Facsimile: 852-28650990

Location where copies of this annual report are kept

Board of Directors' Office of the Bank

Place where shares are listed, and their names and codes

A Share

Shanghai Stock Exchange
Stock name: 工商銀行
Stock code: 601398

H Share

The Stock Exchange of Hong Kong Limited
Stock name: ICBC
Stock code: 1398

Domestic Preference Share

Shanghai Stock Exchange
Stock name: 工行優1
Stock code: 360011

Stock name: 工行優2
Stock code: 360036

Offshore Preference Share

The Stock Exchange of Hong Kong Limited
Stock name: ICBC EURPREF1
Stock code: 4604

Joint sponsor agencies for domestic preference share "工行優2"

Guotai Junan Securities Co., Ltd.
618 Shangcheng Road, China (Shanghai) Pilot Free Trade Zone
Signatory Sponsor Representatives: Jin Licheng and Zhang Yi
Continuous Supervision Period: 16 October 2019 to 31 December 2020

CITIC Securities Co., Ltd.
CITIC Securities Mansion, North Tower, Time Square Excellence II, 8 Zhongxinsan Road, Futian District, Shenzhen City, Guangdong Province, China
Signatory Sponsor Representatives: Sun Yi and Cheng Yue
Continuous Supervision Period: 16 October 2019 to 31 December 2020

Name and office address of Auditors

Domestic Auditors

KPMG Huazhen LLP
8/F, Tower E2, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, China
CPAs (Practicing): Li Li and He Qi

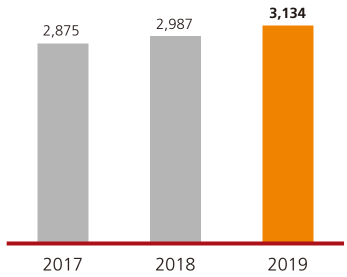
International Auditors

KPMG
8/F, Prince's Building, 10 Chater Road, Central, Hong Kong, China

Financial Highlights

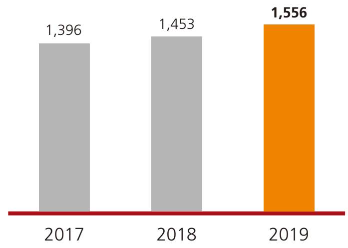
Net profit

Unit: RMB100 millions



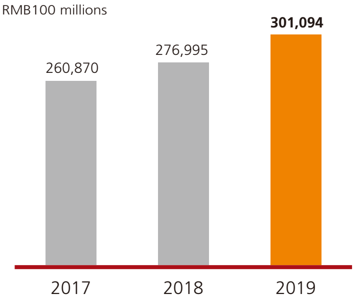
Net fee and commission income

Unit: RMB100 millions



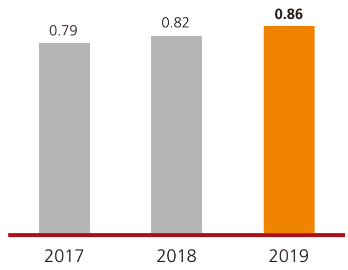
Total assets

Unit: RMB100 millions



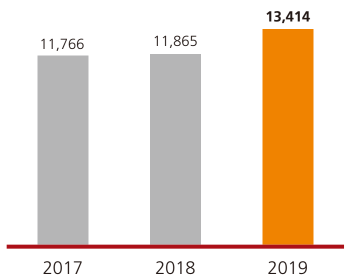
Basic earnings per share

Unit：RMB Yuan



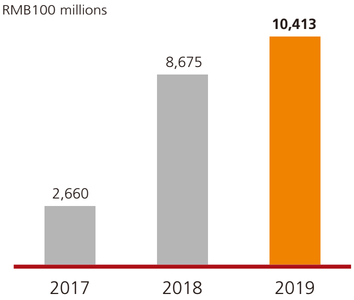
Increment of loan to customers

Unit: RMB100 millions



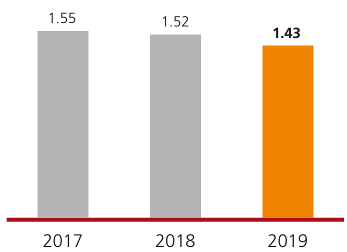
Increment of personal deposits

Unit: RMB100 millions



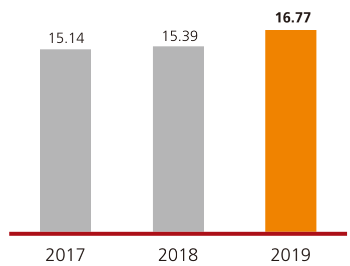
Non-performing loans ratio

%



Capital adequacy ratio

%



(Financial data and indicators in this annual report are prepared in accordance with IFRSs and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

Financial Data

	2019	2018	2017	2016	2015
Annual operating results (in RMB millions)					
Net interest income	606,926	572,518	522,078	471,846	507,867
Net fee and commission income	155,600	145,301	139,625	144,973	143,391
Operating income	776,002	725,121	675,654	641,681	668,733
Operating expenses	207,776	194,203	186,194	193,112	220,835
Impairment losses on assets	178,957	161,594	127,769	87,894	86,993
Operating profit	389,269	369,324	361,691	360,675	360,905
Profit before taxation	391,789	372,413	364,641	363,279	363,235
Net profit	313,361	298,723	287,451	279,106	277,720
Net profit attributable to equity holders of the parent company	312,224	297,676	286,049	278,249	277,131
Net cash flows from operating activities	694,521	724,133	770,864	239,221	1,131,764
As at the end of reporting period (in RMB millions)					
Total assets	30,109,436	27,699,540	26,087,043	24,137,265	22,209,780
Total loans and advances to customers	16,761,319	15,419,905	14,233,448	13,056,846	11,933,466
Allowance for impairment losses on loans(1)	478,730	413,177	340,482	289,512	280,654
Investment	7,647,117	6,754,692	5,756,704	5,481,174	5,009,963
Total liabilities	27,417,433	25,354,657	23,945,987	22,156,102	20,409,261
Due to customers	22,977,655	21,408,934	19,562,936	18,113,931	16,514,992
Due to banks and other financial institutions	2,266,573	1,814,495	1,706,549	2,016,799	2,265,860
Equity attributable to equity holders of the parent company	2,676,186	2,330,001	2,127,491	1,969,751	1,789,474
Share capital	356,407	356,407	356,407	356,407	356,407
Net core tier 1 capital(2)	2,457,274	2,232,033	2,030,108	1,874,976	1,701,495
Net tier 1 capital(2)	2,657,523	2,312,143	2,110,060	1,954,770	1,781,062
Net capital base(2)	3,121,479	2,644,885	2,406,920	2,127,462	2,012,103
Risk-weighted assets(2)	18,616,886	17,190,992	15,902,801	14,564,617	13,216,687
Per share data (in RMB yuan)					
Net asset value per share(3)	6.93	6.30	5.73	5.29	4.80
Basic earnings per share	0.86	0.82	0.79	0.77	0.77
Diluted earnings per share	0.86	0.82	0.79	0.77	0.77
Credit rating					
S&P(4)	A	A	A	A	A
Moody's (4)	A1	A1	A1	A1	A1

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

(2) Calculated in accordance with the Capital Regulation.

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

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

Financial Indicators

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

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

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

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

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

(5) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.

(6) Calculated by dividing operating expenses (less taxes and surcharges) by operating income.

(7) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.

(8) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.

(9) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.

(10) Calculated in accordance with the Capital Regulation.

Quarterly Financial Data

	2019				2018			
(In RMB millions)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating income	201,818	192,385	190,481	191,318	183,185	178,117	178,578	185,241
Net profit attributable to equity holders of the parent company	82,005	85,926	83,781	60,512	78,802	81,640	79,185	58,049
Net cash flows from operating activities	1,044,774	(39,976)	370,409	(680,686)	62,160	124,372	696,370	(158,769)

Chairman's Statement

Chairman **Chen Siqing**

The year 2019 marked the 70^{th} anniversary of the founding of the People's Republic of China, and also saw striving efforts and fruitful results in the reform and development of ICBC. Facing the complex and ever-changing external environment, the Bank continued to deliver steady progress, build legacy, drive innovation, stay ahead of trends, master the overall situation from the changing trend, seize opportunities amid uncertainties, and pursue high-quality development. The Bank **accomplished considerable results** in 2019, with total assets exceeding RMB30 trillion, savings deposits topping RMB10 trillion and net profit surpassing RMB300.0 billion, marking a significant achievement of ICBC. Our **assets quality enhanced** with improvement in NPL ratio, allowance to NPLs, and capital adequacy ratio. We continued to **enjoy an excellent reputation** in the industry. ICBC ranked first in the Top 500 Banking Brands for the fourth consecutive year and first in the Top 1000 World Banks for the seventh consecutive year and remained the most valuable company in China's financial sector by market capitalization.

In the past year, we stepped up our corporate governance system. We regard corporate governance as a cornerstone of sustained growth and make continuous effort to improve our corporate governance structure, which is led by the Bank's Party Committee with the Board of Directors acting as the decision-making organ, the Board of Supervisors responsible for compliance supervision, and the Management in charge of operation. We have continuously optimized our governance mechanism to ensure scientific decision-making, effective supervision and steady operation. In 2019, our Board of Directors set up the Corporate Social Responsibility and Consumer Protection Committee and the US Risk Committee to support the Bank's efforts to better fulfill its corporate social responsibilities, expand business, and meet regulatory and compliance requirements.

In the past year, we made new achievements in serving the real economy. We worked proactively to support high-quality economic development, deepen supply-side structural reform of the financial sector, and alleviate our adaptability to serve the real economy. In addition to reasonably increasing loan volume, we built a financial "over pass" by providing bonds, equity, agency and leasing services to meet the needs of the real economy. We actively supported major strategic national projects, and promoted regional economic layout featuring complementary advantages and high-quality development. We put in place an action plan to support high-quality development of manufacturing by increasing the volume of loans to manufacturers, especially mid-to-long-term loans and credit loans, and helping the manufacturing improve basic capabilities and modernize the industrial chains. We leveraged a combination of measures to improve inclusive finance in terms of its range, costs, quality and availability of financial services. We focused our efforts on promoting supply-side structural reforms and helping companies which were profitable but experiencing temporary difficulties to reorganize, cut costs and increase efficiency through debt restructuring, industry funds, debt-for-equity swaps and other methods. We successfully helped relevant companies lower their leverage level through implementing debt-for-equity swaps. We united our efforts to support targeted and precision poverty alleviation through finance. The Gazelle Farming Project launched by ICBC in Nanjiang County, Sichuan was selected as one of the world's best poverty alleviation cases. We also provided first-class services to a series of major events, including events celebrating the 70^{th} anniversary of the founding of new China, the Second Belt and Road Forum for International Cooperation, and the Second China International Import Expo, and won wide praise.

In the past year, we had new progress in preventing and mitigating financial risks. We strengthened "bottom-line thinking" and adhered to both curbing incremental risks and resolving existing risks, to fight against the financial risks. The asset quality was improved quarter by quarter by implementing the asset quality reinforcement project and doing a good job in keeping the three gates of access control, management and control over the existing assets and disposal of non-performing assets. We launched the "Responsibility Reinforcement Year" event in internal control and compliance, and deepened risk governance in eight key areas, including credit management and asset disposal. We took steps to benchmark against global best practices and enhance our overseas risk management, anti-money laundering and compliance management systems. We strengthened the prevention and control of cross-sector risks and thorough subsidiary management to make risks visible, tangible, and manageable. Furthermore, we actively helped small and medium-sized financial institutions resolve risks, boosted market confidence and expectations, and assumed a leadership role among the major banks in stabilizing the banking market.

In the past year, we made new breakthroughs in the implementation of key strategies. We insisted on creating value with services, energizing the sector through reforms, and driving development through innovation. We launched the strategy of "No.1 Personal Bank" and the increment of our personal customers and savings deposits reached the highest record in recent years. We took mobile banking as a key to our business transformation and success in competition with peers, and dedicated to building a leading online financial service platform. Our mobile banking customer base is among the largest, most loyal, and most active, leading all peers. We further advanced our outlet transformation project and improved our integrated online and offline system to increase customer satisfaction and become the bank of first choice for Chinese people. We focused our efforts on expanding our global footprint. So far, we have established 428 branches in 48 countries and regions, and accelerated the localization, specialization and professionalization of our overseas institutions. We continued to adhere to a problem-oriented, goal-oriented and result-oriented approach, and advanced our key reform projects concerning competitiveness improving in major cities, interest rate pricing, and process optimization. These projects have effectively invigorated our business development. We also integrated and improved our research capabilities, set up the Modern Finance Research Institute, and built a high-end financial think tank, aiming to build "ICBC Research" into a well-known brand.

In 2019, Mr. Yi Huiman resigned from the positions of Chairman of the Board of Directors and Executive Director of the Bank due to change of job assignments. During his tenure as Chairman of the Bank, Mr. Yi Huiman worked diligently and kept the Bank on track of reform and development with superb strategic thinking, planning and leadership skills. On behalf of the Board of Directors, I would like to express my sincere gratitude to Mr. Yi for his outstanding contributions to the Bank. On behalf of the Board of Directors, I would also like to welcome Mr. Yang Guozhong as our new Chairman of the Board of Supervisors, Mr. Liao Lin as the new Senior Executive Vice President, Mr. Wang Jingwu as the Senior Management member, Mr. Fred Zuliu Hu, Mr. Lu Yongzhen, Mr. Feng Weidong and Ms. Cao Liqun as new directors. Last but not least, I would also like to express my sincere gratitude to Mr. Hu Hao, Mr. Tan Jiong, Mr. Cheng Fengchao, Mr. Ye Donghai, Mr. Dong Shi and Mr. Hong Yongmiao who have ceased to serve as directors of the Bank for their contributions.

2020 is off to a tough start with COVID-19 spreading across the globe. In response to the government's call on us to be confident, unite together, and adopt sound, effective measures, we are working in a proactive and orderly manner to support the fight against COVID-19. Overall, China's economic fundamentals will remain positive in the long run. We are confident that the country's annual economic and social development goals will be realized and that the Bank will sustain business growth. We will focus on supporting the country in building a well-off society in an all-round way and tackling poverty. We will continue to pursue sustainable growth, explore new development ideas, improve our corporate governance system and capabilities, serve the real economy in a better way, step up the control and prevention of financial risks, drive reform and innovation, strengthen team building, improve our ability to drive the high-quality development of China's economy, and strive to become a world-class and modern financial enterprise.

Chairman: Chen Siqing

27 March 2020

President **Gu Shu**

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

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

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

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

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

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

President: Gu Shu

27 March 2020

Chairman of the Board of Supervisors **Yang Guozhong**

ECONOMIC, FINANCIAL AND REGULATORY ENVIRONMENTS

In 2019, the developed economies showed subdued growth momentum, and emerging market economies also witnessed weakened growth. In the international financial market, it can be seen the continuous fluctuation of US dollar index, the general depreciation in the currencies of emerging markets, the continued upward trend in stock markets of major economies and the slight decrease in the interest rate of global monetary market generally.

China's economic performance kept stable on the whole with major economic indicators remaining in a reasonable range. In 2019, China's gross domestic product (GDP), consumer price index (CPI), retail sales of consumer goods, fixed asset investment (excluding rural households), industrial added value of above-scale enterprises, and total imports and exports rose by 6.1%, 2.9%, 8.0%, 5.4%, 5.7% and 3.4% respectively.

The PBC persistently implemented a prudent monetary policy, lowered the reserve requirement ratio (RRR) three times, and flexibly conducted open market operation and medium-term lending facilities (MLF) to maintain a reasonable abundance of liquidity. It deepened the interest rate liberalization reform by reforming and improving the formation mechanism of Loan Prime Rate (LPR), and promoting the pricing benchmark conversion of existing loans. It established and improved the "three graded RRRs and two preferential RRRs" framework, and guided financial institutions to step up the credit support for small and micro enterprises, private enterprises and manufacturing by giving full play to the role of re-lending, rediscounting and other instruments. Furthermore, the PBC promoted the risk disposal of key financial institutions in a proper and orderly manner and established the "four lines of defense" to guard against the liquidity risk of medium- and small-sized banks.

Both monetary credit and social financing maintained a stable growth. At the end of 2019, the balance of M2 was RMB198.6 trillion, up 8.7% year on year. The outstanding RMB loans reached RMB153.1 trillion, increasing by 12.3% year on year. The balance of RMB deposits amounted to RMB192.9 trillion, up 8.7% from the previous year. The existing social financing scale stood at RMB251.3 trillion, a year-on-year increase of 10.7%. The total issuance amount of various bonds in the bond market reached RMB45.3 trillion, up 3.1% year on year. At the end of 2019, the Shanghai Composite Index and the Shenzhen Component Index increased by 22.3% and 44.1% respectively over the end of last year. The central parity of RMB against the US dollar was RMB6.9762, a depreciation of 1.6% from the end of last year.

The asset scale of the Chinese banking sector grew steadily, with the quality of credit assets remaining stable overall. At the end of 2019, the total assets of financial institutions in China's banking sector were RMB290.0 trillion, up 8.14% year on year. The balance of NPLs of commercial banks reached RMB2.4 trillion, with a NPL ratio of 1.86% and allowance to NPLs of 186.08%. Besides, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio were 10.92%, 11.95% and 14.64% respectively.

FINANCIAL STATEMENTS ANALYSIS

Income Statement Analysis

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

CHANGES OF KEY INCOME STATEMENT ITEMS

In RMB millions, except for percentages

Item	2019	2018	Increase/ (decrease)	Growth rate (%)
Net interest income	606,926	572,518	34,408	6.0
Non-interest income	169,076	152,603	16,473	10.8
Operating income	776,002	725,121	50,881	7.0
Less: Operating expenses	207,776	194,203	13,573	7.0
Less: Impairment losses on assets	178,957	161,594	17,363	10.7
Operating profit	389,269	369,324	19,945	5.4
Share of profits of associates and joint ventures	2,520	3,089	(569)	(18.4)
Profit before taxation	391,789	372,413	19,376	5.2
Less: Income tax expense	78,428	73,690	4,738	6.4
Net profit	313,361	298,723	14,638	4.9
Attributable to: Equity holders of the parent company	312,224	297,676	14,548	4.9
Non-controlling interests	1,137	1,047	90	8.6

Net Interest Income

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

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

In RMB millions, except for percentages

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

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

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

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

ANALYSIS OF CHANGES IN INTEREST INCOME AND EXPENSE

In RMB millions

Item	Comparison between 2019 and 2018: Increase/(decrease) due to Volume	Interest rate	Net increase/ (decrease)
Assets			
Loans and advances to customers	57,149	10,220	67,369
Investment	23,769	(2,742)	21,027
Due from central banks	(2,745)	(316)	(3,061)
Due from banks and other financial institutions	12,543	(7,818)	4,725
Changes in interest income	**90,716**	**(656)**	**90,060**
Liabilities			
Deposits	23,810	27,044	50,854
Due to banks and other financial institutions	(94)	(1,601)	(1,695)
Debt securities issued	6,747	(254)	6,493
Changes in interest expenses	**30,463**	**25,189**	**55,652**
Changes in net interest income	**60,253**	**(25,845)**	**34,408**

Note: Changes in volume are measured by the changes in average balances, while the changes in interest rate are measured by the changes in average interest rates. Changes resulted from the combination of volume and interest rate have been allocated to the changes resulted from business volume.

Interest Income

Interest Income on Loans and Advances to Customers

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

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

In RMB millions, except for percentages

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

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

In RMB millions, except for percentages

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

Interest Income on Investment

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

Interest Income on Due from Central Banks

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

Interest Income on Due from Banks and Other Financial Institutions

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

Interest Expense

Interest Expense on Deposits

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

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

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

Interest Expense on Due to Banks and Other Financial Institutions

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

Interest Expense on Debt Securities Issued

Interest expense on debt securities issued was RMB36,866 million, indicating an increase of RMB6,493 million or 21.4% over last year, mainly attributable to the new issuance of RMB110.0 billion of tier 2 capital bonds by the Bank and the increase in the size of the financial bonds, bills and CDs issued by overseas institutions and domestic subsidiaries during the reporting period. Please refer to "Note 35. to the Financial Statements: Debt Securities Issued" for the debt securities issued by the Bank.

Non-interest Income

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

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

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

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

OTHER NON-INTEREST RELATED GAINS

In RMB millions, except for percentages

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

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

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

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

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

Impairment Losses on Assets

In 2019, the Bank set aside the impairment losses on assets of RMB178,957 million, an increase of RMB17,363 million or 10.7% as compared to that of last year. Specifically, the impairment losses on loans was RMB162,108 million, indicating an increase of RMB14,761 million or 10.0%. Please refer to "Note 23. to the Financial Statements: Loans and Advances to Customers; Note 14. to the Financial Statements: Impairment Losses on Assets" for details.

Income Tax Expense

Income tax expense increased by RMB4,738 million or 6.4% to RMB78,428 million as compared to the previous year. The effective tax rate stood at 20.02%. Please see "Note 15. to the Financial Statements: Income Tax Expense" for the reconciliation of income tax expense applicable to profit before tax at the PRC statutory income tax rate and the effective income tax expense.

Segment Information

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

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

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

Note: Please see "Note 50. to the Financial Statements: Segment Information" for details.

Please refer to the section headed "Discussion and Analysis — Business Overview" for details on the development of each of these operating segments.

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

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

Note: Please see "Note 50. to the Financial Statements: Segment Information" for details.

Balance Sheet Analysis

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

Assets Deployment

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

ASSETS DEPLOYMENT

In RMB millions, except for percentages

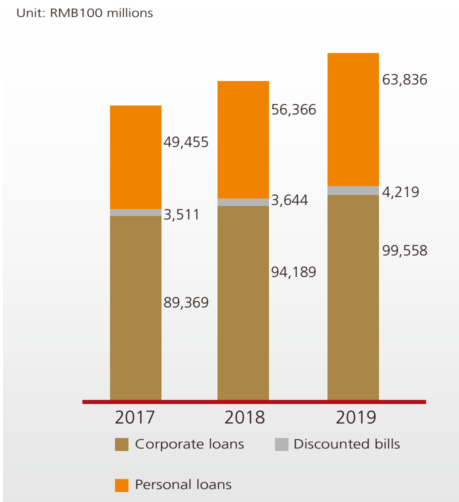
	At 31 December 2019		At 31 December 2018	
Item	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	16,761,319	—	15,419,905	—
Add: Accrued interest	43,731	—	38,958	—
Less: Allowance for impairment losses on loans and advances to customers measured at amortised cost	478,498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

Note: (1) Please see "Note 23. to the Financial Statements: Loans and Advances to Customers".

Loan

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

Total Loans



DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

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

DISTRIBUTION OF CORPORATE LOANS BY MATURITY

In RMB millions, except for percentages

Item	At 31 December 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Short-term corporate loans	2,458,321	24.7	2,504,493	26.6
Medium to long-term corporate loans	7,497,500	75.3	6,914,401	73.4
Total	**9,955,821**	**100.0**	**9,418,894**	**100.0**

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

DISTRIBUTION OF PERSONAL LOANS BY PRODUCT LINE

In RMB millions, except for percentages

Item	At 31 December 2019 Amount	Percentage (%)	At 31 December 2018 Amount	Percentage (%)
Residential mortgages	5,166,279	80.9	4,589,961	81.5
Personal consumption loans	193,516	3.0	204,162	3.6
Personal business loans	345,896	5.4	215,983	3.8
Credit card overdrafts	677,933	10.7	626,468	11.1
Total	**6,383,624**	**100.0**	**5,636,574**	**100.0**

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

Please see the section headed "Discussion and Analysis — Risk Management" for detailed analysis of the Bank's loans and their quality.

Investment

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

INVESTMENT

In RMB millions, except for percentages

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

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

DISTRIBUTION OF INVESTMENT IN BONDS BY ISSUERS

In RMB millions, except for percentages

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

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

DISTRIBUTION OF INVESTMENT IN BONDS BY REMAINING MATURITY

In RMB millions, except for percentages

	At 31 December 2019		At 31 December 2018	
Remaining maturity	Amount	Percentage (%)	Amount	Percentage (%)
Undated[(1)]	10	0.0	54	0.0
Less than 3 months	335,735	4.9	255,716	4.2
3 to 12 months	1,007,366	14.7	660,914	10.9
1 to 5 years	3,267,720	47.6	3,319,674	54.9
Over 5 years	2,252,019	32.8	1,812,718	30.0
Total	**6,862,850**	**100.0**	**6,049,076**	**100.0**

Note: (1) Refers to overdue bonds.

DISTRIBUTION OF INVESTMENT IN BONDS BY CURRENCY

In RMB millions, except for percentages

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

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

DISTRIBUTION OF INVESTMENT BY MEASURING METHOD

In RMB millions, except for percentages

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

As at the end of 2019, the Group held RMB1,387,779 million of financial bonds[1], including RMB652,522 million of policy bank bonds and RMB735,257 million of bonds issued by banks and non-bank financial institutions, accounting for 47.0% and 53.0% of financial bonds, respectively.

TOP 10 FINANCIAL BONDS HELD BY THE BANK

In RMB millions, except for percentages

Bond name	Nominal value	Annual interest rate (%)	Maturity date	Allowance for impairment losses(1)
Policy bank bonds 2019	19,620	3.49	8 January 2029	–
Policy bank bonds 2012	11,400	4.04	25 June 2022	–
Policy bank bonds 2010	11,050	3.51	27 July 2020	–
Policy bank bonds 2019	10,903	3.47	20 September 2029	–
Policy bank bonds 2011	10,505	4.62	22 February 2021	–
Policy bank bonds 2010(2)	9,700	3.65	26 March 2020	–
Commercial bank bonds 2017	9,500	4.20	17 April 2020	–
Policy bank bonds 2010(2)	9,450	Benchmark interest rate(3) plus 0.59%	25 February 2020	–
Policy bank bonds 2015	9,230	4.25	13 April 2022	–
Policy bank bonds 2015	9,040	4.21	13 April 2025	–

Notes: (1) Excludes stage 1 allowance for impairment losses set aside in accordance with the expected credit loss model.

(2) The bonds had been repaid on the maturity date.

(3) Benchmark interest rate refers to the interest rate of one-year time deposits applied by PBC on the value date of each interest-bearing period.

Liabilities

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

LIABILITIES

In RMB millions, except for percentages

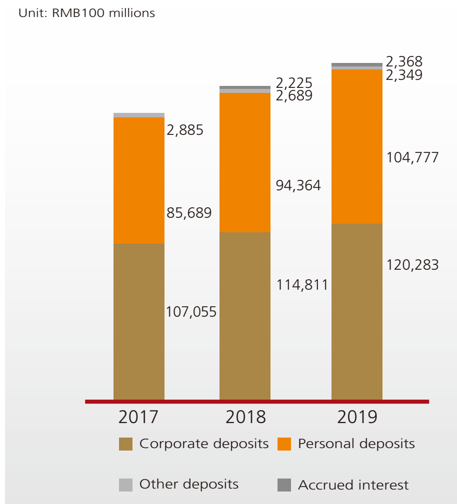
Item	At 31 December 2019		At 31 December 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	22,977,655	83.8	21,408,934	84.4
Due to banks and other financial institutions	2,266,573	8.3	1,814,495	7.2
Repurchase agreements	263,273	1.0	514,801	2.0
Debt securities issued	742,875	2.7	617,842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

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

Due to Customers

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

Due to Customers



DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

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

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

DISTRIBUTION OF DUE TO CUSTOMERS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2019 Amount	At 31 December 2019 Percentage (%)	At 31 December 2018 Amount	At 31 December 2018 Percentage (%)
Head Office	45,507	0.2	56,304	0.3
Yangtze River Delta	4,474,455	19.5	4,032,866	18.8
Pearl River Delta	2,988,476	13.0	2,726,705	12.7
Bohai Rim	6,212,525	27.0	5,922,781	27.7
Central China	3,324,189	14.5	3,064,753	14.3
Western China	3,801,033	16.5	3,591,835	16.8
Northeastern China	1,184,289	5.2	1,105,344	5.2
Overseas and others	947,181	4.1	908,346	4.2
Total	**22,977,655**	**100.0**	**21,408,934**	**100.0**

Repurchase Agreements

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

Shareholders' Equity

As at the end of 2019, shareholders' equity amounted to RMB2,692,003 million in aggregate, RMB347,120 million or 14.8% higher than that at the end of the previous year. Equity attributable to equity holders of the parent company recorded an increase of RMB346,185 million or 14.9% to RMB2,676,186 million. Please refer to the "Financial Statements: Consolidated Statement of Changes in Equity" for details.

For details on off-balance sheet items, please refer to "Note 45. to the Financial Statements: Commitments and Contingent Liabilities; Note 46. to the Financial Statements: Designated Funds and Loans".

Analysis on Statement of Cash Flows

Net cash inflows from operating activities amounted to RMB694,521 million, representing a decrease of RMB29,612 million as compared to last year, mainly attributable to cash outflows resulted from the increase of reverse repurchase agreements which resulted in cash inflows in the previous year. Specifically, cash outflows of operating assets rose by RMB834,528 million and cash inflows of operating liabilities increased by RMB789,710 million.

Net cash outflows from investing activities amounted to RMB875,967 million. Specifically, cash inflows were RMB1,627,653 million, representing an increase of RMB126,265 million, mainly due to the increased cash received from the recovery of financial investment; and cash outflows were RMB2,503,620 million, representing an increase of RMB270,487 million, mainly due to the increase in cash payment for financial investment.

Net cash inflows from financing activities amounted to RMB112,874 million, of which, cash inflows were RMB1,290,731 million, mainly due to the proceeds from the Bank's issuance of debt securities and other equity instruments; and cash outflows were RMB1,177,857 million, mainly due to the repayment of debt securities, redemption of USD and RMB offshore preference shares and distributed dividend payment.

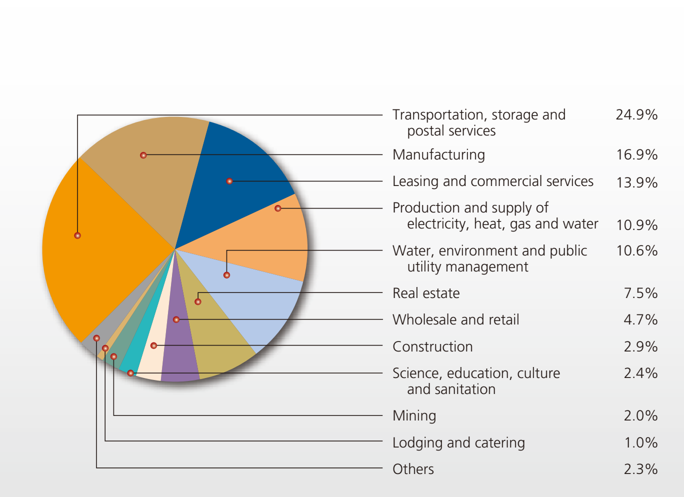
BUSINESS OVERVIEW

Corporate Banking

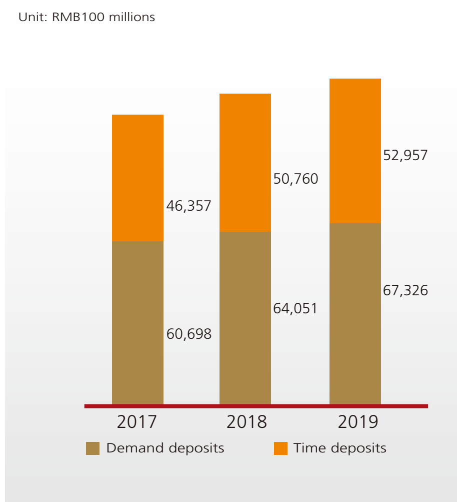
The Bank further promoted the "full-spectrum corporate" banking strategy. With the focus on national strategies, it actively coordinated regional development and supported poverty alleviation and rural rejuvenation, to serve the country's comprehensive opening-up strategy. The optimization and adjustment of credit structure was accelerated, to continuously improve the quality and efficiency of services for the real economy; new customers were expanded positively, and the quality of existing customers was improved, to consolidate the customer base; besides, the Bank could effectively meet the diversified financial needs of customers by means of comprehensive services such as bond underwriting, agency investment of wealth management products, syndicated distribution, and debt-for-equity swaps.

- The Bank advanced the adjustment of credit structure continuously, and accelerated the adjustment of "One plus Three" credit layout, with "One" referring to the basic industrial sectors, and "Three" referring to a triple of sectors, i.e. happiness industries, advanced manufacturing and connectivity of the internet of things, made notable progress. Effective support was given to the construction of infrastructure and major projects that could "make up for shortcomings", to highlight the support for implementation of major strategies such as high-quality development of manufacturing, private enterprises and inclusive finance, as well as national strategic regions.
- The Bank explored the new growth model of corporate deposits, and accelerated the pilot promotion of innovative products, to meet the customized financial needs of corporate customers. New technologies such as big data and visualization were innovated and adopted to build a fund transfer map and promote the research and implementation of closed-loop management of corporate deposit funds. By strengthening research and analysis, the Head Office and branches jointly established a normalized competitiveness analysis mechanism for interbank corporate deposits, to further enhance the Bank's competitiveness in corporate deposits. Besides, the integrated marketing of corporate customers was intensified, to facilitate the steady development of corporate deposits.
- At the end of 2019, the number of corporate customers increased by 1,065 thousand over the end of the previous year to 8,098 thousand. The balance of corporate loans reached RMB9,955,821 million, representing an increase of RMB536,927 million or 5.7%. The balance of corporate deposits hit RMB12,028,262 million, representing an increase of RMB547,121 million or 4.8%.

Domestic Corporate Loans by Industry



Corporate Deposits



Inclusive Finance

The Bank upgraded its inclusive financial services in an all-around manner. Taking digitalization as an important means, it built a one-stop, three-dimensional and integrated financial service system through online and offline collaboration, innovated inclusive financial products, and endeavoured to create a benchmark in terms of integrated financial services for small and micro enterprises.

- The Bank constantly facilitated the channel building for online and offline integrated services, to improve the inclusive financial product system, and enhance the coverage and convenience of inclusive financial services. Product updates were accelerated by reliance on FinTech, and a comprehensive inclusive financial service system was constructed with the focus on the ICBC Small and Micro Finance Platform and three financing product categories including Quick Lending for Operation, Online Revolving Loan and Online Supply Chain. The Bank also further strengthened the construction of specialized inclusive financial institutions to keep improving the service quality and efficiency of small and micro enterprise banking centers. By the end of 2019, there were 288 small and micro enterprise banking centers across the Bank.
- The Bank continued to roll out serial campaigns to bring inclusive financial services to small and micro enterprises. It established in-depth cooperative relationships with specialized markets, E-commerce platforms and leading enterprises, and signed agreements on deepening cooperation with local governments, industry associations and industrial parks. Besides, the Bank actively provided cross-border matchmaking services for small and micro enterprise customers, and served China's Belt and Road Initiative by virtue of domestic and overseas branches.
- At the end of 2019, the balance of inclusive loans to small and micro enterprises amounted to RMB471,521 million, representing an increase of RMB161,407 million or 52.0% from the year beginning. There were 423 thousand micro and small enterprise loan customers, up 153 thousand. The average interest rate of loans granted in the year decreased by 0.43 percentage points over the prior year to 4.52%.
- The Bank actively implemented the policies on financial services for agriculture, rural areas and farmers, and set up inclusive finance promotion committees at the levels of the Head Office and tier-one branches, to promote financial services for agriculture, rural areas and farmers across the board. At the end of 2019, inclusive farmer business loans and inclusive small and micro enterprise agriculture-related loans totaled RMB111,576 million, representing an increase of RMB22,442 million or 25.2% from the year beginning. There were 83 thousand loan customers, up 28 thousand.

Upgraded Comprehensive Inclusive Financial Services in An All-around Manner

On 17 December 2019, the Bank held the first "ICBC Small and Micro Customer Festival" in Beijing, released the "Thousands Small and Micro Enterprise Growth Plan", and comprehensively introduced inclusive financial services 2.0 with "financing, intelligence and business integration" as the core, so that it could devote itself to better serving the real economy, speed up its own business transformation, and actively explore a sustainable inclusive finance development mode with distinctive characteristics.

The Bank has always been working with small and micro enterprises to make progress together, and in recent years it has further accelerated the development of inclusive finance. It organized the "ICBC Small and Micro Customer Festival" and related supporting activities to integrate the Group's advantageous resources, and gave more financial support, so as to work hand in hand with entrepreneurs and help them realize "small dreams" and create a "glorious future".

At the press conference, the Bank also launched the "Thousands Small and Micro Enterprise Growth Plan", in which, it would take three years to preferentially select and support 10,000 small and micro enterprises with "products in the market, potentiality in the industry, and credibility among enterprises", and provide them with precision services, so as to cultivate a group of small and micro customers to become business leaders in the industry segments, develop a batch of influential and well-known small and micro enterprise brands, support a lot of small and micro enterprises to develop into medium-sized ones, and drive thousands of millions of small and micro customers to grow together.

In order to improve inclusive financial services in an all-around manner, the Bank introduced "Inclusive Financial Services 2.0" with "financing, intelligence and business integration" as the core based on the "Inclusive Financial Services 1.0". In terms of "financing", "Employment Loan" was introduced to wage-paying companies for the purpose of meeting their employment and payroll needs and benefiting millions of worker families; over RMB150 billion of "Cross-border Loan" was granted to 150,000 small and micro import/export enterprises; with the help of "Cloud Quick Loan", small and micro customers realized digital transformation. In respect of "intelligence", campaigns such as "Thousands of Experts Entering Small and Micro Enterprises" and entrepreneurship training camps would be carried out extensively, the "E-Intelligence think tank" consulting platform would be opened to all small and micro customers, and expert services would be combined with information tools to help small and micro customers make decisions scientifically. With regard to "business integration", the Bank would continuously give full play to its advantages in institutions and customers, and help small and micro customers realize business development.

Institutional Banking

- The Bank made positive progress in cooperation with the government. It propped up the e-reform of income and expenditure accounts of national treasury, enhanced the capabilities of serving fiscal departments and budgetary units at all levels, and deeply explored the growth potential of institutional customers in the fields of medical care, education, labor union, religion, public resources, land and resources, housing and construction. The "intelligent government affairs" system was innovated and promoted, to push forward the implementation of multi-engine business cooperation structure consisting of "1 government affairs portal, 12 key extension areas and 22 value-added services".
- The Bank carried forward the cooperation with other banks on a steady footing. It newly signed comprehensive strategic cooperation agreements with key customers at the Head Office level such as China Development Bank, stock exchanges in Shanghai and Shenzhen and China Reinsurance (Group) Corporation, and signed MOUs on bank-securities cooperation in STAR market with head brokers to jointly propel the development of the real economy and capital market. Bill broking business was launched as a pilot move, and the first bill broking business in the market was successfully handled under the Bill Discounting Link.
- The Bank successfully explored a fresh model of poverty alleviation for the animal husbandry, with the combination of banks, futures companies and insurers. It innovatively launched customized products such as feed cost insurance, meteorological index insurance for green peppercorn and agricultural insurance for walnut planting, to explore and implement a long-term mechanism for precision poverty alleviation by virtue of financial services.

Settlement and Cash Management

- The Bank improved its corporate payment and settlement system, to serve diversified settlement scenes. It advanced the construction of six product lines including account management, liquidity management, trade finance, risk management, investment and wealth management, collection and payment management, to provide comprehensive service solutions with the focus on customers.
- The Bank strengthened the application and promotion of advantageous platforms and continued to consolidate its leading advantages in the field of corporate payment. It promoted its global cash management platform, and deepened its global business by virtue of the Bank's international strategy, to build a global cash management business system. Besides, the "ICBC Pooling" financial service platform was generalized, so that financial services could be seamlessly embedded into the platform and connect with corporate financial needs, thus realizing an effective customer acquisition model via "transaction plus finance".
- At the end of 2019, the Bank maintained 9,443 thousand corporate settlement accounts, representing an increase of 13.5% over the end of the previous year, and the volume of RMB-denominated corporate settlements reached RMB2,399 trillion in the year. There were 1,426 thousand cash management customers, and 7,973 global cash management customers, representing an increase of 9.5%.

International Settlement and Trade Finance

- The Bank enhanced the cross-border trade finance service on all fronts. It actively cooperated with the General Administration of Customs to fully participate in the construction of financial service function projects for the "single window" international trade platform, so as to provide domestic import and export enterprises with financial services including one-stop cross-border settlement and financing.
- The Bank strengthened the innovation of trade finance products. It reinforced the special management of forfaiting business, and promoted the interbank cooperation. Besides, non-financial guarantee business was vigorously boosted, to propel the healthy and rapid development of the bank-wide guarantee business.
- In 2019, domestic branches disbursed an aggregate of USD50,895 million in international trade finance. International settlements amounted to USD2,988,556 million, of which USD1,205,334 million was handled by overseas institutions.

Investment Banking

- The Bank continued to elevate the quality and efficiency of investment banking in serving the real economy and its capability in financial risk prevention. It stepped up the M&A loan support in key fields such as listed companies, industry M&A, reform of state-owned enterprises and the Belt and Road Initiative. It actively explored the new collaboration mode for investment/lending business. The ICBC New Energy (Technical Innovation) Fund and ICBC New Energy (Debt-for-equity) Fund were established in batches, to enhance the support for strategic emerging industries and private economy, and promote the development of technical innovation enterprises. The Bank drove the social market to participate in market-oriented debt-for-equity investments, and pushed forward debt restructuring of troubled enterprises. It positively moved forward financial services and risk prevention work, and lifted the capability of investment banking means in mitigating financial risks. It highlighted the functional and differential positioning of structured financing products and intensified efforts in promoting debt financing business such as quasi perpetual bonds. The Bank also strengthened active management and investment capacity of asset securitization.
- The Bank further upgraded its financial advisory service product system. Five major functions including Research, Expert, Information, Forum and Consulting were put into use on the E-Intelligence think tank; the ICBC e Security system could provide big risk data services to effectively prevent and control telecommunications fraud; while the Reputation e Credit system could render market risk management cloud services and country risk reporting services to interbank customers.
- In 2019, the Bank acted as the lead underwriter for 1,802 Chinese bond projects with a total value of RMB1,517,350 million, preserving its No. 1 position in the market in terms of domestic leading underwriting scale.

Personal Banking

In 2019, focusing on the strategic objective of building the "No.1 Personal Bank", the Bank developed new retail banking models, services and channels which were more intelligent, to further enhance its market competitiveness and achieve rapid growth of core business. At the end of 2019, personal financial assets totaled RMB14.6 trillion. The personal deposits arrived at RMB10,477,744 million, representing an increase of RMB1,041,326 million or 11.0%. The Bank's personal loans stood at RMB6,383,624 million, an increase of RMB747,050 million or 13.3%. Its personal customers increased by 43.29 million to 650 million, including 14.01 million personal loan customers, up 0.72 million.

- The Bank promoted the online service of "ICBC e Wallet" and provided customers with financial services such as settlement, wealth management and financing in cooperation with JD and Vanke. It also improved the intelligent services of offline outlets, to boost their intelligent transformation.
- Targeting at different types of customers, the Bank launched a series of exclusive deposit products such as "ICBC Lucky Money" and "Fu Man Yi". It also successively introduced themed CDs including "Suzhou Expo CD" and "Panda CD", to continuously deepen the innovation of special CD products.
- The Bank strengthened the cooperation with large developers to steadily advance the development of personal loan business. It accelerated product innovation and promotion, improved the function of loans pledged with personal financial assets, and expanded personal real estate mortgages, consumption and operating portfolio loans.
- The Bank duly made strategic adjustments according to market changes, to further the transformative development of agency sales business. It selected fund products with excellent performance, to meet the diversified investment needs of customers. In addition, marketing activities for insurance agency sales such as "AXA Day" and "Huaxia Day" were carried out. In 2019, funds under agency sales amounted to RMB589.2 billion, sales of treasury bonds under agency arrangement were valued at RMB76.6 billion, and personal insurance products under agency sales reported at RMB132.6 billion.
- The Bank was awarded the "Best Mega Retail Bank in China" and "Best Data Analysis Financial Product" by *The Asian Banker*. The Bank also ranked the first place in the global banking brands by retail banking issued by the UK's *Brand Finance*.

Started to Build the "No.1 Personal Bank"

In conformity with the current macroeconomic development trend and in combination with the business development laws of commercial banks, the Bank proposed a strategy of building the "No.1 Personal Bank" in 2019, pointing out the direction for the future development of personal banking business. Adhering to "customer-centric", the strategy strives to achieve the overall improvement of personal banking business in terms of market competitiveness, value contribution, risk control and customer satisfaction, and leads the market on a comprehensive, sustainable and high-quality basis.

Under the strategic guidance of the "No.1 Personal Bank", the Bank's various personal banking businesses made historic achievements during the reporting period. The total amount of personal financial assets reached RMB14.6 trillion with the increments exceeding RMB1 trillion, of which, the balance of RMB savings deposits topped RMB10 trillion. The daily average and time-point increments hit the historical record, topping RMB1 trillion. The balance of the Bank's personal loans reached RMB6.4 trillion, increased by RMB747,050 million over the end of last year. Both NPLs and NPL ratio of personal loans dropped for three consecutive years and the asset quality of residential mortgages achieved the best level for the past ten years. Meanwhile, for the purposes of adapting to market changes and implementing the state's policies, ICBC actively promoted the tax deduction with interest of residential mortgages, LPR reform and other major work relating to the people's livelihood with regard to personal loans. Innovative initiatives such as AI ICBC Fortune Fund Index, agency auto insurance and featured debit cards jointly pushed forward the rapid growth in income on personal intermediary business.

The size of personal customers broke the threshold of 650 million, with the new customers and net increase hitting the best level in the past six years. The number of personal mobile banking customers in ICBC Mobile reached 361 million, with the increment creating a new high in the past three years. ICBC Mobile platform tailored exclusive version services for customer groups such as elders, students, small and micro business owners and private banking customers, building the individualized service system in an all-round manner.

The transformation to intelligent retail baking advanced continuously, including the drawing of blueprints, building of frameworks and establishment of mechanisms, further consolidating the Bank's foundation for personal banking business development and lifting the customer attraction and maintenance level. ICBC made new progress in expanding customers online and offline. With the focus on "opening outlets on the Internet", the ICBC e Wallet gained over 10 million customers online, which strongly boosted the effective development of ETC activities. The Bank built the tailor-made intelligent customer service solutions, providing individualized products and services for customers. The "Intelligent Experience" project was kicked off successfully, promoting the customer complaints to be transformed from passive response to active management.

In 2020, ICBC carries the important quest of establishing the "No.1 Personal Bank". The Bank will continue on bravely and with persistence, and strive to succeed in becoming the "No.1 Personal Bank"!

Private Banking

- Targeting at achieving a comprehensive and leading "No.1 Private Bank", the private banking business consolidates two major advantages in brand and scale that provides private banking customers with competitive financial products selected throughout the market with a full range of non-financial services, to satisfy customers' diversified needs and lift their satisfaction on all fronts.
- The Bank rolled out exclusive wealth management products such as "Tian Li Bao" and "Quan Xin Equity", and also introduced exclusive insurance products including "Wealth Enjoy", to meet the diversified and personalized needs of private banking customers. A premium version of ICBC Mobile Private Banking Online APP was launched to expand the types of online services; and its intelligent investment advisory system was improved to make asset allocation services in a more professional and convenient way.
- The Bank was awarded the "Best Private Bank in China" by *The Banker* for two straight years; and it was also awarded the "Best (Mega) Private Bank in China" by *The Asian Banker* for three consecutive years.
- At the end of 2019, the Bank had 90,224 personal customers with financial assets of RMB8 million and above, an increase of 9,504 customers or 11.8% from the end of last year. The assets under management totalled RMB1,554.7 billion, an increase of RMB161.1 billion or 11.6%. As at the end of 2019, the number of personal customers with the average monthly/daily financial assets of RMB6 million and above for the past six months was 158,156, an increase of 12,085 customers or 8.3% from the end of last year; and the assets under management totalled RMB1,895.4 billion, an increase of RMB277.4 billion or 17.1%.

Bank Card Business

- ✧ The Bank promoted debit card online application service. To accelerate the innovation of debit card products, it successively launched products such as "Kylin Card", "Forbidden City Card", "Cute Baby Card", "Cute Pet Card" "University Graduation Season Card" and "Kid Painting Card".
- ✧ The Bank's credit card products were further diversified, with the introduction of "Forbidden City Card", "Women's Card", "National Table Tennis Card" and "ICBC Peony Black Card. It carried out "ICBC I Go" campaigns covering catering, shopping, travel and other industries at home and abroad.
- ✧ The Bank released the ICBC e Life 3.0, and upgraded personalized and intelligent integrated services, to realize the aggregation of nine intelligent scenes covering "shopping, catering, housing, travel, entertainment, learning, medical care, urban service and poverty alleviation".
- ✧ At the end of 2019, the Bank issued 1,072 million bank cards, representing an increase of 80.93 million cards from the end of the previous year. Specifically, 913 million debit cards and 159 million credit cards were issued. Overdraft balance of credit cards rose by RMB51,465 million or 8.2% from the end of previous year to RMB677,933 million. In 2019, bank cards registered a spending volume of RMB6.93 trillion, including RMB3.71 trillion of spending with debit cards and RMB3.22 trillion of spending with credit cards.

Asset Management Services

The Bank carried forward the implementation of the mega asset management strategy in an in-depth manner, pushed forward the transformation of asset management business and products in a steady manner and comprehensively enhanced investment management and research capabilities. It established a mega asset management business system allowing allocation of capital in all markets and value creation across the whole value chain by relying on the strength of the Group's asset management, custody and pension businesses as well as the functions of its comprehensive subsidiaries specialized in fund, insurance, leasing, investment banking and wealth management, to provide diversified, integrated and specialized services for customers.

Wealth Management Services

- ✧ The Bank improved its product system structure and successfully created a number of main product lines such as "Tian Li Bao", "Xin De Li", "Xin Wen Li," "Xin Tian Yi", "Bo Gu Tong Li" and "Quan Xin Equity".
- ✧ The Bank deepened the innovation and reforms of systems and mechanisms, and continuously enhanced the overall level of mega asset management in the statistics, products, investment research, sales and risk control.
- ✧ The Bank actively facilitated the construction of its wealth management subsidiary — ICBC Wealth Management, to promote the coordinated development of the subsidiary and the parent bank in eight aspects including channel sales, product layout, project recommendation, risk management and control, system operation, assessment and evaluation, regional wealth management, and overseas development.
- ✧ At the end of 2019, the balance of non-principal-guaranteed wealth management products stood at RMB2,642,057 million.

Asset Custody Services

- ✧ Facing the changes in the external regulatory environment, the Bank achieved sustained and stable development of custody business by actively seizing the development opportunities in the occupational annuity, pension insurance fund, enterprise annuity, public offering fund and insurance markets, thus further consolidating its status as the largest custodian bank in the country.
- ✧ The Bank accelerated the innovation of custody products. As one of the first batch of banks that obtained the depository and custodian qualification of Chinese Depository Receipt ("CDR") under the "Shanghai-London Stock Connect" programme, it successfully conducted the first CDR depositary business and the first domestic GDR underlying securities custody business. Besides, the Bank ranked first among peers in terms of the number and scale of custody products under the "China-Japan ETF Connectivity" scheme.
- ✧ The Bank attracted a group of internationally influential multilateral financial organizations and sovereign fund customers such as the International Monetary Fund (IMF), which further enhanced the Bank's brand reputation in the international community.

- The Bank was awarded the "Best Mega Custodian Bank in China" by *The Asian Banker* and the "Best Insurance Custodian, China" by *The Asset*.
- At the end of 2019, the net value of assets under the Bank's custody reached RMB16.5 trillion.

Pension Services

- The Bank's leading position was further cemented. It successfully obtained the trustee, custodian and investment manager qualifications for occupational annuities of central and all the local governmental agencies and administrative institutions that have completed bid invitations, with the bid-winning rate ranking first among banks.
- The Bank actively provided inclusive financial services, and organized a series of "Annuity Policies into Enterprises" activities for small and medium-sized enterprises, to provide them with quality pension management services.
- At the end of 2019, the pension funds under the Bank's trusteeship amounted to RMB197.8 billion; the Bank managed 10.76 million individual enterprise annuity accounts, and the pension funds under the Bank's custody totaled RMB631.7 billion. The Bank led other domestic banks in terms of the scale of enterprise annuity funds under the Bank's trusteeship, number of individual enterprise annuity accounts and enterprise annuity funds under the Bank's custody.

Financial Market Business

Money Market Activities

- The Bank took the following actions in the RMB money market: actively increasing inquiry frequency, tapping deep into customer demand, and adopting other measures to operate funds with intensified efforts and enhanced efficiency; and swiftly responding to the increasingly fierce peer competition and continuously stepping up efforts to develop bond lending business.
- In relation to the foreign exchange money market: the Bank seized market opportunities and took multiple measures to increase yields and efficiency from foreign fund operation; introduced more types of non-banking counterparty engaged in foreign-currency interbank funding business and expanded the business size and customer base simultaneously, thus giving a strong impetus to the development of real economy; cooperated with China Foreign Exchange Trading System to seek for business innovation, as a move to further consolidate its leading position in the Chinese foreign-currency money market business; and launched as one of the first Chinese banks the foreign-currency bond repurchase transaction in the interbank market and the foreign-currency bond repurchase business accepting RMB bonds as collateral, in a bid to further diversify the mix of foreign-currency financing instruments.

Investment

- With respect to RMB bond investment, the Bank continued to study and predict market trends and sped up investment pace at the time when the market interest rate was at its peak; it considered the investment value, yield rate and comprehensive contribution of bonds in each type as a whole before scaling up investments in high-value bonds; as per the bond issue plan, it coordinated efforts to forestall investment value and interest rate risks, and control the holistic interest rate risk of each investment portfolio by arranging the term structure reasonably; it ranked first among Chinese peers by the new investment and existing investment in local government bonds throughout 2019, offering substantial funding support to the real economy sectors such as infrastructure construction; and the new investment amounts in both manufacturing enterprise bond and private enterprise bond soared remarkably over last year, therefore catering to the financing needs of these enterprises effectively.
- In terms of foreign-currency bond investment, the Bank worked hard to study and predict market trends, timely adjusted investment strategies, quickened investment pace at the appropriate time, carried out investment activities in more places and currency types, lengthened terms to a proper extent, and scaled up investment volume at a steady pace. At the same time, it kept increasing investment in offshore foreign-currency bonds targeted at Chinese-funded enterprises, so as to meet their financing needs overseas and support them in international development strategies.

Financing

- In line with its fund operation and liquidity management needs, the Bank reasonably arranged the scale and structure of liabilities including interbank borrowing, structured deposits and large-denomination CDs in order to enhance the supporting capacity of diverse liabilities to asset business growth.
- For details on the Bank's CDs and debt securities issued, please refer to "Notes to the Financial Statements: 33. Certificates of Deposit; 35. Debt Securities Issued".

Franchise Treasury Business

- In the aspect of franchise foreign exchange settlement and sales and foreign exchange trading, the Bank strove to serve enterprises' needs for money exchange and exchange rate hedging, with a focus on serving the real economy and in active response to China's Belt and Road Initiative. Besides, it creatively unveiled the RMB foreign exchange currency swap business pegged to the LPR floating rate. As a result, the Bank's trading volumes in franchise foreign exchange settlement and sales and foreign exchange trading option, foreign exchange swap and currency swap surged largely compared with the previous year. Moreover, the Bank successively put into operation the financial market-oriented corporate electronic trading platform and the corporate mobile banking-enabled foreign exchange settlement and sale business. The diversified product mixes and convenient channels enabled it to better serve the development of foreign trade with financial services.
- With respect to paper commodity trading, the Bank provided value-added services for paper commodity trading customers, satisfying customers' demand for information and increasing customer loyalty. It continued to enhance its product lines marketing, and accurately met customers' needs through precision marketing strategy. Consequently, the number of customers and trading volume of paper commodity trading business kept increasing steadily.
- In regard to corporate commodity trading, the Bank successfully attracted a number of leading enterprises to participate in commodity hedging business, with remarkable achievements in customer expansion. It assigned proprietary traders to key customers, deeply explored customers' potential demand, tried best to offer quotations more efficiently, provided customers with better trading experience, and expanded the trading volume of major customers steadily. Moreover, it continued to optimize the trading systems and introduce innovative products. As one of the first domestic banks to use self-developed corporate electronic trading platform, it managed to simplify the trading process and enhance the efficiency and degree of specialization.
- In terms of the over-the-counter bond business, the Bank continued to promote innovation. It successfully accomplished the pilot programs on the first over-the-counter local government bond issuance for 12 provinces or municipalities directly under the central governments, thus effectively helping local governments expand the channels for bond issuance, investment and trading as well as offering more investment options to customers. Besides, it managed to distribute the first China Development Bank Bond Connect Green Bond issued under the theme of sustainable development to the over-the-counter investors, in a bid to expand the social effect of green finance. The Bank was rated as an "Exemplary Institution in Over-the-Counter Bond Business" and "Contributing Institution in Over-the-Counter Local Government Bond Business" by China Central Depository & Clearing Co., Ltd.
- In the area of foreign institutional investors trading business in the China's Interbank Market, the Bank took an active part in serving foreign institutional investors from 50 countries and regions all over the world, and meeting their investment and trading needs in the China's Interbank Market. It won the "Contribution Award for Opening Up" granted by the National Interbank Funding Center and the "Excellent Settlement Agent" granted by China Central Depository & Clearing Co., Ltd.

Asset Securitization Business

- The asset securitization business effectively supported the Bank in disposing of non-performing assets, revitalizing stock assets and optimizing credit structure. In 2019, the Bank issued 18 tranches of credit asset securitization programs totaling RMB140,680 million in the mainland. Specifically, there were 10 tranches of residential mortgage securitization programs worth RMB131,239 million in aggregate, four tranches of non-performing personal loans securitization programs worth RMB4,157 million, three tranches of non-performing credit card asset securitization programs worth RMB1,747 million, and one tranche of M&A loan asset securitization program worth RMB3,537 million.

Precious Metal Business

- In terms of service upgrade, the Bank, as the first Chinese commercial bank, launched a precious metal customization platform that could link creative design enterprises (on the B end) and retail customers (on the C end) in the name of "ICBC (Online Precious Metal) Customized Service", thus enabling custom-made services to be rendered in a systematic and large-scaled way. It participated in the infrastructure improvement of the Chinese gold market. To be specific, it constructed and operated the Shanghai Gold Exchange International Board Certified Vault (ICBC Shenzhen), hence establishing its leading position in developing the gold bonded warehousing and transportation business at Guangdong-Hong Kong-Macau Greater Bay Area. Besides, the Bank became one of the first Shanghai Gold Exchange (SGE) members to offer the fixing reference prices for "Shanghai Silver Benchmark Price Trading", a move expanding the types of precious metal which the Bank could price in RMB. Moreover, it also rolled out a gold buy-back business model of "gold bars from other banks bought back at ICBC".
- In terms of product innovation, the Bank, keenly aware of what consumers really needed, advocated preeminent traditional culture, and vigorously developed precious metal products with regional characteristics.
- In terms of channel expansion, the Bank led all other SGE members to realize the program trading function by proxy and launch the "special legal entity account" business, making tremendous strides in expanding the base of institutional customers.
- In 2019, the Bank ranked No.1 among all SGE members in agent trading volume and clearing volume. It was recognized as the "Star of Precious Metals in China" by *Global Finance* and *Asiamoney*.

FinTech

The Bank sought for a strategic transformation toward a smart bank, by incorporating ICBC Information and Technology Co., Ltd. and FinTech Research Institute and putting in place a new FinTech framework which consisted of "one department, three centers, one subsidiary, and one research institute"[1]. In the meantime, it unveiled the ECOS through which new technologies could be used to construct new ecology and fuel the bank-wide business transformation.

- **Reinforcing top-level design and formulating the FinTech development plan.** In accordance with the FinTech Development Plan (2019–2021) issued by PBC as well as the Group's development plan and strategic goal of building into a smart bank, the ICBC FinTech Development Plan (2019–2023) (hereinafter referred to as the "FinTech Plan") was drafted in a bid to reflect new changes in and new requirements for FinTech development. Centering on the requirements to advance the Group's cross-border, cross-industry, and cross-sector transformation and development, the FinTech Plan would use "finance plus technology" as two great means to build a smart banking ecosystem, push FinTech towards innovative development, and ultimately create a "digital ICBC".
- **Transforming ICBC toward a smart bank faster and overhauling/optimizing the FinTech organizational structure and R&D model.** The Bank spared no effort to deploy a new FinTech framework which consisted of "one department, three centers, one subsidiary, and one research institute". To be specific, ICBC Technology was established in Xiongan, Hebei; an R&D department was added to the software development centers in Chengdu and Xi'an, to undertake such system R&D research functions as anti-fraud, bank collection management, and remote banking center; and the FinTech Research Institute was founded to primarily study forward-looking FinTech, enrich technology reserve, make strategic planning for key FinTech fields, and engage in innovative application. At the same time, the Bank reformed the R&D mechanism, and got the R&D work done with efficiency and quality further assured. It adhered to the concept of cultivating composite FinTech talents and leading figures, and worked hard to diversify the FinTech team.
- **Releasing the ECOS and opening a new chapter in the building of a smart bank.** The ECOS, a smart banking ecosystem, was characterized by a host of achievements, which included the open and integrated cross-border ecology, ubiquitous intelligent applications, highly flexible business support, dual-core IT architecture, automatically controllable new technology platform, and componentized R&D model. It would be closely integrated into various business areas, thus improving service capabilities and customer experience significantly.

1 Corresponding to the Financial Technology Department of the Head Office, Business Research & Development Center, Data Center, Software Development Center, ICBC Information and Technology Co., Ltd., and FinTech Research Institute.

Released ECOS

On the morning of 8 November 2019, ICBC hosted the ECOS launch event in Beijing. Designed to support the transformation and development of the Bank in the new era with cutting-edge financial technology, the smart banking ecosystem therefore opened a new chapter in the Bank's course of building a smart bank.

The ECOS was characterized by six achievements, which were being closely integrated into various business areas, and improving service capabilities and customer experience significantly.

- With this system, the Bank was intended to establish an open and integrated cross-border ecology and became the largest comprehensive financial service provider in China. Thanks to it, financial products such as payment, financing, wealth management, and investment could be seamlessly embedded into many daily consumption scenarios including education, medical care, traveling and government affairs as well as corporate production scenarios, making financial services as convenient and accessible as water and electricity. "Going Global" through API: more than 1,000 services and products were made into standardized interfaces and opened to over 2,000 partners such as the Palace Museum, State Grid, and China Post. "Bringing In" via financial cloud: a total of 15 industry applications such as treasury, education, and scenic spots were introduced, so that partners could work together to provide customers with comprehensive services in the form of "industry plus finance". To date, the number of tenants has exceeded 20,000.
- Rolling out a brand-new innovation model of "Smart Plus". The Bank advocated digital and intelligent applications, and promoted smart services, smart products, smart risk control, and smart operation, so as to meet new expectations and needs raised by the real economy and Chinese people for financial services. In 2019, it launched the brand-new Personal Mobile Banking Version 5.0 and Enterprise Mobile Banking Version 2.0, both of which adopted new technologies to offer many smart services as one-click response and non-inductive payment. Besides, a host of products including Quick Lending for Operation were rolled out for small and micro enterprises exclusively. Ahead of all other peers, the Bank introduced the AI index and "ICBC e Corporate Payment", an intelligent, online corporate payment and settlement product. In doing so, it integrated smart products into as many as business links like customer acquisition, invigoration, and retention. When bringing credit risk under intelligent monitoring, the Bank led other Chinese peers to develop the intelligent global anti-money laundering system and launch the financial risk information service product "ICBC e Security" to build a smart risk control system.
- Offering hot or fleeting scenarios with highly adaptive and flexible support. Through the financial cloud platform, the Bank could allocate resources and adapt to hot events with high flexibility, effectively guaranteeing business continuity. Therefore, the platform won the Bank the first prize of the Banking Technology Development Award.
- Creating the "host plus open platform" dual-core IT architecture: The Bank became the first of its peers in the industry to possess the core business processing capabilities based on a distributed, cloud platform. With the architecture, more than 90% of applications and systems could be deployed on the open platform, thus giving rise to a complete set of basic business support system which would cover account, customer, accounting, and other aspects. In this sense, the IT architecture was a historic breakthrough secured by large Chinese banks. As the first large-scaled Chinese bank to build the most complete distributed technology platform, ICBC realized the distributed transformation of 138 applications and systems in total, a move that could support the development of key business.
- Forging a series of industry-leading, enterprise-level FinTech platforms. The Bank went all out to diversify many new technology fields such as cloud computing, big data, blockchain, artificial intelligence (AI), and Internet of Things (IoT). As a result, it built a number of new technology platforms, promoted the integration of emerging technologies and business scenarios for vigorous application, thus developing the industry-leading, enterprise-level technical competence and business application ability. For example, it achieved the full distribution and localization of big data service cloud for the first time in the finance industry. It became the first Chinese bank to realize 5G network connectivity, with its full-functional 5G smart outlet debuted in Suzhou, and promoted the building and self-service channel innovation at intelligent flagship outlets in Nanjing and Beijing. Also, the Bank's blockchain platform passed the authorized certification of the Ministry of Industry and Information Technology of China ahead of its domestic counterparts; the Bank took the lead in getting registered with the Cyberspace Administration of China; and the first enterprise-level robotic process automation (RPA) platform was put into operation and promoted for extensive use by the Bank for the first time across the finance industry. Additionally, the Bank connected 1 million devices to the IoT platform and could provide massive IoT data as support.
- Gaining the componentized innovation ability to make flexible combination and rapid R&D. The Bank put in place a componentized R&D architecture which offered the largest number of standardized services and the biggest transaction volume across the industry. With more than 4,300 product parameters, 95% of products could go online on the T+1 day through parameterized configuration. In addition, 3,500 standardized business process components and 500-plus standardized cross-channel user interface components were able to be assembled so rapidly that large banks could respond to market and consumer requests agilely.

The release of the ECOS was another important milestone in the course of ICBC's technology development. Standing at this new starting point, the Bank would do more to bring FinTech into innovative application, and build into a "digital ICBC" which could contribute to high-quality economic development. In other words, it would use technology to change finance, and let finance help us create a better life.

- **The Bank spurred innovative R&D in key areas, by centering on the holistic development strategy.** Focusing on the Group's business development strategy, it made full use of innovative FinTech results to empower such business fields as No.1 Personal Bank, open Internet ecology, full-spectrum corporate banking, full-spectrum institutional banking, inclusive finance, mega asset management, risk management, and international/integrated operation. Consequently, it managed to sharpen its competitive edges among market players.
- **The business continuity of information systems and the capability of information security protection were improved continuously.** The Bank upgraded and transformed the production and operation system, successfully completed the city-wide information system switch across the Bank, verified the high availability of core business systems, and wrapped up the annual business-level offsite disaster recovery drill, hence justifying that the existing disaster recovery technologies could offer sufficient support to business recovery. It worked hard to bring the Group's information security under integrated management, raised the group-wide security defense standards, built the information security operation center (SOC) which gave the multi-dimensional, multi-angle view of security situation awareness across the board, and established a multi-level, three-dimensional security monitoring system based on models to improve the bank-wide capability of information security protection. Besides, it continued to carry out information security checks, helped security teams to enhance their offense and defense skills, wrapped up the building of an industry-leading, bank-wide platform where offense and defense technologies could be drilled as they were in actual use, and engaged authoritative third parties to conduct special inspections and security assessments. The inspection and assessment results suggested that the Bank's all operations were up to standard.
- The Bank ranked first industry-wide for six consecutive years in CBIRC's IT supervision ratings. Its seven achievements won the annual Banking Technological Development Award from PBC. Of these, the Financial Cloud Building Project received the first prize of the above award. Its ECOS was named as one of the Top Ten Events in FinTech Application for 2019 by PBC and other related departments. The Bank won the "Best Financial Innovation Award" from *The Chinese Banker* for the fourth consecutive year, the "Top Ten FinTech Innovator Award" and the "Top Ten Blockchain Application Innovator Award". Besides, it was rated with two FinTech innovation awards, i.e. "Best AI Initiative" and "Best Digital Transformation Project" by *The Asian Banker* as well as over 20 other awards from a variety of influential medias.
- By the end of 2019, the Bank had 615 patents issued in total. Added with the 54 new patents gained in the year, the total patents owned by the Bank numbered 603, ranking first industry-wide. In 2019, the Bank invested RMB16,374 million in FinTech. The Bank had about 34.8 thousand people specialized in FinTech, making up 7.8% of the Bank's workforce.

Internet-based Finance

The Bank, to make breakthrough in internet-based government affairs and industrial development and to achieve the strategic objective of building the "No.1 Personal Bank", worked hard on the public services, industrial and consumption fronts of internet. The Bank deepened cooperation with government agencies comprehensively, speeded up acquiring corporate customers and concentrated efforts to improve services to individual customers. It added intelligent content into traditional financial services and accelerated the development of an open, cooperative and win-win financial service ecosphere. In 2019, the internet financial transaction amount hit RMB633.05 trillion, and its proportion rose by 0.4 percentage points from the end of last year to 98.1%.

Proportion of Internet Financial Transaction

Note: The proportion of internet financial transactions refers to the number of internet financial transactions divided by the total number of transactions of the bank.

Advancement of Core Platforms

ICBC MOBILE

- The Bank focused on developing the "No.1 Personal Mobile Banking". It released Version 5.0 of mobile banking, and firstly created the voice navigation and sharing public beta version among peers by relying on new technologies, such as speech recognition, big data, AI, non-inductive authentication. The Bank built the individualized service system comprehensively, and tailored exclusive versions for customer groups like elders, students, small and micro business owners and private banking customers. In particular, the version of "Happy Life" targeted at elder customer group with eight innovative featured products and functions such as family account, agency account opening and the creative service mode of mobile family finance, which provided more convenient, more efficient and safer financial services for customers. Based on the identity authentication method of scanning code with mobile banking, the Bank provided card-free business processing service by scanning code with intelligent terminal or face recognition over the counter, carried out unified order-based management of changing the bank card while maintaining the card number, issuing credit certification, and other transactions, so as to realize the seamless connection between online and offline services.
- At the end of 2019, the number of ICBC Mobile customers reached 361 million. ICBC Mobile maintained its industry-dominance in customer size, loyalty and activeness.

ICBC MALL

- The Bank updated Version 2.0 of ICBC Mall and launched new mall and mobile seller center to improve customer experience and intelligent level in all aspects. The Bank improved online installment service, combining installment products with online consumption scenarios flexibly, and continued to propel the layout of special modules including procurement, travel, cross-border e-commerce, and judicial auction.
- At the end of 2019, ICBC Mall gained 146 million users.

ICBC LINK

- The Bank released Version 4.0 of ICBC Link, focusing on the positioning of the main portal of scenarios and customer information service center, to optimize the layout and service. The Bank built a brand-new scenario cloud platform integrating function, service and content to support flexible and rapid expansion and operation of scenarios. The Bank preliminarily established a scenario service ecosphere featuring online public service, messenger, sharing center, exclusive corporate service accounts, opened 14 thousand official accounts, and pushed over 60 million scenario service messages.
- At the end of 2019, ICBC Link had 167 million registered users.

ICBC ENTERPRISE MOBILE BANKING

- The Bank concentrated on terminal innovation and application of account management, payment and settlement, and value-added service for small and micro enterprises to serve the private sector and support inclusive finance. The Bank released Version 2.0 of ICBC Enterprise Mobile Banking, improving service with intelligent customer service, intelligent interaction, intelligent reminder, intelligent marketing, and serving millions of small and micro customers with ICBC Small and Micro Finance Platform, ICBC e Security, Small and Micro Enterprise e Management, ICBC e Commerce and other products.
- In 2019, ICBC Enterprise Mobile Banking had 2.05 million active users, with activeness leading the industry.

Development of Key Business Lines

PAYMENT

- The Bank continued to improve online payment products. It released new online product with functions of "aggregation acquisition plus smart clearing" to meet personalized needs of merchants and optimize user experience. The Bank applied "e-Payment Intelligent Campus" in such scenarios as canteen, supermarket, recharge, payment, parking in campus, providing comprehensive and convenient services integrating financial functions with campus applications. The Bank released aggregate collection service of "e-Payment QR Code", for small and micro merchants, which has served over 1 million small and micro merchants as at the end of 2019. Moreover, the Bank creatively launched the "One-Click Registration" service for third-party payment and carried out a number of convenient and preferential campaigns together with WeChat and Alipay.
- The Bank developed "ICBC e Corporate Payment", a corporate online payment brand embedded into the scenarios of the supply-chain core enterprise platform and other various transaction platforms, providing corporate online payment and settlement services for these platforms and realizing the combination of fund flows of transactions and their information flows. The "Treasury Management Cloud Service" and supply chain cloud platform were built to provide online integrated financial services that combined both "financial and non-financial" resources for large and medium-sized enterprises. The "Enterprise Link" corporate account opening service was further improved to provide one-stop account services for enterprises desired to handle business registration and open corporate accounts.
- The Bank continued to improve and update "ICBC e BillPay" product for better customer experience. The Bank launched cross-border bill payment service, and successively rolled out "Party Affairs Management Cloud", "Campus Affairs Management Cloud", "Property Management Cloud" and other financial ecosphere cloud services, which provided services such as personnel information management, bill management, fund settlement and relevant report statistics to customers.

CONSUMER FINANCE

- The Bank enriched the product features, cooperation models and scenario applications of ICBC e-Loan and promoted "Credit Granting in Seconds" and "Interconnection" scenario applications in a bid to enhance customers' experience with internet-based financing. "Credit Granting in Seconds" has enabled online real-time credit granting and real-time lending by importing external credible data such as provident fund, social security and personal tax information and adopting risk control methods such as face recognition. As of the end of 2019, "Credit Granting in Seconds" was brought online in 178 cities to cover all provident fund, social security and tax scenarios.

DIGITAL INCLUSIVE FINANCE

- ICBC Small and Micro Finance Platform was persistently improved to further implement the strategy of serving the real economy with financial services. The platform is committed to provide small and micro enterprises with a financial service package including account opening, settlement and financing. Functional modules including financial management, e-financing, investment, wealth management, and Small and Micro Enterprise e Management were launched to help small and micro enterprises improve their capability of operation and management.
- The Bank continued to improve "Small and Micro Enterprise e Loan", an online financing product system with "Quick Lending for Operation", "Online Revolving Loan" and "Digital Supply Chain" as core products. Relying on big data technology, "Quick Lending for Operation" built nearly 200 financing scenarios involving settlement, tax, merchant, etc., and served over 1 million small and micro customers. The e-Mortgage Quick Loan business was developed with vigor to enable customers' online self-service application, online collateral assessment and automatic approval, thus effectively boosting the processing efficiency and risk control. The Bank constantly refined digital supply chain financing product system. It created such new business modes as "digital credit certificate" and "e-Chain Quick Loan" to make supply chain financing service available to small and micro customers at the end of industry chain.

Building of a Financial Ecosphere

- The Bank strengthened the cooperation in applying digital technology in government affairs, and focused on key fields including intelligent government affairs, intelligent transport, intelligent campus, intelligent administration of justice and poverty alleviation through e-commerce. In respect of intelligent government affairs, the Bank, together with Xiongan New Area Management Committee, launched the "Blockchain Platform for Land Acquisition & Demolition Fund Management". The "Business Link", an application developed by government and the Bank, went live to integrate the government's supervision and approval management services with the Bank's financial services. The Bank cooperated with Ningxia government to release government affairs application "My Ningxia". ICBC Link preliminarily established online government affairs module. Electronic social security card was available in 281 cities around the nation. With regard to intelligent transport, the Bank released the non-inductive payment product, and completed projects including ICBC Car License Payment for Beijing Capital International Airport, non-inductive payment for Global Center in Chengdu and for expressway in Jilin. Electronic boarding code was available in 180 cities across the nation. As for intelligent campus, an educational payment and management product Campus Affairs Management Cloud continued to be updated to practically solve the problems of collection, payment and school roll management for schools, parents and students. As to intelligent administration of justice, the Bank became the only bank with the judicial auction qualification granted by the Supreme People's Court, developed online judicial auction platform and online inquiry platform on ICBC Mall. To facilitate the precision poverty alleviation, the Bank opened special stores on the new version of ICBC Mall, helping merchants in national-level poverty-stricken counties achieve trade volume of RMB440 million.
- The Bank helped internet transformation of industries, improved economic layout of industrial platform, and fully promoted the infrastructure construction of open platforms. API open platform had totally 18 groups of services including account management, settlement and acquiring, with over 5,000 cooperative enterprises. The Bank introduced nearly 20 cloud service solutions to government affairs, education and other 12 major industries. The Bank advanced the standard transformation of Ju Fu Tong platform to perfect such vital functions as financing, payment and clearing, significantly enhancing the financial service capability to enterprises on the industrial internet platform. The Bank deepened the cooperation with leading internet enterprises to innovate in payment, settlement, cross-border finance, etc.
- The Bank furthered joint efforts to build consumer finance scenarios. The Bank continued to optimize the features of ICBC e Wallet and built open, integrated account financial ecosphere covering 14 product lines of five categories, namely account, payment, investment, financing, settlement and value-added service. ICBC Link launched such features as Type II account opening, reloading, cash withdrawal, balance detail inquiry and wealth management. Through ICBC e Life, the Bank built a consumer finance ecosphere covering all the scenarios, that gathered bank, customers and merchants.

Channel Development and Service Enhancement

The Bank always put improvement of customer service experience in the first place. Orienting towards provision of convenient services, intelligent services and inclusive financial services, the Bank pursued scientific and technological innovation, made unremitting efforts to push forward channel transformation and development, and continued to deepen the integration of online and offline channels through perfecting the offering of "intelligent plus manual, online plus offline, cloud and near-field" services.

Channel Development

- Outlet improvement continued. The Bank actively improved the geographical distribution of outlets and aligned the outlet network structure better with market resources, significantly improving the ability to cover core areas and high-quality customer groups. The Bank made further headway in making its outlets smarter by making full use of advanced technologies such as blockchain, Internet of Things and artificial intelligence, so as to enrich service scenarios for people's wellbeing. It aimed to develop a new generation of smart outlets, and provide customers with more efficient, more convenient and smarter financial services. As at the end of 2019, the Bank completed the intelligent transformation of 15,684 outlets, put in place 79,555 intelligent devices and covered 287 personal and corporate business items with intelligent services.

- The Bank advanced the establishment of a new post system for outlets across the board. Following the customer-centric philosophy, the Bank built a new post system for outlets featured with division of responsibilities and coordination in work among outlet managers, operation supervisors, account managers and customer service managers, so as to boost the efficiency of human resource utilization and marketing of services.
- The Bank actively explored new ways of channel transformation. It diversified the entrances and tools for new channels such as QR code, outlet WiFi, WeChat and Weibo, providing customers with a convenient multi-channel service access matrix and effectively incorporating its services into online and offline scenarios. The Bank urged its outlets to integrate financial services with finance-related industries based on their own regional resources and customer characteristics, with a focus on building up their capability to provide professional services in market or industry divisions.
- At the end of 2019, the Bank had 15,784 outlets, 25,895 self-service banks and 82,191 ATMs whose trading volume amounted to RMB8,261.3 billion.

Service Enhancement

- The Bank continued to cement the groundwork and outcomes of its efforts to build a "bank to the satisfaction of customers", and improved the quality of services across the board. It carried out the "Considerate Services for General Public" campaign, and continued to improve customer experience and the quality of its services. It made great efforts to build 14,000 "ICBC Sharing Stations" for people's benefit and stayed committed to its original aspiration to serve the people. The Bank focused on inclusive public welfare and strengthened the mission of fulfilling its corporate social responsibilities.
- The Bank continuously improved business procedures and developed a new mode integrating online and offline operation and service, featuring online quick application, central business processing, offline quick delivery and total-process transparency, in order to better customer experience with a new operation and service mode. It created a model featuring online order placement, central processing and mail shipping for debit card replacement without card number change and the issuance of personal credit report. The Bank promoted "ICBC e Letter of Confirmation", a quick account opening model for enterprises, to achieve integrated processing and automatic feedback of the Bank's confirmation data.
- In 2019, both the Bank's outlet services and internet banking services made into the list of "Financial Enterprise Standard Forerunners" in the first award selection activity organized by eight ministries and commissions including the State Administration for Market Regulation and PBC.

Consumer Protection

- The Bank implemented the laws, regulations and regulatory requirements on consumer protection. It established the Corporate Social Responsibility and Consumer Protection Committee under the Board of Directors, in a bid to further improve the customer protection system at the corporate governance level. The Bank prepared and issued the Measures for Reviewing Consumer Protection to protect consumers' legitimate rights and interests at the root.
- The Bank implemented regulatory requirements on tax cuts and fee reductions, and further standardized the charging of service fees, so as to ensure efficient and high-quality financial products and services with reasonable price. Taking initiatives to adapt itself to the diversification of consumer demands for financial literacy, the Bank launched targeted financial literacy publicity and education and effectively raised the anti-risk awareness and sense of integrity of consumers.
- Adhering to the customer-centric business philosophy, the Bank made in-depth efforts to root out problems triggering customer complaints, put focus on complaints in key fields and regions, and took multiple measures to improve the quality and efficiency of complaint handling. It promoted information system building, continued to refine IT-based complaint management, and improved customer experience in dealing with their complaint.

  In 2019, the Bank's "Customer Service and Complaint Management System" recorded a total of 103 thousand customer complaints, mainly from Shandong, Hebei, Shanghai, Zhejiang, and Anhui, involving such businesses as credit card, personal banking and internet finance.

Human Resources Management

- The Bank continued to enhance the efficiency of human resources management. It carried on the three-year personnel planning in depth, controlled the total number of staff appropriately and optimized their structure constantly. The Bank continued to build up its image as a good employer through the "ICBC Star" recruitment plan, established the "3+3" campus recruitment system to effectively distinguish between excellent potential talents and position-suitable talents. It increased social recruitment based on staffing requirements of county-based institutions and other related business. A core talent pool of corporate credit customer managers was established to strengthen team building. The Bank employed better outlet customer service managers and operation supervisors to improve the efficiency of outlet employees. It hired more international talents, improved the total number and composition of expatriates, and established a two-way exchange mechanism for employees of the Bank's institutions in the Greater Bay Area. The Bank continued to increase employment compensation and benefits and gave post allowances to outlet employees and subsidies to employees in impoverished and remote areas.

- The organizational structure of the Group's institutions at all levels witnessed further progress. The Bank implemented the requirements of the CPC Central Commission for Discipline Inspection and the National Supervisory Commission on the dispatched inspection reform, adjusted relevant organizational structures and department functions. It established ICBC Wealth Management in accordance with the New Rules on Asset Management. It continued to promote the transformation of the Group's FinTech organizational structure by setting up a FinTech Research Institute, six innovation laboratories and ICBC Technology, and established software development sub-centers in Chengdu and Xi'an. It continuously promoted intensive business management by setting up intensive operation centers in Foshan and Chengdu. The Bank stepped up efforts to apply for opening tier-two branches in a number of free trade zones and improved tier-one sub-branches in some cities. Based on these efforts, the Bank's institutions have made further headway in improving their efficiency.

- Steady progress was made in education and training. The Bank, based on the job requirements of each post, carried out adaptive training involving general skills and the promotion of new products, businesses, and procedures to help employees adapt to their posts. It focused on business priorities and strategy transmission, and rolled out training programs on subjects including intelligent small and micro enterprises, credit management capability, competitiveness of key urban branches, outlet managers' practical capability, corporate asset securitization, and approaches to increase corporate deposits. To improve the competence and professionalism of its employees, the Bank provided them with targeted training programs, such as training for international talents, "311" training for bank leaders, "Defenders of Credit Quality" for customer managers, "Rock-solid Plan" for operation supervisors, and "Star Plan" for new employees, aiming to develop a tiered talent training system. It rolled out more professional training, made adjustment to the certification mechanism of qualifications, and established the Macau Young Financial Talent Training Institute. In 2019, the Bank organized a total of 44 thousand training sessions of all kinds with 5.31 million trainees.

- Upholding the core value of "Integrity Leads to Prosperity", the Bank enriched corporate culture in the new era, strengthened cultural self-confidence, and enhanced the Group's culture to better unite its employees. It adopted new cultural carriers, such as urging outlets to integrate culture into their business operation, setting up a "Corporate Culture" column in its newspaper and enriched the column of "Cultural Weekly" on its official Weibo. The Bank fostered the value of integrity, produced educational films for warning purpose, and promoted full and rigorous governance over the Party and the Bank. The Bank launched the "Responsibility Reinforcement Year" compliance culture event. It also held the "Innovative ICBC" competition to build a cross-professional and cross-region collaborative innovation platform. It carried out culture events such as the "Considerate Services for General Public" campaign. The cultural development in credit and other key areas was deepened. The Bank made innovative efforts to hold the ICBC global campaign themed "ONE ICBC, ONE FAMILY" and the 2019 award ceremony, providing overseas institutions with a platform to showcase their efforts and achievements. At the ceremony, the Bank rolled out such awards as "Touching ICBC", "Innovative ICBC", "ICBC Craftsmanship" and "Outstanding Contribution Award for Serving the China International Import Expo", in an effort to motivate its employees to unite together and forge ahead. The Bank's tireless struggle made it won the "Chinese Enterprise Spirit Award during 70 Years of Progress in Building a New China".

Internationalized and Diversified Operation

Internationalized Operation

The Bank steadily advanced international development and continued to improve its global network. ICBC (Austria) officially opened, and ICBC (Europe) Greece Representative Office and Macau Branch were granted licenses. Financial support was strengthened for Chinese enterprises "Going Global" and the Belt and Road Initiative. Coordinated efforts were made to advance the integrated and joint development mechanism and financial innovation in the Guangdong-Hong Kong-Macau Greater Bay Area. The Bank enhanced coordinated domestic and overseas development, pursued in-depth development of overseas business and product lines and accelerated the cross-border RMB business development.

- ✧ Corporate banking: the Bank actively served the Belt and Road Initiative, promoted international cooperation on production capacity and third-party market cooperation on a win-win basis and provided cross-border customers with "one-stop" financial services by providing a basket of products, including overseas bond issuance, cross-border acquisition, project finance, derivatives trading and global cash management. The Bank remained as the top global financial advisor in terms of the number of deals completed for Chinese outbound acquisition transactions according to the ranking of "Advisors for Chinese Outbound Acquisition Transactions" promulgated by Refinitiv. The Bank was among market leaders in overseas IPO underwriting and sponsorship as well as underwriting and issuance of offshore bonds.
- ✧ Personal banking: the Bank endeavored to enhance public convenience in the Guangdong-Hong Kong-Macau Greater Bay Area by launching the "Bay Area Service Link" and "Bay Area Account Link" services. ICBC e Life created the "Bay Area Life" column and launched the "I GO Bay Area" cross-border promotional campaigns. 3.82 million bank cards were issued overseas, with efforts focused on developing the "ICBC Virtual Credit Card for Guangdong-Hong Kong-Macau Greater Bay Area" and "ICBC Debit Card for Guangdong-Hong Kong-Macau Greater Bay Area".
- ✧ Overseas internet financial services: the overseas internet banking product system including personal and corporate internet banking and mobile banking covered 41 countries or regions, providing services in 14 languages. ICBC Mall cross-border e-commerce consisted of three segments, namely B2C, B2B and outbound financial services, diversifying the product categories from Asia, Africa, Europe, Australia, North America and South America. With over 500 merchants on the platform, it also rolled out cross-border integrated outbound financial service solutions for cross-border traders.
- ✧ Financial market business: the Bank issued the "China Bond-ICBC RMB Bond Index" worldwide jointly with China Central Depository & Clearing Co., Ltd. and Singapore Exchange, and conducted China's first ever foreign exchange settlement/sale transaction for Global Depository Receipts (GDRs). The Bank has established bond and foreign exchange business relationship in the China's Interbank Market with foreign institutional investors from over 50 countries or regions, remaining among the top panda bond issuers by underwriting value.
- ✧ Global asset management: the Bank enriched and bettered the product lines for cross-border asset management. A series of flagship brands were developed, including Global Rotation, Global Select and Global Safe Profit. The UCITS bond fund themed by the Belt and Road Initiative was successfully issued in the offshore market.
- ✧ Global custody services: the Bank persistently served Chinese tech startups and corporate innovators operating overseas, designated among the first qualified depositaries in the pilot program on depository receipts. The Bank took the opportunity of capital market connectivity to become the sole GDR underlying securities custodian under the Shanghai-London Stock Connect programme and one of the pilot custodians under the China-Japan ETF Connect mechanism. The Bank's number of qualified foreign institutional investors continued to maintain the No.1 position among Chinese peers.
- ✧ The Bank proactively advanced the cross-border RMB business. It promoted the use of RMB in cross-border trade, investment and financing, and continuously consolidated its market strengths in RMB business. The Bank continued to steadily support RMB internationalization, focusing on promoting the use of RMB in surrounding countries and Africa. The Bank accelerated innovations in free trade zones (FTZs) and the Guangdong-Hong Kong-Macau Greater Bay Area, and Free Trade Accounting Systems were deployed in Hainan and Shenzhen FTZs etc. The Bank constantly enhanced service capabilities of RMB Clearing Banks, and its efforts to assist in RMB capacity building in key markets overseas. Besides, the Bank improved the cross-border e-commerce comprehensive service platform by function upgrading and expanding, striving to develop new highlights for cross-border RMB business. In 2019, the Bank's cross-border RMB business volume surpassed RMB5 trillion.

✧ At the end of 2019, the Bank established 428 institutions in 48 countries and regions and indirectly covered 20 African countries as a shareholder of Standard Bank Group. The Bank also established correspondent banking relationships with 1,445 overseas banking institutions in 143 countries and regions, making its service network covering six continents and important international finance centers around the world. The Bank maintained 129 institutions in 21 countries and regions along the Belt and Road.

MAJOR INDICATORS FOR OVERSEAS INSTITUTIONS

	Assets (in USD millions)		Profit before taxation (in USD millions)		Number of institutions	
Item	At the end of 2019	At the end of 2018	2019	2018	At the end of 2019	At the end of 2018
Hong Kong and Macau	197,279	182,777	2,105	2,017	107	104
Asia-Pacific Region (except Hong Kong and Macau)	108,867	98,766	1,139	1,025	90	91
Europe	80,926	76,127	21	134	79	81
America	51,836	56,948	449	553	151	149
Africa Representative Office	–	–	–	–	1	1
Eliminations	(37,213)	(34,100)				
Subtotal	**401,695**	**380,518**	**3,714**	**3,729**	**428**	**426**
Investment in Standard Bank[(1)]	3,988	3,786	376	386		
Total	**405,683**	**384,304**	**4,090**	**4,115**	**428**	**426**

Note: (1) The assets represent the balance of the Bank's investment in Standard Bank and the profit before taxation represents the Bank's gain on investment recognized by the Bank during the reporting period.

✧ As at the end of 2019, total assets of overseas institutions (including overseas branches, subsidiaries and investments in Standard Bank) of the Bank were USD405,683 million, an increase of USD21,379 million or 5.6% from the end of the previous year, and they accounted for 9.4% of the Group's total assets. Profit before taxation during the reporting period was USD4,090 million, representing a decline of USD25 million or 0.6% as compared to last year and accounting for 7.3% of the Group's profit before taxation. Total loans amounted to USD200,833 million, and total deposits were USD134,749 million, representing an increase of USD3,785 million or 2.9%.

Diversified Operation

- ICBC Credit Suisse Asset Management actively served the real economy and diverse customer demands, placed equal emphasis on intra-group coordination and market-oriented expansion, seized opportunities while preventing risks, continued to enhance the investment research capability and investment performance and vigorously developed the pension investment management business and non-money-market fund business. It managed to improve the business structure continuously and enhance the quality and efficiency steadily.

- ICBC Leasing endeavored to improve its ability to provide professional and integrated financial services and continued to pursue transformation to high-quality development while fortifying the groundwork for risk management and control. The aviation leasing segment made further progress in supporting national aviation development, demonstrating a rising level of professionalism. The shipping leasing segment helped Chinese shipbuilders go abroad and innovatively developed an integrated shipping financial service solution that encompassed finance, manufacturing and management. The equipment leasing segment explored innovative business models including "captive leasing plus inclusive finance" to effectively enhance intra-group synergies.

- ICBC-AXA made solid progress in business transformation and enhanced professionalism in investment. It managed to embrace healthy business development on all insurance fronts based on the Group's channel advantages, recording the strongest performance by a number of operating indicators. It explored new models of online customer acquisition and built the "health insurance plus health service" insurance business model encompassing all groups of people and the entire health cycle. The asset management subsidiary officially commenced operation to build a professional investment platform. The risk compliance management continued to be strengthened and the enterprise risk management system further improved.

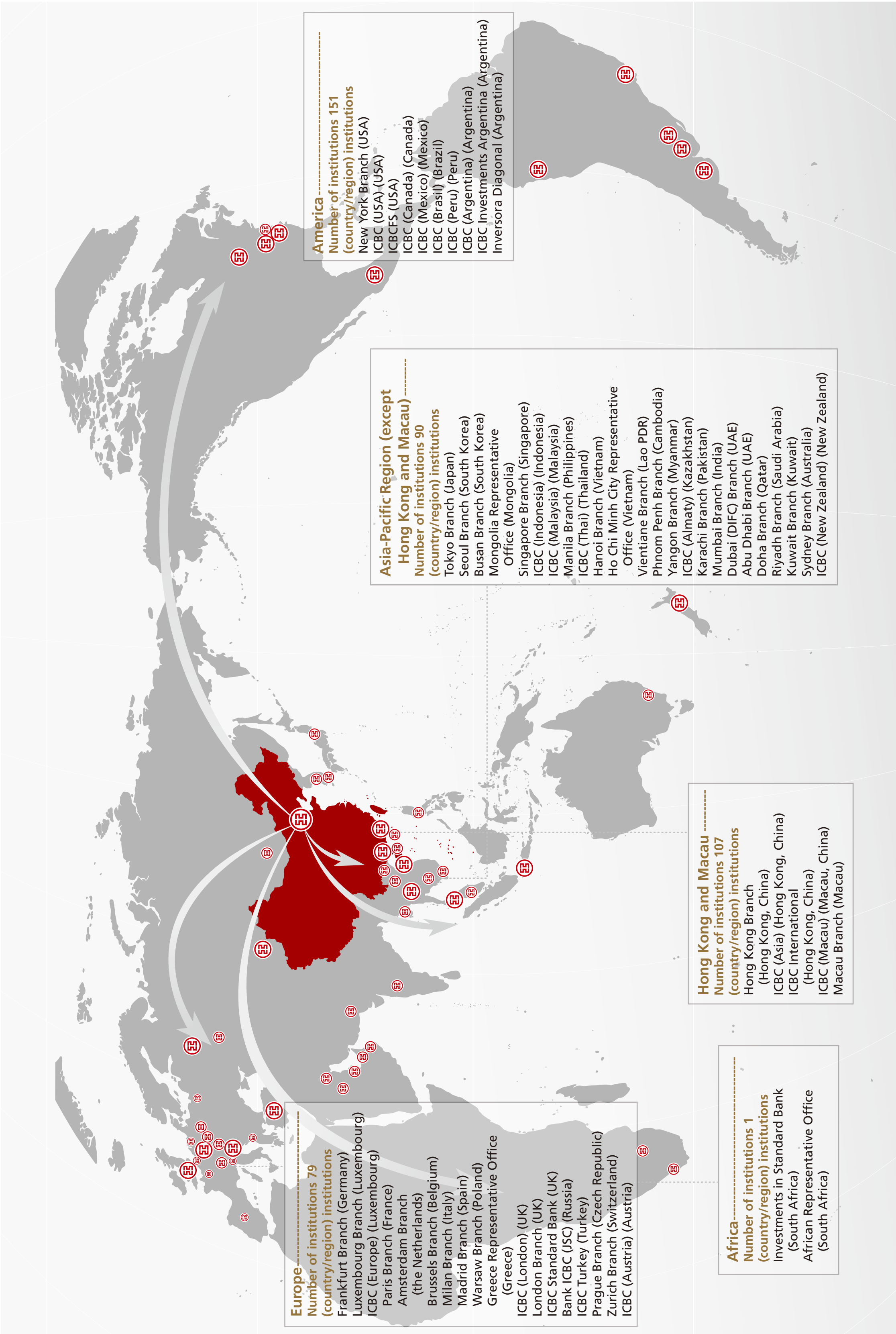
- ICBC International continued to unleash its growth potential, showing continuous enhancement of market competitiveness and steady improvement in operation effectiveness and asset quality across its four major businesses, i.e. investment banking, sales and trading, investment management and asset management. It remained among top players by size of IPO underwriting, seeing the number of bond underwriting projects rising rapidly. It made active explorations for new economic equity investment to pursue greater ability to serve all customers and stronger contribution to value of the Group.

- ICBC Investment focused work on the strategic plans for supply-side structural reform and strengthened coordination with the Group. It diversified fundraising channels, strengthened enterprise risk management and control, pursued market-oriented debt-for-equity swap business in a proactive and prudent manner and kept improving the quality and efficiency of serving the real economy. A number of investment projects represented the first-of-its-kind deals for the relevant region, industry or model. Integrated financial services were provided to debt-for-equity enterprises in support of their reform and development.

- ICBC Wealth Management, as the first banking wealth manager approved, was among market leaders in terms of business qualifications, product migration and IT system building. It adhered to professional investment management and strategy-based product management, and aligned its wealth management products and investments with the New Rules on Asset Management. As guided by the New Rules on Asset Management, ICBC Wealth Management rolled out over 350 characteristic products at the full spectrum including increased fixed income, cash management, equity, projects, asset portfolio, alternative investment, quantitative and cross-border investment under fixed income, equity, commodities and financial derivatives as well as hybrid of these four categories, and developed a number of star product lines in public offering and private placement including "Tian Li Bao", "Xin De Li", "Quan Xin Equity", "Xin Wen Li" and "Bo Gu Tong Li". ICBC Wealth Management adhered to the Group's unified risk appetite and established a comprehensive risk control and compliance framework.

- ICBC Technology successfully opened for business in Xiongan New Area. The setup of ICBC Technology represented the Banks' strategic move to build a smart bank relying on the nature of finance and leveraging on the Bank's strengths in FinTech and integrating innovation capabilities. Since its opening, ICBC Technology has made significant progress in intelligent government affairs, commercialization of risk control technology products, building of the financial ecosphere cloud, customer system custody service and equity investment in tech startups and corporate innovators.

DISTRIBUTION MAP OF OVERSEAS INSTITUTIONS



Major Controlled Subsidiaries and Equity Participating Company

Major Overseas Subsidiaries

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED

ICBC (Asia) is a wholly-owned Hong Kong registered bank by the Bank, and has an issued share capital of HKD44,188 million. It provides comprehensive commercial banking services and the major businesses, including commercial credit, trade finance, investment service, retail banking, e-banking, custody, credit card, receiving bank services for IPOs and dividend distribution etc. At the end of 2019, ICBC (Asia) recorded total assets of USD122,446 million and net assets of USD17,189 million. It generated a net profit of USD1,066 million during the year.

ICBC INTERNATIONAL HOLDINGS LIMITED

ICBC International, a licensed integrated platform for financial services in Hong Kong that is wholly owned by the Bank, has a paid-up capital of HKD4,882 million. It mainly renders a variety of financial services, including corporate finance, investment management, sales and trading, and asset management. At the end of 2019, ICBC International recorded total assets of USD8,521 million and net assets of USD1,378 million. It generated a net profit of USD200 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MACAU) LIMITED

ICBC (Macau) is the largest local legal banking entity in Macau. It has a share capital of MOP589 million, in which the Bank holds an 89.33% stake. ICBC (Macau) mainly engages in comprehensive commercial banking services such as deposit, loan, trade finance and international settlement. At the end of 2019, ICBC (Macau) recorded total assets of USD43,860 million and net assets of USD3,275 million. It generated a net profit of USD374 million during the year.

PT. BANK ICBC INDONESIA

ICBC (Indonesia) is a full-licensed commercial banking subsidiary of the Bank registered in Indonesia, with a paid-up capital of IDR3.71 trillion, in which the Bank holds a 98.61% stake. ICBC (Indonesia) mainly specializes in financial services such as deposit, loans, trade finance, settlement, agency services, interbank borrowing and lending and foreign exchange. At the end of 2019, ICBC (Indonesia) recorded total assets of USD3,806 million and net assets of USD423 million. It generated a net profit of USD31.08 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD

ICBC (Malaysia) is a wholly-owned subsidiary of the Bank established in Malaysia. With a paid-up capital of MYR833 million, it is able to provide a full range of commercial banking services. At the end of 2019, ICBC (Malaysia) recorded total assets of USD1,237 million and net assets of USD285 million. It generated a net profit of USD12.29 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (THAI) PUBLIC COMPANY LIMITED

ICBC (Thai), a subsidiary of the Bank in Thailand, has a share capital of THB20,132 million, in which the Bank holds a 97.86% stake. ICBC (Thai) holds a comprehensive banking license and provides various services including deposit, loan, trade finance, remittance, settlement, leasing and consulting. At the end of 2019, ICBC (Thai) recorded total assets of USD8,426 million and net assets of USD1,049 million. It generated a net profit of USD73.56 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ALMATY) JOINT STOCK COMPANY

ICBC (Almaty), a wholly-owned subsidiary of the Bank, was incorporated in Kazakhstan with a share capital of KZT8,933 million. It principally engages in commercial banking services such as deposit, loan, international settlement and trade finance, foreign currency exchange, guarantee, account management, internet banking and bank card service. At the end of 2019, ICBC (Almaty) recorded total assets of USD548 million and net assets of USD68 million. It generated a net profit of USD12.02 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (NEW ZEALAND) LIMITED

ICBC (New Zealand), a wholly-owned subsidiary of the Bank in New Zealand, has a paid-up capital of NZD234 million. ICBC (New Zealand) provides corporate and personal banking services such as account management, transfer and remittance, international settlement, trade finance, corporate credit, residential mortgages and credit card business. At the end of 2019, ICBC (New Zealand) recorded total assets of USD1,534 million and net assets of USD173 million. It generated a net profit of USD15.45 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (EUROPE) S.A.

ICBC (Europe), a wholly-owned subsidiary bank of the Bank, was incorporated in Luxembourg with a paid-up capital of EUR437 million. Paris Branch, Brussels Branch, Amsterdam Branch, Milan Branch, Madrid Branch, Warsaw Branch and Greece Representative Office are structured under ICBC (Europe), which mainly offers financial services including loan, trade finance, settlement, treasury, investment banking, custody, franchise wealth management, etc. At the end of 2019, ICBC (Europe) recorded total assets of USD6,200 million and net assets of USD700 million. It suffered a net loss of USD25.69 million during the year.

ICBC (LONDON) PLC

ICBC (London), a wholly-owned subsidiary of the Bank, was incorporated in the United Kingdom with a paid-up capital of USD200 million. It provides banking services such as deposit and exchange, loans, trade finance, international settlement, funds clearing, foreign exchange trading and retail banking. At the end of 2019, ICBC (London) recorded total assets of USD2,262 million and net assets of USD445 million. It generated a net profit of USD19.54 million during the year.

ICBC STANDARD BANK PLC

ICBC Standard Bank, a subsidiary of the Bank in the United Kingdom, has an issued share capital of USD1,083 million, in which the Bank holds a 60% stake directly. ICBC Standard Bank mainly provides global commodity trading businesses such as base metals, precious metals, commodities and energy as well as global financial markets businesses such as exchange rate, interest rate and credit. At the end of 2019, ICBC Standard Bank recorded total assets of USD24,765 million and net assets of USD1,179 million. It suffered a net loss of USD243 million during the year.

BANK ICBC (JOINT STOCK COMPANY)

Bank ICBC (JSC), a wholly-owned subsidiary of the Bank, was incorporated in Russia with a share capital of RUB10,810 million. It mainly provides a full spectrum of corporate banking services including corporate and project loan, trade finance, deposit, settlement, securities brokerage, custody, franchise treasury business and securities trading, foreign currency exchange, global cash management, investment banking and corporate financial consulting, as well as personal banking services. At the end of 2019, Bank ICBC (JSC) recorded total assets of USD961 million and net assets of USD206 million. It generated a net profit of USD22.50 million during the year.

ICBC TURKEY BANK ANONIM ŞIRKETI

ICBC (Turkey), a subsidiary of the Bank in Turkey, has a share capital of TRY860 million, in which the Bank holds a 92.84% stake. It holds commercial banking, investment banking and asset management licenses, and provides corporate customers with comprehensive financial services including deposit, project loan, syndicated loan, trade finance, small and medium-sized enterprise loan, investment and financing advisory, securities brokerage and asset management, and renders personal customers with financial services such as deposit, consumption loan, residential mortgages, credit card and E-banking. At the end of 2019, ICBC (Turkey) recorded total assets of USD3,093 million and net assets of USD229 million. It generated a net profit of USD12.27 million during the year.

ICBC AUSTRIA BANK GmbH

ICBC (Austria), a wholly-controlled subsidiary of the Bank in Austria, has a share capital of EUR100 million. ICBC (Austria) provides financial services such as corporate deposit, loan, trade finance, international settlement, cash management, cross-border RMB business, foreign exchange transactions, and financial advisory for cross-border investment and financing. At the end of 2019, ICBC (Austria) recorded total assets of USD372 million and net assets of USD107 million. It suffered a net loss of USD4.31 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (USA) NA

ICBC (USA), a controlled subsidiary of the Bank in the United States, has a paid-up capital of USD369 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license registered in the UFIQAC, ICBC (USA) is a member of Federal Deposit Insurance Corporation, providing corporate and retail banking services such as deposit, loan, settlement and remittance, trade finance, cross-border settlement, cash management, E-banking and bank card services. At the end of 2019, ICBC (USA) recorded total assets of USD2,902 million and net assets of USD441 million. It generated a net profit of USD23.01 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA FINANCIAL SERVICES LLC

ICBCFS, a wholly-owned subsidiary of the Bank in the United States, has a paid-up capital of USD50.00 million. It mainly specializes in securities clearing business in Europe and America, and offers securities brokerage services including securities clearing and financing for institutional customers. At the end of 2019, ICBCFS recorded total assets of USD23,983 million and net assets of USD91 million. It suffered a net loss of USD13.32 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

ICBC (Canada) is a subsidiary of the Bank in Canada with a paid-up capital of CAD208.00 million, in which the Bank holds an 80% stake. Holding a full-functional commercial banking license, ICBC (Canada) provides corporate and retail banking services such as deposit, loan, settlement and remittance, trade finance, foreign exchange trading, funds clearing, cross-border RMB settlement, RMB currency notes, cash management, E-banking, bank card and investment and financing information consulting service. At the end of 2019, ICBC (Canada) recorded total assets of USD1,509 million and net assets of USD270 million. It generated a net profit of USD21.06 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA MEXICO S.A.

ICBC (Mexico), a wholly-owned subsidiary of the Bank in Mexico, has a paid-up capital of MXN1,597 million. Holding a full-functional commercial banking license, ICBC (Mexico) offers corporate deposit, loan, international settlement, trade finance, foreign exchange trading and other services. At the end of 2019, ICBC (Mexico) recorded total assets of USD260 million and net assets of USD56 million. It suffered a net loss of USD17.67 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (BRASIL) S.A.

ICBC (Brasil), a wholly-owned subsidiary of the Bank in Brazil, has a paid-up capital of BRL202 million. ICBC (Brasil) offers commercial banking and investment banking services such as deposit, loan, trade finance, international settlement, fund transaction, franchise wealth management and financial advisory. At the end of 2019, ICBC (Brasil) recorded total assets of USD552 million and net assets of USD54 million. It suffered a net loss of USD50 thousand during the year.

ICBC PERU BANK

ICBC (Peru), a wholly-owned subsidiary of the Bank in Peru, has a paid-up capital of USD120 million. Holding a full-functional commercial banking license, ICBC (Peru) offers corporate deposit, loan, financial leasing, international settlement, trade finance, foreign exchange trading, E-banking and other services. At the end of 2019, ICBC (Peru) recorded total assets of USD526 million and net assets of USD106 million. It generated a net profit of USD5.09 million during the year.

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ARGENTINA) S.A.

ICBC (Argentina), a controlled subsidiary of the Bank in Argentina, has a share capital of ARS1,345 million, in which the Bank holds an 80% stake. With the full-functional commercial banking license, ICBC (Argentina) provides a full range of commercial banking services including working capital loan, syndicated loan, structured financing, trade finance, personal loan, auto loan, spot/forward foreign exchange trading, financial markets, cash management, investment banking, bond underwriting, asset custody, leasing, international settlement, E-banking, credit card, asset management, etc. At the end of 2019, ICBC (Argentina) recorded total assets of USD3,622 million and net assets of USD490 million. It generated a net profit of USD217 million during the year.

Major Domestic Subsidiaries

ICBC CREDIT SUISSE ASSET MANAGEMENT CO., LTD.

ICBC Credit Suisse Asset Management, a subsidiary of the Bank, has a paid-up capital of RMB200 million, in which the Bank holds an 80% stake. It mainly engages in fund placement, fund distribution, asset management and such other businesses as approved by CSRC, and owns many business qualifications including mutual fund, QDII, enterprise annuity, specific asset management, domestic and overseas investment manager of social security fund, RQFII, insurance asset management, non-listed asset management, occupational annuity, manager of basic pension insurance investment. It is one of the fund companies with the most comprehensive qualifications in the industry. ICBC Credit Suisse Asset Management (International) and ICBC Credit Suisse Investment Management Co., Ltd. are structured under ICBC Credit Suisse Asset Management. At the end of 2019, ICBC Credit Suisse Asset Management managed a total of 143 mutual funds and nearly 500 enterprise annuity accounts and segregated management accounts as well as non-listed assets portfolios, with the assets under management amounting to RMB1.29 trillion, and recorded total assets of RMB11,042 million and net assets of RMB9,341 million. It generated a net profit of RMB1,536 million during the year.

ICBC FINANCIAL LEASING CO., LTD.

ICBC Leasing, a wholly-owned subsidiary of the Bank, has a paid-up capital of RMB18.0 billion. It mainly operates the financial leasing of large-scale equipment in critical fields such as aviation, shipping, energy and power, rail transit and equipment manufacturing. It also engages in various financial and industrial services including leased assets trading, securitization of investment assets, assets management and economic consulting. At the end of 2019, ICBC Leasing recorded total assets of RMB270,981 million and net assets of RMB36,206 million, and generated a net profit of RMB3,436 million during the year.

ICBC-AXA ASSURANCE CO., LTD.

ICBC-AXA, a subsidiary of the Bank, has a paid-up capital of RMB12,505 million, in which the Bank holds a 60% stake. ICBC-AXA engages in a variety of insurance businesses such as life insurance, health insurance and accident insurance, and re-insurance of these businesses, businesses in which use of insurance capital is permitted by laws and regulations of the State, and other businesses approved by the CBIRC. At the end of 2019, ICBC-AXA recorded total assets of RMB160,762 million and net assets of RMB14,825 million. It generated a net profit of RMB1,258 million during the year.

ICBC FINANCIAL ASSET INVESTMENT CO., LTD.

ICBC Investment, a wholly-owned subsidiary of the Bank, has a paid-up capital of RMB12.0 billion and is one of the first pilot banks in China to conduct debt-for-equity swap authorized by the State Council. It holds the franchise license of non-bank financial institution and is mainly engaged in debt-for-equity swap and the supporting business. In 2019, ICBC Capital Management Co., Ltd., a private equity fund management subsidiary of ICBC Investment, was licensed to be a private equity fund manager. At the end of 2019, ICBC Investment recorded total assets of RMB129,567 million and net assets of RMB14,027 million. It generated a net profit of RMB563 million during the year.

ICBC WEALTH MANAGEMENT CO., LTD.

ICBC Wealth Management, a wholly-owned subsidiary of the Bank, has a paid-up capital of RMB16.0 billion. It engages mainly in the issuance of wealth management products, wealth management advisory and consulting service and other activities approved by CBIRC. Qualified for general derivatives trading and foreign exchange business, it is the first wealth management subsidiary of a bank approved by regulators in China. At the end of 2019, ICBC Wealth Management recorded total assets of RMB16,397 million and net assets of RMB16,330 million. It generated a net profit of RMB330 million during the year.

Majority Equity Participation Company

STANDARD BANK GROUP LIMITED

Standard Bank is the largest commercial bank in Africa. Its scope of business covers commercial banking, investment banking, life insurance business and other areas. The Bank holds 20.06% ordinary shares of Standard Bank. Based on mutual benefit and win-win cooperation, the two sides furthered their cooperation in equity cooperation, customer expansion, project financing, product innovation, risk management, FinTech and staff exchange. At the end of 2019, Standard Bank recorded total assets of ZAR2,275,589 million and net assets of ZAR209,484 million. It generated a net profit of ZAR30,696 million during the year.

A Strategic Partner in the African Continent — Standard Bank Group

Founded in 1862, Standard Bank Group, headquartered in Johannesburg, South Africa, operates in 20 African countries and has offices in cities including Beijing, London, New York, Dubai and Sao Paulo. It is an integrated financial service group based in Africa and operating in the international market. The Standard Bank Group, which is listed on multiple exchanges such as the Johannesburg Stock Exchange in South Africa, is the largest bank group in Africa in terms of assets. The Standard Bank Group has more than 50 thousand employees worldwide, and its main business covers three business units, namely, Personal and Business Banking (PBB), Corporate and Investment Banking (CIB), and Wealth. It provides insurance financial services as well through Liberty Holdings Limited, a listed subsidiary in South Africa. In 2019, Standard Bank was named the "Best Bank in Africa" and "Best Bank in South Africa" by *Global Finance*, the "Best Bank in South Africa" by *The Banker* and the largest bank in Africa (ranking by tier 1 capital).

In 2008, ICBC acquired a 20% stake in Standard Bank Group and became its single largest shareholder. At present, ICBC and Standard Bank have established and maintained close strategic cooperation relationship, and the two banks have carried out in-depth and extensive cooperation in many fields, providing comprehensive and rich financial services for China-Africa economic and trade exchanges and the Belt and Road Initiative.

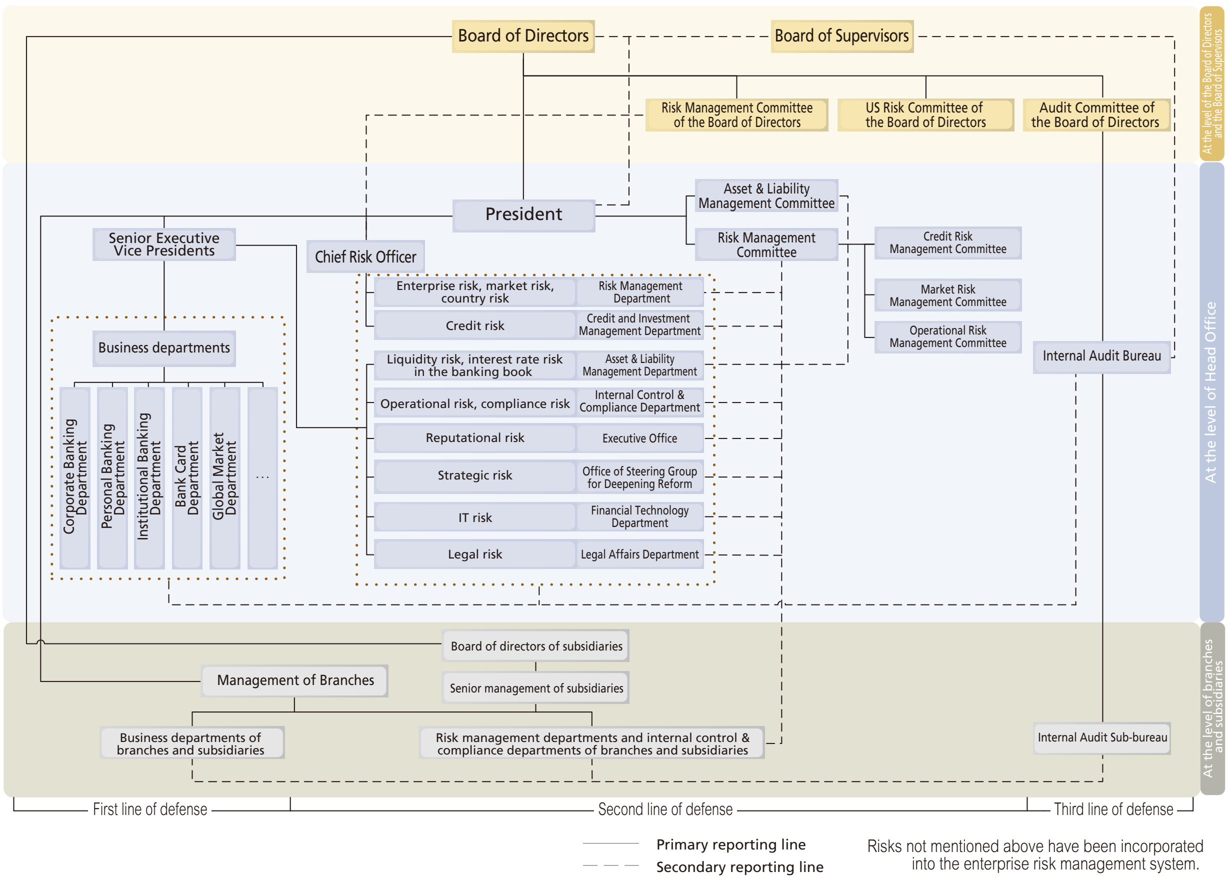
In November 2019, ICBC joined hands with Standard Bank Group to participate in the Second China International Import Expo to seek business opportunities for customers from Africa as a matchmaker. During the Import Expo, Standard Bank launched the Africa-China Export Proposition (ACEP) service to provide rapid export process guidance for African exporters to explore the Chinese market, and a set of export value chain services. In 2019, ICBC and Standard Bank jointly launched the Africa-China Agent Proposition (ACAP) service, which can provide a package of comprehensive services for Chinese suppliers and importers in Africa, and is now launched in eight African countries including Nigeria, Ghana, Kenya and South Africa. In December 2019, Standard Bank took the lead in launching UnionPay digital platform for customers in China and South Africa to facilitate their economic trade and tourism. As the only UnionPay card issuer among local mainstream banks in South Africa, Standard Bank is also the first local mainstream bank in Africa that provides internet banking service in Chinese language in Africa. In 2019, Standard Bank continued to promote the service in its branches in Africa to effectively solve the difficulties for Chinese enterprises and individuals to use local financial services in Africa.

RISK MANAGEMENT

Enterprise Risk Management System

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 Management

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).

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 such as the Guangdong-Hong Kong-Macau Greater Bay Area, the coordinated development of Beijing-Tianjin-Hebei and the 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 collateral, 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 Analysis

At the end of 2019, the Bank's maximum exposure to credit risk, without taking into account any collateral and other credit enhancements, was RMB32,146,145 million, an increase of RMB1,963,393 million compared with the end of the previous year. Please refer to "Note 51.(a)(i) to the Financial Statements: Maximum Exposure to Credit Risk Without Taking Account of Any Collateral and Other Credit Enhancements". For mitigated risk exposures of credit risk asset portfolio of the Bank, please refer to the section headed "Credit Risk" of the 2019 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

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

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

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

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

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

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

In RMB millions, except for percentages

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

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

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

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

MOVEMENTS OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

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

Note: Please see "Note 23. to the Financial Statements: Loans and Advances to Customers" for details.

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

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

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

OVERDUE LOANS

In RMB millions, except for percentages

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

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

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

RESCHEDULED LOANS

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

BORROWER CONCENTRATION

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 3.1% and 12.6% of the Bank's net capital base respectively. The total amount of loans granted to the top ten single customers was RMB394,406 million, accounting for 2.4% of the total loans. The table below shows the details of the loans granted to the top ten single borrowers of the Bank as at the end of 2019.

In RMB millions, except for percentages

Borrower	Industry	Amount	% of total loans
Borrower A	Transportation, storage and postal services	98,100	0.6
Borrower B	Transportation, storage and postal services	59,861	0.5
Borrower C	Manufacturing	48,651	0.3
Borrower D	Transportation, storage and postal services	44,365	0.3
Borrower E	Transportation, storage and postal services	36,129	0.2
Borrower F	Manufacturing	22,496	0.1
Borrower G	Finance	21,997	0.1
Borrower H	Transportation, storage and postal services	21,493	0.1
Borrower I	Transportation, storage and postal services	20,836	0.1
Borrower J	Transportation, storage and postal services	20,478	0.1
Total		**394,406**	**2.4**

Large Exposures Management

The Bank actively established and improved the management structure and system for large exposures, improved relevant rules and regulations, and clarified requirements on management framework, calculation method, policy and procedures related to large exposures management. Efforts were also made to promote the system related to large exposures management to effectively manage the Bank's large exposures.

Risk Management for Asset Management

The Bank actively implemented the requirements of New Rules on Asset Management, continued to develop a system for managing asset management risk, and promoted the sound development of asset management business. Based on its actual business conditions, the Bank revised fundamental administrative policies for non-standard agency investment business, and strengthened the refined and differentiated management of such key businesses as public entrusted loans, asset-backed securities and debt-for-equity swap. It improved the foundation of risk management and control over approval authorization for agency investment risk and archive management. Efforts were made to build an IT system for asset management business, improve management throughout the term of business, upgrade system functions related to non-standard cooperative institution access and limit management, and strengthen systematic management to cover the whole-process of agency investment business. As a result, the Bank's ability to manage and control risks through the system has seen further progress. The Bank enhanced credit risk monitoring, and stepped up examination and analysis on key areas such as cross-market risk, government-backed financing platform and real estate industry for early warning of high-risk customers.

The Bank consolidated the whole-process risk management of asset management business covering pre-investment approval, in-process monitoring and post-investment management, and fully implemented the requirements of new wealth management rules. In respect of pre-investment approval, the Bank established and improved examination and approval systems and policies of ICBC Wealth Management to steadily advance pre-investment review. It formulated new regulations on credit bond investment, upgraded credit rating system and business processes, and developed a credit rating bond base with tiered and classified management to improve credit rating efficiency. With respect to in-process monitoring, the Bank made active efforts to monitor risks on all fronts and based on this developed a tool for monitoring changes in bond implied ratings. It continued to enrich monitoring methods to efficiently monitor changes in investment prices. The Bank kept abreast of internal and external information in an all-around way to identify potential risk factors. Under the Group's uniform risk management strategy framework, the Bank established more flexible, independent and market-oriented risk control indicators to better manage and control risks across the board. In terms of post-investment, the Bank achieved complete and thorough post-investment examination and risk inspection, actively pushed for better overall asset quality, and made post-investment management more professional and procedure-based.

For credit risk capital measurement, please refer to the section headed "Credit Risk" of the 2019 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited.

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 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.

Management of Market Risk in the Trading Book

The Bank continued to strengthen trading book market risk management and product control, adopted the value-at-risk (VaR), stress testing, sensitivity analysis, exposure analysis, profit/loss analysis, price monitoring and other means to measure and manage trading book products. It continued to improve the portfolio-based market risk limit management system, refined the limit indicator system and dynamic management mechanism to meet the requirements of new products and businesses for timeliness, and realized quick and flexible limit monitoring and dynamic adjustments based on the GMRM system. For VaR of the trading book, please refer to "Note 51. (c)(i) to the Financial Statements: VaR".

Currency Risk Management

Currency risk is the risk of adverse movements of exchange rate resulting in losses on the foreign currency exposure, which is due to the currency structure's mismatch between foreign currency assets and liabilities. The Bank's objective of currency risk management is to control the impact of exchange rate fluctuations on the Bank's financial position and shareholders' equity within a tolerable extent. The Bank mitigates such risk principally by limit management and hedging of risks. The Bank carries out sensitivity analysis and stress testing of currency risk on a quarterly basis, and submits currency risk reports to the Senior Management and the Market Risk Management Committee.

In 2019, the Bank closely watched the changes in external environment and market conditions, actively took a combination of measures such as limit management and hedging of risks to adjust and optimize the aggregate amount and structure of foreign exchange assets and liabilities, and strengthened assets and liabilities currency structure management and capital fund preservation management of overseas institutions. The currency risk of the Bank was under control.

FOREIGN EXCHANGE EXPOSURE

In RMB (USD) millions

	At 31 December 2019		At 31 December 2018	
Item	RMB	USD equivalent	RMB	USD equivalent
Exposure of on-balance sheet foreign exchange items, net	372,187	53,453	327,917	47,729
Exposure of off-balance sheet foreign exchange items, net	(176,923)	(25,410)	(157,647)	(22,946)
Total foreign exchange exposure, net	**195,264**	**28,043**	**170,270**	**24,783**

Please refer to "Note 51.(c)(ii) to the Financial Statements: Currency Risk" for the exchange rate sensitivity analysis.

Please refer to the section headed "Market Risk" of the 2019 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on market risk capital measurement.

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.

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.

Analysis on Interest Rate Risk in the Banking Book

Interest Rate Sensitivity Analysis

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**

Note: Please refer to "Note 51.(d) to the Financial Statements: Interest Rate Risk in the Banking Book".

Interest Rate Exposure Analysis

As at the end of 2019, the Bank had a negative cumulative interest rate sensitivity exposure within one year of RMB145,156 million, representing a decrease of RMB380,694 million from the end of the previous year, mainly caused by the increase in repriced or matured loans and advances to customers and bond investments within one year. It had a positive cumulative interest rate sensitivity exposure above one year of RMB2,130,209 million, representing a decrease of RMB612,898 million, mainly resulted from the increase in repriced or matured due to customers above one year.

INTEREST RATE RISK EXPOSURE

In RMB millions

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years
At 31 December 2019	(1,593,786)	1,448,630	220,030	1,910,179
At 31 December 2018	(133,897)	(391,953)	1,058,350	1,684,757

Note: Please refer to "Note 51.(d) to the Financial Statements: Interest Rate Risk in the Banking Book".

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%. Please refer to the section headed "Discussion and Analysis — Other Information Disclosed Pursuant to Regulatory Requirements" for details.

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. For the quantitative information for net stable funding ratio in accordance with Disclosure Rules on Net Stable Funding Ratio of Commercial Banks, please refer to the section headed "Unaudited Supplementary Financial Information".

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. For the quantitative information for liquidity coverage ratio based on the Administrative Measures for the Information Disclosure of Liquidity Coverage Ratio of Commercial Banks, please refer to "Unaudited Supplementary Financial Information".

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

Note: Please refer to "Note 51.(b) to the Financial Statements: Liquidity Risk".

Operational Risk

Operational Risk Management

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.

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.

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.

Please refer to the section headed "Operational Risk" of the 2019 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on operational risk capital measurement.

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.

CAPITAL MANAGEMENT

The Bank implements a group-based capital management mechanism, and takes capital as the object and an instrument for its management activities, including planning, measurement, allocation, application and operation. The Bank's capital management aims at maintaining appropriate capital adequacy ratio and continuously meeting capital supervisory regulations and policies; ceaselessly strengthening and enhancing the bank-wide capital base and supporting business growth and implementation of strategic planning; establishing a value management system focusing on economic capital, reinforcing capital constraint and incentive mechanism and improving capital allocation efficiency; innovating and expanding capital replenishment channels, raising capital quality and optimizing capital structure. The Bank's capital management covers various operating entities in the Group, and its contents include capital adequacy ratio management, economic capital management, capital investment and financing management.

In 2019, the Bank further deepened the capital management reform, strengthened capital saving and optimization, intensified the constraint of economic capital on risk-weighted assets and continued to elevate the capital use efficiency. It steadily enhanced the supplementation capacity of endogenous capital, and further consolidated the bank-wide capital base to reinforce its capacity in supporting the real economy. In 2019, all capital indicators performed well, of which capital adequacy ratio was kept at a sound and appropriate level.

Capital Adequacy Ratio and Leverage Ratio

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

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%

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

In RMB millions, except for percentages

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

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

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

LEVERAGE RATIO

In RMB millions, except for percentages

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

Note: Please refer to "Unaudited Supplementary Financial Information" for details on disclosed leverage ratio information.

Capital Financing Management

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.

For details on the issuance of capital instruments of the Bank, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank. For details on relevant fundraising activities, please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Details of Securities Issuance and Listing".

Allocation and Management of Economic Capital

Economic capital management of the Bank includes three major aspects: measurement, allocation and application. Economic capital indicators include Economic Capital (EC), Risk-Adjusted Return on Capital (RAROC) and Economic Value-added (EVA). All of the above are applied in credit resource allocation, quota management, performance assessment, expenditure allocation, product pricing and customer management, etc.

The Bank further improved the Group's economic capital management system in terms of measurement, allocation and assessment, strengthened the Group's economic capital constraint and incentive mechanism, and promoted the Group to take the intensive capital development path. It further improved its economic capital measurement policy and optimized its economic capital measurement standards and system. The Bank strictly implemented the measures for quota management of economic capital, continuously boosted the refined management of economic capital, and reinforced the capital constraint on domestic branches, profitability units, overseas institutions and subsidiaries. Moreover, the Bank upgraded the economic capital measurement and appraisal policy of credit business and proactively facilitated the adjustment of its credit structure. It strengthened trainings on economic capital management for institutions at all levels, and vigorously pushed forward the application of economic capital in operational management and business front-line.

OUTLOOK

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

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

OTHER INFORMATION DISCLOSED PURSUANT TO REGULATORY REQUIREMENTS

Major Regulatory Indicators

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

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

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

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

Corporate Bonds

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

Global Systemically Importance Assessment Indicators of Commercial Banks

In RMB millions

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

HOT TOPICS IN THE CAPITAL MARKET

I. About the Growth of Deposits

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

i. Optimizing the structure of deposit growth. First, varieties of deposits saw coordinated and balanced development. By grasping the rules of social capital flow and strengthening interconnection among business segments and lines and enhancing closed-loop fund management, the Bank's personal deposits increased by RMB1,041,326 million or 11.0% over the end of last year, and the balance of personal deposits exceeded RMB10 trillion; corporate deposits increased by RMB547,121 million or 4.8%. **Second**, deposit stability witnessed significant improvement. The Bank managed to keep the average daily balance increase of domestic RMB basically even with its time-point increase by continuously developing customers, accelerating product innovation, enhancing service quality and efficiency, and taking proactive measures to deal with mature deposits. **Third**, the structure of the term of deposits outperformed most of its peers. The Bank made good use of its integrated financial services to strengthen customer loyalty and increase the proportion of settlement demand deposits. **Fourth**, branches in key regions became more competitive. By following the state's key strategies, understanding regional economic characteristics like industry relocation and upgrade and demographic migration trends, and devising strategies and plans in advance, branches in the Bohai Rim, the Pearl River Delta and the Yangtze River Delta continued to improve their competitiveness in deposit business.

ii. Consolidating the broadest customer base. First, as for personal customers, the Bank enriched online service channels, advanced outlet transformation, launched "Intelligent Experience" project for customers in aspects of product, procedure, channel, safety and account to improve its intelligent service capability, thus winning 650 million personal customers, a net increase of 43,292 thousand customers. **Second,** with respect to corporate customers, the Bank gave play to its strengths in capital, channel, and technology, consolidated its advantages in finance and social security, increased the proportion of settlement demand deposits, and concentrated more efforts in medical care, education, elderly care and other areas of great potential, thus gaining 8,098 thousand corporate customers, a net increase of 1,065 thousand customers.

iii. Promoting market-based pricing. Keeping pace with the market-oriented interest rate reform, the Bank advanced its market-based pricing mechanism in a steady manner. It depended on models and systems to speed up improvement in branches' tiered pricing management regarding deposits, and put more emphasis on coordinating the quantity and price of deposits and improving competitiveness efficiently.

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

II. About the Growth of Fee and Commission Income

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

i. The structure transformation of settlement business achieved remarkable results. By accelerating income structure transformation and consolidating business development foundation, the Bank realized rapid growth in settlement products, recording RMB37,321 million of income from settlement, clearing and cash management businesses, an increase of 17.4% over the previous year.

ii. Income from agency services increased rapidly. The Bank made active move to meet diversified needs of residents with regard to wealth allocation during the transition period of New Rules on Asset Management, perfected the customer-oriented marketing system and steadily propelled the smooth transition of asset management business, witnessing robust growth in income from agency services such as agency insurance and precious metals.

iii. Bank card income continued to grow. By seizing opportunities brought by financial consumption, the Bank's bank card income achieved rapid growth, reaching RMB47,054 million, an increase of 7.6% over the previous year.

iv. New drivers of growth were discovered. The Bank quickened the promotion and application of new products and realized a sharp rise in income from asset securitization service and account transaction products.

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

III. About the Changes Resulted from FinTech Achievements

The section headed "Discussion and Analysis — Business Overview" introduces in detail the Bank's major achievements in FinTech and internet finance during the reporting period. This section mainly focuses on positive changes in customers' experience driven by FinTech progress, which is investors' focus of attention.

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

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

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

iii. With more intelligent experience, flagship outlet led the intelligent transformation and upgrading. During the reporting period, the Bank opened a new-generation intelligent banking flagship outlet in Beijing. Following the idea of integrating finance, technology and ecology, the outlet applied 54 most up-to-date technologies such as 5G, AI, Blockchain and Internet of Things, among which more than 20 were first used in the banking industry, to create more advanced, futuristic and intelligent financial services for customers and promote the integration and development of finance, technology and ecology. The Bank aimed to build new-generation intelligent outlets that are ecology-friendly and equipped with high technology, supported services and interactive scenarios, incorporate intelligent services into bank lobby management, business handling, marketing and risk control, and further promote service quality and efficiency.

iv. With more open ecosystem, the Bank's financial services expanded in multiple areas. During the reporting period, the Bank, by giving equal emphasis to "Going Global" and "Bringing In" and leveraging the API open platform and ICBC Finance Cloud platform, opened up more than 1,000 financial services to over 2,000 ecological partners, incorporated payment, financing, wealth management, investment and other financial products into consumption and production scenarios including education, medical care, traveling and public service, and worked with partners to provide customers with "industry plus finance" services. The Bank launched a treasury management cloud platform, which is the first "treasury plus finance" one-stop product in the industry.

v. With more secure protection, continuous and efficient technology input made the Bank even more trustworthy to customers. During the reporting period, the Bank completed intra-city switch and operation of information system, the fastest system switch in history, further evidencing the high usability of the Bank's core business system. The Bank carried out annual non-local disaster recovery drills. The continuous operation capacity of information system was improved significantly, enabling stable, reliable and powerful services for its customers. The Bank put into operation Intelligent Anti-Money Laundering 3.0 system. The Bank built an intelligent anti-fraud system, providing high risk identification and prevention services to enterprises and saving customers from losses.

Details of Changes in Share Capital and Shareholding of Substantial Shareholders

Changes in Ordinary Shares

DETAILS OF CHANGES IN SHARE CAPITAL

Unit: Share

	At 31 December 2018		Increase/decrease during the reporting period	At 31 December 2019	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares subject to restrictions on sales	–	–	–	–	–
II. Shares not subject to restrictions on sales	356,406,257,089	100.00	–	356,406,257,089	100.00
1. RMB-denominated ordinary shares	269,612,212,539	75.65	–	269,612,212,539	75.65
2. Foreign shares listed overseas	86,794,044,550	24.35	–	86,794,044,550	24.35
III. Total number of shares	356,406,257,089	100.00	–	356,406,257,089	100.00

Notes: (1) The above data are based on the Equity Structure Chart issued by China Securities Depository and Clearing Corporation Limited.

(2) "Foreign shares listed overseas", namely H shares, are within the same meaning as defined in the "No. 5 Standards on the Content and Format of Information Disclosure of Companies with Public Offerings — Content and Format of the Report of Change in Corporate Shareholding" (Revision 2007) of CSRC.

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

Details of Securities Issuance and Listing

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

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

For information on other securities issued by the Bank and its subsidiaries, please refer to "Note 35. to the Financial Statements: Debt Securities Issued; Note 38. to the Financial Statements: Other Equity Instruments" for details.

The Bank did not have any employee shares.

Number of Shareholders and Particulars of Shareholding

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

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

Unit: Share

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

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

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

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

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

Particulars of Substantial Shareholders

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

Controlling Shareholders

The largest single shareholder of the Bank is Huijin, whose full name is Central Huijin Investment Ltd. Huijin is a state-owned company founded by the State according to the Company Law on 16 December 2003. Its registered capital is equal to its paid-in capital at RMB828,209 million. Its registered address is New Poly Plaza, 1 Chaoyangmen North Street, Dongcheng District, Beijing. Its unified social credit code is 911000007109329615, and its legal representative is Peng Chun. Huijin is a wholly-owned subsidiary of China Investment Corporation. It, in accordance with authorization by the State Council, makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not engage in any other business activities, and does not intervene in the day-to-day business operations of the key state-owned financial institutions it controls.

As at 31 December 2019, Huijin held approximately 34.71% shares of the Bank. It held shares directly in the institutions listed below:

Type of company	No.	Company name	Huijin's shareholding percentage
Banks	1	China Development Bank Corporation	34.68%
	2	Industrial and Commercial Bank of China (A; H)	34.71%
	3	Agricultural Bank of China Limited (A; H)	40.03%
	4	Bank of China Limited (A; H)	64.02%
	5	China Construction Bank Corporation (A; H)	57.11%
	6	China Everbright Bank Company Limited (A; H)	19.53%
	7	Hengfeng Bank Co., Ltd.	53.95%
Comprehensive institutions	8	China Everbright Group Ltd.	55.67%
	9	China Jianyin Investment Limited	100.00%
	10	China Galaxy Financial Holdings Company Limited	69.07%
	11	Shenwan Hongyuan Group Co., Ltd. (A; H)	20.05%
Insurance	12	China Export & Credit Insurance Corporation	73.63%
	13	China Reinsurance (Group) Corporation (H)	71.56%
	14	New China Life Insurance Company Limited (A; H)	31.34%
Securities	15	China International Capital Corporation Limited (H)	44.32%
	16	China Securities Co., Ltd. (A; H)	31.21%
Others	17	Jiantou CITIC Asset Management Co., Ltd.	70.00%
	18	Guotai Junan Investment Management Co., Ltd.	14.54%

Notes: (1) A represents A share listed company, while H represents H share listed company.

(2) Except the above-mentioned controlling or equity participating enterprises, Huijin also has a wholly-owned subsidiary — Central Huijin Asset Management Co., Ltd. Central Huijin Asset Management Co., Ltd. was incorporated in November 2015 in Beijing. With a registered capital of RMB5 billion, the company runs an asset management business.

The second single largest shareholder of the Bank is MOF, which held approximately 31.14% shares of the Bank as at 31 December 2019. MOF is a department under the State Council, and is responsible for overseeing the State's fiscal revenue and expenditure, formulating the fiscal and taxation policies, and supervising State finance at a macro level.

Particulars of Other Substantial Shareholders (Excluding HKSCC Nominees Limited)

SSF. SSF owned 5.72% of the shares of the Bank as at 31 December 2019. Founded in August 2000, SSF is a public service institution administered by MOF, having its address at South Tower, building 11, Fenghuiyuan Fenghui Times Building, Xicheng District, Beijing, China, and its legal representative being Liu Wei. With the approval of the State Council and pursuant to regulations of MOF and the Ministry of Human Resources and Social Security, SSF has been entrusted to manage the following funds: the National Social Security Fund, the subsidy from central government to enterprise employee's basic pension individual accounts, part of the surplus of the enterprise employee's basic pension insurance, basic pension insurance fund and the partial state-owned capital transferred.

Particulars of the De Facto Controller

None.

Interests and Short Positions Held by Substantial Shareholders and Other Persons

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

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

HOLDERS OF A SHARES

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares[3] (%)	Percentage of total ordinary shares[3] (%)
MOF[1]	Beneficial owner	118,006,174,032	Long position	43.77	33.11
Huijin[2]	Beneficial owner	123,717,852,951	Long position	45.89	34.71
	Interest of controlled corporations	1,013,921,700	Long position	0.38	0.28
	Total	124,731,774,651		46.26	35.00

Notes: (1) According to the register of shareholders of the Bank as at 31 December 2019, MOF held 110,984,806,678 shares in the Bank.

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

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

HOLDERS OF H SHARES

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

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

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

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

Preference Shares

Issuance and Listing of Preference Shares in Latest Three Years

Issuance of "工行優2"

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

For issuance of domestic preference shares of the Bank, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Issuance progress of offshore preference shares

The First Extraordinary General Meeting of 2018 of the Bank reviewed and approved relevant proposals on issuance of domestic and offshore preference shares. In March 2020, the Bank received an approval from 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. Please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Numbers of Preference Shareholders and Particulars of Shareholdings

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

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

Unit: Share

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

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

(2) As the issuance of the offshore preference shares above was private offering, the register of preference shareholders presented the information on proxies of placees.

(3) The Bank is not aware of any connected relations or concert party action between the afore-mentioned preference shareholder and top 10 ordinary shareholders.

(4) "Shareholding percentage" refers to the percentage of offshore preference shares held by preference shareholders in total number of offshore preference shares.

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

Unit: Share

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

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

(2) China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are both wholly-owned subsidiaries of China National Tobacco Corporation. "China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu" is managed by China Life Insurance Company Limited. The "Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products" is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China Ltd. have connected relations. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.

(3) "Shareholding percentage" refers to the percentage of domestic preference shares of "工行優1" held by preference shareholders in total number (450 million shares) of domestic preference shares of "工行優1".

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

Unit: Share

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

Notes: (1) The above data are based on the Bank's register of domestic preference shareholders of "工行優2" as at 31 December 2019.

(2) Shanghai Tobacco Group Co., Ltd., China National Tobacco Corporation Shandong Branch and China National Tobacco Corporation Heilongjiang Branch are all wholly-owned subsidiaries of China National Tobacco Corporation. "China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu" is managed by China Life Insurance Company Limited. The "Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products" is managed by Ping An Life Insurance Company of China, Ltd. Ping An Life Insurance Company of China, Ltd. and Ping An Property & Casualty Insurance Company of China Ltd. have connected relations. Save as disclosed above, the Bank is not aware of any connected relations or concert party action among the afore-mentioned preference shareholders and among the afore-mentioned preference shareholders and top 10 ordinary shareholders.

(3) "Shareholding percentage" refers to the percentage of domestic preference shares of "工行優2" held by preference shareholders in total number (700 million shares) of domestic preference shares of "工行優2".

Dividend Distribution of Preference Shares

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

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

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

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

DIVIDEND DISTRIBUTION OF PREFERENCE SHARES IN LATEST THREE YEARS

In RMB millions, except for percentages

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

Note: Dividend distributed is tax included.

The above-mentioned preference share dividend distribution plans have been fulfilled. For particulars of the Bank's distribution of dividends on preference shares, please refer to the announcements of the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

Redemption or Conversion of Preference Shares

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

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

Restoration of Voting Rights of Preference Shares

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

Accounting Policy Adopted for Preference Shares and Rationale

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

Directors, Supervisors, Senior Management, Employees and Institutions

Basic Information on Directors, Supervisors and Senior Management

Name	Position	Gender	Birth year	Tenure
Chen Siqing	Chairman, Executive Director	Male	1960	May 2019–May 2022
Gu Shu	Vice Chairman, Executive Director, President	Male	1967	December 2016–November 2022
Yang Guozhong	Chairman of the Board of Supervisors	Male	1963	January 2020–January 2023
Zheng Fuqing	Non-executive Director	Male	1963	February 2015–November 2021
Mei Yingchun	Non-executive Director	Female	1971	August 2017–August 2020
Lu Yongzhen	Non-executive Director	Male	1967	August 2019–August 2022
Feng Weidong	Non-executive Director	Male	1964	January 2020–January 2023
Cao Liqun	Non-executive Director	Female	1971	January 2020–January 2023
Anthony Francis Neoh	Independent Non-executive Director	Male	1946	April 2015–April 2021
Yang Siu Shun	Independent Non-executive Director	Male	1955	April 2016–June 2022
Sheila Colleen Bair	Independent Non-executive Director	Female	1954	March 2017–March 2020
Shen Si	Independent Non-executive Director	Male	1953	March 2017–March 2020
Nout Wellink	Independent Non-executive Director	Male	1943	December 2018–December 2021
Fred Zuliu Hu	Independent Non-executive Director	Male	1963	April 2019–April 2022
Zhang Wei	Shareholder Supervisor	Male	1962	June 2016–June 2022
Hui Ping	Employee Supervisor	Male	1960	September 2015–September 2021
Huang Li	Employee Supervisor	Male	1964	June 2016–June 2022
Qu Qiang	External Supervisor	Male	1966	December 2015–December 2021
Shen Bingxi	External Supervisor	Male	1952	June 2016–June 2022
Liao Lin	Senior Executive Vice President	Male	1966	November 2019–
Wang Jingwu	Senior Management member	Male	1966	March 2020–
Wang Bairong	Chief Risk Officer	Male	1962	July 2016–
Guan Xueqing	Board Secretary	Male	1963	July 2016–
Directors and Senior Management Leaving Office				
Yi Huiman	Chairman of the Board of Directors, Executive Director	Male	1964	July 2013–January 2019
Hu Hao	Executive Director, Senior Executive Vice President	Male	1962	June 2019–February 2020
Tan Jiong	Executive Director, Senior Executive Vice President	Male	1966	June 2019–September 2019
Cheng Fengchao	Non-executive Director	Male	1959	March 2015–April 2019
Ye Donghai	Non-executive Director	Male	1963	October 2017–March 2020
Dong Shi	Non-executive Director	Male	1965	August 2017–February 2020
Hong Yongmiao	Independent Non-executive Director	Male	1964	August 2012–April 2019

Notes: (1) Please refer to the section headed "Appointment and Removal".

(2) The term of Mr. Gu Shu as Executive Director of the Bank is set out in the above table. Please refer to the section headed "Biographies of Directors, Supervisors and Senior Management" for the starting time of his term as a Senior Management member of the Bank. Mr. Yi Huiman served as a member of Senior Management, Senior Executive Vice President, President, Executive Director, Vice Chairman and Chairman of the Bank from October 2005 to January 2019. Mr. Hu Hao served as Board Secretary, Senior Executive Vice President and Executive Director from December 2010 to February 2020. Mr. Tan Jiong served as Senior Executive Vice President and Executive Director of the Bank from January 2017 to September 2019.

(3) According to the Articles of Association, before the newly elected directors take office, the current directors shall continue to act as directors.

(4) According to the regulations of CSRC, the commencement date of a re-elected director or supervisor's tenure as indicated in the above table shall be the day of his/her first appointment.

(5) During the reporting period, the Bank did not implement any share incentives. None of the existing directors, supervisors and senior management members of the Bank or those who left office during the reporting period held shares or share options or were granted restricted shares of the Bank, and there was no change during the reporting period.

(6) The full name of Mr. Nout Wellink is Arnout Henricus Elisabeth Maria Wellink. Mr. Hong Yongmiao (洪永淼) has a former Chinese name 洪永妙.

Biographies of Directors, Supervisors and Senior Management

Chen Siqing, Chairman, Executive Director

Mr. Chen has served as Chairman and Executive Director of the Bank since May 2019. He joined Bank of China in 1990. Mr. Chen Siqing previously worked in the Hunan Branch of Bank of China before he was dispatched to the Hong Kong Branch of China and South Sea Bank Ltd. as Assistant General Manager. Mr. Chen held various positions in Bank of China, including Assistant General Manager and Vice General Manager of the Fujian Branch, General Manager of the Risk Management Department of the Head Office, General Manager of the Guangdong Branch, Executive Vice President, President, Vice Chairman and Chairman of Bank of China. Mr. Chen served concurrently as Chairman of the Board of Directors of BOC Aviation Limited, Non-executive Director, Vice Chairman and Chairman of the Board of Directors of BOC Hong Kong (Holdings) Limited. Mr. Chen graduated from Hubei Institute of Finance and Economics, and obtained a Master's degree in Business Administration (MBA) from Murdoch University, Australia later. He is a Certified Public Accountant and a senior economist.

Gu Shu, Vice Chairman, Executive Director, President

Mr. Gu has served as Vice Chairman and Executive Director of the Bank since December 2016, and President since October 2016. He joined ICBC in 1998, where he served as Deputy General Manager of Accounting and Settlement Department, Deputy General Manager of Planning and Finance Department, and General Manager of Finance and Accounting Department. Since July 2008, he had served as Board Secretary and General Manager of Corporate Strategy and Investor Relations Department of the Bank, Head of Shandong Branch and Senior Executive Vice President of the Bank. He served concurrently as Vice Chairman of Standard Bank Group Limited, Chairman of ICBC (London) PLC and Chairman of Industrial and Commercial Bank of China (Argentina) S.A. Mr. Gu obtained a Doctorate degree in Economics from Shanghai University of Finance and Economics, Master's degree in Economics from Dongbei University of Finance and Economics and Bachelor's degree in Engineering from Shanghai Jiao Tong University. He is a senior accountant.

Yang Guozhong, Chairman of the Board of Supervisors

Mr. Yang has served as Chairman of the Board of Supervisors of the Bank since January 2020. He previously served as Deputy President of Chongqing Branch of PBC and concurrently served as Deputy President of Chongqing Branch of State Administration of Foreign Exchange (SAFE); as President of Chongqing Operation Office of PBC and concurrently as President of Chongqing Administrative Office of SAFE; as President of Operation Office (Beijing) of PBC and concurrently as President of Beijing Administrative Office of SAFE; as Head of the Discipline Inspection Group of the CPC Leading Group of SAFE; as Deputy Administrator of SAFE; and as Chairman of the Board of Supervisors of China Investment Corporation. He graduated from Zhongnan University of Finance and Economics and obtained a Master’s degree in Economics. Mr. Yang is a senior economist.

Zheng Fuqing, Non-executive Director

Mr. Zheng has served as Non-executive Director of the Bank since February 2015. He joined MOF in 1989, and served as Deputy Head and Head of the Administrative Office of Shanxi Finance Ombudsman Office, and Assistant Ombudsman and Associate Counsel of Shanxi Finance Ombudsman Office. Mr. Zheng graduated from the Party School of the Central Committee of C.P.C. majoring in law theory. He is an economist.

Mei Yingchun, Non-executive Director

Ms. Mei has served as Non-executive Director of the Bank since August 2017. She joined MOF in 1992, and consecutively served in the World Bank Department, the Treasury Department and the Tariff Policy Department. Previously, she served as Assistant Consultant of the Budget Implementation Division of the Treasury Department of MOF, Assistant Consultant of the Audit & Supervision Division of the Treasury Payment Centre of MOF, Deputy Director of the Audit & Supervision Division of the Treasury Payment Center of MOF, Director of the Audit & Supervision Division of the Treasury Payment Center of MOF, Deputy Director-General of the Tariff Policy Department (Tariff Policy Research Centre) of MOF, and was seconded to World Bank Group as Senior Advisor and worked in the Development Partner Relationship Department of the Development Finance Unit of the International Development Association and the Vice-President Front Office of East Asia and Pacific Region of the International Bank for Reconstruction and Development. Ms. Mei obtained a Master’s degree in International Affairs from School of International and Public Affairs of Columbia University, and a PhD in Economics from Chinese Academy of Fiscal Science (formerly known as the Institute of Fiscal Science, MOF).

Lu Yongzhen, Non-executive Director

Mr. Lu has served as Non-executive Director of the Bank since August 2019. He joined Huijin in 2019. Mr. Lu previously served as Deputy Director of the Administrative Office of the Economic Research Consultation Centre of the State Economic and Trade Commission, Director of the Specific Research Department of the Economic Research Centre of the State Economic and Trade Commission, Director of the Capital Markets Research Department of the Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council, and Director Assistant of the Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council with the concurrent post as the Director of the Capital Markets Research Department, and Deputy Director of the Research Centre of the State-owned Assets Supervision and Administration Commission of the State Council. Mr. Lu obtained a Bachelor’s degree and a Master’s degree in History from Peking University, and a Doctorate degree in Economics from Southwestern University of Finance and Economics. He is a researcher.

Feng Weidong, Non-executive Director

Mr. Feng has served as Non-executive Director of the Bank since January 2020. He joined MOF in August 1986 and consecutively worked in Accounting Department, National Accountant Certification Examination Leading Group Office and National Accountant Assessment & Certification Centre. He previously served as Deputy Director of Academic Affairs Division of Chinese Accounting Correspondence School of Accounting Department of MOF (deputy division chief level), Person in charge of Teaching Material Department of Office of National Accountant Certification Examination of Accounting Department, Director of Accounting Personnel Management Division of Accounting Department, Director of Institutional System Division I; during which, he had practical training at the Association of Chartered Certified Accountants (ACCA) of the United Kingdom. Since April 2008, Mr. Feng has subsequently served as Deputy Director of National Accountant Assessment & Certification Centre of MOF (deputy director-general level), Deputy Director (person in charge), Director (director-general level), Secretary of the Party Committee and Director. Mr. Feng obtained a Bachelor's degree in Economics from Dongbei University of Finance & Economics and Doctorate degree from Beijing Jiaotong University. Mr. Feng Weidong is a senior accountant, researcher, certified public accountant and is a recipient of the Special Government Allowance by the State Council of China.

Cao Liqun, Non-executive Director

Ms. Cao has served as Non-executive Director of the Bank since January 2020. She joined Huijin in 2020. Ms. Cao previously served as Deputy Director of Regulations Division, General Affairs Department, Director of Regulations Division, General Affairs Department, Director of Non-Financial Institutions Inspection Division, Supervision and Inspection Department, Director of General Affairs Division, Supervision and Inspection Department, Deputy Director-General of Supervision and Inspection Department, Inspector of General Affairs Department (Policy and Regulation Department), Level-Two Inspector of General Affairs Department (Policy and Regulation Department) of State Administration of Foreign Exchange, and acted as Deputy Director of Administrative Committee of Beijing's Zhongguancun Science Park. Ms. Cao obtained a Bachelor's degree in Law from China University of Political Science and Law, a Master's degree in Finance from Renmin University of China, and a Master's degree in Public Administration from Peking University. Ms. Cao is an economist.

Anthony Francis Neoh, Independent Non-executive Director

Mr. Neoh has served as Independent Non-executive Director of the Bank since April 2015. He previously served as Chief Advisor to CSRC, a member of the International Consultation Committee of CSRC, a member of the Basic Law Committee of the Hong Kong Special Administrative Region under the Standing Committee of the National People's Congress of People's Republic of China, and Chairman of the Hong Kong Securities and Futures Commission. He was Chairman of the Technical Committee of the International Organization of Securities Commissions, a Non-executive Director of Global Digital Creations Holdings Limited. He was an Independent Non-executive Director of Link Management Limited, which is the Manager of Link Real Estate Investment Trust. He was also an Independent Non-executive Director of China Shenhua Energy Company Limited, Bank of China Limited, China Life Insurance Company Limited and New China Life Insurance Company Ltd. Mr. Neoh currently serves as an Independent Non-executive Director of CITIC Limited and Chairman of Hong Kong Independent Police Complaints Council. He graduated from the University of London with a Bachelor's degree in Law. He is Honorary Doctorate of Law of Chinese University of Hong Kong and Open University of Hong Kong and Honorary Doctorate of Social Sciences of Lingnan University. He was elected Honorary Fellow of the Hong Kong Securities Institute and Academician of the International Euro-Asian Academy of Sciences. Mr. Neoh was appointed as Senior Counsel in Hong Kong. He is a barrister of England and Wales. He was admitted to the State Bar of California.

Yang Siu Shun, Independent Non-executive Director

Mr. Yang has served as Independent Non-executive Director of the Bank since April 2016. He previously served as Chairman and Principal Partner of PricewaterhouseCoopers Hong Kong, Executive Chairman and Principal Partner of PricewaterhouseCoopers Chinese Mainland and Hong Kong, member of five-people leading group of global leadership committee of PricewaterhouseCoopers, Chairman of PricewaterhouseCoopers Asia-Pacific region, Director and Chairman of Audit Committee of Hang Seng Management College and Vice Chairman of the Council of the Open University of Hong Kong. Mr. Yang currently serves as a member of the 13th National Committee of the Chinese People's Political Consultative Conference, a member of the Exchange Fund Advisory Committee of Hong Kong Monetary Authority, a member of the board of directors of the Hong Kong Jockey Club and an Independent Non-executive Director of the Tencent Holdings Limited. Mr. Yang graduated from the London School of Economics and Political Science. He was awarded the degree of Honorary Doctor of Social Sciences by The Open University of Hong Kong. He is a Justice of the Peace in Hong Kong. Mr. Yang holds the qualification of Chartered Accountants, and is a senior member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

Sheila Colleen Bair, Independent Non-executive Director

Ms. Bair has served as Independent Non-executive Director of the Bank since March 2017. Previously, she served as the Research Director, Deputy Counsel and Counsel to Robert Dole. She was a Commissioner of the Commodity Futures Trading Commission, later served as a senior vice president for government relations at the New York Stock Exchange, and then as Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury. She was President of Washington College, the Dean's Professor of Financial Regulatory Policy at the University of Massachusetts-Amherst, Chair of the Federal Deposit Insurance Corporation and Senior Advisor to The Pew Charitable Trusts. She is the current Chair Emeritus of the Systemic Risk Council. She is a founding board member of The Volcker Alliance, a non-profit organization. She is Independent Non-executive Director of Thomson Reuters Corp., Host Hotels & Resort Inc., Federal National Mortgage Association, Bunge Limited, Paxos Trust Company, LLC and its holding company Kabompo Holdings, Ltd. She also serves on the International Advisory Council to CBIRC and the International Advisory Board for Santander. She received a Bachelor's Degree in philosophy from the University of Kansas, and a juris doctorate from the University of Kansas School of Law. She holds honorary doctorates from Amherst College, Drexel University, the University of Kansas, and the University of Massachusetts.

Shen Si, Independent Non-executive Director

Mr. Shen has served as Independent Non-executive Director of the Bank since March 2017. Previously, he served as Deputy Division Chief and Division Chief of Zhejiang Branch of PBC, Deputy General Director of the Investigation and Statistics Department of the Head Office of PBC, and Deputy President of the Hangzhou Branch of Shanghai Pudong Development Bank, Board Secretary of Shanghai Pudong Development Bank and Executive Director and concurrently Board Secretary of Shanghai Pudong Development Bank. He obtained a Master's degree in Economics from Zhejiang University and an EMBA degree. He is a senior economist.

Nout Wellink, Independent Non-executive Director

Mr. Wellink has served as Independent Non-executive Director of the Bank since December 2018. Previously, he served as the Treasurer General in the Dutch Ministry of Finance, member of the Executive Board and the President of the Dutch Central Bank, member of the Governing Council of the European Central Bank, member of the Group of Ten Central Bank Governors and Governor of the International Monetary Fund, member and Chairman of the Board of Directors of the Bank for International Settlements, Chairman of the Basel Committee on Banking Supervision, Independent Director of Bank of China Limited, Vice Chairman of Supervisory Board of PricewaterhouseCoopers Accountants N.V. and an Emeritus Professor at the Free University in Amsterdam. Mr. Wellink also served as member of the supervisory board of a bank, a reinsurance company and other enterprises on behalf of the Dutch authorities, Chairman of the Board of Supervisors of the Netherlands Open Air Museum, member and treasurer of the Royal Picture Gallery Mauritshuis and the Westeinde Hospital in The Hague. He was awarded a Knighthood in the Order of the Netherlands Lion in 1980 and is Commander of the Order of Orange-Nassau since 2011. He received a Master's degree in Law from Leiden University, a Doctorate degree in Economics from Erasmus University Rotterdam and an Honorary Doctorate from Tilburg University.

Fred Zuliu Hu, Independent Non-executive Director

Mr. Hu has served as Independent Non-executive Director of the Bank since April 2019. He previously served as a senior economist at the International Monetary Fund, Head of Research at the World Economic Forum, the chairman for Greater China and a partner at Goldman Sachs Group, Inc., an independent non-executive director of Great Wall Pan Asia Holdings Limited (formerly known as SCMP Group Limited), an independent non-executive director of Hang Seng Bank Limited, the non-executive director of China Asset Management Co., Ltd., an independent director of Dalian Wanda Commercial Management Group Co., Ltd. and an independent director of Shanghai Pudong Development Bank etc. Mr. Hu currently serves in various positions such as the chairman of Primavera Capital Group, the non-executive chairman of Yum China Holdings, Inc, the independent non-executive director of Hong Kong Exchanges and Clearing Limited, the director of UBS Group AG, the co-chair of The Nature Conservancy's Asia Pacific Council and the director of the China Medical Board. Mr. Hu is also a member of the Global Board of Advisors for the Council on Foreign Relations, the 21st Century Council of the Berggruen Institute, the Harvard Global Advisory Council, the Harvard Kennedy School Mossavar-Rahmani Center for Business and Government, the Stanford Center for International Development, and the Jerome A. Chazen Institute of International Business at Columbia University etc. He concurrently serves as the co-director of the National Center for Economic Research and a professor at Tsinghua University, and he is also an adjunct professor at the Chinese University of Hong Kong and Peking University. Mr. Hu obtained a master's degree in engineering science from Tsinghua University, and a master's degree and a PhD in economics from Harvard University.

Zhang Wei, Shareholder Supervisor

Mr. Zhang has concurrently served as Shareholder Supervisor and Director of the Board of Supervisors' Office of the Bank since June 2016. He joined ICBC in 1994, and has served as Employee Supervisor of the Board of Supervisors, General Manager of the Legal Affairs Department and Chief of Consumer Protection Office of the Bank. He graduated from Peking University with a Doctorate degree in Law and is a research fellow.

Hui Ping, Employee Supervisor

Mr. Hui has served as Employee Supervisor of the Bank since September 2015. He joined ICBC in 1984 and has served as deputy head of the discipline inspection and supervision group dispatched to ICBC by the CPC Central Commission for Disciplinary Inspection and the State Committee of Supervisory since 2019. He was Deputy Head and Head of Shaanxi Branch and General Manager of the Internal Control and Compliance Department of the Bank, Deputy Secretary of the Party Discipline Committee and Director of the Discipline Enforcement Department of the Bank. Mr. Hui graduated from Xiamen University and received a Doctorate degree in Finance. He is a senior economist.

Huang Li, Employee Supervisor

Mr. Huang has served as Employee Supervisor of the Bank since June 2016. He joined ICBC in 1994 and is currently the Director of the Inspection Office of the Party Committee of the Bank. He served as Deputy General Manager and General Manager of the Banking Department as well as Deputy Head and Head of Guizhou Branch of ICBC. Mr. Huang graduated from The University of Hong Kong with an MBA degree. He is a senior economist.

Qu Qiang, External Supervisor

Mr. Qu has served as External Supervisor of the Bank since December 2015. Currently, he is a professor and tutor for PhD students of Renmin University of China, Director of China Fiscal and Financial Policy Research Center (a key research center of humanities and social sciences of the Ministry of Education), Deputy Director of Financial and Securities Institute of Renmin University of China, a council member of China Finance Society, a member of China Finance 40 Forum and External Expert of China Development Bank. He was Head of the Applied Finance Department of the School of Finance, Renmin University of China. Currently, he is also External Supervisor of Bank of Beijing. Mr. Qu graduated from Renmin University of China, and received a Doctorate degree in Economics.

Shen Bingxi, External Supervisor

Mr. Shen has served as External Supervisor of the Bank since June 2016. He previously served as the Deputy Chief of the Financial Market Division of the Financial System Reform Department, Chief of the System Reform Division and Monetary Policy Research Division of the Policy Study Office, and Chief of the Monetary Policy Research Division of the Research Bureau of the PBC, Chief Representative of the PBC Representative Office in Tokyo, Deputy Director-general and Director-level Inspector of Financial Market Department of the PBC, and Non-executive Director of Agricultural Bank of China. Mr. Shen is currently guest professor of Tsinghua University, Zhejiang University and Nankai University. Mr. Shen graduated from Renmin University of China, and received a Doctorate degree in Economics. He is a research fellow.

Liao Lin, Senior Executive Vice President

Mr. Liao has served as Senior Executive Vice President of the Bank since November 2019. Mr. Liao joined China Construction Bank in July 1989, and was appointed as deputy general manager of Guangxi Branch of China Construction Bank in November 2003. Mr. Liao served consecutively as general manager of Ningxia Branch, Hubei Branch and Beijing Branch of China Construction Bank since April 2011. Mr. Liao was appointed as Chief Risk Officer of China Construction Bank in March 2017, and served as Executive Vice President of China Construction Bank from September 2018 to November 2019 (concurrently served as Chief Risk Officer of China Construction Bank from September 2018 to May 2019). Mr. Liao graduated from Guangxi Agricultural University. He obtained a Doctorate degree in management science from Southwest Jiaotong University. Mr. Liao is a senior economist.

Wang Jingwu, Senior Management Member

Mr. Wang has served as a Senior Management member of the Bank since March 2020. He joined PBC in August 1985, and has successively served as Supervision Commissioner (Deputy Director level) of PBC Shijiazhuang Central Sub-branch, Head of PBC Shijiazhuang Central Sub-branch and concurrently Director of State Administration of Foreign Exchange (SAFE) Hebei Branch, Head of PBC Hohhot Central Sub-branch and concurrently Director of SAFE Inner Mongolia Branch, Head of PBC Guangzhou Branch and concurrently Director of SAFE Guangdong Branch, and Director-General of PBC Financial Stability Bureau since January 2002. Mr. Wang graduated from the Hebei Banking School, and afterwards he received a doctorate degree in economics from Xi'an Jiaotong University. He is a research fellow.

Wang Bairong, Chief Risk Officer

Mr. Wang has served as Chief Risk Officer of the Bank since July 2016. He began his career in 1986. He joined ICBC in 1991 and previously served as Assistant to Head of Zhejiang Branch and Head of Shaoxing Branch, Deputy Head of Zhejiang Branch and General Manager of the Banking Department of Zhejiang Branch, and Deputy Head (person in charge) and Head of Chongqing Branch. Mr. Wang graduated from the Party School of the Central Committee of C.P.C. and obtained a Master's degree in Economics. He is a senior economist.

Guan Xueqing, Board Secretary

Mr. Guan has served as Board Secretary of the Bank since July 2016. He joined ICBC in 1984 and served as Head of Suining Branch in Sichuan, Representative of Frankfurt Representative Office and Deputy General Manager of Frankfurt Branch, Deputy Head of Sichuan Branch, Deputy Head of Sichuan Branch and General Manager of Banking Department of Sichuan Branch, and Head of Hubei Branch and Sichuan Branch. Previously Mr. Guan was also General Manager of Corporate Strategy and Investor Relations Department of the Bank. He graduated from the Southwestern University of Finance and Economics and obtained a Doctorate degree in Economics. He is a senior economist.

Mr. Zheng Fuqing, Ms. Mei Yingchun, Mr. Lu Yongzhen, Mr. Feng Weidong and Ms. Cao Liqun were recommended by Huijin to serve as Non-executive Directors of the Bank. Huijin holds interests in shares of the Bank. Please refer to the section headed "Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Interests and Short Positions Held by Substantial Shareholders and Other Persons" for further details.

None of the Directors, Supervisors and Senior Management members of the Bank, whether they are incumbent or have left office during the reporting period, have been punished by the securities regulator in the past three years.

Appointment and Removal

Directors

At the First Extraordinary General Meeting of 2018 held on 21 November 2018, Mr. Fred Zuliu Hu was elected as Independent Non-executive Director of the Bank, and his qualification was approved by CBIRC in April 2019. On 29 April 2019, the Board of Directors nominated Mr. Chen Siqing as the candidate for Executive Director of the Bank and elected him as Chairman of the Board of Directors of the Bank, and his term of office as Chairman commenced upon the consideration and approval of his appointment as Executive Director at the Shareholders' General Meeting of the Bank. At the First Extraordinary General Meeting of 2019 held on 20 May 2019, Mr. Chen Siqing was elected as Executive Director of the Bank, and in accordance with the relevant regulations, his term of office as Executive Director of the Bank commenced on the day when his appointment was approved at the Shareholders' General Meeting, and his appointment as Chairman of the Board of Directors took effect simultaneously; Mr. Hu Hao and Mr. Tan Jiong were elected as Executive Directors of the Bank, and their qualifications were approved by CBIRC in June 2019 respectively. At the Annual General Meeting for the Year 2018 held on 20 June 2019, Mr. Yang Siu Shun was re-elected as Independent Non-executive Director of the Bank, and his new term of office started from the day of approval at the Annual General Meeting; Mr. Lu Yongzhen was elected as Non-executive Director of the Bank, and his qualification was approved by CBIRC in August 2019. At the Second Extraordinary General Meeting of 2019 held on 22 November 2019, Mr. Gu Shu was re-elected as Executive Director of the Bank, and his new term of office commenced on the day when his appointment was approved at the Shareholders' General Meeting. Mr. Feng Weidong and Ms. Cao Liqun were elected as Non-executive Director of the Bank, and their qualifications were approved by CBIRC respectively in January 2020.

In January 2019, Mr. Yi Huiman ceased to act as Chairman and Executive Director of the Bank due to change of job assignments. In April 2019, Mr. Cheng Fengchao ceased to act as Non-executive Director of the Bank due to his age. In April 2019, Mr. Hong Yongmiao ceased to act as Independent Non-executive Director of the Bank due to expiration of his term of office. In September 2019, Mr. Tan Jiong ceased to act as Executive Director and Senior Executive Vice President of the Bank due to change of job assignments. In February 2020, Mr. Hu Hao ceased to act as Executive Director and Senior Executive Vice President of the Bank due to change of job assignments. In February 2020, Mr. Dong Shi ceased to act as Non-executive Director of the Bank due to change of job assignments. In March 2020, Mr. Ye Donghai ceased to act as Non-executive Director of the Bank due to change of job assignments.

Supervisors

At the Annual General Meeting for the Year 2018 held on 20 June 2019, Mr. Zhang Wei was elected as Shareholder Supervisor of the Bank, and his new term of office started from the day of the expiration of his last term of office as Shareholder Supervisor; Mr. Shen Bingxi was elected as External Supervisor of the Bank, and his new term of office started from the day of the expiration of his last term of office as External Supervisor. At the special meeting of the first session of employee representative assembly of the Bank held on 21 June 2019, Mr. Huang Li was elected as Employee Supervisor of the Bank, and his new term of office started from the day of approval by the employee representative assembly. At the First Extraordinary General Meeting of 2020 held on 8 January 2020, Mr. Yang Guozhong was elected as Shareholder Supervisor of the Bank, and his new term of office started from the day of approval by the Shareholders' General Meeting, and his term of officer as Chairman of the Board of Supervisors of the Bank took effect simultaneously.

Senior Management Members

On 22 November 2019, the Board of Directors appointed Mr. Liao Lin as Senior Executive Vice President of the Bank. On 18 February 2020, the Board of Directors appointed Ms. Xiong Yan and Mr. Song Jianhua as Chief Business Officers of the Bank, and their qualifications are to be approved by CBIRC. On 27 March 2020, the Board of Directors appointed Mr. Wang Jingwu as Senior Executive Vice President of the Bank, and his qualification is to be approved by CBIRC.

Annual Remuneration

Unit: RMB10,000

Name	Remuneration from the Bank					Obtain remuneration from shareholder entities or other related parties or not
	Remuneration paid (before tax) (1)	Contribution by the employer to social insurance, housing allowance, annuities, and additional medical insurances (2)	Fees (3)	Other monetary income (4)	Total remuneration before tax (5)=(1)+(2)+(3)+(4)	
Chen Siqing	38.60	8.39	–	–	46.99	No
Gu Shu	57.90	12.82	–	–	70.72	No
Yang Guozhong	–	–	–	–	–	No
Zheng Fuqing	–	–	–	–	–	Yes
Mei Yingchun	–	–	–	–	–	Yes
Lu Yongzhen	–	–	–	–	–	Yes
Feng Weidong	–	–	–	–	–	Yes
Cao Liqun	–	–	–	–	–	No
Anthony Francis Neoh	–	–	47.54	–	47.54	Yes
Yang Siu Shun	–	–	44.63	–	44.63	Yes
Sheila Colleen Bair	–	–	42.96	–	42.96	Yes
Shen Si	–	–	44.46	–	44.46	Yes
Nout Wellink	–	–	42.29	–	42.29	No
Fred Zuliu Hu	–	–	30.75	–	30.75	Yes
Zhang Wei	95.07	12.82	–	–	107.89	No
Hui Ping	–	–	5.00	–	5.00	No
Huang Li	–	–	5.00	–	5.00	No
Qu Qiang	–	–	25.00	–	25.00	No
Shen Bingxi	–	–	–	–	–	No
Liao Lin	4.34	1.06	–	–	5.40	No
Wang Jingwu	–	–	–	–	–	No
Wang Bairong	98.14	12.82	–	–	110.96	No
Guan Xueqing	98.14	12.82	–	–	110.96	No
Directors and Senior Management Leaving Office						
Yi Huiman	9.65	2.21	–	–	11.86	No
Hu Hao	52.11	12.82	–	–	64.93	No
Tan Jiong	39.09	9.66	–	–	48.75	No
Cheng Fengchao	–	–	–	–	–	Yes
Ye Donghai	–	–	–	–	–	Yes
Dong Shi	–	–	–	–	–	Yes
Hong Yongmiao	–	–	12.47	–	12.47	Yes

Notes: (1) Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises.

(2) During the reporting period, the total remuneration amount paid to Directors, Supervisors and Senior Management members was RMB8,785.6 thousand. According to the requirements of relevant government authorities, the total final remuneration payable to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors, Shareholder Supervisors and other Senior Management members is still subject to final confirmation by relevant government authorities. Additional details of remuneration will be disclosed when they have been determined.

(3) During the reporting period, Mr. Zheng Fuqing, Ms. Mei Yingchun, Mr. Lu Yongzhen, Mr. Cheng Fengchao, Mr. Ye Donghai and Mr. Dong Shi obtained remuneration from Huijin, and Mr. Feng Weidong obtained remuneration from MOF.

(4) Fees of Mr. Hui Ping and Mr. Huang Li are their allowances obtained as Employee Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

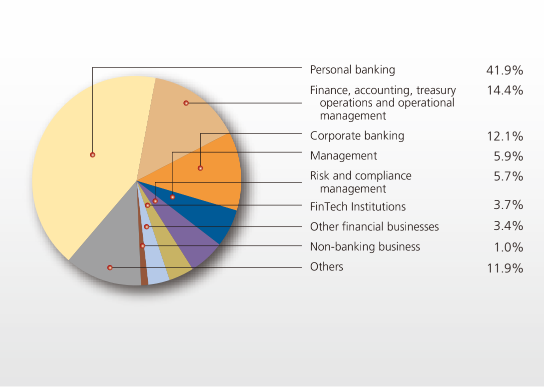
(5) As the Bank's Independent Non-executive Directors and some Non-executive Directors served as directors or senior management of other legal persons or organizations other than the Bank or the controlled subsidiaries of the Bank, such legal persons or organizations became related parties of the Bank. During the reporting period, some of the above-mentioned Directors obtained remuneration from such related parties. Except to the extent of the afore-mentioned circumstances, none of the Bank's Directors, Supervisors and Senior Management was paid by the Bank's related parties during the reporting period.

(6) For the change of the Bank's Directors, Supervisors and Senior Management, please refer to the section headed "Appointment and Removal".

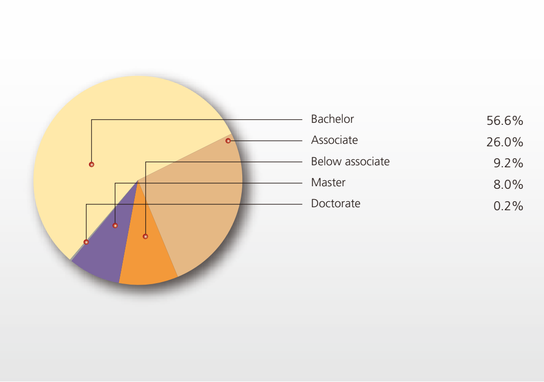
Basic Information on Employees and Institutions

As at the end of 2019, the Bank had a total of 445,106 employees, representing a decrease of 4,190 as compared with the end of the previous year. Among them, 6,710 were employees in domestic subsidiaries and 16,013 were employees in overseas institutions.

Employee Specialization



Educational Background of Employees



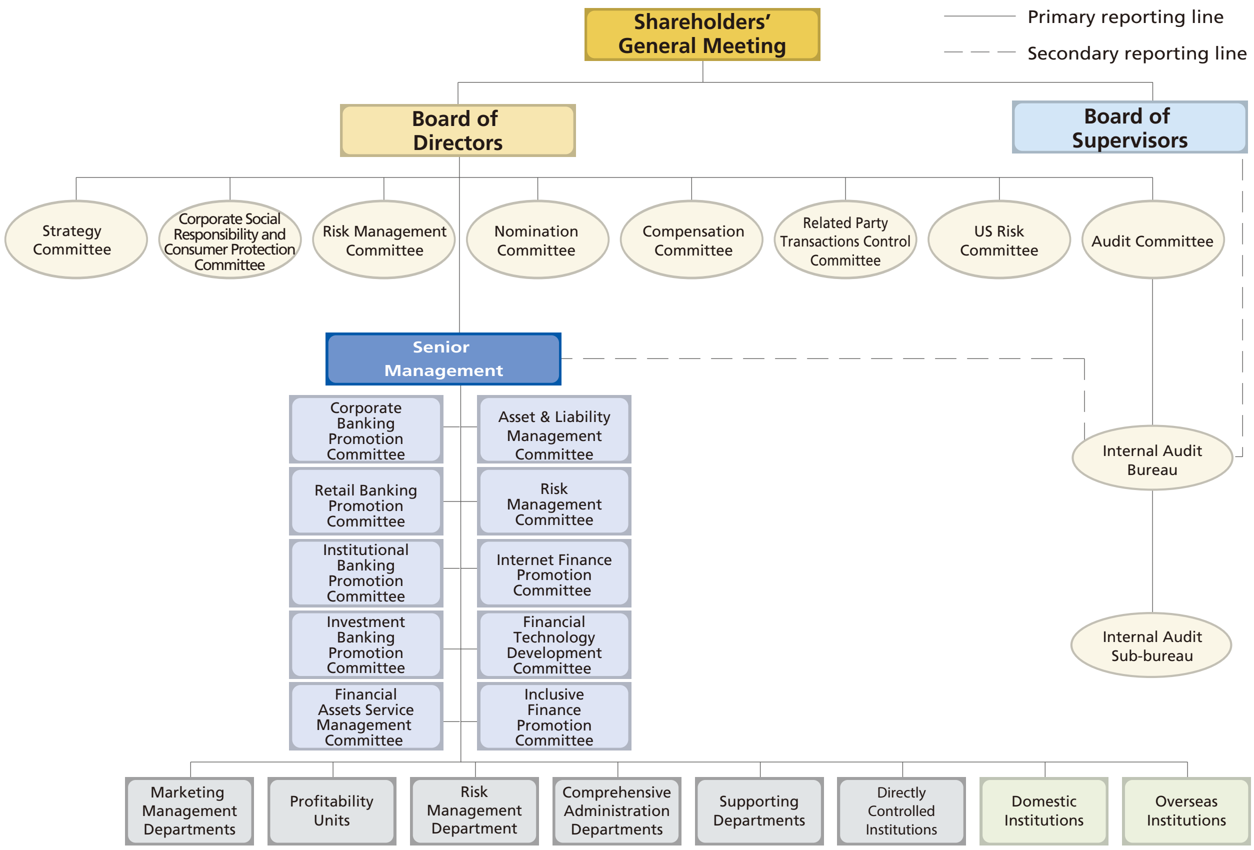
As at the end of 2019, the Bank had a total of 16,605 institutions, representing a decrease of 215 as compared with the end of the previous year. Among them, there were 16,177 domestic institutions and 428 overseas institutions. Domestic institutions included the Head Office, 36 tier-one branches and branches directly managed by the Head Office, 451 branches in capital cities and tier-two branches, 15,529 outlets, 28 Head Office-level profitability units along with their directly managed institutions and branches, and 132 subsidiaries and their branches.

GEOGRAPHIC DISTRIBUTION OF ASSETS, INSTITUTIONS AND EMPLOYEES

Item	Assets (in RMB millions)	Percentage (%)	Number of institutions	Percentage (%)	Number of employees	Percentage (%)
Head Office	10,687,512	35.5	29	0.2	18,363	4.1
Yangtze River Delta	6,380,888	21.2	2,516	15.1	62,083	14.0
Pearl River Delta	4,126,087	13.7	2,003	12.1	49,145	11.0
Bohai Rim	4,256,707	14.1	2,699	16.2	70,037	15.7
Central China	2,973,119	9.9	3,484	21.0	87,195	19.6
Western China	3,841,497	12.8	3,683	22.2	90,278	20.3
Northeastern China	1,140,631	3.8	1,631	9.8	45,282	10.2
Overseas and others	3,971,298	13.2	560	3.4	22,723	5.1
Eliminated and undistributed assets	(7,268,303)	(24.2)				
Total	**30,109,436**	**100.0**	**16,605**	**100.0**	**445,106**	**100.0**

Note: Overseas and other assets include investments in associates and joint ventures.

Corporate Governance Framework



Note: The above is the corporate governance framework chart as of the end of 2019.

The Bank has made constant efforts to improve the corporate governance and checks and balances mechanism comprising the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management featuring clearly-defined responsibilities and accountability, coordination and effective checks and balances, and to optimize responsibilities of the authority organ, decision-making organ, supervisory organ and executive organ. As a result, the corporate governance operation mechanism with scientific decision-making process, effective supervision and steady operation has been in place.

Responsibilities of the Shareholders' General Meeting

As the organ of power of the Bank, the Shareholders' General Meeting involves all shareholders. The Shareholders' General Meeting is responsible for, among others, deciding on business policies and significant investment plans of the Bank; examining and approving the Bank's annual financial budget, final account proposals, plans for profit distribution and loss make-up; electing and replacing directors, supervisors appointed from the shareholder representatives and external supervisors; examining and approving work report of the Board of Directors and work report of the Board of Supervisors; adopting resolutions on merger, division, dissolution, liquidation, change of corporate form, increase or decrease of the Bank's registered capital, issuance of corporate bonds or other securities and public listing, repurchase of the shares and issuance of preference shares; and amending the Articles of Association of the Bank.

Responsibilities of the Board of Directors

As the decision-making organ of the Bank, the Board of Directors of the Bank is accountable to, and shall report its work to, the Shareholders' General Meeting. The Board of Directors is responsible for, among others, convening the Shareholders' General Meeting; implementing the resolutions of the Shareholders' General Meeting; deciding on the business plans, investment proposals and development strategies of the Bank; formulating annual financial budget and final accounts of the Bank; formulating plans for profit distribution and loss recovery of the Bank; formulating plans for the increase or decrease of the Bank's registered capital, capital replenishment and financial restructuring of the Bank; formulating basic management systems of the Bank such as risk management system and internal control system, and supervising the implementation of such systems; appointing or removing President and the Board Secretary, and appointing or removing Senior Executive Vice Presidents and other senior management members (except the Board Secretary) who shall be appointed or removed by the Board of Directors under relevant laws according to the nomination of the President and deciding on their compensation, bonus and penalty matters; deciding on or authorizing the President to decide on the establishment of relevant offices of the Bank; regularly evaluating and improving corporate governance of the Bank; managing information disclosure of the Bank; and supervising and ensuring the President and other Senior Management members to perform their management duties effectively.

Responsibilities of the Board of Supervisors

As the supervisory organ of the Bank, the Board of Supervisors is accountable to, and shall report its work to, the Shareholders' General Meeting. The Board of Supervisors is responsible for, among others, supervising the performance and due diligence of Directors and Senior Management members; supervising the performance of duties by the Board of Directors and the Senior Management; conducting exit audits on Directors and Senior Management members when necessary; inspecting and supervising financial activities of the Bank; examining financial information such as financial report, business report and profit distribution plan to be submitted to the Shareholders' General Meeting by the Board of Directors; inspecting and supervising the business decision-making, risk management and internal control of the Bank and guiding the internal audit department of the Bank; supervising the engagement, dismissal, reengagement and audit of the external auditor as well as the audit work progress of the Bank; formulating the remuneration plans and performance evaluation measures of supervisors, conducting the performance evaluation on supervisors, and reporting to the Shareholders' General Meeting for approval; presenting proposals to the Shareholders' General Meeting; proposing to convene an extraordinary general meeting, and convening and presiding over the extraordinary general meeting in case the Board of Directors fails to perform its duty of convening Shareholders' General Meeting; proposing to convene an interim meeting of the Board of Directors.

Responsibilities of the Senior Management

As the executive organ of the Bank, the Senior Management is accountable to the Board of Directors. The Senior Management is responsible for, among others, the operation and management of the Bank; organizing the implementation of operation and investment plans approved by the Board of Directors; formulating specific rules and regulations of the Bank; determining plans for compensation distribution and performances evaluation of persons in charge of internal departments and branches of the Bank (except the internal audit department); truthfully reporting to the Board of Directors or the Board of Supervisors on the business performance; drafting the annual financial budget plan, final account plan, profit distribution plan and loss make-up plan, plans for increase or reduction of the registered capital, the issuance of bonds or other securities and listing, and making suggestions in that respect to the Board of Directors.

Overview of Corporate Governance

During the reporting period, the Bank took improving corporate governance as a primary measure to enhance its core competitiveness, continued to develop its modern corporate governance framework, mechanism and culture, and brought the corporate governance and risk management capacities of the Group to a higher level. There is neither any material divergence between actual corporate governance of the Bank and applicable regulatory documents regarding corporate governance issued by CSRC, nor any problem identified by regulatory authorities but remain unresolved in respect of corporate governance.

During the reporting period, the Bank continued to improve its corporate governance level and capacity, and received a series of corporate governance awards from many Chinese and foreign authoritative institutions and media, including the "Hong Kong Corporate Governance Excellence Awards 2019" from the Chamber of Hong Kong Listed Companies, the "Golden Round Table Awards — Board of Directors Corporate Governance Medal" from the magazine *Directors & Boards*, the "Best Listed Company Award" from the magazine *New Fortune* and the "China's Top 100 Companies Award" from the Forum of China Business Top 100.

Construction of the Organizational Framework of Corporate Governance

During the reporting period, the Bank continued to improve the framework of the Board of Directors, and established the new Corporate Social Responsibility and Consumer Protection Committee and the US Risk Committee under the Board of Directors. The Bank appointed and re-appointed some directors and changed the chairman and members of some special committees of the Board of Directors to further promote the role of the special committees of the Board of Directors in supporting decision-making. Besides, the Bank stepped up efforts in the Group's corporate governance, and kept refining the management and control and collaboration mechanism of the Group as well as the corporate governance framework, institutional system and working mechanism of its subsidiaries.

Construction of the Corporate Governance Mechanism

The Bank put into good use the key role of the Board of Directors in strategic decision-making and corporate governance. Centering on the objectives of driving sustainable growth in corporate value and creating value for customers and shareholders, the Board of Directors forged ahead as guided by the strategies, sought progress without compromising stability, inherited and innovated in development philosophy, strengthened the enterprise risk management and internal control, actively promoted the operational transformation and structural adjustment, kept track of how the strategies, plans and decisions were implemented continuously, and made sure the robust operation and healthy development of the Group. Supporting rules and regulations for performance standards of the Board of Directors were established and improved to ensure the Board of Directors fulfill its duties in accordance with relevant laws and regulations.

The Bank put the supervisory function of the Board of Supervisors into good use. The Board of Supervisors continuously improved its working mechanism in accordance with the priorities of the Bank, deepened the contents and methods of its supervision over performance of the Board of Directors and the Senior Management. It focused on the implementation of national economic and financial policies as well as regulatory requirements by the Board of Directors and the Senior Management, and their efforts in supporting the real economy and serving the supply-side structural reform, assessed the scientificity, rationality and effectiveness of the Bank's development strategy, monitored and assessed the implementation of the strategy. The Board of Supervisors earnestly conducted the annual performance assessment. Financial supervision and supervision over risk management and internal control of the Bank were enhanced. The Board of Supervisors effectively fulfilled its important role to corporate governance and promoted the legal and compliant operation and sustainable and stable development of the Bank.

The Bank strengthened enterprise risk management and capital management, and intensified internal control, audit and supervision. It continued to improve the enterprise risk management policies, and paid equal attention to risks on and off the balance sheet and risks at home and abroad to ensure that each risk is identifiable, controllable and well managed; stepped up the capital management, liquidity management and interest rate management, with the capital adequacy ratio (CAR) remained stabilized overall; and reinforced the group-wide compliance management, kept optimizing the internal control environment, and continued enhancing the auditing service capacity and the related supervision and inspection standards.

Development of Corporate Governance Regulations

During the reporting period, the Bank formulated the Working Regulations for the Corporate Social Responsibility and Consumer Protection Committee of the Board of Directors and the Working Regulations for the US Risk Committee of the Board of Directors, revised the Working Regulations for the Strategy Committee of the Board of Directors and the Working Regulations for the Risk Management Committee of the Board of Directors, providing an institutional guarantee for further performing social responsibilities, enhancing the protection of consumers' rights and interests, and strengthening the supervision and guidance for risk management of institutions in the US across the board.

Compliance with the Corporate Governance Code

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

Shareholders' Rights

Proposing the convening of an extraordinary general meeting

An extraordinary general meeting should be convened within two (2) months from the date when shareholders holding more than ten percent (10%) of the voting shares of the Bank, either individually or jointly, request to convene in writing. Proposing shareholders shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall make a written response as to whether or not it agrees to convene such a meeting within ten (10) days upon receipt of the request in accordance with laws, administrative regulations, rules and the Articles of Association of the Bank. Reasonable expenses incurred from the case where shareholders convene the meeting by themselves due to the failure of the Board of Directors to convene the meeting shall be borne by the Bank, and deducted from the payment to those negligent directors.

Submitting interim proposals for the Shareholders' General Meeting

Shareholders who hold more than three percent (3%) of shares of the Bank, either individually or jointly, may prepare an interim proposal and submit it in writing to the Board of Directors ten (10) days before the Shareholders' General Meetings convened. The Board of Directors shall issue a supplementary notice for the Shareholders' General Meeting within two (2) days upon receipt of the proposal and submit such proposal to the Shareholders' General Meeting for approval.

Putting forward suggestions and reviewing documents

Shareholders are entitled to supervise business operation of the Bank and put forward suggestions or inquiries accordingly. Shareholders are entitled to review the information of the Bank such as the Articles of Association, the register of shareholders, documents on status of share capital and minutes of Shareholders' General Meetings, etc.

Special provisions on rights of preference shareholders

In the following circumstances, preference shareholders of the Bank have the right to attend the Shareholders' General Meeting and exercise voting rights: (1) amendments to the Articles of Association which relate to preference shares; (2) the reduction of the registered capital of the Bank by more than 10% (either separately or in aggregate); (3) merger, division and dissolution or change of corporate form of the Bank; (4) issuance of preference shares; and (5) other events specified in the Articles of Association that will change or abrogate the rights of preference shareholders. If any of the above circumstances occurs, the notice of a Shareholders' General Meeting shall be given to preference shareholders in accordance with the notification procedures applicable to ordinary shareholders as specified in the Articles of Association.

In the event that the Bank failed to pay the agreed dividend to preference shareholders for three years in aggregate or for two consecutive years, from the next day following the date of approval of the proposal not paying the agreed dividend for the current year by the Shareholders' General Meeting, preference shareholders shall be entitled to attend and vote (together with ordinary shareholders) at the Shareholders' General Meeting. For preference shares the dividend of which is non-cumulative, the voting rights shall be temporarily restored until the full payment of the agreed dividend for the current year by the Bank.

Other rights

Ordinary shareholders of the Bank have the right to collect dividends and other forms of benefits distributed on the basis of the number of shares held by them; preference shareholders shall be entitled to rights to dividends in priority to payment of dividends to ordinary shareholders. Shareholders have other rights conferred by laws, administrative regulations, rules and the Articles of Association of the Bank.

Effective Communication with Shareholders

The Bank has strictly complied with laws, regulations, regulatory requirements and fundamental regulations of corporate governance, and has taken various measures such as improving information disclosure management, strengthening investor relations management and optimizing the operations mechanism of the Shareholders' General Meeting, with a view to safeguarding the rights of all shareholders, especially minority investors, and increasing communication and exchange among shareholders.

During the reporting period, the Bank strictly complied with domestic and overseas information disclosure regulations, continued to improve the group-wide information transmission mechanism, and actively fulfilled the information disclosure obligations, in order to protect the legitimate rights and interests of investors and other stakeholders. On such basis, the Bank continued to promote the voluntary information disclosure, and expand the width and depth of information disclosure. The Bank took the initiative in fully disclosing major concerns of domestic and overseas investors and capital markets, including the implementation of corporate strategy, risk management, FinTech development, internationalized and integrated operation, channel development and green credit, in an effort to provide timely, diversified and effective information for investors and other stakeholders and keep them informed of and help them understand the Bank's strategy, governance and operation.

The Bank has developed comprehensive and complete information disclosure system, which specifies the scope, standard, division of responsibility and process of information disclosure, management of inside information and insiders, etc. During the reporting period, the Bank continued to strengthen the implementation of rules and regulations of information disclosure. It continued to enhance the compliance awareness of the Bank's responsible party for information disclosure to improve the initiative and effectiveness of the Group's information disclosure management, by increasing compliance publicity and education and conducting regular self-inspection.

The Bank was widely praised for its constant improvement in information disclosure and corporate transparency, and rated as A (Excellent) for successive years in the annual information disclosure evaluation of listed companies on SSE.

The Bank improved various communication channels for investors through organizing press conferences in relation to periodic results, domestic and overseas road shows and reverse road shows, and attending famous investment forums at home and abroad during the reporting period. The Bank took full advantage of the communication platforms including the investor interactive platform of SSE, investor relations column on the website of the Group, investor hotline and investor email of the Bank, to understand investors' needs and provide sufficient information feedback in a timely manner.

During the reporting period, convening, holding, notices, announcements, proposals, voting and other procedures of the shareholders' general meetings of the Bank strictly complied with relevant laws and regulations such as the Company Law, ensuring that shareholders could exercise their right of participation in the Shareholders' General Meetings smoothly. Since it was listed, in order to treat A and H minority shareholders fairly, the Bank has held the Annual General Meeting in Beijing and Hong Kong concurrently by satellite and set up registration offices of A and H shareholders both in Beijing and Hong Kong to facilitate the voting of shareholders.

Contacts

Pursuant to relevant laws and regulations as well as the Articles of Association of the Bank, shareholders can put forward suggestions and inquiries through participating in activities including the Shareholders' General Meetings, press conferences in relation to periodic results and road shows of the Bank or by means of platforms including investor interactive platform of SSE, investor relations column on the website of the Group, investor hotline and investor email and hotline, fax and email of the Shareholders' General Meetings of the Bank as well. For contact details, please refer to the section headed "Corporate Governance Report — Investor Relations".

If an ordinary shareholder wishes to enquire about share transfer, changes in name or address, reporting loss of share certificates and dividend notes or any other information relating to his/her shares, please contact the Share Registrars of the Bank. For contact details, please refer to the section headed "Corporate Information".

Shareholders' General Meeting

During the reporting period, the Bank convened the First Extraordinary General Meeting of 2019 on 20 May 2019, the Annual General Meeting for the Year 2018 on 20 June 2019, and the Second Extraordinary General Meeting of 2019 on 22 November 2019. The afore-mentioned Shareholders' General Meetings were convened and held in strict compliance with relevant laws and regulations and the Articles of Association of the Bank. The Bank made announcements on the resolutions and disclosed legal opinions in a timely manner in accordance with regulatory requirements. For details of the above meetings, please refer to the announcements of the Bank dated 20 May 2019, 20 June 2019 and 22 November 2019 respectively on the websites of SSE, the "HKEXnews" of HKEX and the Bank.

Implementation of Resolutions of the Shareholders' General Meeting by the Board of Directors

The Board of Directors of the Bank earnestly and fully implemented the resolutions adopted by the Shareholders' General Meeting during the reporting period.

Board of Directors and Special Committees

Composition of the Board of Directors

The Bank formulated relatively complete procedures for nominating and electing Directors. With diversified backgrounds, the Directors complemented each other on one hand with regard to their expertise, professional competence and experience and expressed professional and diversified perspectives and views, which ensured scientific decision-making of the Board of Directors. As at the disclosure date of the results, the Board of Directors of the Bank consisted of 13 directors, including two Executive Directors: Mr. Chen Siqing and Mr. Gu Shu; five Non-executive Directors: Mr. Zheng Fuqing, Ms. Mei Yingchun, Mr. Lu Yongzhen, Mr. Feng Weidong and Ms. Cao Liqun; and six Independent Non-executive Directors: Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Ms. Sheila Colleen Bair, Mr. Shen Si, Mr. Nout Wellink and Mr. Fred Zuliu Hu. Mr. Chen Siqing was Chairman of the Board of Directors. Mr. Gu Shu was Vice Chairman of the Board of Directors. The Executive Directors have worked in the areas of banking and management for a long time, possesses extensive professional expertise and experience in those areas and are familiar with operation and management of the Bank. Non-executive Directors have worked in the fiscal, economic, financial and governing sectors for many years, and they have rich practical experience and relatively high level of understanding of policies and theories. All of the Independent Non-executive Directors are prestigious Chinese or foreign experts in their respective areas, e.g. economy, financial supervision, finance, audit and law, and they are familiar with Chinese and foreign regulatory rules and have a good knowledge of corporate governance, finance and bank management. The number of Independent Non-executive Directors of the Bank accounted for more than one third of the total members of the Board of Directors, complying with relevant regulatory requirements.

Unit: Person

Type of director	Executive Director 2	Non-executive Director 5	Independent Non-executive Director 6
Origin of director	Chinese Mainland 8	Hong Kong, China 3	Europe and America 2
Gender of director	Female 3	Male 10	
Term of tenure	Over three years 5	Below three years 8	

Meetings of the Board of Directors

During the reporting period, the Board of Directors of the Bank held 13 meetings, considered 74 proposals, and heard 27 reports.

The Board of Directors made scientific decisions on, and reviewed and approved such proposals as annual operation plan, fixed asset investment budget, consolidated management of the Group and work plans in accordance with economic and financial policies and major objectives, including serving the real economy, preventing and controlling financial risks and deepening financial reform.

The Board of Directors attached great importance to the enterprise risk management, continuously improved risk management system and mechanism, and prevented the systemic risk with all strength. It issued the Measures for the Administration of the Large Exposures of ICBC, revised the Administrative Measures for Interest Rate Risk in the Banking Book, reviewed and approved proposals including the 2018 and 2019 Interim Risk Management Reports, the Liquidity Risk Management Strategy for 2019, the Management Strategy of Interest Rate Risk in the Banking Book for 2019, and heard reports such as Report on Technology Risk Management in 2018.

The Board of Directors improved asset management and continued to meet the capital needs of supporting the real economy and the regulatory requirements on capital management. It reviewed and approved proposals on the 2018 Risk and Capital Adequacy Assessment Report, the 2018 Capital Adequacy Ratio Report, issuing undated additional tier 1 capital bonds, capital increase to ICBC (Asia), and the exercise of redemption of offshore preference shares, etc.

The Board of Directors highly valued the fulfillment of social responsibility and endeavored to maximize the comprehensive value of economy, environment and society. It reviewed and approved proposals on the Corporate Social Responsibility Report 2018, the Application for Temporary Authorization Limit for External Donations, etc., heard Report on Consumer Protection in 2018, and established the Corporate Social Responsibility and Consumer Protection Committee of the Board of Directors to assume the corresponding responsibilities.

For major proposals reviewed by the Board of Directors, please refer to the announcements of the Bank on the website of SSE, the "HKEXnews" website of HKEX or the website of the Bank.

The attendance of each of the Directors in Shareholders' General Meetings and meetings of the Board of Directors and the special committees of the Board of Directors during the reporting period is set out below:

Attendances in person/Number of meetings that should be attended

			Special Committees of the Board of Directors:							
Directors	Shareholders' General Meeting	Board of Directors	Strategy Committee	Corporate Social Responsibility and Consumer Protection Committee	Audit Committee	Risk Management Committee	Nomination Committee	Compensation Committee	Related Party Transactions Control Committee	US Risk Committee
Executive Directors										
Chen Siqing	2/2	6/8	1/1	—	—	—	—	—	—	—
Gu Shu	3/3	12/13	4/4	—	—	—	7/8	3/3	—	—
Non-executive Directors										
Zheng Fuqing	3/3	13/13	4/4	—	—	6/6	—	—	—	—
Mei Yingchun	3/3	13/13	4/4	—	—	—	—	3/3	—	—
Lu Yongzhen	1/1	5/5	—	—	—	—	—	—	—	—
Feng Weidong	—	—	—	—	—	—	—	—	—	—
Cao Liqun	—	—	—	—	—	—	—	—	—	—
Independent Non-executive Directors										
Anthony Francis Neoh	3/3	12/13	3/3	—	4/5	6/6	8/8	3/3	—	—
Yang Siu Shun	3/3	12/13	—	—	4/5	4/5	8/8	—	2/3	—
Sheila Colleen Bair	3/3	11/13	4/4	—	—	6/6	5/6	3/3	—	—
Shen Si	3/3	13/13	—	—	5/5	6/6	—	3/3	3/3	—
Nout Wellink	3/3	12/13	3/3	—	4/4	—	—	3/3	3/3	—
Fred Zuliu Hu	3/3	8/10	2/2	—	1/3	—	5/6	—	—	—
Directors Leaving Office										
Yi Huiman	—	1/1	1/1	—	—	—	—	—	—	—
Hu Hao	1/1	5/6	—	—	—	1/2	—	—	2/2	—
Tan Jiong	—	2/2	—	—	—	1/1	—	—	2/2	—
Cheng Fengchao	—	3/3	—	—	2/2	2/2	—	—	—	—
Ye Donghai	3/3	13/13	3/3	—	5/5	—	8/8	—	—	—
Dong Shi	3/3	11/13	4/4	—	—	4/6	—	2/3	—	—
Hong Yongmiao	—	3/3	2/2	—	1/2	1/2	2/2	—	—	—

Notes: (1) "Attendances in person" refers to attending meetings in person or on telephone or by video conference.

(2) Directors who did not attend the meetings of the Board of Directors and its special committees in person appointed other directors to attend the meetings and exercise the voting right on their behalf.

(3) For the change of directors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal".

(4) Mr. Feng Weidong and Ms. Cao Liqun were appointed as Non-executive Directors of the Bank in January 2020.

(5) The Corporate Social Responsibility and Consumer Protection Committee of the Board of Directors and the US Risk Committee of the Board of Directors were established on 25 October 2019 and did not hold any meeting during the reporting period. Prior to the establishment of the US Risk Committee of the Board of Directors, the Risk Management Committee of the Board of Directors concurrently took responsibilities of the US Risk Committee stipulated in the Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations ("EPS") established by the Federal Reserve Board.

Special Committees of the Board of Directors

The Board of Directors of the Bank has established eight special committees, namely, the Strategy Committee, the Corporate Social Responsibility and Consumer Protection Committee, the Audit Committee, the Risk Management Committee, the Nomination Committee, the Compensation Committee, the Related Party Transactions Control Committee and the US Risk Committee. Except the Strategy Committee and the Corporate Social Responsibility and Consumer Protection Committee, chairmen of all the other committees were assumed by Independent Non-executive Directors. More than half of the members of the Audit Committee, the Nomination Committee, the Compensation Committee and the Related Party Transactions Control Committee were Independent Non-executive Directors.

As at the disclosure date of the results, the composition of special committees of the Board of Directors of the Bank is as follows:

Directors/Special Committees of the Board of Directors	Strategy Committee	Corporate Social Responsibility and Consumer Protection Committee	Audit Committee	Risk Management Committee	Nomination Committee	Compensation Committee	Related Party Transactions Control Committee	US Risk Committee
Chen Siqing	Chairman							
Gu Shu	Committee Member	Chairman			Committee Member	Committee Member		
Zheng Fuqing	Committee Member			Committee Member				Committee Member
Mei Yingchun	Committee Member	Committee Member				Committee Member		
Lu Yongzhen	Committee Member			Committee Member		Committee Member		Committee Member
Feng Weidong			Committee Member	Committee Member	Committee Member			Committee Member
Cao Liqun		Committee Member	Committee Member	Committee Member				Committee Member
Anthony Francis Neoh	Committee Member		Committee Member	Chairman	Committee Member	Committee Member		Chairman
Yang Siu Shun			Committee Member	Committee Member	Committee Member		Chairman	Committee Member
Sheila Colleen Bair	Vice Chairman			Committee Member	Committee Member	Committee Member		Committee Member
Shen Si			Chairman	Committee Member		Committee Member	Committee Member	Committee Member
Nout Wellink	Committee Member	Committee Member	Committee Member			Chairman	Committee Member	
Fred Zuliu Hu	Committee Member		Committee Member		Chairman			

During the reporting period, the performance of duties by the special committees of the Board of Directors is set out below:

Strategy Committee

Primary Responsibilities of the Strategy Committee The Strategy Committee is mainly responsible for considering the Bank's strategic development plan, risk events that bear material influence on the overall situation, business and institutional development plan, major investment and financing plan, annual social responsibility report and other major matters critical to the Bank's development, making recommendations to the Board of Directors, and examining and assessing the soundness of the corporate governance framework to ensure financial reporting, risk management and internal control are compliant with corporate governance criteria of the Bank.

Performance of the Strategy Committee During the reporting period, the Strategy Committee of the Board of Directors held four meetings, considered and approved eight proposals, and heard one report. Focusing on strategic planning and FinTech, the Strategy Committee considered and approved the FinTech development plan for 2019–2023 to assist the Board of Directors in guiding and promoting the Bank's reform and innovation, and to provide strategic guidance for planning the Bank's FinTech development in a forward-looking, comprehensive and systematic manner. The Strategy Committee also paid close attention to major matters such as strategic capital allocation, and reviewed and approved several proposals including the proposals on issuing perpetual capital bonds, the general mandate for shares issued by the Bank, and the 2018 capital adequacy ratio management report, providing a driving force for the Bank to promote sustainable development, enhance capital strength, and strengthen risk resistance capacity on all fronts.

Corporate Social Responsibility and Consumer Protection Committee

Primary Responsibilities of the Corporate Social Responsibility and Consumer Protection Committee The Corporate Social Responsibility and Consumer Protection Committee is mainly responsible for considering the Bank's fulfillment of social responsibilities with respect to environment, society, corporate governance, precision poverty alleviation, and corporate culture, the strategy, policy and target of consumer protection, green finance strategy, the development plan, basic policy, annual operating plan and assessment method of inclusive finance, and making recommendations to the Board of Directors.

Performance of the Corporate Social Responsibility and Consumer Protection Committee The Corporate Social Responsibility and Consumer Protection Committee was established on 25 October 2019 and did not hold a meeting during the reporting period.

Audit Committee

Primary Responsibilities of the Audit Committee The Audit Committee is mainly responsible for constantly overseeing the Bank's internal control system, and supervising, inspecting and evaluating financial information and internal audit of the Bank and assessing mechanisms for the Bank's staff to report misconducts in financial statements, internal control, etc., and assessing the mechanism for the Bank to conduct independent and fair investigations and take appropriate actions in relation to the reported matters.

Performance of the Audit Committee During the reporting period, the Audit Committee held five meetings, considered and approved nine proposals, and heard 12 reports. The Audit Committee continued to oversee the Bank's internal control system, reviewed and approved the Bank's annual internal control assessment report, and heard reports on internal control audit results to improve the Group's compliant operation. It supervised the implementation of internal and external audits, considered and approved proposals on the internal audit plan and the engagement of external auditors, heard reports on the implementation of internal audits and performance appraisal for external auditors to promote the formation of an effective communication mechanism between internal and external audits.

- Reviewing periodic reports

The Audit Committee periodically reviewed the financial reports of the Bank. It had reviewed and submitted to the Board of Directors to approve the annual report, interim report and quarterly reports of the Bank. It also organized and conducted an internal control assessment of the Group for 2018 and engaged external auditors to audit the assessment report and procedures of the Bank in accordance with the relevant regulatory requirements. Additionally, it enhanced communication with external auditors, attached importance to the supervision of external auditors and heard several reports of external auditors concerning audit plan, audit results, and management proposals. The Audit Committee also concerned with the compliant development of overseas institutions and heard related branches' reports on internal audit work.

During the preparation and audit of the 2019 financial statements, the Audit Committee discussed and agreed with the external auditors on matters such as audit schedule and progress arrangement, followed the status of external audit and conducted supervision over relevant work at appropriate time by means of hearing reports and holding informal discussions, and reviewed the unaudited and preliminarily audited annual financial statements respectively. The Audit Committee held a meeting on 26 March 2020, and considered that the 2019 financial statements truly, accurately and completely reflected the financial position of the Bank. The Audit Committee reviewed the summary of audit work performed by external auditors in 2019 and made an overall and objective assessment on its performance and quality of practice in 2019. It also approved the renewal of the engagement of KPMG Huazhen LLP and KPMG as the external auditors of the Bank for 2020 and the engagement of KPMG Huazhen LLP as the internal control auditors of the Bank for 2020, and presented the proposals to the Board of Directors for consideration.

- Examining internal control system

The Audit Committee is responsible for constantly monitoring and examining the internal control system of the Bank, and examining the effectiveness of the system at least on an annual basis. The Audit Committee performed its function of examining the Bank's internal control system through reviewing the administrative rules and regulations and their implementation, and examined and assessed the compliance and effectiveness of major operating activities of the Bank.

The Board of Directors of the Bank is responsible for establishing, improving and effectively implementing internal control, assessing its effectiveness and truthfully disclosing internal control assessment reports according to the standard system for enterprise internal control. The objective of the internal control of the Bank is to reasonably assure the compliance of its operation and management with relevant laws, safety of its assets, as well as the authenticity and completeness of its financial reports and relevant information, in order to enhance operation efficiency and results, and to facilitate the realization of its development strategy. Due to inherent limitation of internal control, only reasonable assurance can be provided for the afore-mentioned objectives. The Board of Directors and the Audit Committee have reviewed and approved the 2019 Internal Control Assessment Report of the Bank. For details of the Bank's internal control, please refer to the section headed "Corporate Governance Report — Internal Control".

- Effectiveness of the internal audit function

The Bank has established a vertical and independent internal audit management system responsible and reporting to the Board of Directors. The Board of Directors regularly reviews the internal audit plan and hears internal audit reports on internal audit activities, audit supporting measures, internal audit team building, etc., thus effectively performing the function of risk management. The Audit Committee examines, monitors and assesses the internal audit work of the Bank, supervises the internal audit rules and their implementation, and makes assessment of audit procedures and results of the internal audit department. It is also responsible for urging the Bank to ensure adequate resources for the internal audit department and coordinating the communication between the internal audit department and external auditors. The internal audit department is accountable to and reports to the Board of Directors, is guided by the Board of Supervisors and is under the examination, supervision and assessment of the Audit Committee. For details of the internal audit, please refer to the section headed "Corporate Governance Report — Internal Audit".

Risk Management Committee

Primary Responsibilities of the Risk Management Committee The Risk Management Committee is primarily responsible for constantly overseeing the Bank's risk management system, reviewing and revising the strategy, policy and procedures of risk management and internal control process of the Bank, and supervising and evaluating the performance of Senior Management members and risk management departments in respect of risk management.

Performance of the Risk Management Committee During the reporting period, the Risk Management Committee held six meetings, considered and approved 17 proposals, and heard 17 reports. The Risk Management Committee attached great importance to risk prevention and control in key areas of the Bank. It considered and approved proposals on the 2018 and 2019 Interim Risk Management Report, the 2018 Report on Management of Interest Rate Risk in the Banking Book, the 2018 Report on the Risk Appetite Implementation and Assessment, the 2018 Compliance Risk Management Report of the Group and the 2019 Case Prevention Report and heard reports on technology risk management and the Group's anti-money laundering in 2018. It has become more foresighted in preventing and controlling financial risks and enhancing the risk management mechanism, in a bid to assist the Board of Directors in improving its risk management, prevention and control capabilities.

In addition, the Risk Management Committee paid close attention to and enhanced compliance management of overseas institutions. It revised the Bank's US-region risk management framework and risk appetite, considered several proposals such as the proposal on the Bank's liquidity risk management in the US region in 2018, and heard reports on the Bank's development strategy in the US region for 2019–2021, risk management and liquidity risk stress testing. It also held a seminar on overseas compliance management and AML to assist the Board of Directors in supervising and urging the Management to focus on compliance and anti-money laundering risks in the process of internationalized and diversified development.

- Examining the risk management system

The Risk Management Committee is responsible for constantly monitoring and examining the risk management system of the Bank, and examining the effectiveness of the system at least on an annual basis. Under the enterprise risk management system structure of the Bank, the Risk Management Committee performed its function of examining the Bank's risk management system through reviewing and revising the risk strategy, risk management policy, risk appetite and the enterprise risk management structure, monitoring and evaluating the setup, mode of organization, work procedures and results of risk management departments, regularly assessing the risk policy, risk appetite and enterprise risk management status, supervising and assessing risk control activities conducted by the Senior Management members in terms of credit risk, market risk, operational risk, liquidity risk, compliance risk, reputational risk and interest rate risk in the banking book. For details of the risk management, please refer to the section headed "Discussion and Analysis — Risk Management".

Nomination Committee

Primary Responsibilities of the Nomination Committee The Nomination Committee is mainly responsible for making recommendations to the Board of Directors on candidates for Directors and Senior Management members, nominating candidates for chairmen and members of special committees of the Board of Directors, and formulating the standards and procedures for selection and appointment of Directors and Senior Management members as well as the training and development plans for Senior Management members and key reserved talents. The Nomination Committee is also responsible for assessing the structure, size and composition of the Board of Directors on a yearly basis and making recommendations to the Board of Directors based on the Bank's development strategy.

The Articles of Association of the Bank specifies methods and procedures to nominate Directors. Please refer to Article 118 of the Articles of Association. During the reporting period, the Bank appointed and renewed the appointments of Directors of the Bank in strict accordance with the Articles of Association of the Bank. The Nomination Committee reviews the qualifications of candidates for Directors based on whether the candidate complies with applicable laws, administrative rules, regulations and the Articles of Association of the Bank. According to the requirement on diversified composition of the Board of Directors in the Rules for Recommendation and Nomination of Board Candidates of the Bank, the Nomination Committee shall pay attention to the complementarity of the candidates in terms of expertise, professional competence and experience, cultural and educational background, gender, etc., to ensure the members of the Board of Directors are well equipped, experienced and have diversified perspectives and views. In order to implement the diversity policy, the Nomination Committee assesses the improvement of diversified composition of the Board of Directors during the course of its yearly assessment on the framework, number of Directors and composition of the Board of the Directors, and discusses and designs measurable goals according to actual conditions. As at the disclosure date of the results, there were six Independent Non-executive Directors, accounting for more than one third of the total members of the Board of Directors; and there were three female Directors. The Bank attached importance to diversified sources and backgrounds of Directors and continued the efforts to enhance the professionalism of the Board of Directors, thus laying the foundation for the effective operation and scientific decision-making of the Board of the Directors.

Performance of the Nomination Committee During the reporting period, the Nomination Committee held eight meetings, considered and approved 11 proposals including the proposals on the nomination of Mr. Chen Siqing, Mr. Gu Shu, Mr. Yang Siu Shun, Mr. Lu Yongzhen, Mr. Feng Weidong and Ms. Cao Liqun as candidates for Directors of the Bank, and heard the report on the framework of the Board of Directors in 2018. The Nomination Committee prudently assessed the organizational structure of the Bank's Board of Directors and its special committees, promoted the change of directors in an orderly manner and continuously improved and adjusted the composition of special committees of the Board of Directors.

Compensation Committee

Primary Responsibilities of the Compensation Committee 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.

Performance of the Compensation Committee During the reporting period, the Compensation Committee held three meetings, considered and approved three proposals including the proposals on the payment of remuneration to Directors and Senior Management members for 2018 and the Senior Management performance evaluation plan for 2019, and heard the 2018 assessment report on the performance of duties of Directors by the Board of Directors. The Compensation Committee, in accordance with regulatory requirements, improved the performance evaluation indicators and the incentive and constraint mechanism for Senior Management members.

Related Party Transactions Control Committee

Primary Responsibilities of the Related Party Transactions Control Committee The Related Party Transactions Control Committee is mainly responsible for developing the basic policies governing the management of related party transactions, identifying the Bank's related parties, approving related party transactions and other related matters within the authority granted by the Board, receiving related party transaction statistics for filing purpose, reviewing the related party transactions that are subject to the approval of the Board of Directors or the Shareholders' General Meeting, and reporting to the Board of Directors on the implementation of the related party transaction management policies as well as the conditions on these transactions.

Performance of the Related Party Transactions Control Committee During the reporting period, the Related Party Transactions Control Committee held three meetings, considered two proposals including the proposal on identification of related parties of the Bank, and heard two reports including the report on related party transactions in 2018 and the identification of related parties of the Bank in 2018. The Related Party Transactions Control Committee focused on reviewing the fairness and objectivity of related party transactions, urged the Bank to strengthen the management of related party transactions and inside transactions, held a seminar on related party transactions, inside information and stakeholders, and assisted the Board of Directors in ensuring the Bank's related party transactions are carried out in compliance with laws and regulations.

US Risk Committee

Primary Responsibilities of the US Risk Committee In accordance with the relevant requirements in the Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations established by the Federal Reserve Board, the US Risk Committee supervised the implementation of the US business-related risk management framework and relevant policies.

Performance of the US Risk Committee The US Risk Committee was established on 25 October 2019, and did not hold a meeting during the reporting period.

Responsibilities of Directors in Respect of Financial Statements

The Directors of the Bank acknowledged that they are responsible for the preparation of the financial statements of the Bank. During the reporting period, in strict compliance with relevant provisions, the Bank published the 2018 Annual Report, the First Quarterly Report of 2019, the 2019 Interim Report and the Third Quarterly Report of 2019 as scheduled.

Term of Directors

The Bank has strictly complied with the requirements of the exchanges on which the Bank is listed and the Articles of Association of the Bank that Directors are elected by the Shareholders' General Meeting with a term of three years, and the appointment shall take effect from the date of approval by CBIRC or upon completion of relevant procedures according to the requirements of CBIRC. Directors may be re-appointed through re-election at the Shareholders' General Meeting after expiry of their term.

Investigation and Training of Directors

During the reporting period, Directors of the Bank proactively conducted surveys on departments of the Bank, directly managed institutions, and domestic and overseas branches and subsidiaries concerning such topics as compliance management of overseas institutions, business development and risk control of integrated subsidiaries, as well as financial services in support of regional development, private enterprises and small and micro enterprises, and manufacturing development. In the form of survey reports and briefs, such investigations provide the Bank with development ideas and help it promote the implementation of the work.

During the reporting period, the Bank developed an overall training plan for the Board of Directors, increased training resources, and encouraged and actively organized the Directors to attend trainings, with the aim of assisting the Directors in continuing to improve their ability to perform their duties. During the reporting period, Directors of the Bank attended relevant trainings according to work needs.

Subject matters of the trainings attended by the Directors of the Bank during the reporting period were mainly as follows:

Trainings held by the regulatory authorities:

SSE: Independent Directors Qualifications, Information Disclosure Compliance

Beijing Office of CSRC: Compliance Operation, Capital Operation

CBIRC: Corporate Governance Training for Directors and Senior Management Members in Bancassurance

Special business trainings of the Bank:

FinTech Development

Latest Trend of Overseas Financial Regulations and Their Influence

Application and Evaluation Method of FinTech in the Banking Industry

Analysis and Outlook of Macro-economic Environment

Introduction trainings for newly-appointed directors of the Bank:

Introduction to Corporate Governance and Operation of the Board of Directors

Banking Services

Introduction to External Regulatory Requirements and Notes to Duty Performance of Directors

Anti-Money Laundering

Green Finance

Training of Board Secretary

During the reporting period, the Board Secretary of the Bank attended the relevant specialized trainings, with the training hours over 15 hours, which meets relevant regulatory requirements.

Independence and Performance of Duties of Independent Non-executive Directors

The qualifications, number and proportion of the Bank's Independent Non-executive Directors comply with regulatory requirements. The Bank's Independent Non-executive Directors do not have any business or financial interests in the Bank or its subsidiaries, and they have not assumed any managerial position in the Bank. The Bank has received the annual confirmation on independence from all Independent Non-executive Directors and considered that they were independent.

During the reporting period, Chairman Chen Siqing held discussions with the Bank's Independent Non-executive Directors, who provided suggestions with respect to the Bank's development strategies, business transformation and corporate governance. The Bank's Independent Non-executive Directors earnestly attended the meetings of the Board of Directors and special committees, gave independent opinions during consideration of issues, and participated in investigations of the Bank to support FinTech innovation and application. They paid great attention to the impact of changes in regulatory policies on the operation of overseas institutions and actively paid visits to and communicated with overseas regulators. They also held discussions with the Management to exchange opinions. The Bank's Independent Non-executive Directors put forward comments and suggestions in respect of business management and strategy implementation. Their suggestions were about strengthening research on international regulatory trends, improving internationalized development, pushing ahead with FinTech innovation, accelerating financial ecological development, focusing on risk management and control as well as compliant development and strengthening information security management. The Bank paid close attention to the relevant comments and suggestions, and organized the implementation thereof according to the actual conditions.

During the reporting period, the Bank's Independent Non-executive Directors did not raise any objection on proposals of the Board of Directors and special committees of the Board of Directors.

For information of performance of duties of Independent Non-executive Directors of the Bank during the reporting period, please refer to the Work Report of Independent Directors for 2019 issued by the Bank on 27 March, 2020.

Board of Supervisors

Composition of the Board of Supervisors

As at the disclosure date of the results, the Board of Supervisors of the Bank consisted of six members, including two Shareholder Supervisors, namely Mr. Yang Guozhong and Mr. Zhang Wei; two Employee Supervisors, namely Mr. Hui Ping and Mr. Huang Li; and two External Supervisors, namely Mr. Qu Qiang and Mr. Shen Bingxi.

Meetings of the Board of Supervisors

During the reporting period, the Board of Supervisors held five meetings, reviewed 20 proposals including the proposals on the Corporate Social Responsibility Report and the Report on Development Strategy Assessment Opinions, heard 11 reports on the business operation, internal control and risk management, and reviewed 23 documents including the documents on the supervision in each quarter of 2019 and the remediation progress of issues indicated in the survey reports of the Board of Supervisors.

Attendance of supervisors of the Bank in meetings during the reporting period is as follows:

Attendances in person/Number of meetings that should be attended

Supervisor	Shareholders' General Meeting	Board of Supervisors
Zhang Wei	3/3	5/5
Hui Ping	3/3	4/5
Huang Li	3/3	4/5
Qu Qiang	3/3	5/5
Shen Bingxi	3/3	5/5

Note: For the change of supervisors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Institutions — Appointment and Removal".

Securities Transactions of Directors and Supervisors

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

Chairman and President

Pursuant to Code Provision A.2.1 of the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules) and the Articles of Association of the Bank, the roles of Chairman and President should be held by two persons, and the Chairman shall not concurrently hold the position of legal representative or chief responsible officer of the controlling shareholder.

Chairman Mr. Chen Siqing is the legal representative of the Bank, and is responsible for leading the Board of Directors in considering and formulating business development strategies, risk management, internal control and other significant matters of the Bank.

Mr. Gu Shu is the President of the Bank, who is responsible for the daily management of the business operations of the Bank. The President is appointed by and accountable to the Board of Directors, and performs his responsibilities as stipulated in the Articles of Association of the Bank and as authorized by the Board of Directors.

Powers and Functions of the Senior Management

The powers of the Board of Directors and the Senior Management are separated in strict compliance with the Articles of Association and other corporate governance documents of the Bank. During the reporting period, the Bank made an inspection on the implementation of the plan on authorization of the Board of Directors to the President, and no matter was found to be beyond the approval authority of the President.

Inside Information Management

The Bank manages inside information and insiders in strict accordance with regulatory requirements of the exchanges on which the Bank is listed and the Bank's rules, and ensures collection, delivery, sorting, preparation and disclosure of relevant information in compliance with applicable laws and regulations. During the reporting period, the Bank continued to strengthen inside information confidentiality management, timely organized the completion of insider lists and regularly conducted insider transaction self-inspections. After self-inspections, none of the insiders of the Bank were found to be involved in dealings in shares of the Bank who have taken advantage of inside information during the reporting period.

Internal Control

The Board of Directors is responsible for formulating the basic regulations for internal control and supervising the implementation of such regulations. The Audit Committee and the Related Party Transactions Control Committee of the Board of Directors perform the responsibilities of internal control management and review the effectiveness of internal control. The Bank has set up the Internal Audit Bureau and the Internal Audit Sub-bureau, which adopt a hierarchical management system and are responsible to and report to the Board of Directors. The Head Office and branches have internal control and compliance departments which are responsible for the bank-wide organization, promotion and coordination of internal control.

The internal control environment has been optimized continuously. The Bank launched the "Responsibility Reinforcement Year" compliance culture event in 2019, put in place the Administrative Measures for Positive Compliance Incentives, strengthened the interconnection between evaluation of horizontal business lines and assessment, and upgraded the problem remediation mechanism. It improved the setting of departments in branches, and further increased business operation vitality and risk management ability. The Bank also improved rules for assessing leaders of branches and launched on-site assessment for them, with the aim to improving the closed-loop management of their performance assessment.

The technological level of risk management has risen evidently. The Bank stepped up the development of a cross-risk monitoring and early-warning platform, with a view to monitoring and warning in advance risks arising from underlying assets, cooperative institutions and products. It upgraded the system of operational risk management tools, deepened sharing and transmission of risk data and information, and encouraged business departments to control risks and losses from the source. Efforts were made to enhance the development of the Group's capital management system and a panoramic view of unified liquidity risk and capital management. In addition, the Bank further regulated its internal rating system and improved the assessment scope, procedure, duty and mechanism of credit rating for corporate customers.

Control activities have become more effective. The Bank developed the Internal Control Manual to further perfect the Group's regulations and systems. In line with the best compliance management practices of international banks, the threshold for opening an overseas institution was improved. The Bank also put forward a multilevel framework and plan for implementing personalized authorization management. The review and approval functions were steadily delegated to tier-two branches, while the business scope, targets and authorities of credit sub-authorization business were determined on a reasonable and prudential basis. Centering on the ECOS project, the Bank made its business systems smarter in an all-round way. Relying on the cloud platforms, the Bank developed a better view of big data resource management, and achieved unified display and evaluation of various types of assets, such as data, standards, services, models, and products. The Bank improved the key post management system, so as to increase the efficiency of job rotation for key posts at the Head Office and branches. It upgraded internal accounting procedures of key items, established an account age management mechanism for write-offs and city ledgers in internal accounting details, and strengthened management and control of risks arising from internal accounts.

Information communication has been further streamlined. The Bank put in place a regulation management system applicable to all overseas institutions (the version for overseas institutions), providing them with a unified regulation management and inquiry platform, thus ensuring rules and regulations of the Head Office better mesh with those of overseas institutions. It upgraded its information platform, and launched such functions as visual analysis of public opinions in the banking industry, wealth management product inquiry and penetrative inquiry of beneficial owners who are not natural persons, thereby improving IT-based operation and management.

The internal monitoring and evaluation has remained effective. The Bank established a sound three-pronged approach for accountability management, developed relevant regulations, stepped up efforts to launch the accountability management system for non-standard business and built a unified view of the system. It deepened risk management in eight major businesses and other three businesses, i.e., payment and settlement business, cash business and customer information management, and continuously strengthened evaluation and inspection of risks in key areas and links, as well as risk management results.

Internal Control Assessment Report and Internal Control Audit

While disclosing the annual report, the Bank also disclosed the 2019 Internal Control Assessment Report of Industrial and Commercial Bank of China Limited in accordance with the requirements of MOF, CSRC and SSE. The report stated that the Bank had maintained effective internal control over financial reporting in all material aspects in accordance with the standard system for enterprise internal control and relevant rules as at 31 December 2019 (benchmark date). KPMG Huazhen LLP has audited the effectiveness of the Bank's internal control over financial reporting as at 31 December 2019 and issued the standardized audit report on internal control. For details, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of the Bank.

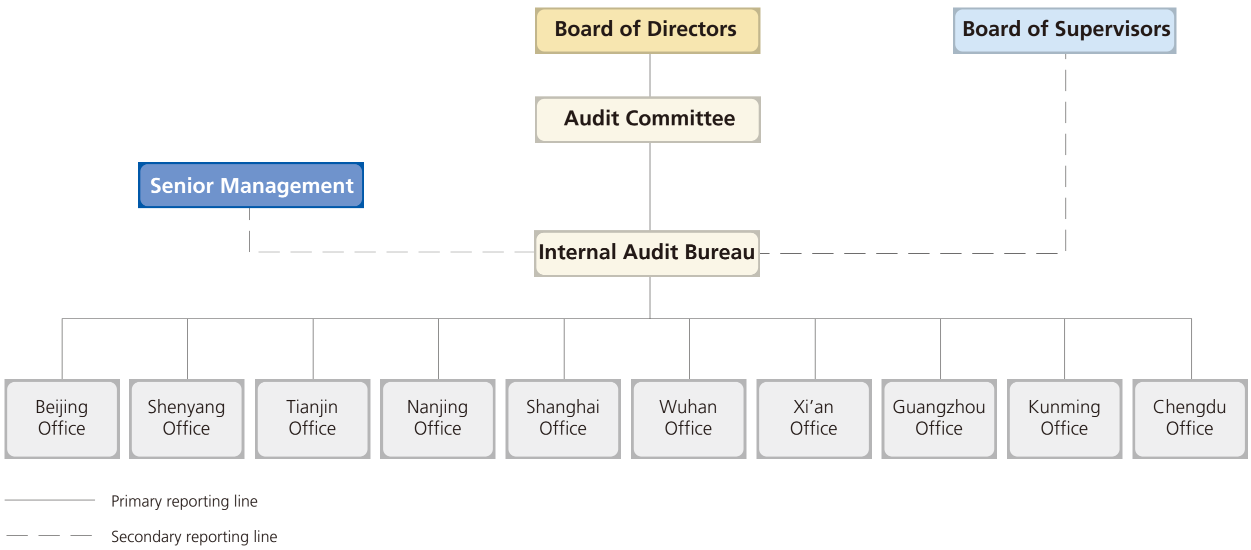
Internal Control Evaluation and Defects

The Board of Directors of the Bank conducted a self-assessment on the effectiveness of the Group's internal control during the reporting period in accordance with the Basic Standard for Enterprise Internal Control and its supporting guidelines issued by five ministries and commissions including MOF, the Guidelines for Internal Control of Listed Companies issued by SSE and relevant regulatory requirements of CBIRC. No significant or material deficiencies were detected in the Bank's internal control system during the assessment. Risks that may arise from ordinary deficiencies are controllable and corrective actions have been or are being taken, which have no material impact on the fulfillment of internal control objectives of the Bank. The Bank had maintained effective internal control in all material aspects in accordance with the standard system for enterprise internal control and relevant rules.

There was no factor that affected the assessment conclusion of internal control effectiveness from the benchmark date to the issuance date of the internal control assessment report.

Internal Audit

The Bank established a vertical and independent internal audit management system responsible and reporting to the Board of Directors. The chart below illustrates the internal audit management and reporting framework of the Bank:



During the reporting period, the Bank acted on the regulatory requirements, implemented risk-oriented audit activities and fully accomplished the annual audit plan according to the development strategy and central tasks of the Bank. The audit activities covered major domestic and overseas institutions of the Group, main business areas, operating procedures, key links and economic responsibilities of Senior Management members, with a focus on the credit risk, market risk, cross-financial risk and anti-money laundering compliance management under the complicated operating circumstances. The audit activities mainly covered such business areas as financial benefit, credit business, emerging business, information technology, operation management and capital management as well as the implementation of relevant strategies. The Bank also paid close heed to and made full use of audit findings and recommendations, with the aim of continuously enhancing risk management, internal control and corporate governance level.

During the reporting period, internal audit of the Bank actively adapted to the changes in the risk management conditions, continuously refined the audit management mechanism, improved the digital transformation of internal audit, intensified efforts in organizing professional trainings, and constantly enhanced the audit service capacity and professionalism.

Engagement of Auditors

KPMG Huazhen LLP[1] was the domestic auditors of the Bank for the financial statements audit in 2019, and KPMG[2] was the international auditors of the Bank for the financial statements audit in 2019. KPMG Huazhen LLP was also the auditors of internal control of the Bank in 2019.

KPMG Huazhen LLP and KPMG have been providers of audit services for the Bank for seven consecutive years (2013–2019).

During the reporting period, the Group paid KPMG and its member institutions a total fee of RMB210 million for the audit of financial statements (including the audit of financial statements of subsidiaries and overseas branches). Of which, RMB130 million (including fee for internal control audit of RMB11 million) was paid by the Bank.

During the reporting period, KPMG and its member institutions provided the Group with non-audit services such as tax advisory services and the professional services for the bonds issuance, and received RMB12 million for such professional non-audit services.

Investor Relations

Overview of Investor Relations Activities in 2019

In 2019, the Bank strove to improve the quality of investor relations services and generate stable return to shareholders following the principle of serving investors in a comprehensive, proactive, coordinated, precise and efficient manner.

The Bank made constant and extensive communication with institutional investors and minority investors through press conferences in relation to periodic results announcements, reverse road shows, domestic and overseas non-deal road shows, conferences with large institutions, investor hotline, investor relations mailbox, investor relations website and the online platform of sseinfo.com, which enhanced investors' confidence in economic development of China and the operational transformation of the Bank and helped bring the market value in line with the long-term intrinsic value of the Bank. The Bank improved investor relations information collection and market information feedback mechanism, strengthened dynamic monitoring of share price valuation, analyst reports and media and public opinions, followed and analyzed spotlight issues of the capital market, and effectively enhanced the quality of communication with the investors. The Bank actively understood and solicited the comments and suggestions of the capital market on the Bank, and assisted the Management in making timely reaction with the help of many operation and communication strategies, so as to continuously strengthen the level of corporate governance and core values of the Bank.

In 2020, the Bank will further and proactively deepen the communication and exchange with investors to enhance investors' understanding and recognition of the Bank and continue to protect legitimate interests of the investors, and at the same time hope to receive more support from, and attention of the investors.

Investor Enquiries

If an investor wishes to enquire any questions related to operation performance of the Bank, please contact:

Telephone: 86-10-66108608

Facsimile: 86-10-66107571

E-mail: ir@icbc.com.cn

Address: Corporate Strategy and Investor Relations Department, Industrial and Commercial Bank of China Limited,
55 Fuxingmennei Avenue, Xicheng District, Beijing, China

Postal code: 100140

1 KPMG Huazhen LLP is a Recognized Public Interest Equity Auditor under Hong Kong's Financial Reporting Council Ordinance.

2 KPMG is a Registered Public Interest Equity Auditor under Hong Kong's Financial Reporting Council Ordinance.

Principal Business The principal business of the Bank and its subsidiaries is the provision of banking and related financial services. Please refer to the section headed "Discussion and Analysis" for the business review of the Bank.

Profits and Dividends Distribution

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

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

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

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

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

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

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

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

Formulation and Implementation of Cash Dividend Policy

The Articles of Association of the Bank explicitly stipulates that the Bank's profit distribution policy shall maintain its continuity and stability and meanwhile have regard to the long-term interest of the Bank, the overall interests of all shareholders and the sustainable development of the Bank. It emphasizes the priority to adopt cash dividend as the profit distribution method and provides that the Bank's adjustment to the profit distribution policy shall be discussed by the Board of Directors as a special proposal and the grounds for adjustment shall be substantiated and proved in detail and presented in a written substantiating report for Independent Non-executive Directors to issue their opinions, and then the report will be submitted to the Shareholders' General Meeting for approval as a special resolution.

The formulation and implementation of the Bank's cash dividend policy, which has been commented by the Independent Non-executive Directors, accords with the provisions stipulated in the Articles of Association and the requirements provided in the resolutions of the Shareholders' General Meeting, the dividend distribution standards and proportion are clear and explicit, and the decision-making procedure and mechanism are complete. Minority shareholders can fully express their opinions and appeals, to completely safeguard their legitimate rights.

Distributable Reserves Details of the distributable reserves of the Bank as at 31 December 2019 are set out in "Note 39. to the Financial Statements: Reserves" of this annual report.

Financial Summary The summary of results, assets and liabilities for the five years ended 31 December 2019 is set out in the section headed "Financial Highlights" of this annual report.

Donations During the reporting period, the Group made external donations of RMB206,220.5 thousand equivalent.

Subsidiaries Particulars of the Bank's major subsidiaries as at 31 December 2019 are set out in the sections headed "Discussion and Analysis — Business Overview" and "Note 25. to the Financial Statements: Investments in Subsidiaries" in this annual report.

Share Capital and Public Float

Changes in the share capital of the Bank for the year ended 31 December 2019 are set out in "Note 37. to the Financial Statements: Share Capital".

As at the latest practicable date before the publication of this annual report, the Bank has maintained the minimum public float of 23.45%, based on the publicly available information and to the best knowledge of the Board of Directors of the Bank.

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

Pre-emptive Rights The Articles of Association of the Bank does not have any mandatory provision regarding pre-emptive rights. Pursuant to the Articles of Association, the Bank may increase its registered capital after obtaining approval of the Shareholders' General Meeting and of relevant authorities, by issuing shares through public or non-public offering, issuing bonus shares to the existing shareholders, converting capital reserve to share capital or using other methods as allowed by applicable laws and administrative regulations or approved by relevant authorities.

Major Customers In 2019, the aggregate interest income and other operating income from top five customers of the Bank did not exceed 30% of the interest income and other operating income of the Bank for the year.

Use of Proceeds from Fundraising Activities

The funds raised from the Bank's fundraising activities were used for the purposes as disclosed in the prospectuses, namely, strengthening the capital base to support the ongoing business growth of the Bank.

For future planning disclosed in the public disclosure documents such as previous offering prospectuses and fund raising prospectuses issued by the Bank which has continued during the reporting period, its implementation progress conformed to the planning as described after verification and analysis.

Equity-linked Agreement There is neither any agreement to which the Bank is a party, any options to subscribe shares, nor any securities convertible to shares of the Bank that requires the Bank to issue shares. In addition, there is no securities offering holders the right to subscribe shares of the Bank, the employee participation plan or share option plan, etc. as required by the disclosure requirements of the Hong Kong Listing Rules.

Management Contracts During the reporting period, the Bank did not enter into or have any contract regarding the management and administration of the whole or any important business.

Directors' and Supervisors' Interests in Transactions, Agreements or Contracts of Significance During the reporting period, none of the Directors or Supervisors of the Bank had any material interests, whether directly or indirectly, in any transaction, arrangement or contract of significance regarding the Bank's business to which the Bank, its subsidiaries, its controlling shareholders or subsidiaries of its controlling shareholders was a party. None of the Directors or Supervisors of the Bank have entered into any service contract with the Bank, which is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Competing Business None of the Bank's Directors held any interests in any business competes or competed or is or was likely to compete, either directly or indirectly, with the Bank.

Directors' and Supervisors' Rights to Acquire Shares or Debentures None of the Bank, its subsidiaries, its controlling shareholders or subsidiaries of its controlling shareholders entered into any agreement or arrangement enabling the Directors and Supervisors to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Interests in Shares, Underlying Shares, and Debentures Held by Directors and Supervisors As at 31 December 2019, none of the Directors or Supervisors of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong) which have to be notified to the Bank and SEHK under Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance of Hong Kong (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the Securities and Futures Ordinance of Hong Kong), or any interests or short positions which have to be recorded in the register under Section 352 of the Securities and Futures Ordinance of Hong Kong, or any interests or short positions which have to be notified to the Bank and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

Connected Transactions

In 2019, the Bank carried out standardized management of the Group's connected transactions in strict accordance with the regulations of CBIRC and CSRC as well as listing rules in Shanghai and Hong Kong.

During the reporting period, the Bank had no connected transaction to be submitted to the Board of Directors or the Shareholders' General Meeting for review, and all connected transactions occurred complied with the disclosure exemptions under the Listing Rules of the Shanghai Stock Exchange and the Hong Kong Listing Rules on disclosure exemptions.

Please refer to "Note 49. to the Financial Statements: Related Party Disclosures" for details of the related party transactions defined under the laws, regulations and accounting standards of China.

Liability Insurance of Directors, Supervisors and Senior Management Pursuant to the Articles of Association of the Bank, where conditions permit, the Bank may establish the professional liability insurance system of Directors, Supervisors and Senior Management members upon approval of the Shareholders' General Meeting. The Bank will use its own assets to compensate each Director, Supervisor and Senior Management member for any liability arising during their performance period to the maximum extent permitted by laws and administrative regulations or within the scope not prohibited by laws and administrative regulations, unless the Directors, Supervisors and Senior Management members are otherwise proved to have failed to act honestly or in good faith during their duty performance. During the reporting period, the Bank renewed liability insurance for Directors, Supervisors and Senior Management members.

Relations among Directors, Supervisors and Senior Management Directors, Supervisors and Senior Management members of the Bank are not related to one another with respect to finance, business, family, or other material relationships which are required to be disclosed.

Remuneration Policy for Directors, Supervisors and Senior Management The Bank has clearly documented the remuneration policy for Directors, Supervisors and Senior Management members, and has continuously improved its performance assessment system and incentive restriction mechanism. From the perspectives of economic benefit, prevention and control of financial risks and support for the real economy and social responsibilities, the Bank adopted a system composed of overall operation and management based indicators for the Management and duties allocation based indicators for individuals. The remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank has followed the State's policies relating to the remuneration reform on executives of central enterprises, which consists of basic annual remuneration, performance-based remuneration and incentive income linked to term appraisal. The remuneration to other Senior Management members and Shareholder Supervisors consists of basic annual remuneration and performance-based remuneration, and part of performance-based remuneration is paid in a deferred manner. The Bank has contributed to statutory retirement programs organized by Chinese governmental organizations at different levels for Directors, Supervisors and Senior Management members concurrently as the employees of the Bank. Upon obtaining all applicable approvals, the Bank will implement a long-term incentive program. As at 31 December 2019, the Bank had not granted any share appreciation rights to any Director, Supervisor, Senior Management member, or other core business personnel designated by the Board of Directors.

Members of the Board of Directors

As at the disclosure date of the results, the composition of the Board of Directors of the Bank is as follows:

Executive Directors: Mr. Chen Siqing and Mr. Gu Shu;

Non-executive Directors: Mr. Zheng Fuqing, Ms. Mei Yingchun, Mr. Lu Yongzhen, Mr. Feng Weidong and Ms. Cao Liqun;

Independent Non-executive Directors: Mr. Anthony Francis Neoh, Mr. Yang Siu Shun, Ms. Sheila Colleen Bair, Mr. Shen Si, Mr. Nout Wellink and Mr. Fred Zuliu Hu.

Industrial and Commercial Bank of China Limited
Board of Directors

Report of the Board of Supervisors

Work of the Board of Supervisors

During the reporting period, the Board of Supervisors, pursuant to relevant laws and regulations, regulatory requirements and the Articles of Association, performed supervision duties earnestly, carried out supervision of duty performance and due diligence, financial activities, risk management and internal control, etc. in a down-to-earth way, and promoted the improvement in corporate governance and the legal, compliant and prudent development.

Performance of the Board of Supervisors. In 2019, the Board of Supervisors held five meetings, considered 20 proposals including proposals on the Annual Report of the Bank and its abstract, the assessment reports on the performance of duties, and the Corporate Social Responsibility Report, heard 11 special reports on the topics including the operation, audit opinion on the financial statements and the internal control and compliance work, and reviewed 23 special reports including the reports on the supervision in each quarter of 2019, the Group's AML work and the annual risk management. It issued opinions in an objective and fair manner and appropriately exercised voting rights. The members of the Board of Supervisors diligently and faithfully fulfilled their duties, attended three Shareholders' General Meetings, attended six directors communication meetings, nine meetings of the Board of Directors and 27 meetings of special committees as non-voting attendees, and attended 12 relevant meetings of the Senior Management. It strengthened theoretical learning and summary of experience from practice, and held discussions and exchanges with the boards of supervisors of several peer financial institutions to learn from their experiences. External supervisors of the Bank worked for more than 15 working days in the Bank, complying with the relevant requirements.

Supervision on the performance of duties. The Board of Supervisors supervised the Board of Directors, Senior Management and their members on their compliance with the laws and regulations, the Articles of Association of the Bank, and the implementation of the resolutions of the Shareholders' General Meeting and the Board of Directors and the regulatory opinions. It paid close attention to the duty performance and due diligence of the Board of Directors and the Senior Management in corporate governance, development strategy and operation and management. It carried out duty performance assessment, talked with members of the Board of Directors and the Senior Management, and general managers of the related Head Office departments for comments and suggestions, and then formulated its assessment opinions on the duty performance of the Board of Directors, the Senior Management and their members in combination with their day-to-day duty performance supervision to promote the legitimate and compliant duty performance. It earnestly performed strategic assessment, assessed how scientific, reasonable and effective the Bank's development strategies were and the implementation of those strategies to strengthen strategy management. It launched a special supervision on authorization management of businesses exposed to credit risk, analyzed and researched into the problems that existed in the authorization management of businesses exposed to credit risk, and put forth related recommendations to further improve the authorization management of businesses exposed to credit risk.

Financial supervision. The Board of Supervisors supervised the Bank's financial activities as well as decisions on and implementation of material financial issues. It paid close attention to the changes in key financial figures, material financial approval and accounting, changes in accounting standards and financial policies and their impacts. It carefully reviewed periodic reports, final accounts and profit distribution plan, regularly heard reports on business conditions and audit findings, conducted spot checks on major accounting issues, verified the authenticity of financial information, and issued independent opinions in an objective and fair manner. It oversaw the independence and effectiveness of external audit work, reminded auditors of the areas of focus in audit and evaluated the duty performance of external auditors. It carried out special surveys on fixed assets investment management and equity management, analyzed and researched into situations including the preparation and implementation of fixed assets investment plans, daily management and accounting of fixed assets, establishment and operation of equity management system, equity investment management and governance of subsidiaries, and put forward relevant suggestions to further strengthen the fixed assets investment management and improve the equity management system.

Supervision on risk management. The Board of Supervisors supervised the effectiveness and soundness of the risk management system and mechanism. It paid close attention to the enterprise risk management, capital management, consolidated management, compliance of major regulatory indicators and adjustments of regulatory policies. It strengthened the supervision on main material risks, and focused on credit system and mechanism reform, asset quality management, non-performing asset disposal, credit management of overseas institutions, exchange rate risk management, liquidity risk management, operational risk management, reputational risk management, country risk management and management of cross and transmissional risks, as well as the management of risk exposures of major geographical locations, institutions and products. It launched special surveys on the management of real estate financing risks, the management of internet financing business risks and the development of inclusive financial business of the Bank, analyzed and researched into the management of real estate financing access, the management mechanism of internet financial transactions, as well as the mechanism development and product innovation of inclusive finance business risk control, and put forth related recommendations to promote the healthy development of real estate financing business, internet financial transactions and inclusive finance business.

Supervision on internal control. The Board of Supervisors supervised the effectiveness of the internal control system, the performance of internal control duties and the business compliance with laws and regulations. It paid close attention to the internal control system operation, policy development, handling of cases and risk events, supervision and inspection issues and implementation of remediation. It reinforced the supervision of key areas such as anti-money laundering, information disclosure and case prevention management and monitored the operation of internal control indicators and information system. It paid attention to the implementation and quality of the internal control assessment, reviewed internal control assessment report, and issued review opinions. It launched supervision and inspection and special surveys on connected transactions management, integration of technologies and financial business, business parameter management and compliance management of foreign exchange business, analyzed and researched into connected transactions risk control, mechanism of technological resource allocation and product innovation, business parameter management mode and compliance management of foreign exchange business, and put forth related recommendations for the purpose of further promoting the connected transactions management, improving the business parameter management mechanism, facilitating the development of technologies and financial business integration and raising the compliance management of foreign exchange business.

Independent Opinions of the Board of Supervisors on Relevant Issues

Compliant Operation During the reporting period, the Board of Directors and the Senior Management of the Bank continued to operate in compliance with applicable laws and regulations, and the decision-making procedures complied with applicable laws and regulations and the Articles of Association of the Bank. Members of the Board of Directors and the Senior Management diligently and faithfully performed their duties, and the Board of Supervisors did not find any violation of laws and regulations, or any circumstance that contravened the interests of the Bank in their performance of duties during the reporting period.

Preparation of Annual Report Preparation and review procedures of the Bank's Annual Report were in compliance with laws, regulations and regulatory rules. Contents of this report reflected the actual conditions of the Bank truly, accurately and completely.

Use of Proceeds from Fundraising Activities During the reporting period, the use of proceeds from the Bank's fundraising activities was consistent with the purpose stated in the prospectuses.

Purchase and Sale of Assets During the reporting period, the Board of Supervisors did not find any insider trading or any circumstance that contravened the shareholders' interests or caused the loss of the Bank's assets in the process of the Bank's purchase or sale of assets.

Connected Transactions During the reporting period, the connected transactions of the Bank were conducted on normal commercial terms. The Board of Supervisors did not find any circumstance that infringed upon the interests of the Bank. The approval, voting, disclosure and implementation of connected transactions complied with applicable laws and regulations and the Articles of Association of the Bank.

Implementation of Resolutions Passed at the Shareholders' General Meeting During the reporting period, the Board of Supervisors had no objection to the reports or proposals presented by the Board of Directors to the Shareholders' General Meeting for consideration. The Board of Directors earnestly implemented the resolutions approved at the Shareholders' General Meetings.

Review of the Internal Control Assessment Report The Board of Supervisors reviewed the 2019 Internal Control Assessment Report of the Bank and had no objection to the report.

Implementation of Information Disclosure Rules During the reporting period, the Bank performed its duty of information disclosure in compliance with the regulatory requirements, implemented the information disclosure management rules in earnest, and disclosed information in a timely and fair manner. Information disclosed was authentic, accurate and complete.

Save as disclosed above, the Board of Supervisors had no objection to any other matters during the reporting period.

Material Legal Proceedings and Arbitration The Bank was involved in several legal proceedings in the ordinary course of business. Most of these legal proceedings were initiated by the Bank to recover non-performing loans, while some were related to disputes with clients. As at 31 December 2019, the amount of pending proceedings in which the Bank and/or its subsidiaries acted as defendants totaled RMB4,233 million. The Bank does not expect any material adverse effect from the above-mentioned pending legal proceedings on the Bank's business, financial position or operating results.

Material Assets Acquisition, Sale and Merger During the reporting period, the Bank had no material assets acquisition, sale and merger.

Credit Standing During the reporting period, there had not been any significant court judgment with which the Bank and its controlling shareholders have not complied, nor had there been any outstanding debt of significant amount.

Implementation of Share Incentive Plan and Employee Stock Ownership Plan during the Reporting Period During the reporting period, the Bank did not implement any share incentive plan or any employee stock ownership plan.

Performance of the Poverty Alleviation Social Responsibility

The Bank took poverty alleviation as an important part of fulfilling its social responsibilities, earnestly implemented requirements of the CPC Central Committee and the State Council to win the hard battle against poverty and resolutely implemented the decisions and policies of the Party Committee of the Head Office. It continuously improved the poverty alleviation system and mechanism, enriched means of process management and explored new approaches for the poverty alleviation. It accurately responded to the financial demands of poverty-stricken areas and impoverished people and made endeavors to play its due role in fighting against poverty and shoulder its responsibilities as a leading bank.

I. Overall Precision Poverty Alleviation Planning

Strengthening the leadership and coordination. The Bank paid close attention to the poverty alleviation, and adhered to making heads of institutions at all levels assume the overall responsibility for poverty alleviation and pushing forward the overall coordinated efforts across the Bank with precise focus and strength. It attached importance to the pooled efforts across the Bank and explored effective new model of poverty alleviation to contribute ICBC's wisdom to winning the hard battle against poverty.

Improving the mechanism for poverty alleviation. In 2019, the Head Office's Leading Group for (Targeted) Poverty Alleviation through Finance held three meetings to continually strengthen the leadership and coordination of poverty alleviation work. The Bank formulated five guiding documents on precision poverty alleviation including the ICBC Work Plan for Precision Poverty Alleviation through Finance (Version 2019), the Opinions on Making Further Effort in Precision Poverty Alleviation through Finance, the Opinions on Effective Work on Targeted Poverty Alleviation in 2019, the Notice on the Acceleration of the Poverty Alleviation through ICBC Mall and the Working Regulations for the Leading Group for Poverty Alleviation through Finance to provide a solid policy basis for poverty alleviation work.

II. Summary of Precision Poverty Alleviation

The Bank conducted solid work on all aspects of the poverty alleviation, and achieved the steady growth in precision poverty alleviation loans, sustained improvement in comprehensive financial services, remarkable achievements in new poverty alleviation model, steady income increase in counties and cities of targeted poverty alleviation, and expanding social influence in poverty alleviation.

Increasing loan granting for poverty alleviation. By closely focusing on the financial needs of poverty-stricken areas and poor households, the Bank increased credit resources to them and continued to increase loan granting for precision poverty alleviation. It promoted the service model of "precision poverty alleviation and agriculture-related supply chain" to steadily lift poor households out of poverty and increase their incomes through loan of industry precision poverty alleviation.

Improving comprehensive financial services. The Bank improved the financial services for poverty-stricken areas and poor households in various fields in a multi-pronged approach. It actively improved the geographical distribution of outlets and their functions, studied and implemented the overall planning of new outlets in poverty-stricken areas. It continued to adopt fee reduction of personal settlements, and set up tailor-made wealth management products and certificates of deposit in poverty-stricken areas. It generally upgraded "e-Business Dream Plan" to increase financial service support for poverty-stricken areas through online products. It carried out solid special study on the overall planning for the development of the whole county-based market, including poverty-stricken areas.

Poverty alleviation through industries. Pushing the poverty alleviation efforts being driven by internal forces, the Bank continued to carry out the industry-based poverty alleviation model combining ICBC, the government, the village's Party committee and autonomous committee, enterprises and the poor households together, supported local characteristic projects such as meat rabbit and Apis cerana breeding and green prickleyash farming, inspired the endogenous potentials of poor households and enhanced the self-development ability in poverty-stricken areas. The Bank launched a fresh model of alleviating poverty with joined-up efforts from banks, insurers and futures companies, thus beefing up targeted poverty alleviation in a joint and effective way and risk management products such as feed cost index insurance and climate index insurance according to local conditions to help enterprises and farmers reduce operational risks and maintain steady income. The Bank focused on the pain points of industrial development with higher transportation costs and lower product competitiveness, and provided subsidies for the sale, logistics and transportation of farm and pasture products to areas of extreme poverty to help high-quality agricultural products out of mountains. It put local investment needs on its own E-Intelligence think tank platform for free and introduced leading enterprises in the industry to bring capital and advanced technology to local governments and improve the industrial chain.

Poverty alleviation through education. The Bank made great efforts in brand sponsorship projects such as the "Candle Program" and the "Sailing Program" for training and commending excellent village teachers and extending financial support to outstanding poverty-stricken college students. At the same time, it strengthened poverty alleviation through education from two directions: one is to provide long-term accompany assistance to selected disadvantaged excellent students in compulsory education, and the other is to continue to recruit outstanding college students from poor households to realize that one employed person help extricate the whole family from poverty. It relied on distance education to make up for the shortage of education resources in poverty-stricken areas, and introduced Tsinghua University and NetEase Online Open Courses to provide high-quality education and training resources to the poverty-stricken areas through satellite television and Internet. The Bank raised funds from customers and the public through its "ICBC Mall" charity platform to fund disadvantaged students and improve educational facilities. It invested special funds to build Hope Primary School in Jinyang County to solve the problems in schooling and long distance to school for school-age children in areas of extreme poverty.

Poverty alleviation through healthcare. The Bank upgraded clinics and trained doctors for areas of targeted poverty alleviation with the help of specialist agencies, and improved hardware facilities and healthcare in poverty-stricken areas. It provided sustainable finance for the "Brightness Journey of Lifeline Express" that provides free surgical operations to the helpless blind cataract patients. It also conducted vision screening for children in poverty-stricken areas and built electronic vision records together with professional hospitals and other institutions. The Bank's overseas entities supported the upgrading of medical institutions in poverty-stricken areas by means of cross-border financing. It donated ambulances to areas of targeted poverty alleviation to solve the problems of poor transportation and help patients there get timely medical treatment.

Consumption-based poverty alleviation. The Bank gave full play to the advantages of its E-commerce platform to support online sales of targeted goods, implemented a rapid access mechanism of approval upon application for targeted merchants to ensure that those merchants can enter the platform within a short period of time. It also offered preferential policy of free transaction fees and margins, and invested marketing funds to actively organize special anti-poverty marketing activities. The Bank actively mobilized the Group's branches to give priority to poverty alleviation products in logistics, procurement and welfare for employees.

It is widely recognized by the society. The Bank's achievements and innovations in precision poverty alleviation have been widely praised by governments at all levels and populations in poverty-stricken areas, and was awarded as the Best Brand of Poverty Alleviation through Finance by Sina Finance, listed on the Pioneer List of Financial Poverty Alleviation by People's Daily Online, and honored the "Best Poverty Alleviation Bank of the Year" by Financial News for two consecutive years.

III. Precision Poverty Alleviation Achievements

In RMB10,000

I. Finance-backed precision poverty alleviation	
Balance of loans[2]	17,036,035.99
Including: Loan of industry precision poverty alleviation	2,777,588.40
Loan of project precision poverty alleviation[3]	6,322,140.74
Including: Rural transport facilities	119,330.00
Upgrading of rural power network	209,077.14
Rural water conservancy facilities	743,378.61
Rural education loan	231,295.00
II. Amount of targeted poverty alleviation input	11,366.00
1. Poverty alleviation through industries	4,534.00
2. Poverty alleviation through education	984.00
3. Poverty alleviation through healthcare	568.00
4. Poverty alleviation through jobs	3,480.00
5. Poverty alleviation through Party building	1,800.00
III. Consumption-based poverty alleviation	
1. Assistance in selling agricultural products in poor areas	35,961.91
2. Purchase of agricultural products in poor areas	10,418.69
IV. The Group poverty alleviation donations apart from targeted poverty alleviation	
1. Amount of donations	5,837.14
2. Projects	Including infrastructure construction, industrial development, education, healthcare and visit to poor households
3. Number of beneficiaries	420,299
Including: Number of registered poor people	147,308

Notes: (1) The "targeted poverty alleviation" refers to the poverty alleviation efforts in Tongjiang County, Nanjiang County, Jinyang County and Wanyuan City in Sichuan Province.

(2) The data is disclosed in accordance with the statistical standard as stipulated by CBIRC.

(3) According to relevant regulations of PBC, loans for building roads in areas above the county level are no longer included in loans for transport facilities.

IV. Subsequent Precision Poverty Alleviation Plan

At the crunch time of decisive victory for the elimination of poverty, the Bank will resolutely implement the arrangements of the CPC Central Committee and the State Council in precision poverty alleviation and actively implement all regulatory requirements. It will focus on the financial needs of areas in deep poverty and provide more resources to them to shake off poverty by taking consideration of new needs and characteristics of poverty alleviation work and on the basis of constantly improving various existing work measures. It will make full use of the advantages of ICBC's platform and customer resources to explore a fresh model of poverty alleviation through cooperation between the western and eastern of China and domestic and foreign cooperation. In response to the requirements that the focus of financial poverty alleviation shifting to relative poverty and poverty reduction work becoming normalized after China accomplishes its poverty elimination tasks, the Bank will bring poverty alleviation into the overall development of rural vitalization strategies, and strive to establish a long-term development mechanism that provides financial services for rural vitalization and improves short links in issues relating to agriculture, rural areas and farmers from the perspectives of top-level design, key areas, personal financial services, and outlet improvement. The Bank will formulate assistance measures according to the poverty alleviation process and development needs for areas of targeted poverty alleviation, continue to increase investment in areas of extreme poverty, and concentrate efforts on helping localities achieve their poverty alleviation goals as scheduled. For counties and cities that have already been lifted out of poverty, the Bank will implement the principle of "shaking off poverty rather than responsibility, policies, assistance and supervision", and continue to keep the poverty alleviation policies on stable footing. It will bring finance in to better play, explore new comprehensive support plan integrating finance, intelligence and commerce to help local governments make overall planning and try to find measures for rural vitalization.

Environmental Information

The Bank actively implemented the national concept of green development and the sustainable development strategy, regarded green credit strengthening as a key strategy for long-term pursuit. It comprehensively carried out green finance from the aspects of credit policy, management process, business innovation and its own performance, gave full support to the development of green industries, reinforced the prevention and control of environmental and social risks, and continuously promoted low-carbon operation to improve economic, social and ecological benefit and set the example of a responsible state-owned leading bank.

The Bank carried out the compliance revision of the industry (green) credit policy in a timely manner, implemented the differentiated credit policy, and effectively guided the "green adjustment" of the Bank's investment and financing structure. It improved the green credit classification management, and implemented dynamic classification and differentiated management by different types of customers and loans pursuant to the Equator Principles and IFC Performance Standards and Guidelines. It conducted special audit on green credit, improved the guarantee mechanism of green credit, comprehensively implemented the "one-vote veto system" of green credit, and strengthened the investment and financing environment and social risk management. As at the end of the reporting period, the balance of green credit for energy conservation and environment protection projects and services such as ecological protection, clean energy, energy conservation and environment protection and resources recycling use reached RMB1,350,838 million, increasing by RMB113,080 million or 9.1% over the end of 2018.

The Bank actively advocated the concept of green and environment protection, focused on promoting green office, strengthened the resource-saving consciousness. It regarded "paperless" office as an important starting point for promoting green development and advocating green and low carbon, and actively promoted paperless meetings and training. It pushed on the transformation of energy-saving technologies, increased energy conservation and emission reduction, and took serious measures to energy management and control. It optimized the operation mode of important energy-consuming equipment by means of technology upgrade and equipment transformation. The Bank cultivated and implemented the concept of green development and persisted in green and environment protection activities to earnestly improve the ecological environment and fulfill its corporate social responsibilities.

Key Audit Matters The Audit Committee has reviewed the key audit matters in the audit report and concluded that it is unnecessary to provide a supplementary explanation.

Material Related Party Transactions

During the reporting period, the Bank did not enter into any material related party transactions.

Please refer to "Note 49. to the Financial Statements: Related Party Disclosures" for details of the related party transactions defined under the laws and regulations of China and the relevant accounting standards.

Material Contracts and Performance of Obligations thereunder

Material Trust, Sub-contract and Lease During the reporting period, the Bank had not held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of assets of other corporations, which were subject to disclosure, and no other corporation had held on trust to a material extent or entered into any material sub-contract or lease arrangement in respect of the Bank's assets, which were subject to disclosure.

Material Guarantees The provision of guarantees is in the ordinary course of business of the Bank. During the reporting period, the Bank did not have any material guarantee that needs to be disclosed except for the financial guarantee services within the business scope as approved by PBC and the CBIRC.

Independent Non-executive Directors' Special Explanation and Independent Opinions on External Guarantees of the Bank

In accordance with the Circular Concerning Several Issues on Regulating Fund Transfers between Listed Companies and Their Related Parties and External Guarantee of Listed Companies issued by CSRC and the State-owned Assets Supervision and Administration Commission of the State Council and relevant provisions of SSE, we, in the capacity of Independent Non-executive Directors of the Bank, reviewed external guarantees of the Bank on the principles of fairness, impartiality and objectivity, and hereby give our specific explanation and opinions as follows: upon review, external guarantees provided by the Bank mainly focus on issuance of letters of guarantee, which is part of the ordinary banking services within the business scope of the Bank as approved by relevant regulatory authorities. As at 31 December 2019, the balance of letters of guarantee issued by the Bank totaled RMB483,879 million.

The Bank has attached great importance to the management of risks arising from such business, formulated strict rules on the credit ratings of the entities to which the guarantee was provided and on the operation process and review procedures of provision of guarantee services, and carried out relevant business on such basis.

Independent Non-executive Directors of Industrial and Commercial Bank of China Limited

Anthony Francis Neoh, Yang Siu Shun, Sheila Colleen Bair, Shen Si, Nout Wellink and Fred Zuliu Hu

Occupation of Fund by Controlling Shareholders and Other Related Parties During the reporting period, none of the controlling shareholders and other related parties of the Bank occupied any fund of the Bank. The auditors have issued the Special Explanation on the Occupation of Fund by Controlling Shareholders and Other Related Parties of Industrial and Commercial Bank of China Limited in 2019.

Commitments

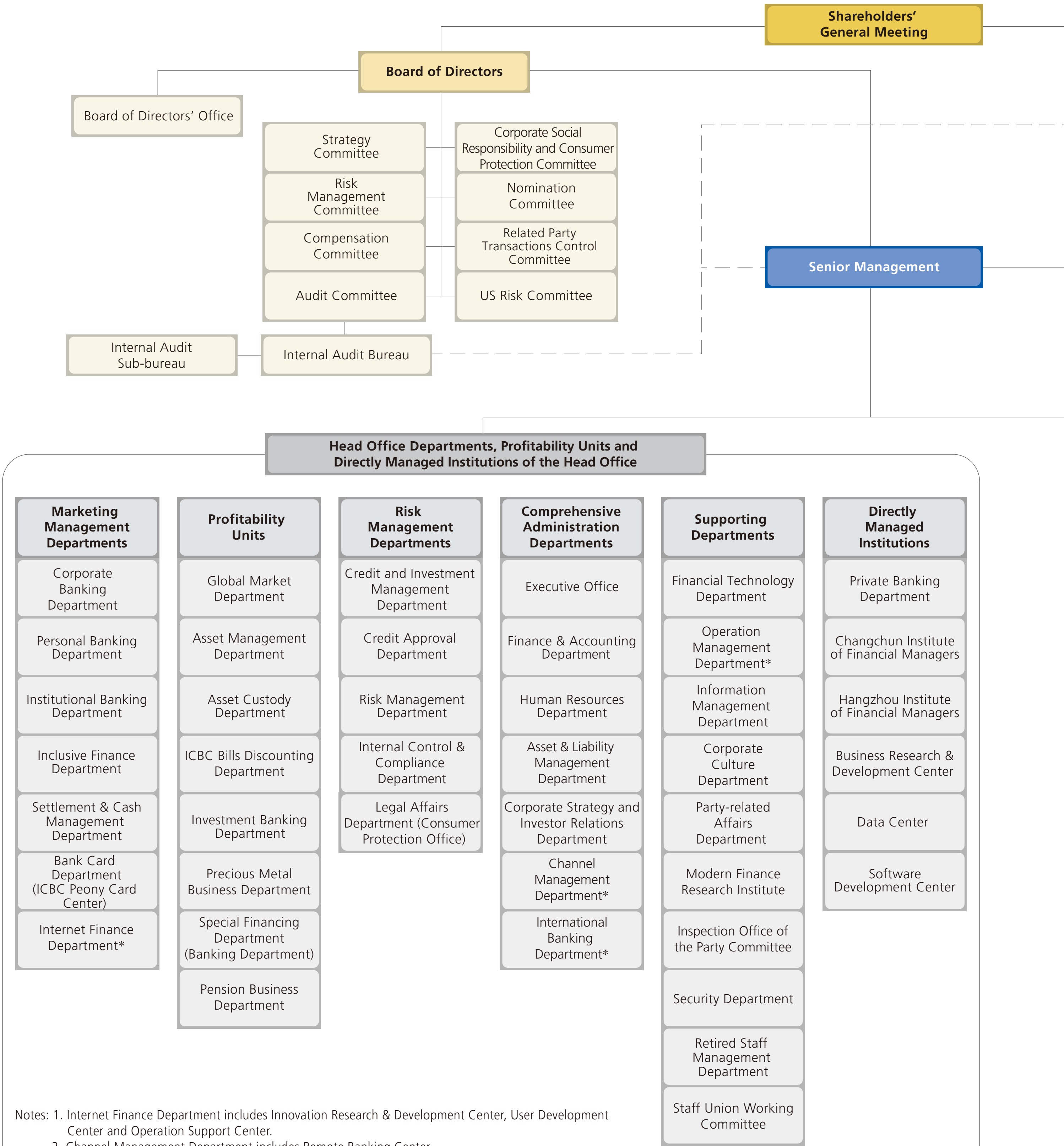
As at 31 December 2019, all of the continuing commitments made by the shareholders were properly fulfilled, and were listed as follows:

Shareholder	Type of commitment	Time and term of commitment	Legal document under which the commitment is made	Commitment	Fulfillment of commitment
Huijin	Commitment of non-competition	October 2006/ No specific term	Prospectus of Industrial and Commercial Bank of China Limited on Initial Public Offering (A Share)	Provided that Huijin continues to hold any share of the Bank or is deemed as the controlling shareholder of the Bank or the related party of the controlling shareholder of the Bank according to the laws or listing rules of China or the listing place of the Bank, Huijin will not engage in or participate in any competitive commercial banking business including but not limited to granting loans, attracting deposits and providing settlement, fund custody, bank card and money exchange services. However, Huijin can engage in or participate in some competitive businesses by investing in other commercial banks. In this regard, Huijin has committed that it will: (1) fairly treat the investments in commercial banks and will not make any decision or judgment that will have adverse impact on the Bank or be beneficial to other commercial banks by taking advantage of the status of being a shareholder of the Bank or information obtained by taking advantage of the status of being a shareholder of the Bank; and (2) perform the shareholders' rights for the maximum interests of the Bank.	As at 31 December 2019, Huijin strictly fulfilled the above commitment and did not do anything in violation of the commitment.
		November 2010/ No specific term	Prospectus on A Share Rights Issue of Industrial and Commercial Bank of China Limited		
SSF	Commitment of performing the obligation of lock-up period for A shares	Taking effect from December 2019	Simplified Report of Changes in Equity of National Council for Social Security Fund	According to the Notice of the State Council on Issuing the Implementation Plan for Transferring Part of State-Owned Capital to Fortify Social Security Funds (Guo Fa [2017] No. 49), SSF shall perform the obligation of more than 3-year lock-up period as of the date of the receipt of transferred shares.	As at 31 December 2019, SSF strictly fulfilled the above commitment and did not do anything in violation of the commitment.

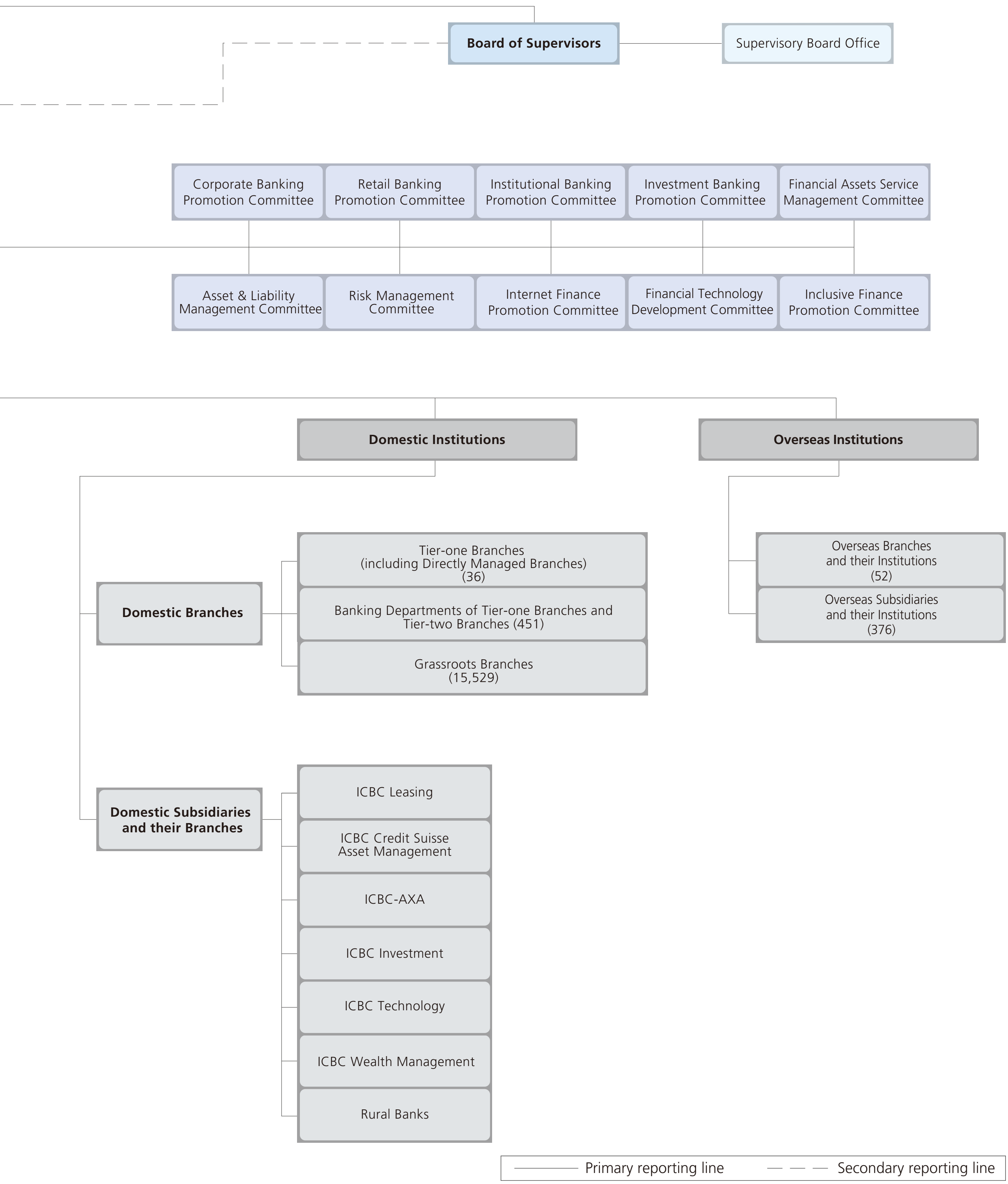
On 21 November 2018, the First Extraordinary General Meeting of 2018 reviewed and approved the Proposal on the Impact of Spot Return Diluted by Issuing Preference Shares and Corresponding Supplementary Measures of ICBC, and formulated supplementary measures for dilution of ordinary shareholders' spot return by issuing preference shares. In accordance with the relevant regulations of CSRC, the Directors and Senior Management members of the Bank have made a commitment that the measures to fill up the return can be effectively performed. For more details of the commitment, please refer to the announcements published by the Bank on the website of SSE, the "HKEXnews" website of HKEX and the website of ICBC. As at the end of the reporting period, the Bank has strictly implemented the return filling up measures, and there was no violation of the above-mentioned commitments by the Bank and its Directors and Senior Management members.

Disciplinary Actions During the reporting period, neither the Bank nor any of its Directors, Supervisors, Senior Management members and controlling shareholders was subject to any investigation by competent authorities, coercive measures taken by judicial authorities or disciplinary inspection departments, transferred to judicial authorities or charged for criminal responsibility, case filing investigation or administrative penalty by CSRC, restricted access to market, identification as unqualified, major penalty by other administrative authorities of environmental protection, safety supervision, taxation, etc. or public reprimand by the stock exchanges.

Organizational Chart



Notes: 1. Internet Finance Department includes Innovation Research & Development Center, User Development Center and Operation Support Center.
2. Channel Management Department includes Remote Banking Center.
3. International Banking Department includes International Settlement Documentation Center.
4. Operation Management Department includes Intensive Operation Center (Foshan) and Intensive Operation Center (Chengdu).


Board of Supervisors
Supervisory Board Office
Corporate Banking Promotion Committee
Retail Banking Promotion Committee
Institutional Banking Promotion Committee
Investment Banking Promotion Committee
Financial Assets Service Management Committee
Asset & Liability Management Committee
Risk Management Committee
Internet Finance Promotion Committee
Financial Technology Development Committee
Inclusive Finance Promotion Committee
Domestic Institutions
Overseas Institutions
Domestic Branches
Tier-one Branches (including Directly Managed Branches) (36)
Banking Departments of Tier-one Branches and Tier-two Branches (451)
Grassroots Branches (15,529)
Overseas Branches and their Institutions (52)
Overseas Subsidiaries and their Institutions (376)
Domestic Subsidiaries and their Branches
ICBC Leasing
ICBC Credit Suisse Asset Management
ICBC-AXA
ICBC Investment
ICBC Technology
ICBC Wealth Management
Rural Banks
Primary reporting line
Secondary reporting line

Auditor’s Report and Financial Statements

CONTENTS

KPMG

To the shareholders of Industrial and Commercial Bank of China Limited

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Industrial and Commercial Bank of China Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 156 to 290, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters (continued)

<table>
<tr><th colspan="2">Impairment of loans and advances to customers</th></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 3.(6) to the Financial Statements: Impairment of the Financial Assets", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 23. to the Financial Statements: Loans and Advances to Customers".</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group uses the expected credit loss ("ECL") model to calculate the loss allowance in accordance with International Financial Reporting Standard 9 Financial instruments ("IFRS 9").

Impairment of loans and advances to customers is a subjective area due to the degree of judgment applied by management in determining impairment allowances. From the Group's perspective, the determination of the loss allowances for loans and advances to customers is heavily dependent on the external macro environment and the Group's internal credit risk management strategy, and the judgments in determining the loss given default or the assessment of recoverable cash flows relating to individual loans and advances to customers, where loans and advances to customers were unsecured or were subject to potential collateral shortfalls.</td><td>Our audit procedures to assess loss allowance for expected credit losses included the following:

• evaluating the effectiveness of internal control operations related to provision for expected credit losses:

— assessing the key design and operational effectiveness of internal controls of the financial reporting process, including credit approval, recording, monitoring, re-evaluation of periodic credit grading, and the accrual of loss allowance; In particular, we assessed the design, implementation and operating effectiveness of the key internal controls over the classification of loans by credit quality across all stages;

— assessing the information system controls, including general information technology control, completeness of key internal historical data, data transmission between systems, mapping of parameters of expected credit loss model, and system calculation of loss allowance for expected credit loss.

• assessing the reliability of expected credit loss models and parameters used, including evaluating probability of default, loss given default, exposure at default, discount rate, forward-looking adjustment and other adjustment factors, and evaluating the reasonableness of key management judgments involved.</td></tr>
</table>

Key audit matters (continued)

Impairment of loans and advances to customers (continued)	
Refer to the accounting policies in "Note 3. (6) to the Financial Statements: Impairment of the Financial Assets", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 23. to the Financial Statements: Loans and Advances to Customers".	
The key audit matter	**How the matter was addressed in our audit**
The Group classifies financial instruments into three stages and recognises an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the financial asset, depending on whether credit risk on that financial instrument has increased significantly since initial recognition and whether an asset is considered to be credit-impaired respectively. The loss allowance for loans and advances to customers, other than those corporate loans and advances which are credit-impaired, is measured using the risk parameters method. The key parameters include probability of default (PD), loss given default (LGD) and exposure at default (EAD), which are derived from considerations including the historical overdue data, historical loss ratio, internal credit grading and other adjustment factors.	• assessing key parameters involving judgments by seeking evidence from external sources and comparing it with internal records including historical loss experience and type of collaterals. As part of these procedures, we inquired management for the reasons of modifications of estimates and model parameters, considered the consistency of management judgments, and assessed key internal controls over the input of underlying data into the models. • comparing the economic factors used in the models with market information to assess whether they were aligned with market and economic development. • performing back-testing, which included the assessment of the model's predictions using quantitative methods to measure the outputs against the actual realised observations, including how they change over time.

Key audit matters (continued)

<table>
<tr><td colspan="2">Impairment of loans and advances to customers (continued)</td></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 3. (6) to the Financial Statements: Impairment of the Financial Assets", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 23. to the Financial Statements: Loans and Advances to Customers".</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Loss allowances for the credit-impaired corporate loans and advances are measured using the discounted cash flow method. Management exercises judgment in determining recoverable cash flow based on a range of factors. These factors include available remedies for recovery, the financial situation of the borrowers, collateral valuation, the seniority of the claim and the existence and cooperativeness of other creditors. Whilst the Group appoints an external appraiser for the valuation of certain property and other illiquid collateral, enforceability, timing and means of realisation also affect the ultimate collectability and thereby the amount of expected credit loss allowances at the end of the reporting period.

We identified the loss allowance for expected credit losses as a key audit matter because of the inherent uncertainty and management judgments involved, and because the loss allowance is significant to the financial results and capital of the Group.</td><td>• selecting samples to assess the reasonableness of management judgments on whether the credit risk has increased significantly since initial recognition and whether credit impairment has occurred. We analysed the loan portfolio by industry sector to select samples in industries vulnerable to the current economic situation and regulation measures. We also focused on loans with perceived higher risk and selected samples from non-performing loans, overdue but performing loans and borrowers with negative warning signs or adverse press coverage.

• performing credit assessments for the selected credit impaired corporate loans and advances by assessing the forecast of recoverable cash flows through inquiry, applying judgment and our own research. We evaluated the timing and means of realisation of collateral and considered other sources of repayment asserted by management. We also evaluated the consistency of management's application of key assumptions and compared them with our own data sources.

• evaluating the experience, independence, competence and integrity of the external appraiser engaged by the Group to value certain property and illiquid collateral, including comparing the valuations with externally derived data such as commodity prices and real estate valuations; and

• evaluating whether the disclosures relating to loss allowance for expected credit losses met the disclosure requirements of the prevailing accounting standards.</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><th colspan="2">Recognition of interests in and consolidation of structured entities</th></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 3. (1) to the Financial Statements: Subsidiaries", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 41. to the Financial Statements: Involvement with Unconsolidated Structured Entities".</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities which include providing investment services and products to customers and managing the Group's assets and liabilities.

The Group may acquire an ownership interest in, or act as a sponsor to, a structured entity, through initiating, investing or retaining shares in a wealth management product, an investment fund, an asset management plan, a trust plan, a structured lease or an asset-backed security. The Group may also retain partial interests in derecognised assets due to guarantees or securitisation structures.</td><td>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:

• making enquiries of management and inspecting documents relating to the judgment process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard.

• selecting significant structured entities of each key product type including the wealth management products of which the manager has been changed from the Bank to a newly set-up subsidiary of the Group and performing the following procedures for each structured entity selected:

— inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgment over whether the Group has the ability to exercise power over the structured entity;</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><th colspan="2">Recognition of interests in and consolidation of structured entities (continued)</th></tr>
<tr><td colspan="2">Refer to the accounting policies in "Note 3. (1) to the Financial Statements: Subsidiaries", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 41. to the Financial Statements: Involvement with Unconsolidated Structured Entities".</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.

In accordance with the relevant regulatory requirements, the Group set up a new wholly-owned subsidiary this year to independently manage wealth management products issued by the Group to investors, and accordingly the manager of such structured entities has been changed from the Bank to the new subsidiary.

We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgment exercised by management in the qualitative assessment of the terms and the nature of each entity.</td><td>— inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to assess management's judgment as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;

— evaluating management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgment over the Group's ability to influence its own returns from the structured entity;

— assessing management's judgment over whether the structured entity should be consolidated or not; and

• evaluating the disclosures in the financial statements in relation to the recognition of interests in and consolidation of structured entities with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><th colspan="2">Fair value of financial instruments</th></tr>
<tr><td colspan="2">Refer to the accounting policies on "Note 3. (5) to the Financial Statements: Financial Instruments", "Note 4. to the Financial Statements: Significant Accounting Judgments and Estimates" and "Note 52. to the Financial Statements: Fair Value of Financial Instruments".</td></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.

The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgment.

The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgment.

We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgment exercised by management in determining the inputs used in the valuation models.</td><td>Our audit procedures to assess the fair value of financial instruments included the following:

• assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments.

• assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data.

• involving our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Group's valuations. Our procedures included developing parallel models, obtaining inputs independently and verifying the inputs.

• engaging our internal valuation specialists to conduct model validation, on a sample basis, for the valuation of complex financial instruments.

• assessing the appropriate application of fair value adjustment that form an integral part of fair values, inquiring of management about any changes in the fair value adjustment methodologies and assessing the appropriateness of the inputs applied; and

• assessing whether the disclosures in the consolidated financial statements, including fair value hierarchy information and sensitivity to key inputs, appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

Key audit matters (continued)

<table>
<tr><th colspan="2">IT systems and controls over financial reporting</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>As one of the largest banking groups in the world, the Group's IT systems are necessarily large and complex.

Automated accounting procedures and IT environment controls, which include IT governance, controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure accurate financial reporting.

Of particular importance are system calculations and data logic regarding significant accounts, including interest calculations, as well as interfaces between business management systems and accounting systems.

With the continuous and rapid increase of the volume of on-line transactions of the Group, as well as the continuous development and application of new technologies, the Group is facing increasing challenges on cyber security and data protection.

We identified IT systems and controls over financial reporting as a key audit matter because the Group's financial accounting and reporting systems are fundamentally reliant on complex IT systems and control processes which are driven by significant transaction volumes caused by the size of the customer base both in the corporate and the retail banking businesses in China and globally.</td><td>We involved our internal IT specialists in our assessment of the IT systems and controls over financial reporting, which included carrying out the following audit procedures:

• assessing the design, implementation and operating effectiveness of key internal controls over the continued integrity of all major IT systems fundamental to dealing with the financial data, particularly financial reporting.

• evaluating the design, implementation and operating effectiveness of the significant accounts-related IT automated controls which are relevant to the accuracy of system calculation, and the consistency of data transmission, covering business in corporate loans, financial asset service, interbank business, bills, retail business and others, as well as key accounting procedures; and

• evaluating the design, implementation and operating effectiveness of the cybersecurity management mechanism, the operational security of key information infrastructure, data and client information management, and monitoring and emergency management.</td></tr>
</table>

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Yuen Shan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2020

Consolidated Statement of Profit or Loss

Year ended 31 December 2019
(In RMB millions, unless otherwise stated)

	Notes	2019	2018
Interest income	6	1,038,154	948,094
Interest expense	6	(431,228)	(375,576)
NET INTEREST INCOME	6	606,926	572,518
Fee and commission income	7	171,641	162,347
Fee and commission expense	7	(16,041)	(17,046)
NET FEE AND COMMISSION INCOME	7	155,600	145,301
Net trading income	8	8,447	2,846
Net (loss)/gain on financial investments	9	(3,682)	1,345
Other operating income, net	10	8,711	3,111
OPERATING INCOME		776,002	725,121
Operating expenses	11	(207,776)	(194,203)
Impairment losses on assets	14	(178,957)	(161,594)
OPERATING PROFIT		389,269	369,324
Share of profits of associates and joint ventures		2,520	3,089
PROFIT BEFORE TAXATION		391,789	372,413
Income tax expense	15	(78,428)	(73,690)
PROFIT FOR THE YEAR		313,361	298,723
Attributable to:			
Equity holders of the parent company		312,224	297,676
Non-controlling interests		1,137	1,047
Profit for the year		313,361	298,723
EARNINGS PER SHARE			
— Basic (RMB yuan)	18	0.86	0.82
— Diluted (RMB yuan)	18	0.86	0.82

Details of the dividends declared and paid or proposed are disclosed in Note 17 to the financial statements.

The notes on pages 164 to 290 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2019
(In RMB millions, unless otherwise stated)

	Notes	2019	2018
Profit for the year		313,361	298,723
Other comprehensive income (after tax, net):	40		
Items that will not be reclassified to profit or loss:			
Changes in fair value of equity instruments designated as at fair value through other comprehensive income		(38)	1,605
Other comprehensive income recognised under equity method		11	(9)
Others		(5)	(5)
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of debt instruments measured at fair value through other comprehensive income		8,026	24,599
Credit losses of debt instruments measured at fair value through other comprehensive income		(64)	(1,238)
Reserve from cash flow hedging instruments		(634)	(53)
Other comprehensive income recognised under equity method		(530)	488
Foreign currency translation differences		4,271	3,325
Others		(329)	(903)
Subtotal of other comprehensive income for the year		10,708	27,809
Total comprehensive income for the year		324,069	326,532
Total comprehensive income attributable to:			
Equity holders of the parent company		322,853	324,981
Non-controlling interests		1,216	1,551
		324,069	326,532

The notes on pages 164 to 290 form part of these financial statements.

Consolidated Statement of Financial Position

31 December 2019
(In RMB millions, unless otherwise stated)

	Notes	31 December 2019	31 December 2018
ASSETS			
Cash and balances with central banks	19	3,317,916	3,372,576
Due from banks and other financial institutions	20	1,042,368	962,449
Derivative financial assets	21	68,311	71,335
Reverse repurchase agreements	22	845,186	734,049
Loans and advances to customers	23	16,326,552	15,046,132
Financial investments	24	7,647,117	6,754,692
— Financial investments measured at fair value through profit or loss		962,078	805,347
— Financial investments measured at fair value through other comprehensive income		1,476,872	1,430,163
— Financial investments measured at amortised cost		5,208,167	4,519,182
Investments in associates and joint ventures	26	32,490	29,124
Property and equipment	27	286,561	290,404
Deferred income tax assets	28	62,536	58,375
Other assets	29	480,399	380,404
TOTAL ASSETS		30,109,436	27,699,540

The notes on pages 164 to 290 form part of these financial statements.

(In RMB millions, unless otherwise stated)

	Notes	31 December 2019	31 December 2018
LIABILITIES			
Due to central banks		1,017	481
Financial liabilities designated as at fair value through profit or loss	30	102,242	87,400
Derivative financial liabilities	21	85,180	73,573
Due to banks and other financial institutions	31	2,266,573	1,814,495
Repurchase agreements	32	263,273	514,801
Certificates of deposit	33	355,428	341,354
Due to customers	34	22,977,655	21,408,934
Income tax payable		96,192	84,741
Deferred income tax liabilities	28	1,873	1,217
Debt securities issued	35	742,875	617,842
Other liabilities	36	525,125	409,819
TOTAL LIABILITIES		**27,417,433**	**25,354,657**
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	37	356,407	356,407
Other equity instruments	38	206,132	86,051
Reserves	39	745,111	680,877
Retained profits		1,368,536	1,206,666
		2,676,186	2,330,001
Non-controlling interests		15,817	14,882
TOTAL EQUITY		**2,692,003**	**2,344,883**
TOTAL EQUITY AND LIABILITIES		**30,109,436**	**27,699,540**

Chen Siqing
Chairman

Gu Shu
Vice Chairman
and President

Zhang Wenwu
General Manager of Finance
and Accounting Department

The notes on pages 164 to 290 form part of these financial statements.

Consolidated Statement of Changes In Equity

Year Ended 31 December 2019
(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
			Reserves											
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 1 January 2019	356,407	86,051	152,043	261,720	279,064	15,495	(22,894)	(3,804)	(747)	680,877	1,206,666	2,330,001	14,882	2,344,883
Profit for the year	–	–	–	–	–	–	–	–	–	–	312,224	312,224	1,137	313,361
Other comprehensive income (note 40)	–	–	–	–	–	7,805	4,326	(649)	(853)	10,629	–	10,629	79	10,708
Total comprehensive income	–	–	–	–	–	7,805	4,326	(649)	(853)	10,629	312,224	322,853	1,216	324,069
Dividends — ordinary shares 2018 final (note 17)	–	–	–	–	–	–	–	–	–	–	(89,315)	(89,315)	–	(89,315)
Dividends – preference shares (note 17)	–	–	–	–	–	–	–	–	–	–	(4,525)	(4,525)	–	(4,525)
Appropriation to surplus reserve (i)	–	–	–	30,571	–	–	–	–	–	30,571	(30,571)	–	–	–
Appropriation to general reserve (ii)	–	–	–	–	25,955	–	–	–	–	25,955	(25,955)	–	–	–
Capital injection by other equity instruments holders	–	149,967	–	–	–	–	–	–	–	–	–	149,967	–	149,967
Capital deduction by other equity instruments holders	–	(29,886)	(2,901)	–	–	–	–	–	–	(2,901)	–	(32,787)	–	(32,787)
Change in share holding in subsidiaries	–	–	(3)	–	–	–	–	–	–	(3)	–	(3)	(8)	(11)
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	57	57
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(338)	(338)
Other comprehensive income transferred to retained earnings	–	–	–	–	–	(20)	–	–	–	(20)	12	(8)	8	–
Others	–	–	–	–	–	–	–	–	3	3	–	3	–	3
Balance as at 31 December 2019	**356,407**	**206,132**	**149,139**	**292,291**	**305,019**	**23,280**	**(18,568)**	**(4,453)**	**(1,597)**	**745,111**	**1,368,536**	**2,676,186**	**15,817**	**2,692,003**

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

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

The notes on pages 164 to 290 form part of these financial statements.

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company													
			Reserves											
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total	Non-controlling interests	Total equity
Balance as at 31 December 2017	356,407	86,051	152,043	232,703	264,892	(31,752)	(26,302)	(3,761)	(334)	587,489	1,097,544	2,127,491	13,565	2,141,056
Impact of adopting IFRS 9	–	–	–	–	–	22,877	–	–	–	22,877	(55,035)	(32,158)	(32)	(32,190)
Balance as at 1 January 2018	356,407	86,051	152,043	232,703	264,892	(8,875)	(26,302)	(3,761)	(334)	610,366	1,042,509	2,095,333	13,533	2,108,866
Profit for the year	–	–	–	–	–	–	–	–	–	–	297,676	297,676	1,047	298,723
Other comprehensive income (note 40)	–	–	–	–	–	24,369	3,408	(43)	(429)	27,305	–	27,305	504	27,809
Total comprehensive income	–	–	–	–	–	24,369	3,408	(43)	(429)	27,305	297,676	324,981	1,551	326,532
Dividends – ordinary shares 2017 final (note 17)	–	–	–	–	–	–	–	–	–	–	(85,823)	(85,823)	–	(85,823)
Dividends – preference shares (note 17)	–	–	–	–	–	–	–	–	–	–	(4,506)	(4,506)	–	(4,506)
Appropriation to surplus reserve (i)	–	–	–	29,017	–	–	–	–	–	29,017	(29,017)	–	–	–
Appropriation to general reserve (ii)	–	–	–	–	14,172	–	–	–	–	14,172	(14,172)	–	–	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	76	76
Change in share holding in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	49	49
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(327)	(327)
Other comprehensive income transferred to retained earnings	–	–	–	–	–	1	–	–	–	1	(1)	–	–	–
Others	–	–	–	–	–	–	–	–	16	16	–	16	–	16
Balance as at 31 December 2018	**356,407**	**86,051**	**152,043**	**261,720**	**279,064**	**15,495**	**(22,894)**	**(3,804)**	**(747)**	**680,877**	**1,206,666**	**2,330,001**	**14,882**	**2,344,883**

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB103 million and RMB596 million, respectively.

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

The notes on pages 164 to 290 form part of these financial statements.

Consolidated Cash Flow Statement

Year Ended 31 December 2019
(In RMB millions, unless otherwise stated)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		391,789	372,413
Adjustments for:			
Share of profits of associates and joint ventures		(2,520)	(3,089)
Depreciation		26,229	20,315
Amortisation	11	2,315	2,339
Amortisation of financial investments		(1,360)	283
Impairment losses on assets	14	178,957	161,594
Unrealised loss on foreign exchange		8,574	20,009
Interest expense on debt securities issued		28,116	23,175
Accreted interest on impaired loans		(2,356)	(2,659)
Net loss/(gain) on disposal of financial investments		4,660	(1,116)
Net trading (gain)/ loss on equity investments	8	(2,316)	151
Net (gain)/ loss on changes at fair value		(11,312)	6,920
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)		(1,215)	(1,787)
Dividend income	9	(978)	(229)
		618,583	598,319
Net decrease/(increase) in operating assets:			
Due from central banks		135,320	297,030
Due from banks and other financial institutions		(139,844)	(88,016)
Financial investments measured at fair value through profit or loss		(41,058)	(201,848)
Reverse repurchase agreements		(190,149)	158,257
Loans and advances to customers		(1,416,849)	(1,258,665)
Other assets		(124,746)	150,444
		(1,777,326)	(942,798)
Net increase/(decrease) in operating liabilities:			
Financial liabilities designated as at fair value through profit or loss		12,103	(12,329)
Due to central banks		534	32
Due to banks and other financial institutions		447,878	70,966
Repurchase agreements		(251,349)	(531,619)
Certificates of deposit		9,762	66,036
Due to customers		1,533,642	1,780,568
Other liabilities		173,533	(237,261)
		1,926,103	1,136,393
Net cash flows from operating activities before tax		767,360	791,914
Income tax paid		(72,839)	(67,781)
Net cash flows from operating activities		694,521	724,133

The notes on pages 164 to 290 form part of these financial statements.

(In RMB millions, unless otherwise stated)

	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and other assets		(34,159)	(60,496)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)		9,587	2,855
Purchases of financial investments		(2,466,939)	(2,171,838)
Proceeds from sale and redemption of financial investments		1,613,475	1,495,633
Investments in associates and joint ventures		(2,522)	(799)
Proceeds from disposal of associates and joint ventures		752	1,168
Dividends received		3,839	1,732
Net cash flows from investing activities		(875,967)	(731,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of other equity instruments		150,000	–
Capital injection by non-controlling shareholders		57	125
Proceeds from issuance of debt securities		1,140,674	1,045,746
Interest paid on debt securities		(24,989)	(22,917)
Repayment of debt securities		(1,020,942)	(968,222)
Cash payment for redemption of other equity instruments		(32,787)	–
Acquisition of non-controlling interests		(11)	–
Dividends paid on ordinary shares		(89,315)	(85,823)
Dividends paid on preference shares		(4,525)	(4,506)
Dividends paid to non-controlling shareholders		(338)	(327)
Cash payment for other financing activities		(4,950)	–
Net cash flows from financing activities		112,874	(35,924)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(68,572)	(43,536)
Cash and cash equivalents at beginning of the year		1,509,523	1,520,330
Effect of exchange rate changes on cash and cash equivalents		9,462	32,729
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	42	1,450,413	1,509,523
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		1,074,551	973,512
Interest paid		(393,469)	(351,828)

The notes on pages 164 to 290 form part of these financial statements.

1. CORPORATE INFORMATION

Industrial and Commercial Bank of China Limited (the "Bank"), which was previously known as Industrial and Commercial Bank of China ("ICBC"), used to be a wholly-state-owned commercial bank established on 1 January 1984 based on the authorisation of the State Council and the People's Bank of China (the "PBOC") of the People's Republic of China (the "PRC"). On 28 October 2005, with the approval of the State Council, ICBC was restructured and incorporated as a joint-stock limited company. The joint-stock limited company undertook all the assets and liabilities of ICBC upon the restructuring. On 27 October 2006, the Bank was successfully listed on both Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

The Bank obtained its finance permit No. B0001H111000001 from the China Banking and Insurance Regulatory Commission (the "CBIRC") of the PRC. The Bank obtained its business license with unified social credit code 91100000100003962T from the State Administration for Industry and Commerce of the PRC. The legal representative is Chen Siqing and the registered office is located at No. 55 Fuxingmennei Avenue, Xicheng District, Beijing, the PRC.

The Bank's stock codes of A Shares and H Shares listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited are 601398 and 1398, respectively. The Bank's offshore preference share is listed on the Stock Exchange of Hong Kong Limited and the stock code is 4604. The Bank's domestic preference shares are listed on the Shanghai Stock Exchange and the stock codes are 360011 and 360036.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") comprise corporate and personal banking, treasury operations, investment banking, asset management, trust, financial leasing, insurance and other financial services. Domestic establishments refer to the Head Office of the Bank, branches and subsidiaries established inside Mainland China. Overseas establishments refer to branches and subsidiaries established under local jurisdictions outside Mainland China.

2. BASIS OF PREPARATION

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and interpretations promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance.

(2) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments, financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL") and financial assets measured at fair value through other comprehensive income ("FVOCI"), as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 4.

(In RMB millions, unless otherwise stated)

(3) Change in accounting policies

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

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

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

IFRS 16, "Leases"

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

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

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

Definition of a lease

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

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

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

The Group acting as a lessee

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

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

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

(In RMB millions, unless otherwise stated)

Significant accounting policies

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

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

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

Impacts on IFRS 16 transition

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

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

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

IFRIC 23, "Uncertainty over income tax treatments"

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

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

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

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

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

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

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

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

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

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

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

Annual Improvements to IFRS Standards 2015–2017 Cycle

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

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

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

The amendments to IAS 19 clarify that:

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Subsidiaries

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity if it is exposed, or has rights, to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and any unrealised profit or loss arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost less impairment losses (see Note 3(21)).

(2) Non-controlling interests

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to a parent.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(3) Associates and Joint ventures

An associate is an entity in which the Group or Bank has significant influence.

A joint venture is an arrangement whereby the Group or Bank and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

The Group's investments in associates or joint ventures are accounted for under the equity method of accounting. Under the equity method, an investment in an associate or joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment losses. The consolidated statement of profit or loss reflects the share of the results of operations of the associate or joint venture. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Under the equity method, unrealised profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the Group's interests in the associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In the Bank's statement of financial position, investments in associates and joint ventures are stated at cost less impairment losses (see Note 3(21)).

(4) Foreign currency translation

The consolidated financial statements are presented in RMB, being the functional and presentation currency of the Bank's operations in Mainland China. Each entity in the Group determines its own functional currency and the financial statements of each entity are presented using that functional currency.

Foreign currency transactions are initially recorded in the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at period end rates are recognised in profit or loss, with the exception that they are taken directly to other comprehensive income when the monetary items are designated as part of the hedge of the Bank's net investment of a foreign entity, and the aggregate exchange differences are not recognised in profit or loss until the disposal of such net investment. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rates ruling at the end of the reporting period. The exchange differences are recognised in profit or loss or in other comprehensive income, depending on the nature of non-monetary items.

As at the end of the reporting period, the assets and liabilities of foreign operations are translated into the presentation currency of the Bank at the exchange rates ruling at the end of the reporting period. All items within equity except for retained profits are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the above translation are taken to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Cash flows arising from transactions in foreign currencies and cash flows of overseas subsidiaries are translated using the weighted average exchange rates for the year. The effect of exchange rate movements on cash is presented separately in the statement of cash flows as a reconciling item.

(5) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Initial recognition of financial instruments

At initial recognition, financial assets are classified into three categories: financial assets measured at amortised cost, financial assets measured at FVOCI and financial assets measured at FVTPL.

At initial recognition, financial liabilities are classified into two categories: financial liabilities measured at FVTPL and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities measured at FVTPL, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Measurement of fair value

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

When measuring fair value, the Group shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date (including the condition and location of the asset; and restrictions, if any, on the sale or use of the asset, etc.), and use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The adopted valuation techniques mainly include market approach, income approach and cost approach.

(ii) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at FVOCI, or at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Subsequent measurement of financial assets

Financial assets measured at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

Debt instruments measured at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity instruments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(iii) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL and other financial liabilities.

Financial liabilities measured at FVTPL

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities measured at FVTPL are subsequently measured at fair value and net gains and losses (including any interest expense) are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

For the financial liabilities designated as at FVTPL, the gains and losses arose are accounted for in accordance with the following requirements: (i) the amount of changes in the fair value of the financial liability arising from changes in the Group's own credit risk should be included in other comprehensive income; (ii) other changes in fair value of the financial liabilities are recognised in current profit or loss. If the treatment of the impact of changes in the financial liabilities' own credit risk will create or enlarge the accounting mismatch in profit or loss in accordance with (i), the Group shall recognise the entire gain or loss of the financial liabilities (including the amount of the impact of changes in its own credit risk) in profit and loss. When these liabilities are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to retained earnings.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(6) Impairment of the financial assets

The Group recognises loss allowances for ECL on:

– Financial assets measured at amortised cost;

– Debt instruments measured at FVOCI; and

– Loan commitments and financial guarantee contracts.

Financial assets measured at fair value, including debt investments or equity securities measured at FVTPL, equity securities designated as at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group's method of measuring expected credit losses of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months).

The Group classifies financial instruments into three stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three risk stages are defined as follows:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month expected credit losses is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime expected credit losses is recognised as loss allowance. Refer to Note 51(a) credit risk for the description of how the Group determines when a significant increase in credit risk has occurred.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime expected credit losses is recognised as loss allowance. Refer to Note 51(a) credit risk for the definition of credit-impaired financial assets.

Presentation of allowance for ECL

ECLs are remeasured at the end of each reporting period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt instruments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income. The Group recognises loss allowances for loan commitments and financial guarantee contracts through other liabilities (allowance for impairment losses on credit commitments).

Write-off

The book value of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(7) Modification of loan contracts

In some cases (such as renegotiating loans), the Group may renegotiate or otherwise modify the financial assets contracts. The Group would assess whether or not the new contractual terms are substantially different to the original terms. If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset under the revised terms. If the renegotiation or modification does not result in derecognition, but lead to changes in contractual cash flows, the Group assesses whether a significant increase in credit risk has occurred, based on comparing the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

(8) Derecognition of financial assets and liabilities

Financial assets

Financial asset is derecognised when one of the following conditions is met:

– the Group's contractual rights to the cash flows from the financial asset expire;

– the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or

– the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but assumed the obligation to pay those cash flows to the eventual recipients and meanwhile meet the conditions of the transfer of financial assets, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets partially qualifies for derecognition, the Group continue to recognise the transferred assets to the extent of its continuing involvement, derecognise the remaining. The carrying amount of the transferred assets is apportioned between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the carrying amount of the derecognised portion and the total consideration paid for the derecognised portion is recorded in profit or loss.

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

Financial liabilities

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(9) Convertible instruments

Convertible instruments issued by the Group that can be converted to equity shares, where the number of shares to be issued and the value of consideration to be received at that time do not vary, are accounted for as compound financial instruments containing both liability and equity components.

The initial carrying amount of a compound financial instrument is allocated to its equity and liability components. The amount recognised in the equity is the difference between the fair value of the instrument as a whole and the separately determined fair value of the liability component (including the value of any embedded derivatives other than the equity component). Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method, unless it is designated upon recognition at FVTPL. The equity component is not re-measured.

If the convertible instrument is converted, the liability component, together with the equity component, is transferred to equity. If the convertible instrument is redeemed, the consideration paid for the redemption, are allocated to the liability and equity components. The method used to allocate the consideration and transaction costs is the same as that used for issuance. After allocating the consideration and transaction costs, the difference between the allocated and carrying amounts is charged to profit and loss if it relates to the liability component or directly recognised in equity if it relates to the equity component.

(10) Preference shares and perpetual bonds

At initial recognition, the Group classifies the preference shares, perpetual bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Preference shares and perpetual bonds issued containing both equity and liability components are accounted for using the accounting policy for convertible instruments containing an equity component. Preference shares and perpetual bonds issued not containing an equity component are accounted for using the accounting policy for other convertible instruments not containing an equity component.

Preference shares and perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

(11) Derivatives and hedge accounting

Derivatives

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the main contract included in the hybrid contract is an asset within the scope of a new financial instrument standard, the embedded derivative is no longer split from the main contract of the financial asset, but the hybrid financial instrument as a whole is related to the classification of the financial asset provision. If the main contract included in the hybrid contract is not an asset within the scope of the new financial instrument standard, when their economic characteristics and risks are not closely related to those of the hybrid contract, those separate instruments with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid instrument is not carried at FVTPL, certain derivatives embedded in other financial instruments should be split from the hybrid contract and treated as separate derivatives. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

Hedge accounting

At the inception of a hedging relationship, the Group formally designates the hedge instruments and the hedged items, and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to meet the hedge effectiveness in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to analyse the sources of hedge ineffectiveness which are expected to affect the hedging relationship in remaining hedging period. If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, the Group would rebalance the hedging relationship.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with fair value gains or losses recognised in profit or loss. Hedges which meet the strict criteria for hedge accounting are accounted for in accordance with the Group's accounting policy as set out below.

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or unrecognised firm commitment, that is attributable to a particular risk and could affect the profit or loss or other comprehensive income. Among them, the circumstances affecting other comprehensive income are limited to the hedging for the risk exposure from fair value change of non-trading equity investment designated as at FVOCI. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and the gains and losses from both are taken to profit or loss or other comprehensive income.

For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item and the face value is amortised over the remaining term of the original hedge using the effective interest rate method.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting when the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised. If the hedged items are derecognised, the unamortised fair value is recorded in profit or loss.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a highly probable forecast transaction or a component of any such item, and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in other comprehensive income. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects profit or loss, the gain or loss on the hedging instrument recognised directly in other comprehensive income is recycled in the corresponding income or expense line of the statement of profit or loss. When the hedging relationship ceases to meet the qualifying criteria after taking into account any rebalancing of the hedging relationship, including the hedging instrument has expired or has been sold, terminated or exercised, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedged forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

Net investment hedges

Net investment hedge is a hedge of the currency risk of a net investment in a foreign institution operation.

Hedges of net investments in foreign operations are accounted for similarly to cash flow

hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in other comprehensive income; the gain or loss relating to the ineffective portion is recognised in profit or loss immediately. Gains and losses accumulated in other comprehensive income are included in profit or loss when the foreign operation is disposed of as part of the gain or loss on the disposal.

(12) Trade date accounting

All regular way purchases and sales of financial assets are recognised at the trade date, which is the date that the Group commits to purchase or sell the assets. A regular way purchase or sale is the purchase or sale of financial assets that requires delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(13) Presentation of financial instruments

Financial assets and financial liabilities are generally presented separately in the statement of financial position and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the statement of financial position when both the following conditions are satisfied:

– the Group currently has a legally enforceable right to set off the recognised amounts; and

– the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(14) Repurchase and reverse repurchase transactions (including securities borrowing and lending)

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a "repurchase agreement", reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a "reverse repurchase agreement". The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

According to the policy of classification of financial assets (refer to Note 3(5)), the reverse repurchase agreements held by the Group were divided into different classification according to the entity's business model for managing the financial instruments and the contractual cash flow characteristics of the assets: financial assets measured at amortised cost and financial assets measured at FVTPL.

Securities borrowing and lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading and measured at fair value with any gains or losses included in profit or loss.

(15) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in the statement of profit or loss.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. The precious metals deposited in the Group are measured at fair value both on initial recognition and in subsequent measurement.

(16) Property and equipment

Property and equipment, other than construction in progress are stated at costs less accumulated depreciation and any impairment loss. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the direct costs of construction during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and the annual depreciation rate of each item of property and equipment (excluding aircraft and vessels) are as follows:

	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Properties and buildings	5–50 years	0%–3%	1.94%–20%
Office equipment and motor vehicles (excluding aircraft and vessels)	2–7 years	–	14.29%–50%
Leasehold improvements		Over the shorter of the economic useful lives and remaining lease terms	

Equipment under operating leases where the Group is the lessor contains aircraft, aircraft engines and vessels. The estimated useful lives and depreciation methods are determined according to the real conditions of individual aircraft and vessels. The residual values are assessed by an independent valuer based on historical data. The estimated useful lives range from 15 to 25 years.

For an item of impaired fixed assets, the depreciation is calculated based on the carrying value less the cumulative impairment loss.

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment or any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

(17) Land use rights

Land use rights are recognised at cost, being the fair value at the time of injection from the central government of the PRC (the "Government") or the consideration paid. The rights are amortised using the straight-line basis over the periods of the leases. When the prepaid land lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the costs of properties and buildings as finance leases in property and equipment.

(18) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

(19) Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the CGU (group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (group of CGUs) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU (group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

(20) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. When the effect of the time value of money is material, the best estimate shall be determined by discounting the related future cash outflows. When determining the best estimate, the Group considers factors pertaining to a contingency such as risks, uncertainties and time of value of money. Where there is a continuous range of the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate shall be the mid-point of that range. In other cases, the best estimate shall be determined according to the following circumstances:

– Where the contingency involves a single item, the best estimate shall be the most likely outcome.

– Where the contingency involves a large population of items, the best estimate shall be determined by weighting all possible outcomes by their associated probabilities.

The Group shall review the carrying amount of a provision at the end of reporting period. The carrying amount shall be adjusted to the current best estimate.

(21) Asset impairment

Impairment losses on assets except for deferred tax assets, financial assets and goodwill are determined based on the following:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Any such reversal is recognised in profit or loss. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(22) Cash and cash equivalents

Cash and cash equivalents refer to short-term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with central banks, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

(23) Employee benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

All eligible employees outside Mainland China participate in local defined contribution schemes. The Group contributes to these defined contribution schemes based on the requirements of the local regulatory bodies.

Post-employment benefits-defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of the assets or charged to profit or loss as the related services are rendered by the employees.

In addition, employees in Mainland China also participate in a defined contribution retirement benefit plan established by the Group (the "Annuity Plan"). The Group and its employees are required to contribute a certain percentage of the employees' previous year basic salaries to the Annuity Plan. The contribution is charged to profit or loss when it is incurred. The Group pays a fixed contribution into the Annuity Plan and has no obligation to pay further contributions if the Annuity Plan does not hold sufficient assets to pay all employee benefits.

Termination benefits

Termination benefits are payable as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognise termination benefits in profit or loss at the earlier of:

- When the Group can no longer withdraw an offer of those benefits;
- When the Group has a specific, formal restructure plan involving payment of termination benefits, and the plan has started or informed each affected party about the influence of the plan, therefore each party formed reasonable expectations.

Early retirement benefits

According to the Bank's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Bank. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when they are incurred.

(24) Fiduciary activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group as trustee approved by regulatory authorities, signs custody agreement with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

The Group grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised ratably over the period in which the service is provided. The risk of loss is borne by those trustors.

(25) Insurance contracts

Insurance contracts classification

The Group's insurance subsidiary executes the contract with the policyholder. Where the Group undertakes insurance risk, which means a risk, rather than a financial risk, transferred from the holder of a contract to the insurance provider and over time, the combined cost of claims, administration and acquisition of the contract may exceed the aggregate amount of premiums received and investment income, the contract is classified as an insurance contract; where the Group undertakes the risks other than insurance risk. The contract is classified as non-insurance contract; and where the Group undertakes both insurance risk and other risks, forming a contract with mixed risks, the following stipulations are applied:

(i) Where the insurance risk and other risks can be distinguished from each other and separately measured, the insurance risk is separated from other risks. The insurance risk is accounted for as an insurance contract and other risks are accounted for according to the relevant accounting standards;

(ii) Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, an umbrella contract applies and significant insurance risk test shall be performed based on it. If the insurance risk is significant, the contract is accounted for as an insurance contract; otherwise, it is accounted for as a non-insurance contract.

Insurance income recognition

Insurance premium income is recognised when:

(i) The insurance contract is issued, and related insurance risk is undertaken by the Group;

(ii) The related economic benefits are likely to flow to the Group;

(iii) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payment that the Group is obliged to pay to fulfill relevant obligations under the insurance contract. At the end of each reporting period, liability adequacy tests are performed. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made to the respective insurance contract liabilities.

(26) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not expected credit losses.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and is included in interest income, except for:

(i) For purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost; and

(ii) Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their book value.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

(i) The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

   – The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

   – The customer controls the service provided by the Group in the course of performance; or

   – The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

(ii) In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

Net trading income

Results arising from trading activities include all gains and losses from changes in fair value for financial assets and financial liabilities that are held for trading. This includes gains and losses from changes in fair value relating to the ineffective portion of the hedging arrangements.

(27) Income tax

Income tax comprises current and deferred income tax. Income tax is recognised in profit or loss except that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

(i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

(i) Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and

(ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(28) Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

– the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

– the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

– the lessee has the right to direct the use of the asset.

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

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note 3 (21).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Each institution of the Group uses interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment as incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

– there is a change in the amounts expected to be payable under a residual value guarantee;

– there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;

– there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note 3(5) and 3(6). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

(29) Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

(30) Financial guarantee contracts

The Group issues financial guarantee contracts, including letters of credit, letters of guarantee and acceptance. These financial guarantee contracts provide for specified payments to be made to reimburse the holders for the losses they incur when a guaranteed party defaults under the original or modified terms of a debt instrument, loan or any other obligation.

The Group initially measures all financial contracts at fair value, in other liabilities, being the premium received. This amount is recognised ratably over the period of the contract as fee and commission income. Subsequently, the liabilities are measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments (refer to Note 3(6)) and the amount initially recognised less the cumulative amount of income. Any increase in the liability relating to a financial guarantee is taken to the statement of profit or loss.

(31) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. Contingent liabilities are disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

(32) Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Refer to Note 51(a) credit risk for the explanation of the inputs, assumptions and estimation techniques used in measuring ECL.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or groups of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the CGU or groups of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

Fair value of financial instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

Determination of control over investees

Management applies its judgement to determine whether the control indicators set out in Note 3(1) indicate that the Group controls securitisation vehicles, investment funds, wealth management products, asset management plans, trust plans or asset-backed securities.

Securitisation vehicles

Certain securitisation vehicles sponsored by the Group under its securitisation programme are run according to predetermined criteria that are part of the initial design of the vehicles. In addition, the Group is exposed to variability of returns from the vehicles through its holding of debt securities in the vehicles and outside the day-to-day servicing of the receivables (which is carried out by the Group under a servicing contract). Key decisions are usually required only when receivables in the vehicles go into default. Therefore, in considering whether it has control, the Group considers whether it manages these key decisions that most significantly affect these vehicles' returns.

Investment funds, wealth management products, asset management plans, trust plans and asset-backed securities

The Group acts as manager to a number of investment funds, wealth management products, asset management plans, trust plans and assets-backed securities. When assessing whether controls such a structured entity, the Group would determine whether it exercises the decision-making rights as a principal or an agent and usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. The Group would also determine whether another entity with decision-making rights is acting as an agent for it.

For further disclosure in respect of unconsolidated investment funds, wealth management products, asset management plans, trust plans and assets-backed securities in which the Group has an interest or for which it is a sponsor, see Note 41.

(In RMB millions, unless otherwise stated)

5. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs and IASs that have been issued but are not yet effective, in these financial statements.

IFRS 3 Amendments	*Clarifying what is a business*[1]
IAS 1 and IAS 8 Amendments	*Definition of Material*[1]
IFRS 9, IAS 39 and IFRS 7 Amendments	*Interest Rate Benchmark Reform*[1]
IFRS 17	*Insurance contracts*[2]
IAS 1 Amendments	*Classification of Liabilities as Current or Non-current*[3]
IFRS 10 and IAS 28 Amendments	*Sale or contribution of assets between an investor and its associate or joint venture*[4]

1 Effective for annual periods beginning on or after 1 January 2020, early adoption is permitted.

2 Effective for annual periods beginning on or after 1 January 2021, early adoption is permitted only for companies that also apply IFRS 9 and IFRS 15.

3 Applying retrospectively for annual periods beginning on or after 1 January 2022, early adoption is permitted.

4 Effective for annual periods is to be determined, early adoption is permitted.

Further information about those changes that are expected to affect the Group is as follows:

Amendments to IFRS 3, Business Combinations "Clarifying what is a business"

The IASB has issued amendments to IFRS 3 that seek to clarify the definition of business. The amendments include an election to use a concentration test. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The effect of these changes is that the new definition of a business is narrower, which could result in fewer business combinations being recognised. The amendments may require a complex assessment to decide whether a transaction is a business combination or an asset acquisition.

The amendments are expected to have no material impact on financial position and financial performance.

Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, "Definition of Material"

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved and the amendments ensure that the definition of material is consistent across all IFRS Standards.

The amendments are expected to have no material impact on financial position and financial performance.

Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial instruments: Disclosures, "Interest Rate Benchmark Reform"

The IASB issued the amendments to IFRS 9, IAS 39 and IFRS 7, which aims to address uncertainties related to the ongoing reform of interbank offered rates ("IBOR").

The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. They are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

The amendments are expected to have no material impact on financial position and financial performance.

(In RMB millions, unless otherwise stated)

IFRS 17, "Insurance contracts"

IFRS 17 is issued to resolve the comparison problems created by IFRS 4 by setting out a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

The Group is currently assessing the impact of the standard on its financial position and financial performance.

Amendments to IAS 1, Presentation of Financial Statements, "Classification of Liabilities as Current or Non-current"

The IASB issued narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.

The amendments mainly aim to clarify:

- that the classification of liabilities as current or non-current is based on the rights existing at the end of the reporting period; and
- that the meaning of "settlement" is broad and includes "the transfer to the counterparty of cash, equity instruments, other assets or service".

The Group is currently assessing the impact of the amendments on its financial position and financial performance.

Amendments to IFRS 10, Consolidated Financial Statements, and IAS 28, Investment in associates and joint ventures, "Sale or contribution of assets between an investor and its associate or joint venture"

The amendments introduce new requirements on loss of control over assets in a transaction with an associate or joint venture. These requirements require the full gain to be recognised when the assets transferred meet the definition of a "business" under IFRS 3, *Business combination*.

The Group is currently assessing the impact of the amendments on its financial position and financial performance.

6. NET INTEREST INCOME

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

The above interest income and expense are related to financial instruments which are not measured at FVTPL.

(In RMB millions, unless otherwise stated)

7. NET FEE AND COMMISSION INCOME

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

(i) Included in personal wealth management and private banking services, corporate wealth management services, asset custody business and trust and agency services above is an amount of RMB14,855 million (2018: RMB15,835 million) with respect to trust and other fiduciary activities.

8. NET TRADING INCOME

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

The above amounts mainly include gains and losses arising from the buying and selling of, interest income and expense on, and changes in the fair value of financial assets and liabilities held for trading.

9. NET (LOSS)/GAIN ON FINANCIAL INVESTMENTS

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

(In RMB millions, unless otherwise stated)

10. OTHER OPERATING INCOME, NET

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

11. OPERATING EXPENSES

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

(i) The defined contribution plans mainly include contributions to the state pension and the Bank's Annuity Plan.

(ii) The principal auditor's remuneration of RMB222 million for the year (2018: RMB216 million) is included in other administrative expenses.

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the directors' and supervisors' emoluments before tax, as disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Chapter 622 Section 383 of the Hong Kong Companies Ordinance, are as follows:

		Year ended 31 December 2019			
Name	Position	Remuneration paid before tax RMB'000 (1)	Defined contribution plans RMB'000 (2)	Fees RMB'000 (3)	Total emoluments before tax RMB'000 (4)=(1)+(2)+(3)
Chen Siqing (i)	Chairman of the Board of Directors, Executive Director	386	84	–	470
Gu Shu (ii)	Vice Chairman of the Board of Directors, Executive Director, President	579	128	–	707
Yang Guozhong (iii)	Chairman of the Board of Supervisors	–	–	–	–
Zheng Fuqing	Non-executive Director	–	–	–	–
Mei Yingchun	Non-executive Director	–	–	–	–
Lu Yongzhen (iv)	Non-executive Director	–	–	–	–
Feng Weidong (v)	Non-executive Director	–	–	–	–
Cao Liqun (v)	Non-executive Director	–	–	–	–
Anthony Francis Neoh	Independent Non-executive Director	–	–	475	475
Yang Siu Shun (vi)	Independent Non-executive Director	–	–	446	446
Sheila Colleen Bair	Independent Non-executive Director	–	–	430	430
Shen Si	Independent Non-executive Director	–	–	445	445
Nout Wellink	Independent Non-executive Director	–	–	423	423
Fred Zuliu Hu (vii)	Independent Non-executive Director	–	–	308	308
Zhang Wei (viii)	Shareholder Representative Supervisor	951	128	–	1,079
Hui Ping	Employee Representative Supervisor	–	–	50	50
Huang Li (ix)	Employee Representative Supervisor	–	–	50	50
Qu Qiang	External Supervisor	–	–	250	250
Shen Bingxi (viii)	External Supervisor	–	–	–	–
Yi Huiman (x)	Former Chairman of the Board of Directors, Executive Director	97	22	–	119
Hu Hao (xi)(xii)	Former Executive Director, Vice President	521	128	–	649
Tan Jiong (xi)(xiii)	Former Executive Director, Vice President	391	96	–	487
Cheng Fengchao (xiv)	Former Non-executive Director	–	–	–	–
Ye Donghai (xv)	Former Non-executive Director	–	–	–	–
Dong Shi (xvi)	Former Non-executive Director	–	–	–	–
Hong Yongmiao (xvii)	Former Independent Non-executive Director	–	–	125	125
Total		2,925	586	3,002	6,513

Note: Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank have followed the PRC authorities' policies relating to the remuneration reform on executives of central enterprises.

The total compensation packages for the Chairman of the Board of Directors, President, Chairman of the Board of Supervisors, Executive Directors, and Shareholder Representative Supervisors of the Bank have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's 2019 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

Fees of Mr. Hui Ping and Mr. Huang Li were their allowances obtained as Employee Representative Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

As at the approval date of these financial statements, changes of directors and supervisors of the Bank are as follows:

(i) At the Board of Directors held on 29 April 2019, Mr. Chen Siqing was nominated as Executive Director and elected as Chairman of the Board of Directors of the Bank. At the First Extraordinary General Meeting of 2019 held on 20 May 2019, Mr. Chen Siqing was elected as Executive Director and his term of Chairman of the Board of Directors of the Bank and Executive Director took effect from the date of approval by the meeting.

(ii) At the Second Extraordinary General Meeting of 2019 held on 22 November 2019, Mr. Gu Shu was re-elected as Executive Director of the Bank, and his new term of office took effect from the date of review and approval by the meeting.

(iii) At the First Extraordinary General Meeting of 2020 held on 8 January 2020, Mr. Yang Guozhong was elected as shareholder supervisor and Chairman of the Board of Supervisors of the Bank, and his term of office took effect from the date of review and approval by the meeting.

(iv) At the Annual Meeting of 2018 held on 20 June 2019, Mr. Lu Yongzhen was elected as Non-executive Director of the Bank, and his term of office took effect from the date of review and approval by the CBIRC.

(v) At the Second Extraordinary General Meeting of 2019 held on 22 November 2019, Mr. Feng Weidong and Mrs. Cao Liqun were elected as Non-executive Director of the Bank, and their terms of office took effect from the date of review and approval by the CBIRC.

(vi) At the shareholders' general meeting of 2018 held on 20 June 2019, Mr. Yang Siu Shun has been re-elected as Independent Non-executive Director of the Bank, and his new term of office took effect from the date of review and approval by the meeting.

(vii) At the First Extraordinary General Meeting of 2018 held on 21 November 2018, Mr. Fred Zuliu Hu was elected as Independent Non-executive Director of the Bank, and his term of office took effect from the date of review and approval by the CBIRC.

(viii) At the shareholders' general meeting of 2018 held on 20 June 2019, Mr. Zhang Wei and Mr. Shen Bingxi have been elected as shareholder supervisor and external supervisor of the Bank respectively, their terms of office took effect from the expiry date of their current terms of office.

(ix) On 21 June 2019, Mr. Huang Li was elected as the employee supervisor of the bank at the special meeting of the first session of employee representative assembly of the Bank, and his new term of office took effect from the date of review and approval by the meeting.

(x) In January 2019, Mr. Yi Huiman ceased to act as Chairman of the Board of Directors and Executive Director of the Bank due to change of job assignments.

(xi) At the First Extraordinary General Meeting of 2019 held on 20 May 2019, Mr. Hu Hao and Mr. Tan Jiong were elected as Executive Director of the Bank, and their terms of office took effect from the date of review and approval by the CBIRC.

(xii) In February 2020, Mr. Hu Hao ceased to act as Executive Director and Vice President of the Bank due to change of job assignments.

(xiii) In September 2019, Mr. Tan Jiong ceased to act as Executive Director and Vice President of the Bank due to change of job assignments.

(xiv) In April 2019, Mr. Cheng Fengchao ceased to act as Non-executive Director of the Bank citing his age.

(xv) In March 2020, Mr. Ye Donghai ceased to act as Non-executive Director of the Bank due to change of job assignments.

(xvi) In February 2020, Mr. Dong Shi ceased to act as Non-executive Director of the Bank due to change of job assignments.

(xvii) In April 2019, Mr. Hong Yongmiao ceased to act as Independent Non-executive Director due to the expiration of the term.

Name	Position	Year ended 31 December 2018						
		Fees RMB'000 (1)	Remuneration paid RMB'000 (2)	Discretionary bonuses RMB'000 (3)	Contribution by the employer to social insurance and welfare plans, housing allowance, etc. RMB'000 (4)	Total emoluments before tax RMB'000 (5)=(1)+(2)+(3)+(4)	Of which: deferred payment RMB'000 (6)	Actual amount of remuneration paid before tax RMB'000 (7)=(5)-(6)
Gu Shu	Vice Chairman of the Board of Directors, Executive Director, President	–	331	446	163	940	–	940
Cheng Fengchao (i)	Non-executive Director	–	–	–	–	–	–	–
Zheng Fuqing (ii)	Non-executive Director	–	–	–	–	–	–	–
Mei Yingchun	Non-executive Director	–	–	–	–	–	–	–
Dong Shi	Non-executive Director	–	–	–	–	–	–	–
Ye Donghai	Non-executive Director	–	–	–	–	–	–	–
Hong Yongmiao	Independent Non-executive Director	470	–	–	–	470	–	470
Anthony Francis Neoh	Independent Non-executive Director	440	–	–	–	440	–	440
Yang Siu Shun	Independent Non-executive Director	440	–	–	–	440	–	440
Sheila Colleen Bair	Independent Non-executive Director	365	–	–	–	365	–	365
Shen Si	Independent Non-executive Director	413	–	–	–	413	–	413
Nout Wellink (iii)	Independent Non-executive Director	25	–	–	–	25	–	25
Zhang Wei	Shareholder Representative Supervisor	–	589	1,255	309	2,153	503	1,650
Hui Ping (iv)	Employee Representative Supervisor	50	–	–	–	50	–	50
Huang Li	Employee Representative Supervisor	50	–	–	–	50	–	50
Qu Qiang (v)	External Supervisor	250	–	–	–	250	–	250
Shen Bingxi	External Supervisor	–	–	–	–	–	–	–
Yi Huiman (vi)	Former Chairman of the Board of Directors, Executive Director	–	331	446	163	940	–	940
Qian Wenhui (vii)	Former Chairman of the Board of Supervisors	–	28	37	15	80	–	80
Zhang Hongli (viii)	Former Executive Director, Vice President	–	149	200	78	427	–	427
Wang Jingdong (ix)	Former Executive Director, Vice President	–	199	267	105	571	–	571
Fei Zhoulin (x)	Former Non-executive Director	–	–	–	–	–	–	–
Or Ching Fai (xi)	Former Independent Non-executive Director	392	–	–	–	392	–	392
		2,895	1,627	2,651	833	8,006	503	7,503

Note: Since January 2015, the remuneration to the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors and other executives of the Bank have followed the PRC authorities' policies relating to the remuneration reform on executives of central enterprises.

The remuneration before tax payable to Directors and Supervisors for 2018 set out in the table above represents the total amount of annual remuneration for each of these individuals, which includes the amount disclosed in the 2018 Annual Report.

Pursuant to the PRC relevant regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors, the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred based on the future performance.

Fees of Mr. Hui Ping and Mr. Huang Li were their allowances obtained as Employee Representative Supervisors of the Bank, excluding their remuneration with the Bank in accordance with the employee remuneration system.

As at the approval date of these financial statements, changes of directors and supervisors of the Bank are as follows:

(i) At the 2017 Annual General Meeting held on 26 June 2018, Mr. Cheng Fengchao was re-elected as Non-executive Director of the Bank, and his new term of office took effect from the date of review and approval by the meeting.

(ii) At the First Extraordinary General Meeting of 2018 held on 21 November 2018, Mr. Zheng Fuqing was re-elected as Non-executive Director of the Bank, and his new term of office took effect from the date of review and approval by the meeting.

(iii) At the First Extraordinary General Meeting of 2018 held on 21 November 2018, Mr. Nout Wellink was appointed as Independent Non-executive Director of the Bank, and his term of office took effect from 3 December 2018.

(iv) On 21 September 2018, the Bank re-elected Mr. Hui Ping as Employee Supervisor of the Bank at the special meeting of the first session of employee representative assembly of the Bank, and his new term of office took effect from the date of review and approval by the Employees' Congress.

(v) At the First Extraordinary General Meeting of 2018 held on 21 November 2018, Mr. Qu Qiang was re-elected as External Supervisor of the Bank, and his new term of office took effect from 20 December 2018.

(vi) In January 2019, Mr. Yi Huiman ceased to act as Chairman of the Board of Directors and Executive Director of the Bank due to change of job assignments.

(vii) In January 2018, Mr. Qian Wenhui resigned from the positions of Supervisor and Chairman of the Board of Supervisors of the Bank due to change of job assignments.

(viii) In July 2018, Mr. Zhang Hongli ceased to act as Executive Director of the Bank due to expiration of the term of office, and resigned from the position of Vice President of the Bank due to family reasons.

(ix) In September 2018, Mr. Wang Jingdong ceased to act as Executive Director and Vice President of the Bank due to change of job assignments.

(x) In October 2018, Mr. Fei Zhoulin ceased to act as Non-executive Director of the Bank citing his age.

(xi) In October 2018, due to expiration of the term of office, Mr. Or Ching Fai ceased to act as Independent Non-executive Director of the Bank.

The Non-executive Directors of the Bank who were recommended by Huijin received emoluments from Huijin in respect of their services during the year.

During the year, there was no arrangement under which a Director or a Supervisor waived or agreed to waive any remuneration (2018: Nil).

During the year, no emolument was paid by the Group to any of the Directors or Supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office (2018: Nil).

13. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank's subsidiaries. Their emoluments were determined based on the prevailing market rates in the respective countries/regions where the subsidiaries are operating. None of them are directors, supervisors or key management personnel of the Bank whose emoluments are disclosed in notes 12 and 49(e) to the financial statements. Details of the emoluments in respect of the five highest paid individuals are as follows:

	2019 RMB'000	**2018 RMB'000**
Salaries and allowances	19,598	26,350
Discretionary bonuses	67,192	67,333
Defined contribution plans	71	611
Compensation for terminating contract	11,273	–
Others	4,933	–
	103,067	94,294

(In RMB millions, unless otherwise stated)

The number of these individuals whose emoluments fell within the following bands is set out below:

	Number of employees	
	2019	2018
RMB12,000,001 Yuan to RMB12,500,000 Yuan	1	1
RMB13,500,001 Yuan to RMB14,000,000 Yuan	1	1
RMB14,500,001 Yuan to RMB15,000,000 Yuan	1	–
RMB15,500,001 Yuan to RMB16,000,000 Yuan	–	1
RMB23,500,001 Yuan to RMB24,000,000 Yuan	1	–
RMB25,500,001 Yuan to RMB26,000,000 Yuan	–	1
RMB26,500,001 Yuan to RMB27,000,000 Yuan	–	1
RMB38,500,001 Yuan to RMB39,000,000 Yuan	1	–
	5	5

During the year, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or upon joining the Group (2018: Nil).

14. IMPAIRMENT LOSSES ON ASSETS

	Notes	2019	2018
Loans and advances to customers	23	162,108	147,347
Others		16,849	14,247
		178,957	161,594

15. INCOME TAX EXPENSE

(a) Income tax expense

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

(In RMB millions, unless otherwise stated)

(b) Reconciliation between income tax and accounting profit

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

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

(i) The non-deductible expenses mainly represent non-deductible impairment provision, write-offs and others.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bonds and municipal debts, which is exempted from income tax.

16. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

The consolidated profit attributable to equity holders of the parent company for the year ended 31 December 2019 includes a profit of RMB296,338 million (2018: RMB282,044 million) which has been dealt with in the financial statements of the Bank (Note 39).

17. DIVIDENDS

	2019	2018
Dividends on ordinary shares declared and paid:		
Final ordinary shares dividends for 2018: RMB0.2506 per share		
(2017: RMB0.2408 per share)	89,315	85,823
Dividends on preference shares declared and paid: Dividends	4,525	4,506

	2019	2018
Dividends on ordinary shares proposed for approval		
(not recognised as at 31 December):		
Final ordinary shares dividends for 2019: RMB0.2628 per share		
(2018: RMB0.2506 per share)	93,664	89,315

18. EARNINGS PER SHARE

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

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

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

19. CASH AND BALANCES WITH CENTRAL BANKS

	31 December 2019	31 December 2018
Cash on hand	66,035	70,047
Balances with central banks		
Mandatory reserves (i)	2,676,279	2,799,666
Surplus reserves (ii)	322,892	238,286
Fiscal deposits and others	250,976	262,909
Accrued interest	1,734	1,668
	3,317,916	3,372,576

(i) The Group is required to place mandatory reserve deposits and other restricted deposits with the PBOC and certain central banks of overseas countries or regions where it has operations. Mandatory reserve deposits with central banks and other restricted deposits are not available for use in the Group's daily operations. Mandatory reserve deposits mainly consist of deposits placed with the PBOC and central banks of overseas countries or regions. As at 31 December 2019, the mandatory deposit reserve ratios of the domestic branches of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC. The amounts of mandatory reserve deposits placed with the central banks of those countries or regions outside Mainland China are determined by local jurisdictions.

(ii) Surplus reserves with the PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

(In RMB millions, unless otherwise stated)

20. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2019	31 December 2018
Due from banks and other financial institutions:		
Banks operating in Mainland China	373,868	307,588
Other financial institutions operating in Mainland China	11,449	4,694
Banks and other financial institutions operating outside Mainland China	86,655	70,141
Accrued interest	3,914	2,624
	475,886	385,047
Less: Allowance for impairment losses	(561)	(401)
	475,325	384,646
Placements with banks and other financial institutions:		
Banks operating in Mainland China	94,159	147,805
Other financial institutions operating in Mainland China	218,315	193,191
Banks and other financial institutions operating outside Mainland China	249,018	230,640
Accrued interest	6,235	6,781
	567,727	578,417
Less: Allowance for impairment losses	(684)	(614)
	567,043	577,803
	1,042,368	962,449

Movements of the allowance for impairment losses during the year are as follows:

	Due from banks and other financial institutions	Placements with banks and other financial institutions	Total
At 1 January 2018	378	475	853
Charge for the year	23	139	162
At 31 December 2018 and 1 January 2019	401	614	1,015
Charge for the year	160	70	230
At 31 December 2019	561	684	1,245

21. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

(In RMB millions, unless otherwise stated)

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

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

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

Cash flow hedges

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

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

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

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

(In RMB millions, unless otherwise stated)

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

	31 December 2019				
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	23,357	(7,030)	(4)	31	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/ Debt securities issued
Loans	2,914	–	(54)	(17)	Loans and advances to customers
Others	6,050	(104,846)	(639)	(4,505)	Due from banks and other financial institutions/ Other assets/ Due to banks and other financial institutions/ Certificates of deposit/ Due to customers/ Other liabilities
	32,321	(111,876)	(697)	(4,491)	

	31 December 2018				
	Carrying amount of hedged items		Effect of hedging instruments on other comprehensive income during the year	Accumulated effect of hedging instruments on other comprehensive income	Line items in the statement of financial position
	Assets	Liabilities			
Bonds	19,410	(5,868)	(147)	35	Financial investments measured at FVOCI/ Financial investments measured at amortised cost/ Debt securities issued
Loans	7,966	–	25	37	Loans and advances to customers
Others	–	(65,120)	80	(3,866)	Due to banks and other financial institutions/ Certificates of deposit/ Due to customers/ Other liabilities
	27,376	(70,988)	(42)	(3,794)	

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

(In RMB millions, unless otherwise stated)

Fair value hedges

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

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

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

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

	31 December 2019						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	697	1,409	47,346	14,841	64,293	199	(1,383)
	697	1,409	47,346	14,841	64,293	199	(1,383)

	31 December 2018						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total	Assets	Liabilities
Interest rate swap contracts	1,713	5,366	30,670	12,074	49,823	709	(283)
	1,713	5,366	30,670	12,074	49,823	709	(283)

(In RMB millions, unless otherwise stated)

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

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

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

(In RMB millions, unless otherwise stated)

Net investment hedges

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

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

Counterparty credit risk-weighted assets of derivative financial instruments

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

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

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

(In RMB millions, unless otherwise stated)

22. REVERSE REPURCHASE AGREEMENTS

Reverse repurchase agreements comprise reverse repurchases of bills, securities and cash advanced as collateral on securities borrowing.

	31 December 2019	31 December 2018
Measured at amortised cost:		
Reverse repurchase agreements-bills:		
Banks	309,249	161,467
	309,249	161,467
Reverse repurchase agreements-securities:		
Banks	101,476	52,633
Other financial institutions	274,761	344,993
	376,237	397,626
Accrued interest	137	202
Less: Allowance for impairment losses	(94)	(40)
	685,529	559,255
Measured at FVTPL:		
Reverse repurchase agreements-securities:		
Banks	328	2,470
Other financial institutions	120,029	142,502
	120,357	144,972
Cash advanced as collateral on securities borrowing	39,300	29,822
	159,657	174,794
	845,186	734,049

(i) In accordance with master repurchase agreements and related supplementary agreements, the Group offsets reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting (note 3(13)), and presents net positive (or negative) amounts as reverse repurchase agreements (or repurchase agreements) in the financial statement. As at 31 December 2019, reverse repurchase agreements and repurchase agreements which meet the criteria for offsetting were RMB317,212 million and RMB345,191 million respectively (31 December 2018: RMB467,516 million and RMB476,199 million respectively), and the net reverse repurchase agreements and net repurchase agreements were RMB119,860 million and RMB147,839 million respectively (31 December 2018: RMB145,648 million and RMB154,331 million respectively).

(ii) As part of the reverse repurchase agreements, the Group has received securities that is allowed to sell or repledge in the absence of default by their owners. As at 31 December 2019, the Group had received securities with a fair value of approximately RMB156,529 million on such terms (31 December 2018: RMB227,372 million). Of these, securities with a fair value of approximately RMB125,320 million have been repledged under repurchase agreements (31 December 2018: RMB202,508 million). The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

(In RMB millions, unless otherwise stated)

23. LOANS AND ADVANCES TO CUSTOMERS

	31 December 2019	31 December 2018
Measured at amortised cost:		
Corporate loans and advances	9,943,082	9,411,281
— Loans	9,788,069	9,253,296
— Finance lease	155,013	157,985
Personal loans	6,383,624	5,636,574
Discounted bills	4,206	10,209
Accrued interest	43,720	38,948
	16,374,632	15,097,012
Less: Allowance for impairment losses of loans and advances to customers measured at amortised cost (note 23(a))	(478,498)	(412,731)
	15,896,134	14,684,281
Measured at FVOCI:		
Corporate loans and advances		
— Loans	6,314	6,245
Discounted bills	417,668	354,228
Accrued interest	11	10
	423,993	360,483
Measured at FVTPL:		
Corporate loans and advances		
— Loans	6,425	1,368
	16,326,552	15,046,132

As at 31 December 2019, the Group's allowance for impairment losses on loans and advances to customers measured at FVOCI was RMB232 million, see Note 23(b) (31 December 2018: RMB446 million).

(In RMB millions, unless otherwise stated)

Movements of the allowance for impairment losses on loans and advances to customers are as follows:

(a) Movements of allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	158,084	81,406	173,241	412,731
Transfer:				
— to stage 1	17,451	(14,987)	(2,464)	–
— to stage 2	(6,868)	12,775	(5,907)	–
— to stage 3	(959)	(28,755)	29,714	–
Charge	47,364	28,014	86,944	162,322
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)
Balance at 31 December 2019	215,316	78,494	184,688	478,498

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	107,961	111,867	152,770	372,598
Transfer:				
— to stage 1	19,393	(17,976)	(1,417)	–
— to stage 2	(4,901)	5,493	(592)	–
— to stage 3	(2,869)	(40,413)	43,282	–
Charge	38,217	24,083	85,074	147,374
Write-offs and transfer out	(338)	(2,294)	(106,146)	(108,778)
Recoveries of loans and advances previously written off	–	–	2,141	2,141
Other movements	621	646	(1,871)	(604)
Balance at 31 December 2018	158,084	81,406	173,241	412,731

(In RMB millions, unless otherwise stated)

(b) Movements of the allowance for impairment losses on loans and advances to customers measured at FVOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	198	0	248	446
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	(5)	5	–	–
— to stage 3	–	(5)	5	–
Charge/(reverse)	34	(0)	(248)	(214)
Other movements	(0)	–	–	(0)
Balance at 31 December 2019	227	–	5	232

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	23	–	448	471
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
Charge/(reverse)	173	0	(200)	(27)
Other movements	2	–	–	2
Balance at 31 December 2018	198	0	248	446

(In RMB millions, unless otherwise stated)

24. FINANCIAL INVESTMENTS

		31 December 2019	31 December 2018
Financial investments measured at FVTPL	(a)	962,078	805,347
Financial investments measured at FVOCI	(b)	1,476,872	1,430,163
Financial investments measured at amortised cost	(c)	5,208,167	4,519,182
		7,647,117	6,754,692

(a) Financial investments measured at FVTPL

	31 December 2019	31 December 2018
Financial investments held for trading		
Debt securities (analysed by type of issuers):		
Governments and central banks	52,016	33,141
Policy banks	5,157	1,128
Banks and other financial institutions	28,578	16,984
Corporate entities	67,886	16,059
	153,637	67,312
Equity investments	10,121	5,484
	163,758	72,796
Financial investments designated as at FVTPL		
Debt securities (analysed by type of issuers):		
Governments and central banks	8,493	9,155
Policy banks	29,267	38,077
Banks and other financial institutions	34,585	39,651
Corporate entities	4,152	5,623
	76,497	92,506
Funds and other investments	463,035	493,230
	539,532	585,736

(In RMB millions, unless otherwise stated)

	31 December 2019	31 December 2018
Financial investments measured at FVTPL (mandatory)		
Debt securities (analysed by type of issuers):		
Policy banks	7,020	10,086
Banks and other financial institutions	115,943	69,785
Corporate entities	5,160	4,060
	128,123	83,931
Equity investments	70,498	22,506
Funds and other investments	60,167	40,378
	258,788	146,815
	962,078	805,347
Analysed into:		
Debt securities:		
Listed in Hong Kong	4,387	4,271
Listed outside Hong Kong	12,373	8,135
Unlisted	341,497	231,343
	358,257	243,749
Equity investments:		
Listed in Hong Kong	6,577	3,805
Listed outside Hong Kong	8,481	3,688
Unlisted	65,561	20,497
	80,619	27,990
Funds and other investments:		
Listed outside Hong Kong	472	1,104
Unlisted	522,730	532,504
	523,202	533,608
	962,078	805,347

(In RMB millions, unless otherwise stated)

(b) Financial investments measured at FVOCI

	31 December 2019	31 December 2018
Debt securities (analysed by type of issuers):		
Governments and central banks	421,919	413,941
Policy banks	198,839	223,877
Banks and other financial institutions	306,242	302,685
Corporate entities	474,271	436,824
Accrued interest	20,338	22,610
	1,421,609	1,399,937
Equity investments (i)	55,263	29,919
Other investments	–	307
	1,476,872	1,430,163
Analysed into:		
Debt securities:		
Listed in Hong Kong	163,525	123,358
Listed outside Hong Kong	246,091	216,471
Unlisted	1,011,993	1,060,108
	1,421,609	1,399,937
Equity investments:		
Listed outside Hong Kong	831	688
Unlisted	54,432	29,231
	55,263	29,919
Other investments:		
Unlisted	–	307
	–	307
	1,476,872	1,430,163

(i) The Group designates part of non-trading equity investments as financial investments measured at FVOCI. As at 31 December 2019, the fair value of such equity investments was RMB55,263 million (31 December 2018: RMB29,919 million). During the year, dividend income recognised for such equity investments was RMB978 million (2018: RMB229 million) and there was no dividend income for the termination of such equity investments during the year (2018: RMB1 million). The value of the Group disposal of such equity investments was RMB112 million (2018: RMB25 million) and the cumulative gain of transferring into retained earnings from other comprehensive income after disposal was RMB20 million during the year (2018: the cumulative loss was RMB1 million).

(In RMB millions, unless otherwise stated)

Movements of the allowance for impairment losses on financial investments measured at FVOCI are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	1,622	92	196	1,910
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	(1)	1	–	–
— to stage 3	–	–	–	–
Charge/(reverse)	151	(13)	–	138
Other movements	6	–	2	8
Balance at 31 December 2019	1,778	80	198	2,056

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	2,933	–	190	3,123
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	(1)	1	–	–
— to stage 3	–	–	–	–
(Reverse)/charge	(1,476)	91	–	(1,385)
Other movements	166	–	6	172
Balance at 31 December 2018	1,622	92	196	1,910

Allowance for impairment losses on financial investments measured at FVOCI is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the statement of financial position, and any impairment loss or gain is recognised in the profit or loss. As at 31 December 2019, the financial investments measured at FVOCI included credit-impaired financial investments whose impairment provision have been fully charged.

(In RMB millions, unless otherwise stated)

(c) Financial investments measured at amortised cost

	31 December 2019	31 December 2018
Debt securities (analysed by type of issuers):		
Governments and central banks	4,308,456	3,618,546
Including: Special government bond (i)	85,000	85,000
Policy banks	412,287	501,634
Banks and other financial institutions	340,708	264,929
Including: Huarong bonds (ii)	90,309	90,309
Corporate entities	44,145	44,474
Accrued interest	69,483	61,622
	5,175,079	4,491,205
Other investments (iii)	36,611	30,331
Accrued interest	198	129
	36,809	30,460
	5,211,888	4,521,665
Less: Allowance for impairment losses	(3,721)	(2,483)
	5,208,167	4,519,182
Analysed into:		
Debt securities:		
Listed in Hong Kong	41,955	36,855
Listed outside Hong Kong	77,062	86,296
Unlisted	5,053,788	4,366,471
	5,172,805	4,489,622
Other investments:		
Unlisted	35,362	29,560
	35,362	29,560
	5,208,167	4,519,182
Market value of listed securities	120,952	123,618

(In RMB millions, unless otherwise stated)

Movements of the allowance for impairment losses on financial investments measured at amortised cost are as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2019	1,504	854	125	2,483
Transfer:				
— to stage 1	1	(1)	–	–
— to stage 2	–	–	–	–
— to stage 3	–	–	–	–
Charge	695	486	–	1,181
Other movements	55	–	2	57
Balance at 31 December 2019	2,255	1,339	127	3,721

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2018	1,171	2	83	1,256
Transfer:				
— to stage 1	–	–	–	–
— to stage 2	(11)	11	–	–
— to stage 3	(2)	–	2	–
Charge	325	841	38	1,204
Other movements	21	–	2	23
Balance at 31 December 2018	1,504	854	125	2,483

(i) The special government bond represents a non-negotiable bond with a nominal value of RMB85,000 million issued by the Ministry of Finance of the People's Republic of China (the "MOF") to the Bank in 1998. The bond will mature in 2028 and bears interest at a fixed rate of 2.25% per annum.

(ii) The Huarong bonds are a series of long-term bonds issued by China Huarong Asset Management Co., Ltd. ("Huarong") in the year of 2000 and 2001 to the Bank, with an aggregate amount of RMB312,996 million. The proceeds from the issuance of the bonds were used to purchase non-performing loans of the Bank. The bonds are non-negotiable, with a tenure of 10 years and bear interest at a fixed rate of 2.25% per annum. In 2010, the Bank received a notice from the MOF that the maturity dates of the Huarong bonds were extended for another ten years and the interest rate remains unchanged. Additionally, the MOF will continue providing funding in support of the repayment of the principal and interest of the bonds. In 2020, the Bank received a further notice from the MOF to adjust the interest rate of the Huarong bonds, which will be determined on yearly basis with reference to the average level of five-year government bond yield in the previous year. As at 31 December 2019, the Bank received accumulated early repayments amounting to RMB222,687 million.

(iii) Other investments include debt investment plans, asset management plans and trust plans with fixed or determinable payments. They will mature from January 2020 to November 2032 and bear interest rates ranging from 2.00% to 6.73% per annum.

25. INVESTMENTS IN SUBSIDIARIES

	Bank	
	31 December 2019	31 December 2018
Listed investments, at cost	2,712	2,712
Unlisted investments, at cost	142,608	119,398
	145,320	122,110

(In RMB millions, unless otherwise stated)

Particulars of the Group's principal subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest % 31 December 2019	Percentage of equity interest % 31 December 2018	Voting rights % 31 December 2019	Nominal value of issued share/ paid-in capital 31 December 2019	Amount invested by the Bank	Place of incorporation/ registration and operations	Principal activities
Industrial and Commercial Bank of China (Asia) Limited ("ICBC Asia")	100	100	100	HKD44,188 million	HKD54,738 million	Hong Kong, the PRC	Commercial banking
ICBC International Holdings Limited ("ICBC International")	100	100	100	HKD4,882 million	HKD4,882 million	Hong Kong, the PRC	Investment banking
Industrial and Commercial Bank of China (Almaty) Joint Stock Company	100	100	100	KZT8,933 million	KZT8,933 million	Almaty, Kazakhstan	Commercial banking
ICBC (London) PLC ("ICBC London")	100	100	100	USD200 million	USD200 million	London, United Kingdom	Commercial banking
ICBC Credit Suisse Asset Management Co., Ltd. *	80	80	80	RMB200 million	RMB433 million	Beijing, the PRC	Fund management
Industrial and Commercial Bank of China (Europe) S.A.	100	100	100	EUR437 million	EUR437 million	Luxembourg	Commercial banking
PT. Bank ICBC Indonesia ("ICBC Indonesia")	98.61	98.61	98.61	IDR3,706,100 million	USD361 million	Jakarta, Indonesia	Commercial banking
Bank ICBC (Joint stock company)	100	100	100	RUB10,810 million	RUB10,810 million	Moscow, Russia	Commercial banking
ICBC Financial Leasing Co., Ltd. * ("ICBC Leasing")	100	100	100	RMB18,000 million	RMB11,000 million	Tianjin, the PRC	Leasing
Industrial and Commercial Bank of China (Macau) Limited ("ICBC Macau")	89.33	89.33	89.33	MOP589 million	MOP12,064 million	Macau, the PRC	Commercial banking
Zhejiang Pinghu ICBC Rural Bank Co., Ltd. *	60	60	60	RMB200 million	RMB120 million	Zhejiang, the PRC	Commercial banking
Chongqing Bishan ICBC Rural Bank Co., Ltd. *	100	100	100	RMB100 million	RMB100 million	Chongqing, the PRC	Commercial banking
Industrial and Commercial Bank of China (Canada)	80	80	80	CAD208 million	CAD218.66 million	Toronto, Canada	Commercial banking
Industrial and Commercial Bank of China (Malaysia) Berhad	100	100	100	MYR833 million	MYR833 million	Kuala Lumpur, Malaysia	Commercial banking
Industrial and Commercial Bank of China (Thai) Public Company Limited ("ICBC Thai")	97.86	97.86	97.98	THB20,132 million	THB23,711 million	Bangkok, Thailand	Commercial banking
Industrial and Commercial Bank of China Financial Services LLC	100	100	100	USD50 million	USD50.25 million	Delaware and New York, United States	Broker dealer
ICBC-AXA Assurance Co., Ltd. *	60	60	60	RMB12,505 million	RMB7,980 million	Shanghai, the PRC	Insurance
Industrial and Commercial Bank of China (USA) NA	80	80	80	USD369 million	USD306 million	New York, United States	Commercial banking
Industrial and Commercial Bank of China (Argentina) S.A.("ICBC Argentina")	80	80	80	ARS1,345 million	ARS3,505 million	Buenos Aires, Argentina	Commercial banking
ICBC PERU BANK	100	100	100	USD120 million	USD120 million	Lima, Peru	Commercial banking
Industrial and Commercial Bank of China (Brasil) S.A.	100	100	100	Real202 million	Real202 million	Sao Paulo, Brazil	Commercial and investment banking
Industrial and Commercial Bank of China (New Zealand) Limited ("ICBC New Zealand")	100	100	100	NZD234 million	NZD234 million	Auckland, New Zealand	Commercial banking
Industrial and Commercial Bank of China Mexico S.A.	100	100	100	MXN1,597 million	MXN1,597 million	Mexico City, Mexico	Commercial banking
ICBC Turkey Bank Anonim Sirketi ("ICBC Turkey")	92.84	92.84	92.84	TRY860 million	USD425 million	Istanbul, Turkey	Commercial banking
ICBC Standard Bank PLC ("ICBC Standard")	60	60	60	USD1,083 million	USD839 million	London, United Kingdom	Banking
ICBC Financial Asset Investment Co., Ltd.* ("ICBC Investment")	100	100	100	RMB12,000 million	RMB12,000 million	Nanjing, the PRC	Financial asset investment
ICBC Austria Bank GmbH	100	100	100	EUR100 million	EUR100 million	Vienna, Austria	Commercial banking
ICBC Wealth Management Co., Ltd.*	100	–	100	RMB16,000 million	RMB16,000 million	Beijing, the PRC	Wealth Management

* These subsidiaries incorporated in Mainland China are all limited liability companies.

The above table lists the principal subsidiaries of the Bank. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

There is no subsidiary of the Group which has material non-controlling interests during the reporting period.

(In RMB millions, unless otherwise stated)

26. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures comprise the following:

	31 December 2019	31 December 2018
Interest in associates	30,603	27,099
Interest in joint ventures	1,887	2,025
	32,490	29,124

	31 December 2019	31 December 2018
Share of net assets	22,345	19,385
Goodwill	10,493	10,087
	32,838	29,472
Less: Allowance for impairment losses	(348)	(348)
	32,490	29,124

(a) Particulars of the Group's associates and joint ventures are as follows:

	31 December 2019	31 December 2018
Standard Bank Group Limited ("Standard Bank") (i)	27,770	26,011
Others	4,720	3,113
	32,490	29,124

(i) Financial information of the Group's material associates and joint ventures:

Name	Percentage of equity interest %		Voting rights %			
Associate directly held by the Bank	31 December 2019	31 December 2018	31 December 2019	Place of registration	Principal activities	Issued capital
Standard Bank*	20.06	20.08	20.06	Johannesburg, Republic of South Africa	Commercial banking	ZAR162 million

* Standard Bank, a listed commercial bank in Republic of South Africa and a strategic partner for the Group, enables the Group to widen its customer base in Africa.

The market value of the Group's investment in Standard Bank amounts to RMB27,105 million as at 31 December 2019 (31 December 2018: RMB27,677 million).

(In RMB millions, unless otherwise stated)

(ii) Particulars of the Group's only material associate are as follows:

The summarised financial information of Standard Bank, being consistent with the Group's accounting policies, and reconciled to the carrying amounts using the equity method in the Group's consolidated financial statements is as follows:

	2019	2018
Gross amounts of the associate		
Assets	1,127,659	1,013,117
Liabilities	1,023,850	918,299
Net assets	103,809	94,818
Profit from continuing operations	12,652	13,362
Reconciled to the Group's interests in the associate		
Gross amounts of net assets of the associate attribute to the parent company	88,041	81,215
Group's effective interest	20.06%	20.08%
Group's share of net assets of the associate	17,661	16,308
Goodwill	10,457	10,051
Carrying amount of the Group's interest in Standard Bank in the consolidated financial statements	28,118	26,359

(b) Movements of associates and joint ventures investments of the Group are as follows:

		Movements during the year							
Name of investee	Balance at the beginning of the year	Increase in capital	Decrease in capital	Investment income recognised under equity method	Other comprehensive income	Declared distribution of cash dividends or profits	Others	Balance at the end of the year	Balance of provision for impairment at the end of the year
Joint ventures	2,025	52	(125)	(91)	–	(168)	194	1,887	–
Associates									
Standard Bank	26,359	–	–	2,621	(519)	(1,551)	1,208	28,118	(348)
Others	1,088	2,512	(703)	(10)	–	(2)	(52)	2,833	–
Subtotal	27,447	2,512	(703)	2,611	(519)	(1,553)	1,156	30,951	(348)
Total	29,472	2,564	(828)	2,520	(519)	(1,721)	1,350	32,838	(348)

(In RMB millions, unless otherwise stated)

27. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment and motor vehicles	Aircraft and vessels	Total
Cost:						
At 1 January 2018	142,517	29,572	10,375	72,437	127,762	382,663
Additions	5,450	15,574	680	6,509	42,148	70,361
CIP transfer in/(out)	4,099	(9,553)	–	114	5,340	–
Disposals	(921)	(471)	(101)	(4,200)	(4,178)	(9,871)
At 31 December 2018	151,145	35,122	10,954	74,860	171,072	443,153
Impact of adopting IFRS 16	–			–	(10,251)	(10,251)
At 1 January 2019	151,145	35,122	10,954	74,860	160,821	432,902
Additions	2,430	14,997	1,453	6,155	14,837	39,872
CIP transfer in/(out)	8,962	(9,918)	–	116	840	–
Disposals	(1,178)	(449)	(479)	(4,233)	(11,557)	(17,896)
At 31 December 2019	161,359	39,752	11,928	76,898	164,941	454,878
Accumulated depreciation and impairment:						
At 1 January 2018	55,646	41	8,318	56,475	14,439	134,919
Depreciation charge for the year	5,671	–	868	6,868	6,908	20,315
Impairment charge for the year	–	–	–	–	3,088	3,088
Disposals	(616)	–	(30)	(3,983)	(944)	(5,573)
At 31 December 2018	60,701	41	9,156	59,360	23,491	152,749
Impact of adopting IFRS 16	–			–	(588)	(588)
At 1 January 2019	60,701	41	9,156	59,360	22,903	152,161
Depreciation charge for the year	5,798	–	874	6,618	6,368	19,658
Impairment charge for the year	–	–	–	–	3,384	3,384
Disposals	(795)	(3)	(47)	(4,187)	(1,854)	(6,886)
At 31 December 2019	65,704	38	9,983	61,791	30,801	168,317
Carrying amount:						
At 31 December 2018	90,444	35,081	1,798	15,500	147,581	290,404
At 31 December 2019	95,655	39,714	1,945	15,107	134,140	286,561

(In RMB millions, unless otherwise stated)

The carrying value of the Group's properties and buildings is analysed based on the remaining terms of the land leases as follows:

	31 December 2019	31 December 2018
Long-term leases (over 50 years):		
Held in the PRC (other than Hong Kong)	21,280	18,148
Held in Hong Kong	231	869
Held overseas	530	745
	22,041	19,762
Medium-term leases (10 to 50 years):		
Held in the PRC (other than Hong Kong)	70,906	68,247
Held in Hong Kong	458	124
Held overseas	1,023	257
	72,387	68,628
Short-term leases (less than 10 years):		
Held in the PRC (other than Hong Kong)	1,193	2,027
Held overseas	34	27
	1,227	2,054
	95,655	90,444

As at 31 December 2019, the process of obtaining the legal titles for the Group's properties and buildings with an aggregate carrying amount of RMB12,316 million (31 December 2018: RMB10,539 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

As at 31 December 2019, the carrying amount of aircraft and vessels leased out by the Group under operating leases was RMB134,140 million (31 December 2018: RMB147,581 million).

As at 31 December 2019, the carrying amount of aircraft and vessels owned by the Group that have been pledged as security for due to banks and other financial institutions was RMB76,007 million (31 December 2018: RMB90,887 million).

(In RMB millions, unless otherwise stated)

28. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

Deferred income tax assets:

	31 December 2019		31 December 2018	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	252,387	62,888	210,624	52,438
Change in fair value of financial instruments measured at FVTPL	(3,437)	(851)	705	147
Change in fair value of financial instruments measured at FVOCI	(22,954)	(5,781)	(14,248)	(3,819)
Accrued staff costs	25,162	6,290	26,033	6,508
Others	(209)	(10)	11,788	3,101
	250,949	62,536	234,902	58,375

Deferred income tax liabilities:

	31 December 2019		31 December 2018	
	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)	Taxable/ (deductible) temporary differences	Deferred income tax liabilities/ (assets)
Allowance for impairment losses	(1,270)	(535)	(944)	(401)
Change in fair value of financial instruments measured at FVTPL	2,544	636	572	143
Change in fair value of financial instruments measured at FVOCI	5,560	1,357	3,592	900
Others	1,652	415	2,272	575
	8,486	1,873	5,492	1,217

(b) Movements of deferred income tax

Deferred income tax assets:

	1 January 2019	Recognised in profit or loss	Recognised in equity	31 December 2019
Allowance for impairment losses	52,438	10,450	–	62,888
Change in fair value of financial instruments measured at FVTPL	147	(998)	–	(851)
Change in fair value of financial instruments measured at FVOCI	(3,819)	–	(1,962)	(5,781)
Accrued staff costs	6,508	(218)	–	6,290
Others	3,101	(3,173)	62	(10)
	58,375	6,061	(1,900)	62,536

(In RMB millions, unless otherwise stated)

Deferred income tax liabilities:

	1 January 2019	Recognised in profit or loss	Recognised in equity	31 December 2019
Allowance for impairment losses	(401)	(134)	–	(535)
Change in fair value of financial instruments measured at FVTPL	143	493	–	636
Change in fair value of financial instruments measured at FVOCI	900	–	457	1,357
Others	575	(160)	–	415
	1,217	199	457	1,873

Deferred income tax assets:

	31 December 2017	Impact of adopting IFRS 9	1 January 2018	Recognised in profit or loss	Recognised in equity	31 December 2018
Allowance for impairment losses	37,475	7,254	44,729	7,709	–	52,438
Change in fair value of financial instruments measured at FVTPL	(2,368)	577	(1,791)	1,938	–	147
Change in fair value of financial instruments measured at FVOCI		4,433	4,433	–	(8,252)	(3,819)
Change in fair value of available-for-sale financial assets	9,748	(9,748)	–			
Accrued staff costs	6,910	–	6,910	(402)	–	6,508
Others	(3,373)	7,702	4,329	(1,217)	(11)	3,101
	48,392	10,218	58,610	8,028	(8,263)	58,375

Deferred income tax liabilities:

	31 December 2017	Impact of adopting IFRS 9	1 January 2018	Recognised in profit or loss	Recognised in equity	31 December 2018
Allowance for impairment losses	(502)	6	(496)	95	–	(401)
Change in fair value of financial instruments measured at FVTPL	–	–	–	143	–	143
Change in fair value of financial instruments measured at FVOCI		(38)	(38)	–	938	900
Change in fair value of available-for-sale financial assets	(38)	38	–			
Others	973	–	973	(398)	–	575
	433	6	439	(160)	938	1,217

The Group did not have significant unrecognised deferred income tax assets and liabilities at the end of the reporting period.

(In RMB millions, unless otherwise stated)

29. OTHER ASSETS

	31 December 2019	31 December 2018
Precious metals	239,209	182,391
Settlement accounts	136,788	122,318
Right-of-use assets (i)	33,658	
Land use rights	16,842	17,464
Repossessed assets	10,917	10,884
Goodwill	9,517	9,299
Advance payments	7,715	10,555
Interest receivable	2,233	2,624
Others	28,514	28,989
	485,393	384,524
Less: Allowance for impairment losses	(4,994)	(4,120)
	480,399	380,404

(i) Right-of-use assets

	Leased properties and buildings	Leased aircraft and vessels	Leased office equipment and motor vehicles	Total
Cost:				
At 1 January 2019	16,827	13,986	71	30,884
Additions	6,478	3,289	1,567	11,334
Disposals	(842)	(741)	(10)	(1,593)
At 31 December 2019	22,463	16,534	1,628	40,625
Accumulated depreciation:				
At 1 January 2019	–	480	–	480
Depreciation charge for the year	5,775	692	104	6,571
Disposals	(55)	(29)	–	(84)
At 31 December 2019	5,720	1,143	104	6,967
Impairment:				
At 1 January 2019	–	108	–	108
Impairment charge for the year	24	70	–	94
Disposals	–	(5)	–	(5)
At 31 December 2019	24	173	–	197
Carrying amount:				
At 1 January 2019	16,827	13,398	71	30,296
At 31 December 2019	16,719	15,218	1,524	33,461

(In RMB millions, unless otherwise stated)

30. FINANCIAL LIABILITIES DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

		31 December 2019	31 December 2018
Interbank wealth management products	(1)	19,580	11,480
Financial liabilities related to precious metals	(2)	60,454	67,266
Debt securities	(2)	13,064	2,285
Others		9,144	6,369
		102,242	87,400

(1) The principal-guaranteed interbank wealth management products issued by the Group and the financial assets in which the aforesaid products form parts of a group of financial instruments that are managed together on a fair value basis, and are classified as financial liabilities and financial assets designated as at FVTPL, respectively. As at 31 December 2019, the fair value of the interbank wealth management products was approximately the same as the amount that the Group would be contractually required to pay to the holders of the wealth management products upon maturity (31 December 2018: approximately the same).

(2) Financial liabilities related to precious metals and issued debt securities have been matched with precious metals and derivative as part of a documented risk management strategy to mitigate market risk, such as interest rate risk. An accounting mismatch would arise if these financial liabilities were accounted at amortised cost, whereas the related precious metals and derivative were measured at fair value with movements in the fair value taken through the statement of profit or loss. By designating these financial liabilities at FVTPL, the movement in their fair values is recorded in the statement of profit or loss. As at 31 December 2019, the difference between the fair value of the financial liabilities related to precious metals and issued debt securities and the amount that the Group would be contractually required to pay to the holders of the financial liabilities related to precious metals and issued debt securities upon maturity was not significant.

There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities arising from changes in credit risk were not considered significant during the year of 2019 and the year of 2018. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

(In RMB millions, unless otherwise stated)

31. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2019	31 December 2018
Deposits:		
Banks and other financial institutions operating in Mainland China	1,640,846	1,202,671
Banks and other financial institutions operating outside Mainland China	132,600	123,317
Accrued interest	2,874	2,258
	1,776,320	1,328,246
Money market takings:		
Banks and other financial institutions operating in Mainland China	153,903	128,015
Banks and other financial institutions operating outside Mainland China	329,375	346,186
Accrued interest	6,975	12,048
	490,253	486,249
	2,266,573	1,814,495

32. REPURCHASE AGREEMENTS

Repurchase agreements comprise repurchases of bills, securities and cash received as collateral on securities lending.

	31 December 2019	31 December 2018
Repurchase agreements-bills:		
Banks	24,252	18,709
	24,252	18,709
Repurchase agreements-securities:		
Banks	107,917	331,691
Other financial institutions	121,940	148,663
	229,857	480,354
Cash received as collateral on securities lending	8,980	15,375
Accrued interest	184	363
	263,273	514,801

33. CERTIFICATES OF DEPOSIT

Certificates of deposit issued by Hong Kong Branch, Tokyo Branch, Seoul Branch, Luxembourg Branch, Doha Branch, Sydney Branch, New York Branch, Dubai (DIFC) Branch, London Branch, ICBC Asia, ICBC Macau and ICBC New Zealand were recognised at amortised cost.

(In RMB millions, unless otherwise stated)

34. DUE TO CUSTOMERS

	31 December 2019	31 December 2018
Demand deposits:		
Corporate customers	6,732,558	6,405,136
Personal customers	4,328,090	3,931,182
	11,060,648	10,336,318
Time deposits:		
Corporate customers	5,295,704	5,076,005
Personal customers	6,149,654	5,505,236
	11,445,358	10,581,241
Others	234,852	268,914
Accrued interest	236,797	222,461
	22,977,655	21,408,934

35. DEBT SECURITIES ISSUED

		31 December 2019	31 December 2018
Subordinated bonds and			
Tier 2 Capital Notes issued by	(1)		
The Bank		336,063	269,864
Subsidiaries		8,082	9,122
Accrued interest		6,059	3,473
		350,204	282,459
Other debt securities issued by	(2)		
The Bank		251,849	225,075
Subsidiaries		138,876	108,904
Accrued interest		1,946	1,404
		392,671	335,383
		742,875	617,842

As at 31 December 2019, the amount of debt securities issued due within one year was RMB117,233 million (31 December 2018: RMB92,045 million).

(1) Subordinated bonds and Tier 2 Capital Notes

The Bank:

As approved by the PBOC and the CBIRC, the Bank issued callable subordinated bonds and Tier 2 Capital Notes through open market bidding in 2010, 2011, 2012, 2017 and 2019. Approved by the PBOC, these subordinated bonds and Tier 2 Capital Notes were traded in the bond market among banks. The relevant information is set out below:

Name	Issue date	Issue price (In RMB)	Amount (In RMB)	Ending balance (In RMB)	Coupon rate	Value date	Maturity date	Circulation date	Notes
			(million)	(million)					
10 ICBC 02 Bond	10/09/2010	100 Yuan	16,200	16,200	4.10%	14/09/2010	14/09/2025	03/11/2010	(i)
11 ICBC 01 Bond	29/06/2011	100 Yuan	38,000	38,000	5.56%	30/06/2011	30/06/2031	30/08/2011	(ii)
11 ICBC 02 Bond	29/12/2011	100 Yuan	50,000	50,000	5.50%	30/12/2011	30/12/2026	17/01/2012	(iii)
12 ICBC 01 Bond	11/06/2012	100 Yuan	20,000	20,000	4.99%	13/06/2012	13/06/2027	13/07/2012	(iv)
17 ICBC 01 Bond	06/11/2017	100 Yuan	44,000	44,000	4.45%	08/11/2017	08/11/2027	10/11/2017	(v)
17 ICBC 02 Bond	20/11/2017	100 Yuan	44,000	44,000	4.45%	22/11/2017	22/11/2027	23/11/2017	(vi)
19 ICBC 01 Bond	21/03/2019	100 Yuan	45,000	45,000	4.26%	25/03/2019	25/03/2029	26/03/2019	(vii)
19 ICBC 02 Bond	21/03/2019	100 Yuan	10,000	10,000	4.51%	25/03/2019	25/03/2034	26/03/2019	(viii)
19 ICBC 03 Bond	24/04/2019	100 Yuan	45,000	45,000	4.40%	26/04/2019	26/04/2029	28/04/2019	(ix)
19 ICBC 04 Bond	24/04/2019	100 Yuan	10,000	10,000	4.69%	26/04/2019	26/04/2034	28/04/2019	(x)

(i) The Bank has the option to redeem all of the bonds on 14 September 2020 upon the approval of the relevant regulatory authorities.

(ii) The Bank has the option to redeem all of the bonds on 30 June 2026 upon the approval of the relevant regulatory authorities.

(iii) The Bank has the option to redeem all of the bonds on 30 December 2021 upon the approval of the relevant regulatory authorities.

(iv) The Bank has the option to redeem all of the bonds on 13 June 2022 upon the approval of the relevant regulatory authorities.

(v) The Bank has the option to redeem all of the bonds on 8 November 2022 upon the approval of the relevant regulatory authorities.

(vi) The Bank has the option to redeem all of the bonds on 22 November 2022 upon the approval of the relevant regulatory authorities.

(vii) The Bank has the option to redeem all of the bonds on 25 March 2024 upon the approval of the relevant regulatory authorities.

(viii) The Bank has the option to redeem all of the bonds on 25 March 2029 upon the approval of the relevant regulatory authorities.

(ix) The Bank has the option to redeem all of the bonds on 26 April 2024 upon the approval of the relevant regulatory authorities.

(x) The Bank has the option to redeem all of the bonds on 26 April 2029 upon the approval of the relevant regulatory authorities.

In 2015, the Bank issued Tier 2 Capital Notes denominated in USD. Approved by the Stock Exchange of Hong Kong Limited for listing and dealing, the Notes are listed on the Stock Exchange of Hong Kong Limited. The relevant information is set out below:

Name	Issue date	Currency	Issue price	Amount (original currency)	Ending balance (In RMB)	Coupon rate	Value date	Maturity date	Circulation date	Note
				(million)	(million)					
15 USD Tier 2 Capital Notes	15/09/2015	USD	99.189	2,000	13,926	4.875%	21/09/2015	21/09/2025	22/09/2015	(xi)

(xi) On 15 September 2015, the Bank issued Tier 2 Capital Notes with an aggregate nominal amount of USD2,000 million, bearing a fixed interest rate of 4.875% per annum. The listing and permission to deal in the Stock Exchange of Hong Kong Limited became effective on 22 September 2015. The Notes were issued at the price fixed at 99.189% of the nominal amount with maturity due on 21 September 2025 and cannot be redeemed before maturity.

The Bank has not had any defaults of principal or interest or other breaches with respect to the subordinated bonds and Tier 2 Capital Notes during the reporting period (2018: Nil).

Subsidiaries:

On 30 November 2010, ICBC Asia issued a subordinated bond with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 5.125% per annum. The bond was issued at the price fixed at 99.737% of the nominal amount with maturity due on 30 November 2020.

On 23 March 2018, ICBC Thai issued a Tier 2 Capital Notes with an aggregate nominal amount of THB5,000 million, bearing a fixed interest rate of 3.5%. The bond was issued with maturity due on 23 September 2028.

On 12 September 2019, ICBC Macau issued a Tier 2 Capital Notes with an aggregate nominal amount of USD500 million, bearing a fixed interest rate of 2.875% per annum. The bond was issued at the price fixed at 99.226% of the nominal amount with maturity due on 12 September 2029.

The above subordinated bonds and Tier 2 Capital Notes are separately listed on the Stock Exchange of Hong Kong Limited and Thai bond market association. ICBC Asia, ICBC Thai and ICBC Macau have not had any defaults of principal or interest or other breaches with respect to the subordinated bonds and Tier 2 Capital Notes during the period (2018: Nil).

(2) Other debt securities issued

As at 31 December 2019, the Group's other debt securities issued mainly include:

The Bank:

(i) Sydney Branch issued notes and interbank deposits amounting to RMB14,459 million denominated in AUD, CHF, RMB, HKD, USD, GBP and EUR with maturities between 2020 and 2024 at fixed or floating interest rates. Of which, in 2019, Sydney Branch issued notes amounting to RMB3,048 million denominated in AUD and USD with maturity between 2022 and 2024 at fixed or floating interest rates; in 2019 Sydney Branch also issued interbank deposits amounting to RMB2,693 million denominated in CHF, RMB, GBP, EUR and USD with maturity in 2020.

(ii) Singapore Branch issued notes amounting to RMB43,925 million denominated in RMB, USD and EUR with maturities between 2021 and 2024 at fixed or floating interest rates. Of which, in 2019, Singapore Branch issued notes amounting to RMB16,688 million denominated in RMB, USD and EUR with maturity between 2021 and 2024 at fixed or floating interest rates.

(iii) In 2019, Tokyo Branch issued notes amounting to RMB898 million denominated in JPY with maturities in 2020 at fixed interest rates.

(iv) New York Branch issued notes amounting to RMB51,108 million denominated in USD with maturities between 2020 and 2027 at fixed or floating interest rates. Of which, in 2019, New York Branch issued notes amounted to RMB24,698 million denominated in USD with maturities in 2020 at fixed interest rates.

(v) Luxembourg Branch issued notes amounting to RMB28,301 million denominated in USD and EUR with maturities between 2020 and 2024 at fixed or floating interest rates. Of which, in 2019, Luxembourg Branch issued notes amounting to RMB13,809 million denominated in USD and EUR with maturities between 2020 and 2024 at fixed or floating interest rates.

(vi) Dubai (DIFC) Branch issued notes amounting to RMB35,437 million denominated in USD and EUR with maturities between 2020 and 2024 at fixed or floating interest rates. Of which, in 2019 Dubai (DIFC) issued notes amounting to RMB6,953 million denominated in USD with maturities in 2022 and 2024 at floating interest rates.

(vii) Hong Kong Branch issued notes amounting to RMB49,711 million denominated in RMB, USD and HKD with maturities between 2020 and 2024 at fixed or floating interest rates. Of which, in 2019, Hong Kong Branch issued notes amounting to RMB26,455 million denominated in RMB, USD and HKD maturity between 2020 and 2024 at fixed or floating interest rates.

(viii) London Branch issued notes amounting to RMB28,010 million denominated in GBP, USD and EUR with maturities between 2020 and 2023 at floating interest rates. Of which, in 2019, London Branch issued notes amounting to RMB1,847 million denominated in GBP with maturity in 2022 at floating interest rates.

Subsidiaries:

(i) ICBC Asia issued medium-term debt securities and notes and interbank deposits amounting to RMB17,919 million denominated in RMB, USD, EUR and HKD with maturities between 2020 and 2023 at fixed or floating interest rates. Of which, in 2019, ICBC Asia issued medium-term debt securities and notes amounting to RMB5,600 million denominated in RMB with maturities in 2022 at fixed interest rates, and interbank deposits amounting to RMB247 million denominated in RMB with maturities in 2020 at fixed interest rates.

(ii) ICBC Leasing issued medium-term debt securities and notes amounting to RMB77,830 million denominated in RMB and USD with maturities between 2020 and 2027 at fixed or floating interest rates.

Of which, Skysea International Capital Management Limited ("Skysea International"), which is controlled by the Group, issued guaranteed notes of USD750 million with a fixed interest rate of 4.875% in 2011. As at 31 December 2019, Skysea International has redeemed USD153 million and the carrying amount of the Notes were RMB4,152 million. The Notes were guaranteed by Hong Kong Branch and were issued at the price fixed at 97.708% of the nominal amount with maturities due on 7 December 2021. By satisfying certain conditions, Skysea International has the option to redeem all of the notes at any time. The Notes were listed on the Stock Exchange of Hong Kong Limited.

ICBCIL Finance Co. Ltd., which is controlled by the Group, issued medium-term notes amounting to RMB64,830 million denominated in USD with maturities between 2020 and 2027 at fixed or floating interest rates. Of which, in 2019, ICBCIL Finance Co. Ltd. issued medium-term notes amounting to RMB14,586 million denominated in USD with maturities in 2022 and 2024 at fixed or floating interest rates. By satisfying certain conditions, ICBCIL Finance Co. Ltd. has the option to redeem all of the notes at any time. Above notes were guaranteed by ICBC Leasing and listed on the Irish Stock Exchange and the Stock Exchange of Hong Kong Limited respectively.

Hai Jiao 1400 limited, which is controlled by the Group, issued a private placement bond amounting to RMB842 million denominated in USD with maturity in 2025 at a fixed interest rate. The bond was guaranteed by The Export-Import Bank of Korea.

ICBC Financial Leasing issued medium-term debt securities and notes inside China amounting to RMB8,006 million denominated in RMB with maturities between 2021 and 2024 at fixed interest rates. Of which, in 2019, ICBC Financial Leasing issued medium-term debt securities and notes amounting to RMB5,250 million denominated in RMB with maturities in 2022 and 2024 at fixed interest rates.

(iii) ICBC Thai issued debt securities amounting to RMB7,531 million denominated in THB with maturities between 2020 and 2026 at fixed interest rates. Of which, in 2019, ICBC Thai issued debt securities amounting to RMB4,243 million denominated in THB with maturities between 2020 and 2022 at fixed interest rates.

(iv) ICBC International issued medium-term debt securities and notes amounting to RMB14,266 million denominated in USD with maturity between 2020 and 2022 at a fixed or floating interest rate. Of which, in 2019, ICBC International issued medium-term debt securities and notes amounting to RMB4,869 million denominated in USD with maturities in 2022 at fixed interest rate.

(v) ICBC New Zealand issued medium-term debt securities and notes amounting to RMB3,097 million denominated in AUD and NZD with maturities between 2020 and 2024 at fixed or floating interest rates. Of which, in 2019, ICBC New Zealand issued medium-term debt securities and notes amounting to RMB935 million denominated in NZD with maturity in 2022 and 2024 at fixed or floating interest rates.

(vi) ICBC Argentina issued medium-term debt securities and notes amounting to RMB233 million denominated in ARS with maturities in 2020 at floating interest rates.

(vii) In 2019, ICBC Financial Asset Investment issued medium-term debt securities and notes amounting to RMB18,000 million denominated in RMB with maturities in 2022 and 2024 at fixed interest rates.

36. OTHER LIABILITIES

	31 December 2019	31 December 2018
Settlement accounts	225,055	167,015
Lease liabilities (i)	29,524	
Allowance for impairment losses on credit commitments	28,534	34,715
Salaries, bonuses, allowances and subsidies payables (ii)	24,036	25,308
Sundry tax payables	13,409	10,937
Promissory notes	1,044	1,260
Early retirement benefits	530	686
Others	202,993	169,898
	525,125	409,819

(i) Maturity analysis of contractual undiscounted cash flows of lease liabilities

	31 December 2019
Less than one year	7,402
One to two years	6,005
Two to three years	4,705
Three to five years	6,213
More than five years	8,048
Contractual undiscounted cash flows of lease liabilities as at 31 December 2019	32,373
Ending balance of lease liabilities as at 31 December 2019	29,524

(ii) There was no overdue payment for staff salaries, bonuses, allowances, subsidies payables as at 31 December 2019 (31 December 2018: Nil).

37. SHARE CAPITAL

	31 December 2019		31 December 2018	
	Number of shares (millions)	Nominal value	Number of shares (millions)	Nominal value
Issued and fully paid:				
H shares of RMB1 Yuan each	86,795	86,795	86,795	86,795
A shares of RMB1 Yuan each	269,612	269,612	269,612	269,612
	356,407	356,407	356,407	356,407

Except for the dividends for H shares which are payable in Hong Kong dollars, all of the ordinary A shares and H shares rank pari passu with each other in respect of dividends on ordinary shares.

38. OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) Preference shares outstanding at the end of the year

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (million shares)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
Overseas Preference Shares in:										
EUR	2014-12-10	Equity	6.00%	15EUR/Share	40	600	4,558	None	Mandatory	No
Domestic Preference Shares in:										
RMB2015	2015-11-18	Equity	4.50%	100RMB/Share	450	45,000	45,000	None	Mandatory	No
RMB2019	2019-09-19	Equity	4.20%	100RMB/Share	700	70,000	70,000	None	Mandatory	No
Total					1,190		119,558			
Less: Issue fees							89			
Book value							119,469			

(b) Main Clauses

(i) Overseas preference shares

a. Dividend

Fixed rate for 7 years for EUR after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.

b. Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

c. Dividend stopper

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

d. Order of distribution and liquidation method

The EUR Preference Shareholders as well as the Domestic Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors and holders of convertible bonds, holders of subordinated debt, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders of the Group.

e. Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into H shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) the CBIRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into H shares. If Preference Shares were converted to H shares, they may not be converted to Preference Shares again.

The initial mandatory conversion price of EUR Preference Shareholders is 0.4793 Euro. In case of stock dividends distribution of H shares of the Bank or other circumstances, the Bank will make cumulative adjustment to the compulsory conversion price in turn.

f. Redemption

Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Group has right to redeem all or some of EUR Preference Shareholders in first call date (seven years after issuance) and subsequent any dividend payment date. Redemption price is equal to issue price plus accrued dividend in current period.

g. Dividend setting mechanism

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group shall distribute dividends for the Preference Shares in cash, based on the liquidation preference of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Group is once a year.

(ii) Domestic preference shares

a. Dividend

Fixed rate for a certain period (5 years) after issuance.

Dividend reset every 5 years thereafter to the sum of the benchmark rate and the Fixed Spread.

The Fixed Spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The Fixed Spread will remain unchanged throughout the term of the Preference Shares.

Dividends will be paid annually.

b. Conditions to distribution of dividends

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. The paying order of domestic preference shares is equal to overseas preference shares. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

c. Dividend stopper

If the Group cancels all or part of the dividends to the Preference Shareholders, the Group shall not make any dividend distribution to ordinary shareholders before the Group pays the dividends for the current dividend period to the Preference Shareholders in full.

d. Order of distribution and liquidation method

The Domestic Preference Shareholders as well as Overseas Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to the depositors, ordinary creditors and holders of convertible bonds, holders of subordinated debt, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments of the Group, but will be senior to the ordinary shareholders of the Group.

e. Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Group falling to 5.125% or below), the Group shall have the right to convert all or part of the Preference Shares into A shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Group to above 5.125%; If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) the CBIRC has determined that the Group would become non-viable if there is no conversion or write-down of capital; or (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Group would become non-viable), the Group shall have the right to convert all Preference Shares into A shares. If Preference Shares were converted to A shares, they may not be converted to Preference Shares again.

Among them, the initial mandatory conversion price of domestic preference shares in 2015 was RMB3.44 and the initial mandatory conversion price of domestic preference shares in 2019 was RMB5.43. In case of stock dividends distribution of A Shares of the bank or other circumstances, the bank will make cumulative adjustment to the compulsory conversion price in turn.

f. Redemption

After five years having elapsed since the date of issuance/the date of issue termination under the premise of obtaining the approval of the CBIRC and compliance with regulatory requirements, the Group has right to redeem all or some of domestic preference shares. The redemption period of preference shares ranges from the start date of redemption to the date of full redemption or conversion. Redemption price is equal to book value plus accrued dividend in current period.

g. Dividend setting mechanism

Non cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

The Group could pay dividends while the Group still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Group's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividends.

The Group shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares). Interest method of the Preference Shares of the Group is once a year.

(c) Changes in preference shares outstanding

	1 January 2019			Movements during the year			31 December 2019		
Financial instrument outstanding	Amount (million shares)	In original currency (million)	In RMB (million)	Amount (million shares)	In original currency (million)	In RMB (million)	Amount (million shares)	In original currency (million)	In RMB (million)
Overseas									
USD	147	2,940	17,991	(147)	(2,940)	(17,991)	–	–	–
EUR	40	600	4,558	–	–	–	40	600	4,558
RMB	120	12,000	12,000	(120)	(12,000)	(12,000)	–	–	–
Domestic									
RMB2015	450	45,000	45,000	–	–	–	450	45,000	45,000
RMB2019	–	–	–	700	70,000	70,000	700	70,000	70,000
Total	757	N/A	79,549	433	N/A	40,009	1,190	N/A	119,558

Note: (1) The RMB amounts of offshore preference shares in Euro on 31 December 2019 are translated at the spot exchange rate on issuance date.

(2) Offshore USD preferred shares and RMB preferred shares have been redeemed on 10 December 2019.

(2) Perpetual Bond

(a) Perpetual bond outstanding at the end of the year

Financial instrument outstanding	Issue date	Accounting classification	Interest rate	Issue price	Amount (million pieces)	In original currency (million)	In RMB (million)	Maturity	Conversion condition	Conversion
USD Perpetual bond	2016-07-21	Equity	4.25%	1,000USD/Piece	1	1,000	6,691	None	None	No
RMB Perpetual bond	2019-07-26	Equity	4.45%	100RMB/Piece	800	80,000	80,000	None	None	No
Total					801		86,691			
Less: Issue fees							28			
Book value							86,663			

Note: USD perpetual bond was issued by ICBC Asia, a subsidiary of the Bank.

(b) Main Clauses

(i) USD Perpetual Bond

On 21 July 2016, ICBC Asia issued Basel III-compliant Non-Cumulative Subordinated Additional Tier 1 Capital Securities (hereinafter referred to as "Perpetual Bond") in the aggregate amount of US$1 billion (equivalent to approximately RMB6,676 million net of related issuance costs). Fixed rate for the first 5 years after issuance of the bond is 4.25%. If perpetual bonds are not called, distribution will be reset based on the then prevailing 5-year USA national bonds yield plus a fixed initial spread (3.135 per cent. per annum) every 5 years.

The distribution shall be payable semi-annually, with the first distribution payment date being 21 January 2017. ICBC Asia has the right to cancel distribution payment (subject to the requirement as set out in the terms and conditions of the perpetual bond) and the distribution cancelled shall not be cumulative.

The perpetual bond will be written off up to the amount as directed by the Hong Kong Monetary Authority (hereinafter referred to as "HKMA") if the HKMA notifies ICBC Asia that in the opinion of the HKMA or a relevant government body, ICBC Asia would become non-viable if there is no written off of the principal. The perpetual bond also contains Hong Kong Bail-in Power. Each holder of the perpetual bond shall be subject to the exercise by the Hong Kong Resolution Authority to any or a combination of the following:

(1) reduction or cancellation of all or a part of the principal and/or distribution of the perpetual bond;

(2) the conversion of all or a part of the principal and/or distribution of the perpetual bond into shares of ICBC Asia or another person; and/or

(3) the amendment of the maturity, distribution payment date and/or the distribution amount of the perpetual bond.

ICBC Asia has a call option to redeem all the outstanding perpetual bond from 21 July 2021 or any subsequent distribution payment date thereafter.

(ii) RMB Perpetual Bond

With the approvals by relevant regulatory authorities, the Bank issued RMB80.0 billion undated capital bonds (hereinafter referred to as "Perpetual Bond") in China's national inter-bank bond market on 26 July 2019. Each Perpetual Bond has a par value of RMB100, and the annual coupon rate of the Bonds for the first five years is 4.45%, resetting every 5 years. The rate is determined by a benchmark rate plus a fixed spread. The fixed spread is the difference between the distribution rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined during the duration period.

The duration of the Perpetual Bond is the same as the continuing operation of the Bank. 5 years after the issuance date of the Perpetual Bond, the Bank shall have the right to redeem the Perpetual Bond in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). Upon the issuance of the Perpetual Bond, in the event that the Perpetual Bond is not classified as other tier-one capital bonds due to unpredictable changes in regulations, the Bank shall have the right to redeem the Perpetual Bond fully instead of partly.

The claims in respect of the Perpetual Bond, in the event of a winding-up of the Bank, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that rank senior to the Perpetual Bond; will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Bank that rank pari passu with the perpetual bond.

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), with the consent of the CBIRC and without the consent of the bondholders, the Bank has the right to write down all or part of the above Perpetual Bond issued and existing at that time in accordance with the total par value, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%. Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write down all the above Perpetual Bond issued and existing at that time in accordance with the total par value without the consent of the bondholders.

The Perpetual Bond is paid by non-cumulative interest. The Bank shall have the right to cancel, in whole or in part, distributions on the Perpetual Bond and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full interest payment.

The funds raised by the Bank from the above-mentioned Perpetual Bond will be approved by applicable laws and regulatory agencies to supplement other Tier 1 capital of the Bank.

(c) Changes in perpetual bond outstanding

	1 January 2019			Movement during the year			31 December 2019		
Financial instrument outstanding	Amount (million pieces)	In original currency (million)	In RMB (million)	Amount (million pieces)	In original currency (million)	In RMB (million)	Amount (million pieces)	In original currency (million)	In RMB (million)
USD Perpetual bond	1	1,000	6,691	–	–	–	1	1,000	6,691
RMB Perpetual bond	–	–	–	800	80,000	80,000	800	80,000	80,000
Total	1	N/A	6,691	800	N/A	80,000	801	N/A	86,691

Note: The RMB amount of perpetual bond as at 31 December 2019 is translated at the spot exchange rate on issuance date.

(3) Interests attribute to equity instruments' holders

Equity instrument		1 January 2019	31 December 2019
1.	Total equity attribute to equity holders of the parent company	2,330,001	2,676,186
	(1) Equity attribute to ordinary equity holders of the parent company	2,243,950	2,470,054
	(2) Equity attribute to other equity instruments holders of the parent company	86,051	206,132
2.	Total equity attribute to non-controlling interests	14,882	15,817
	(1) Equity attribute to non-controlling interests of ordinary shares	14,882	15,817
	(2) Equity attribute to non-controlling interests of other equity instruments	–	–

39. RESERVES

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserves

(i) Statutory surplus reserve

The Bank is required to appropriate 10% of its profit for the year pursuant to the Company Law of the People's Republic of China and the Articles to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

Pursuant to the resolution of the board of directors' meeting held on 27 March 2020, the total appropriation to surplus reserve of the Bank was RMB29,786 million (2018: RMB28,421 million), among which an appropriation of 10% of the profit of the Bank for the year determined under the generally accepted accounting principles of PRC ("PRC GAAP") to the statutory surplus reserve, in the amount of RMB29,733 million (2018: RMB28,318 million) was approved and the total surplus reserve made by some overseas branches was RMB53 million (2018: RMB103 million) pursuant to the requirements of local authorities.

(ii) Discretionary surplus reserve

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(iii) Other surplus reserve

The Bank's overseas entities appropriate their profits to the surplus reserve in accordance with the relevant regulations promulgated by the local regulatory bodies.

(c) General reserve

From 1 July 2012, the Bank is required by the MOF to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year end balance of its risk assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

The general reserve balance of the Bank as at 31 December 2019 amounted to RMB295,962 million (31 December 2018: RMB271,201 million), which has reached 1.5% of the year end balance of the Bank's risk assets.

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes and impairment provision of financial investments measured at FVOCI.

(e) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the subsidiaries and branches incorporated outside Mainland China.

(f) Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the gain or loss on the hedging instrument.

(g) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of associates and joint ventures other than the items listed above.

(h) Distributable profits

The Bank's distributable profits are based on the retained profits of the Bank as determined under PRC GAAP and IFRSs, whichever is lower. The amount that the Bank's subsidiaries can legally distribute is determined by reference to their profits as reflected in their financial statements prepared in accordance with the accounting regulations and principles promulgated by the local regulatory bodies of the respective countries/regions. These profits may differ from those dealt with in these financial statements, which are prepared in accordance with IFRSs.

(In RMB millions, unless otherwise stated)

The statement of changes in equity of the Bank during the year are set out below.

			Reserves									
	Issued share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedging reserve	Other reserves	Subtotal	Retained profits	Total equity
Balance as at 1 January 2018	356,407	79,375	156,204	229,146	259,374	(6,661)	(1,205)	(3,965)	71	632,964	959,979	2,028,725
Profit for the year	–	–	–	–	–	–	–	–	–	–	282,044	282,044
Other comprehensive income	–	–	–	–	–	26,587	911	52	(125)	27,425	–	27,425
Total comprehensive income	–	–	–	–	–	26,587	911	52	(125)	27,425	282,044	309,469
Dividends — ordinary shares 2017 final (note 17)	–	–	–	–	–	–	–	–	–	–	(85,823)	(85,823)
Dividends — preference shares (note 17)	–	–	–	–	–	–	–	–	–	–	(4,506)	(4,506)
Appropriation to surplus reserve (i)	–	–	–	28,421	–	–	–	–	–	28,421	(28,421)	–
Appropriation to general reserve (ii)	–	–	–	–	11,827	–	–	–	–	11,827	(11,827)	–
Balance as at 31 December 2018 and 1 January 2019	356,407	79,375	156,204	257,567	271,201	19,926	(294)	(3,913)	(54)	700,637	1,111,446	2,247,865
Profit for the year	–	–	–	–	–	–	–	–	–	–	296,338	296,338
Other comprehensive income	–	–	–	–	–	4,023	218	(326)	(35)	3,880	–	3,880
Total comprehensive income	–	–	–	–	–	4,023	218	(326)	(35)	3,880	296,338	300,218
Capital injection by other equity instruments holders	–	149,967	–	–	–	–	–	–	–	–	–	149,967
Capital deduction by other equity instruments holders	–	(29,886)	(2,901)	–	–	–	–	–	–	(2,901)	–	(32,787)
Dividends — ordinary shares 2018 final (note 17)	–	–	–	–	–	–	–	–	–	–	(89,315)	(89,315)
Dividends — preference shares (note 17)	–	–	–	–	–	–	–	–	–	–	(4,525)	(4,525)
Appropriation to surplus reserve (i)	–	–	–	29,786	–	–	–	–	–	29,786	(29,786)	–
Appropriation to general reserve (ii)	–	–	–	–	24,761	–	–	–	–	24,761	(24,761)	–
Balance as at 31 December 2019	**356,407**	**199,456**	**153,303**	**287,353**	**295,962**	**23,949**	**(76)**	**(4,239)**	**(89)**	**756,163**	**1,259,397**	**2,571,423**

(i) Includes the appropriation made by overseas branches in the amount of RMB53 million (2018: RMB103 million).

(ii) Includes the appropriation made by overseas branches in the amount of RMB2 million (2018: reversal in the amount of RMB9 million).

(In RMB millions, unless otherwise stated)

40. COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

(In RMB millions, unless otherwise stated)

41. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the products issued by these structured entities. Such structured entities include investment funds, asset management plans, trust plans and asset-backed securities and the Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of investment products to investors.

The following table sets out an analysis of the carrying amounts and maximum exposure of interests held by the Group in the structured entities sponsored by third party institutions:

	31 December 2019		31 December 2018	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Investment funds	27,225	27,225	23,191	23,191
Asset management plans	422,712	422,712	324,773	324,773
Trust plans	44,556	44,556	39,966	39,966
Asset-backed securities	117,487	117,487	80,202	80,202
	611,980	611,980	468,132	468,132

The maximum exposures to loss in the above investment funds, asset management plans, trust plans and asset-backed securities are the amortised cost or fair value of the assets held by the Group at the reporting date.

The following table sets out an analysis of the line items in the consolidated statement of financial position in which assets were recognised relating to the Group's interests in structured entities sponsored by third party institutions:

	31 December 2019		
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost
Investment funds	27,225	–	–
Asset management plans	405,680	–	17,032
Trust plans	26,226	–	18,330
Asset-backed securities	68,233	20,844	28,410
	527,364	20,844	63,772

(In RMB millions, unless otherwise stated)

	31 December 2018		
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost
Investment funds	23,191	–	–
Asset management plans	306,981	–	17,792
Trust plans	28,197	–	11,769
Asset-backed securities	60,284	5,917	14,001
	418,653	5,917	43,562

(b) Structured entities sponsored by the Group which the Group did not consolidate but held an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes investments in notes issued by these structured entities and fees charged by providing management services. As at 31 December 2019, the carrying amounts of the investments in the notes issued by these structured entities and fee receivables being recognised were not material in the statement of financial positions.

As at 31 December 2019, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products and investment funds, which are sponsored by the Group, were RMB2,642,057 million (31 December 2018: RMB2,575,857 million) and RMB1,332,184 million (31 December 2018: RMB1,308,500 million) respectively.

During the year of 2019, the amount of the average exposure of financing transactions through placements and reverse repurchase agreements from the Group with non-principal guaranteed wealth management products sponsored by the Group was RMB49,142 million (2018: RMB73,105 million). The transactions were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(c) Unconsolidated structured entities sponsored by the Group during the year in which the Group does not have an interest at 31 December 2019

The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2019 but matured before 31 December 2019 was RMB404,793 million (The aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2018 but matured before 31 December 2018 was RMB708,588 million).

During the year of 2019, the amount of fee and commission income received from such category of non-principal-guaranteed wealth management products by the Group was RMB1,610 million (2018: RMB1,387 million).

The aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2019 but matured before 31 December 2019 was RMB3,000 million (The aggregated amount of the investment funds sponsored and issued by the Group after 1 January 2018 but matured before 31 December 2018 was RMB66 million).

During the year of 2019, the amount of income received from such category of investment funds was RMB0.72 million. (2018: RMB0.19 million).

(In RMB millions, unless otherwise stated)

42. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Analysis of balances of cash and cash equivalents

	Note	31 December 2019	31 December 2018
Cash on hand	19	66,035	70,047
Balances with central banks other than restricted deposits	19	322,892	238,286
Nostro accounts with banks and other financial institutions with original maturity of three months or less		224,374	224,886
Placements with banks and other financial institutions with original maturity of three months or less		230,140	290,067
Reverse repurchase agreements with original maturity of three months or less		606,972	686,237
		1,450,413	1,509,523

43. TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral in certain circumstance. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

The following table analyses the carrying amount of the above mentioned financial assets transferred to third parties that did not qualify for derecognition and their associated financial liabilities:

	31 December 2019		31 December 2018	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
Repurchase agreements	30,375	29,766	33,161	45,780
Securities lending agreements	286,527	–	273,685	–
	316,902	29,766	306,846	45,780

(In RMB millions, unless otherwise stated)

Securitisation transactions

The Group transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. The amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB384,156 million as at 31 December 2019 (the amount at the time of transfer of the original credit assets was RMB256,346 million as at 31 December 2018) and the carrying amount of assets that the Group continues to recognise on the statement of financial position was RMB52,016 million as at 31 December 2019 (31 December 2018: RMB37,239 million).

With respect to the securitisation of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid are recorded as a financial liability. As at 31 December 2019, the Group does not have carrying amount of transferred assets that did not qualify for derecognition and carrying amount of their associated liabilities (31 December 2018: Nil).

44. SHARE APPRECIATION RIGHTS PLAN

The Bank's share appreciation rights plan was approved in 2006, which allows share appreciation rights to be granted to eligible participants including directors, supervisors, senior management and other key personnel designated by the board of directors. The share appreciation rights will be granted and exercised based on the price of the Bank's H shares and will be valid for 10 years. As at the approval date of these financial statements, no share appreciation rights have been granted.

45. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

	31 December 2019	31 December 2018
Contracted	31,915	33,042

(In RMB millions, unless otherwise stated)

(b) Operating lease commitments

Operating lease commitments — Lessee

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

	31 December 2018
Within 1 year	6,546
Over 1 year but within 5 years	12,806
Over 5 years	2,331
	21,683

The group is the lessee in respect of a number of properties, electronic equipments, transport equipments and other office equipments held under leases which were previously classified as operating leases under IAS 17. The group has initially applied IFRS 16 using the modified retrospective approach as at 1 January 2019, and recognised the present value of outstanding lease payments as lease liabilities (Refer to note 2). From 1 January 2019 onwards after the adoption of IFRS 16, the present value of outstanding lease payments is recognised as lease liabilities in accordance with the requirement of IFRS 16 (Refer to note 2 and note 36 (i)).

Operating lease commitments — Lessor

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

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

(c) Credit commitments

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

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

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

(In RMB millions, unless otherwise stated)

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

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

	31 December 2019	31 December 2018
Credit risk-weighted assets of credit commitments(i)	1,306,831	1,402,715

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

(d) Legal proceedings

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

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

(e) Redemption commitments of government bonds

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

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

(f) Underwriting obligations

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

(In RMB millions, unless otherwise stated)

46. DESIGNATED FUNDS AND LOANS

	31 December 2019	31 December 2018
Designated funds	1,916,638	920,829
Designated loans	1,916,362	920,476

The designated funds represent the funding that the trustors have instructed the Group to use to make loans to third parties as designated by them. The credit risk remains with the trustors.

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group does not bear any risk.

47. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities, bills and loans have been pledged as collateral for liabilities or contingent liabilities, mainly the repurchase agreements and derivative contracts. As at 31 December 2019, the carrying value of the financial assets of the Group pledged as collateral amounted to approximately RMB227,938 million (31 December 2018: RMB490,913 million).

48. FIDUCIARY ACTIVITIES

The Group provides custody, trust and asset management services to third parties. Revenue from such activities is included in "net fee and commission income" set out in note 7 above. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position.

49. RELATED PARTY DISCLOSURES

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

(a) Shareholders with significant influence

(i) The MOF

The MOF is a ministry under the State Council of the PRC, primarily responsible for, among others, state fiscal revenues, expenses and taxation policies. As at 31 December 2019, the MOF directly owned approximately 31.14% (31 December 2018: approximately 34.60%) of the issued share capital of the Bank. In 2019, the MOF has transferred 10% of the shares, which is 12,331,645,186 A shares it holds in the Bank one-off to the National Council for Social Security Fund as the holder. The Group enters into banking transactions with the MOF in its normal course of business, details of the major transactions are as follows:

	31 December 2019	31 December 2018
Balances at end of the year:		
The PRC government bonds and the special government bond	1,215,664	1,097,055

	2019	2018
Transactions during the year:		
Interest income on the PRC government bonds	38,808	37,795

(In RMB millions, unless otherwise stated)

As at 31 December 2019, the Group holds a series of long-term bonds issued by Huarong, which is under the control of the MOF, with an aggregate amount of RMB90,309 million (31 December 2018: RMB90,309 million). The details of the Huarong bonds are included in note 24.

Other related party transactions between the Group and enterprises under the control or joint control of the MOF are disclosed in note 49(g) "transactions with state-owned entities in the PRC".

(ii) Huijin

As at 31 December 2019, Central Huijin Investment Ltd ("Huijin") directly owned approximately 34.71% (31 December 2018: approximately 34.71%) of the issued share capital of the Bank. Huijin is a state-owned investment company established on 16 December 2003 under the Company Law of the PRC. Huijin has total registered and paid-in capital of RMB828,209 million. Huijin is a wholly-owned subsidiary of China Investment Corporation, and in accordance with the authorisation by the State, Huijin makes equity investments in major state-owned financial enterprises, and shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Huijin does not conduct any other business or commercial activity. It does not intervene in the day-to-day business operations of the firms in which it invests.

As at 31 December 2019, the Huijin Bonds held by the Group are of an aggregate face value of RMB56.23 billion (31 December 2018: RMB38.77 billion), with terms ranging from 1 to 30 years and coupon rates ranging from 2.85% to 5.15% per annum. The Huijin Bonds are government-backed, short-term financing bills and medium-term notes. The Group's subscription of the Huijin Bonds was conducted in the ordinary course of business, in compliance with relevant regulatory requirements and the corporate governance of the Group.

The Group entered into banking transactions with Huijin in the ordinary course of business under normal commercial terms and at the market rates. Details of the major transactions are as follows:

	31 December 2019	31 December 2018
Balances at end of the year:		
Debt securities purchased	57,436	39,563
Loans and advances to customers	22,022	27,007
Due to customers	1,998	11,499

	2019	2018
Transactions during the year:		
Interest income on debt securities purchased	1,949	1,211
Interest income on loans and advances to customers	717	1,207
Interest expense on amounts due to customers	240	192

(In RMB millions, unless otherwise stated)

Huijin has equity interests in certain other banks and financial institutions under the direction of the Government. The Group enters into transactions with these banks and financial institutions in the ordinary course of business under normal commercial terms. Management considers that these banks and financial institutions are competitors of the Group. Details of major transactions during the year conducted with these banks and financial institutions are as follows:

	31 December 2019	31 December 2018
Balances at end of the year:		
Debt securities purchased	530,740	523,519
Due from banks and other financial institutions	101,724	135,694
Loans and advances to customers	3,124	211
Derivative financial assets	4,972	6,335
Due to banks and other financial institutions	221,015	123,288
Derivative financial liabilities	5,902	6,988
Due to customers	1,003	933
Credit commitments	7,172	13,974

	2019	2018
Transactions during the year:		
Interest income on debt securities purchased	18,548	19,866
Interest income on amounts due from banks and other financial institutions	234	538
Interest income on loans and advances to customers	44	26
Interest expense on amounts due to banks and other financial institutions	1,562	1,517
Interest expense on amounts due to customers	10	12

(b) Subsidiaries

	31 December 2019	31 December 2018
Balances at end of the year:		
Financial investments	31,174	27,638
Due from banks and other financial institutions	402,276	428,902
Loans and advances to customers	30,150	49,532
Derivative financial assets	1,810	2,059
Due to banks and other financial institutions	167,454	420,539
Derivative financial liabilities	3,293	985
Reverse repurchase agreements	7,872	4,479
Credit commitments	113,755	151,512

	2019	2018
Transactions during the year:		
Interest income on financial investments	151	155
Interest income on amounts due from banks and other financial institutions	884	1,802
Interest income on loans and advances to customers	520	1,033
Interest expense on amounts due to banks and other financial institutions	1,807	2,643
Fee and commission income	3,089	2,432

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements.

(In RMB millions, unless otherwise stated)

(c) Associates and affiliates

	31 December 2019	31 December 2018
Balances at end of the year:		
Debt securities purchased	8,548	–
Due from banks and other financial institutions	4,995	135
Loans and advances to customers	2,680	3,399
Derivative financial assets	1,279	1,558
Due to banks and other financial institutions	12,397	15,887
Due to customers	0	166
Derivative financial liabilities	2,102	433

	2019	2018
Transactions during the year:		
Interest income on debt securities purchased	128	–
Interest income on amounts due from banks and other financial institutions	368	53
Interest income on loans and advances to customers	97	120
Interest expense on amounts due to banks and other financial institutions	254	323
Interest expense on amounts due to customers	0	1

The major transactions between the Group and the associates and their affiliates comprised due from banks and other financial institutions, loans and advances to customers and due to banks and other financial institutions and the corresponding interest income and interest expense. In the opinion of management, the transactions between the Group and the associates and their affiliates were conducted under normal commercial terms and conditions.

(d) Joint ventures and affiliates

	31 December 2019	31 December 2018
Balances at end of the year:		
Due to customers	33	71

	2019	2018
Transactions during the year:		
Interest expense on amounts due to customers	0	1

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(e) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

The aggregate compensation for the year, other than those for the personnel disclosed in note 12 above, is as follows:

	2019 RMB'000	2018 RMB'000
Short-term employment benefits	2,169	6,002
Post-employment benefits	104	262
	2,273	6,264

Note: The above remuneration before tax payable to key management personnel for 2018 represents the total amount of annual remuneration, which includes the amount disclosed in the 2018 Annual Report.

The total compensation packages for senior management of the Bank for the year ended 31 December 2019 have not been finalised in accordance with the regulations of the PRC relevant authorities. The remuneration not yet accrued is not expected to have a significant impact on the Group's 2019 financial statements. The total compensation packages will be further disclosed when determined by the relevant authorities.

Companies or corporations, in which the key management of the Group or their close relatives are shareholders or key management personnel who are able to exercise control directly or indirectly are also considered as related parties of the Group.

The transactions between the Group and the aforementioned parties for the year are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Loans	2,423	2,513

There were no other material transactions and balances with key management personnel on an individual basis during the year. The Group enters into banking transactions with key management personnel in the normal course of business.

The aggregate balance of loans and credit card overdraft to the person which are considered as related parties according to the relevant rules of Shanghai Stock Exchange was RMB3.24 million as at 31 December 2019.

In the opinion of management, the transactions between the Group and the aforementioned parties were conducted in the ordinary course of business under normal terms and conditions and at market rates.

(In RMB millions, unless otherwise stated)

(f) Annuity Fund

Apart from the obligations for defined contributions to the Annuity Fund, Annuity Fund holds the market value of A shares of the Bank with an amount of RMB101.36 million as at 31 December 2019 (31 December 2018: RMB4.41 million), and holds bonds issued by the Bank of RMB20.28 million as at 31 December 2019 (31 December 2018: Nil).

(g) Transactions with state-owned entities in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the Government through its authorities, affiliates or other organisations (collectively the "state-owned entities"). During the year, the Group entered into extensive banking transactions with these state-owned entities including, but not limited to, lending and deposit taking, taking and placing of interbank balances, entrusted lending and the provision of intermediary services, the sale, purchase, underwriting and redemption of bonds issued by other state-owned entities, and the sale, purchase, and leasing of properties and other assets.

Management considers that transactions with state-owned entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those state-owned entities are ultimately controlled or owned by the Government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are state-owned entities.

(h) Proportion of major related party transactions

The major balances and transactions with subsidiaries have been eliminated in the consolidated financial statements. When calculating the proportion of related party transactions, transactions with the subsidiary are not involved.

	31 December 2019		31 December 2018	
	Balances	%	Balances	%
Financial investments	1,803,840	23.59%	1,660,137	24.58%
Due from banks and other financial institutions	106,719	10.24%	135,829	14.11%
Loans and advances to customers	27,826	0.17%	30,620	0.20%
Derivative financial assets	6,251	9.15%	7,893	11.06%
Due to banks and other financial institutions	233,412	10.30%	139,175	7.67%
Derivative financial liabilities	8,004	9.40%	7,421	10.09%
Due to customers	3,034	0.01%	12,669	0.06%
Credit commitments	7,172	0.24%	13,974	0.43%

	2019		2018	
	Balances	%	Balances	%
Interest income	60,893	5.87%	60,816	6.41%
Interest expense	2,066	0.48%	2,046	0.54%

50. SEGMENT INFORMATION

(a) Operating segments

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

Corporate banking

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

Personal banking

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

Treasury operations

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

Others

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

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

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

(In RMB millions, unless otherwise stated)

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

	Year ended 31 December 2019				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	284,211	91,336	231,379	–	606,926
Internal net interest income/(expense)	8,114	130,988	(139,102)	–	–
Net fee and commission income	88,963	65,219	1,418	–	155,600
Other income/(expense), net (i)	7,120	(974)	2,727	4,603	13,476
Operating income	388,408	286,569	96,422	4,603	776,002
Operating expenses	(76,305)	(109,170)	(16,484)	(5,817)	(207,776)
Impairment losses on assets	(152,735)	(24,480)	(1,747)	5	(178,957)
Operating profit/(loss)	159,368	152,919	78,191	(1,209)	389,269
Share of profits of associates and joint ventures	–	–	–	2,520	2,520
Profit before taxation	159,368	152,919	78,191	1,311	391,789
Income tax expense					(78,428)
Profit for the year					313,361
Other segment information:					
Depreciation	8,315	7,265	2,946	543	19,069
Amortisation	1,026	803	446	146	2,421
Capital expenditure	23,847	20,693	8,539	1,660	54,739
31 December 2019					
Segment assets	10,247,872	6,496,604	13,176,154	188,806	30,109,436
Including: Investments in associates and joint ventures	–	–	–	32,490	32,490
Property and equipment	107,967	93,771	37,943	46,880	286,561
Other non-current assets (ii)	44,350	13,974	7,577	17,329	83,230
Segment liabilities	12,854,095	10,763,847	3,540,594	258,897	27,417,433
Other segment information:					
Credit commitments	1,832,133	1,130,938	–	–	2,963,071

(i) Including net trading income, net (loss)/gain on financial investments and other operating income (net).

(ii) Including long-term receivables, intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

(In RMB millions, unless otherwise stated)

	Year ended 31 December 2018				
	Corporate banking	Personal banking	Treasury operations	Others	Total
External net interest income	273,082	86,143	213,293	–	572,518
Internal net interest (expense)/income	(3,458)	122,772	(119,314)	–	–
Net fee and commission income	81,684	62,969	648	–	145,301
Other income/(expense), net (i)	2,551	1,606	(2,143)	5,288	7,302
Operating income	353,859	273,490	92,484	5,288	725,121
Operating expenses	(70,797)	(98,280)	(17,449)	(7,677)	(194,203)
Impairment losses on assets	(131,348)	(30,926)	793	(113)	(161,594)
Operating profit/(loss)	151,714	144,284	75,828	(2,502)	369,324
Share of profits of associates and joint ventures	–	–	–	3,089	3,089
Profit before taxation	151,714	144,284	75,828	587	372,413
Income tax expense					(73,690)
Profit for the year					298,723
Other segment information:					
Depreciation	5,621	5,011	2,237	538	13,407
Amortisation	996	747	432	164	2,339
Capital expenditure	30,471	26,969	12,083	3,032	72,555
31 December 2018					
Segment assets	9,706,611	5,711,799	12,095,016	186,114	27,699,540
Including: Investments in associates and joint ventures	–	–	–	29,124	29,124
Property and equipment	107,201	95,256	42,370	45,577	290,404
Other non-current assets (ii)	20,760	6,982	4,241	15,863	47,846
Segment liabilities	12,292,100	9,664,481	3,179,501	218,575	25,354,657
Other segment information:					
Credit commitments	2,222,156	1,007,356	–	–	3,229,512

(i) Including net trading income, net gain on financial investments and other operating income (net).

(ii) Including long-term receivables, intangible assets, goodwill, long-term deferred expenses and other non-current assets.

(b) Geographical information

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

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

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

(In RMB millions, unless otherwise stated)

	Year ended 31 December 2019									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
External net interest income	252,757	63,970	63,493	24,537	64,071	85,531	16,336	36,231	–	606,926
Internal net interest (expense)/income	(194,621)	37,138	14,710	102,725	18,049	13,846	9,356	(1,203)	–	–
Net fee and commission income	33,437	31,455	23,040	20,452	14,705	18,978	4,019	11,173	(1,659)	155,600
Other income/(expense), net (i)	9,448	(3,891)	(576)	(3,823)	(1,910)	(2,608)	(495)	15,768	1,563	13,476
Operating income	101,021	128,672	100,667	143,891	94,915	115,747	29,216	61,969	(96)	776,002
Operating expenses	(20,548)	(30,764)	(23,596)	(33,743)	(30,099)	(35,985)	(12,323)	(20,829)	111	(207,776)
Impairment losses on assets	(40,400)	(15,572)	(15,821)	(40,049)	(22,546)	(21,127)	(14,150)	(9,292)	–	(178,957)
Operating profit	40,073	82,336	61,250	70,099	42,270	58,635	2,743	31,848	15	389,269
Share of profits of associates and joint ventures	–	–	–	–	–	–	–	2,520	–	2,520
Profit before taxation	40,073	82,336	61,250	70,099	42,270	58,635	2,743	34,368	15	391,789
Income tax expense										(78,428)
Profit for the year										313,361
Other segment information:										
Depreciation	1,851	2,719	2,108	3,110	3,002	3,404	1,312	1,563	–	19,069
Amortisation	808	234	215	235	279	309	87	254	–	2,421
Capital expenditure	3,784	3,898	3,092	5,103	3,374	4,309	1,255	29,924	–	54,739

(i) Including net trading income, net (loss)/gain on financial investments and other operating income (net).

	31 December 2019									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Assets by geographical areas	10,687,512	6,380,888	4,126,087	4,256,707	2,973,119	3,841,497	1,140,631	3,971,298	(7,330,839)	30,046,900
Including: Investments in associates and joint ventures	–	–	–	–	–	–	–	32,490	–	32,490
Property and equipment	11,964	32,168	12,015	20,252	18,306	23,009	9,413	159,434	–	286,561
Other non-current assets (i)	13,250	8,114	5,975	7,352	8,488	12,370	2,093	25,588	–	83,230
Unallocated assets										62,536
Total assets										30,109,436
Liabilities by geographical areas	8,135,659	6,694,114	4,164,747	7,051,203	2,996,409	3,675,924	1,207,528	724,638	(7,330,853)	27,319,369
Unallocated liabilities										98,064
Total liabilities										27,417,433
Other segment information:										
Credit commitments	1,266,960	767,677	464,593	655,424	252,299	464,788	122,273	725,581	(1,756,524)	2,963,071

(i) Including long-term receivables, intangible assets, goodwill, long-term deferred expenses, right-of-use assets and other non-current assets.

(In RMB millions, unless otherwise stated)

	Year ended 31 December 2018									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
External net interest income	228,918	61,134	55,342	30,593	59,236	80,818	18,202	38,275	–	572,518
Internal net interest (expense)/income	(141,316)	27,338	11,824	83,075	11,846	6,811	5,554	(5,132)	–	–
Net fee and commission income	3,907	38,284	27,704	23,785	17,258	20,869	4,644	8,850	–	145,301
Other (expense)/income, net (i)	(5,114)	(605)	(495)	(654)	(148)	20	(442)	15,028	(288)	7,302
Operating income	86,395	126,151	94,375	136,799	88,192	108,518	27,958	57,021	(288)	725,121
Operating expenses	(18,802)	(29,196)	(21,976)	(31,779)	(28,482)	(33,104)	(11,960)	(19,192)	288	(194,203)
Impairment losses on assets	(29,087)	(19,899)	(20,268)	(29,537)	(23,683)	(21,005)	(10,436)	(7,679)	–	(161,594)
Operating profit	38,506	77,056	52,131	75,483	36,027	54,409	5,562	30,150	–	369,324
Share of profits of associates and joint ventures	–	–	–	–	–	–	–	3,089	–	3,089
Profit before taxation	38,506	77,056	52,131	75,483	36,027	54,409	5,562	33,239	–	372,413
Income tax expense										(73,690)
Profit for the year										298,723
Other segment information:										
Depreciation	1,825	1,786	1,231	2,006	2,352	2,690	1,113	404	–	13,407
Amortisation	809	233	198	196	280	335	86	202	–	2,339
Capital expenditure	2,655	3,133	1,767	3,838	2,410	2,801	975	54,976	–	72,555

(i) Including net trading income, net gain on financial investments and other operating income (net).

	31 December 2018									
	Mainland China (HO and domestic branches)									
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China	Overseas and others	Eliminations	Total
Assets by geographical areas	9,803,222	5,860,977	3,700,969	4,085,516	2,758,294	3,530,531	1,120,364	3,695,699	(6,914,407)	27,641,165
Including: Investments in associates and joint ventures	–	–	–	–	–	–	–	29,124	–	29,124
Property and equipment	12,038	31,408	11,332	18,605	18,359	22,807	9,650	166,205	–	290,404
Other non-current assets (i)	11,606	5,839	3,458	3,926	6,750	10,449	1,581	4,237	–	47,846
Unallocated assets										58,375
Total assets										27,699,540
Liabilities by geographical areas	7,532,137	6,166,615	3,719,458	6,639,630	2,733,284	3,378,285	1,134,009	879,687	(6,914,407)	25,268,698
Unallocated liabilities										85,959
Total liabilities										25,354,657
Other segment information:										
Credit commitments	1,140,804	652,201	372,549	544,264	231,154	412,271	82,387	720,824	(926,942)	3,229,512

(i) Including long-term receivables, intangible assets, goodwill, long-term deferred expenses and other non-current assets.

51. FINANCIAL INSTRUMENT RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The board of directors (the "Board") has the ultimate responsibility for the risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise and manage various risks.

The Group has also assigned departments to monitor financial risks within the Group, including the Credit Management Department to monitor credit risk, the Risk Management Department together with the Asset and Liability Management Department to monitor market and liquidity risks, and the Internal Control and Compliance Department to monitor operational risk. The Risk Management Department is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk and operational risk and reporting directly to the Chief Risk Officer.

The Bank maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to risk management departments of both the Head Office and the management of the relevant branches.

(a) Credit risk

Definition and scope

Credit risk is the risk of loss arising from a borrower or counterparty's failure to perform its obligations. Operational failures which result in unauthorised or inappropriate guarantees, financial commitments or investments by the Group may also give rise to credit risk. The Group's credit risk is mainly attributable to its loans, due from banks and other financial institutions and financial investments.

The Group is also exposed to credit risk in other areas in addition to the credit risk arising from the Group's loans, due from banks and other financial institutions and financial investments. The credit risk arising from derivative financial instruments is limited to derivative financial assets recorded in the statement of financial position. In addition, the Group provides guarantees for customers and may therefore be required to make payments on their behalf. These payments will be recovered from customers in accordance with the terms of the agreement. Therefore, the Group assumes a credit risk similar to that arising from loans and applies the same risk control procedures and policies to reduce risks.

Credit risk assessment method

Stage of financial instruments

The Group classifies financial instruments into three risk stages and makes provisions for expected credit losses accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

Refer to Note 3(6) Impairment of the financial assets for the definition of the three stages.

Significant increase in credit risk

The assessment of significant increase since initial recognition in the credit risk is performed at least on a quarterly basis for financial instruments held by the Group. The Group takes into consideration all reasonable and supportable information (including forward-looking information) that reflects significantly change in credit risk for the purposes of classifying financial instruments. The main considerations are regulatory and operating environment, internal and external credit risk gradings, debt-servicing capacity, operating capabilities, contractual terms, and repayment records. The Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the end of the reporting period and its risk of default at the date of initial application to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments. In determining whether credit risk of a financial instrument has increased significantly since initial recognition, the Group considers factors indicating whether the probability of default has risen sharply, whether the financial instrument has been past due for more than 30 days, whether the market price has been falling to assess deterioration.

Definition of default

The Group defines a corporate borrower as in default when it meets one or more of the following criteria at the timing of recognition:

(i) The principal or interest of loan is past due more than 90 days to the Group;

(ii) The corporate borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidation against collateral;

(iii) The corporate borrower has the above matters in other financial institutions refers to (i), (ii)

The Group defines a retail business borrower as in default when single credit assets of borrowers meets one or more of the following criteria:

(i) The principal or interest of loan is past due more than 90 days to the Group;

(ii) Write-offs;

(iii) The Group considers the borrower is unlikely to pay its credit obligations to the Group in full.

Impairment assessment

Generally, a financial asset is considered to be credit-impaired if:

- It has been overdue for more than 90 days;
- In light of economic, legal or other factors, the Group has made concessions to a borrower in financial difficulties, which would otherwise have been impossible under normal circumstances;
- The borrower is probable to be insolvent or carry out other financial restructurings;
- Due to serious financial difficulties, the financial asset cannot continue to be traded in an active market;
- There are other objective evidences that the financial asset is impaired.

Description of parameters, assumptions, and estimation techniques

Expected credit losses ("ECL") for a financial instrument is measured at an amount equal to 12-month ECL or lifetime ECL depending on whether a significant increase in credit risk on that financial instrument has occurred since initial recognition or whether an asset is considered to be credit-impaired. The loss allowance for loans and advances to customers, other than those corporate loans and advance to customers which are credit-impaired, is measured using the risk parameters method. The key parameters include Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD"), considering the time value of money. Related definitions are as follows:

PD is the possibility that a customer will default on its obligation within a certain period of time in light of forward-looking information. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking the forward-looking information into account and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;

LGD is the magnitude of the likely loss if there is a default in light of forward-looking information. The LGD is depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, with taking the forward-looking information into account;

EAD refers to the total amount of on-and off-balance sheet exposures in the event of default and is determined based on the historical repayment records.

The assumptions underlying the ECL calculation, such as how the PDs and LGDs of different maturity profiles change are monitored and reviewed on a quarterly basis by the Group.

There have been no significant changes in estimation techniques or significant assumptions made during the year.

The impairment loss on credit-impaired corporate loans and advance to customers applied cash flow discount method, if there is objective evidence that an impairment loss on a loan or advance has incurred, the amount of the loss is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the statement of profit or loss. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- The estimated recoverable cash flows from projects and liquidation;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, or discrete events that result in the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Forward-looking information contained in ECL

The calculation of ECL incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables, including Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Purchasing Managers' Index ("PMI"), M2, Industrial Added Value and Real Estate Climate Index, impacting ECL for each portfolio. The impact of these economic variables on the PD and LGD has been determined by performing statistical regression analysis to understand the correlations among the historical changes of the economic variables, PD and LGD. Forecasts of these economic variables are provided quarterly by the Group at least and provide the best estimate view of the economy over the next year.

When calculating the weighted average ECL, the optimism, neutral and pessimism scenarios and its weightings determined by a combination of macro-statistical analysis and expert judgment are taken into account by the Group.

Write-off policy

The Group writes off financial assets when it has exhausted practical recovery efforts and has concluded there is no reasonable expectation of recovery.

(In RMB millions, unless otherwise stated)

Contractual modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such rescheduling activities include extended payment term arrangements, payment holidays and payment forgiveness. Rescheduling policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The following table includes carrying amount of rescheduled loans and advance to customers:

	31 December 2019	31 December 2018
Rescheduled loans and advances to customers	7,319	7,211
Impaired loans and advances to customers included in above	2,983	3,112

Collaterals and other credit enhancements

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralised by bills, loans or investment securities. As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners.

Corporate loans and discounted bills are mainly collateralised by properties or other assets. As at 31 December 2019, the gross carrying amount of corporate loans and discounted bills amounted to RMB10,377,695 million (31 December 2018: RMB9,783,331 million), of which credit exposure covered by collateral amounted to RMB3,583,296 million (31 December 2018: RMB3,208,571 million).

Retail loans are mainly collateralised by residential properties. As at 31 December 2019, the gross carrying amount of retail loans amounted to RMB6,383,624 million (31 December 2018: RMB5,636,574 million), of which credit exposure covered by collateral amounted to RMB5,565,771 million (31 December 2018: RMB4,913,432 million).

The Group prefers more liquid collateral with relatively stable market value and does not accept collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loans. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

Management monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

During the reporting period, the Group took possession of collateral held as security with a carrying amount of RMB599 million (31 December 2018: RMB1,774 million).

(In RMB millions, unless otherwise stated)

(i) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is set out below:

	31 December 2019	31 December 2018
Balances with central banks	3,251,881	3,302,529
Due from banks and other financial institutions	1,042,368	962,449
Derivative financial assets	68,311	71,335
Reverse repurchase agreements	845,186	734,049
Loans and advances to customers	16,326,552	15,046,132
Financial investments		
— Financial investments measured at FVTPL	837,972	750,957
— Financial investments measured at FVOCI	1,421,609	1,400,244
— Financial investments measured at amortised cost	5,208,167	4,519,182
Others	181,028	166,363
	29,183,074	26,953,240
Credit commitments	2,963,071	3,229,512
Total maximum credit risk exposure	32,146,145	30,182,752

(ii) Risk concentrations

Credit risk is often greater when counterparties are concentrated in one single industry or geographic location or have comparable economic features. In addition, different geographic areas and industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

(In RMB millions, unless otherwise stated)

(1) Loans and advances to customers

By geographical distribution

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by geographical distribution is analysed as follows:

	31 December 2019		31 December 2018	
	Amount	Percentage	Amount	Percentage
Head Office	774,578	4.62%	723,302	4.69%
Yangtze River Delta	3,124,793	18.64%	2,823,603	18.32%
Pearl River Delta	2,341,370	13.97%	2,072,857	13.44%
Bohai Rim	2,739,585	16.34%	2,524,307	16.37%
Central China	2,445,215	14.60%	2,202,221	14.28%
Western China	2,991,010	17.84%	2,735,901	17.74%
Northeastern China	798,691	4.77%	759,140	4.92%
Overseas and others	1,546,077	9.22%	1,578,574	10.24%
Total	16,761,319	100.00%	15,419,905	100.00%

By industry distribution

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by industry is analysed as follows:

	31 December 2019	31 December 2018
Transportation, storage and postal services	2,304,923	2,070,542
Manufacturing	1,655,775	1,569,387
Leasing and commercial services	1,252,193	1,145,342
Production and supply of electricity, heating, gas and water	1,021,366	1,004,744
Water, environment and public utility management	926,499	786,803
Real estate	908,254	850,038
Wholesale and retail	537,326	626,059
Finance	300,159	295,271
Construction	284,949	265,149
Mining	211,241	234,976
Science, education, culture and sanitation	231,260	196,046
Others	321,876	374,537
Subtotal for corporate loans	9,955,821	9,418,894
Personal mortgage and business loans	5,512,175	4,805,944
Others	871,449	830,630
Subtotal for personal loans	6,383,624	5,636,574
Discounted bills	421,874	364,437
Total for loans and advances to customers	16,761,319	15,419,905

(In RMB millions, unless otherwise stated)

By collaterals

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by collaterals is analysed as follows:

	31 December 2019	31 December 2018
Unsecured loans	5,369,713	4,950,419
Guaranteed loans	2,078,921	2,157,264
Loans secured by mortgages	7,884,774	7,056,026
Pledged loans	1,427,911	1,256,196
Total	16,761,319	15,419,905

Overdue loans and advances to customers

The composition of the Group's gross overdue loans and advances to customers (excluding accrued interest) by collaterals is analysed as follows:

	31 December 2019				
	Overdue for 1 to 90 days	Overdue for 90 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Unsecured loans	27,232	21,684	17,831	5,474	72,221
Guaranteed loans	17,046	25,698	21,799	9,876	74,419
Loans secured by mortgages	35,613	36,689	25,003	11,186	108,491
Pledged loans	3,193	5,554	2,215	2,123	13,085
Total	83,084	89,625	66,848	28,659	268,216

	31 December 2018				
	Overdue for 1 to 90 days	Overdue for 90 days to 1 year	Overdue for 1 to 3 years	Overdue for over 3 years	Total
Unsecured loans	31,229	30,227	10,507	3,206	75,169
Guaranteed loans	18,536	21,206	23,684	12,502	75,928
Loans secured by mortgages	39,324	30,074	24,095	12,608	106,101
Pledged loans	2,064	2,339	4,724	3,607	12,734
Total	91,153	83,846	63,010	31,923	269,932

(In RMB millions, unless otherwise stated)

(2) Debt securities investments

By issuers distribution

The following tables present an analysis of debt securities (excluding accrued interest) by types of issuers and investments:

	31 December 2019			
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Total
Governments and central banks	60,509	421,919	4,306,848	4,789,276
Policy banks	41,444	198,839	412,239	652,522
Banks and other financial institutions	179,106	306,242	340,218	825,566
Corporate entities	77,198	474,271	44,017	595,486
	358,257	1,401,271	5,103,322	6,862,850

	31 December 2018			
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Total
Governments and central banks	42,296	413,941	3,617,465	4,073,702
Policy banks	49,291	223,877	501,564	774,732
Banks and other financial institutions	126,420	302,685	264,645	693,750
Corporate entities	25,742	436,824	44,326	506,892
	243,749	1,377,327	4,428,000	6,049,076

(In RMB millions, unless otherwise stated)

By rating distribution

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of debt securities are located. The carrying amounts of debt securities investments (excluding accrued interest) analysed by rating as at the end of the reporting period are as follows:

	31 December 2019					
	Unrated	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities (analysed by type of issuers):						
Governments and central banks	1,613,759	3,133,011	6,645	13,211	22,650	4,789,276
Policy banks	633,828	213	2,617	15,551	313	652,522
Banks and other financial institutions	281,128	365,377	18,672	84,343	76,046	825,566
Corporate entities	104,386	342,866	25,892	63,480	58,862	595,486
	2,633,101	3,841,467	53,826	176,585	157,871	6,862,850

	31 December 2018					
	Unrated	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities (analysed by type of issuers):						
Governments and central banks	1,479,735	2,557,514	5,217	15,840	15,396	4,073,702
Policy banks	758,698	2,289	965	11,894	886	774,732
Banks and other financial institutions	232,352	312,628	17,605	72,531	58,634	693,750
Corporate entities	53,501	351,062	9,153	56,597	36,579	506,892
	2,524,286	3,223,493	32,940	156,862	111,495	6,049,076

(In RMB millions, unless otherwise stated)

(iii) Analysis on the credit quality of financial instruments

The Group's credit risk stages of financial instruments are as follows:

	31 December 2019							
	Book value				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,317,916	–	–	3,317,916	–	–	–	–
Due from banks and other financial institutions	1,024,865	18,748	–	1,043,613	(1,219)	(26)	–	(1,245)
Reverse repurchase agreements	685,623	–	–	685,623	(94)	–	–	(94)
Loans and advances to customers	15,682,629	452,439	239,564	16,374,632	(215,316)	(78,494)	(184,688)	(478,498)
Including: Corporate loans and advances	9,342,748	426,540	200,722	9,970,010	(162,181)	(70,451)	(149,328)	(381,960)
Personal loans	6,335,675	25,899	38,842	6,400,416	(53,134)	(8,043)	(35,360)	(96,537)
Discounted bills	4,206	–	–	4,206	(1)	–	–	(1)
Financial investments	5,206,604	5,118	166	5,211,888	(2,255)	(1,339)	(127)	(3,721)
Precious metal leasing	153,710	1,485	546	155,741	(524)	(333)	(272)	(1,129)
Total	26,071,347	477,790	240,276	26,789,413	(219,408)	(80,192)	(185,087)	(484,687)

Note: As simplified approach of impairment allowance is applied to other financial assets measured at amortised cost, three-stage model is not applicable.

	31 December 2019							
	Carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVOCI								
Loans and advances to customers	423,370	–	623	423,993	(227)	–	(5)	(232)
Including: Corporate loans and advances	6,325	–	–	6,325	(21)	–	–	(21)
Discounted bills	417,045	–	623	417,668	(206)	–	(5)	(211)
Financial investments	1,417,535	4,074	–	1,421,609	(1,778)	(80)	(198)	(2,056)
Total	1,840,905	4,074	623	1,845,602	(2,005)	(80)	(203)	(2,288)
Credit commitments	2,913,139	49,051	881	2,963,071	(25,266)	(3,072)	(196)	(28,534)

(In RMB millions, unless otherwise stated)

	31 December 2018							
	Book value				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with central banks	3,372,576	–	–	3,372,576	–	–	–	–
Due from banks and other financial institutions	954,413	9,051	–	963,464	(993)	(22)	–	(1,015)
Reverse repurchase agreements	559,295	–	–	559,295	(40)	–	–	(40)
Loans and advances to customers	14,310,149	552,086	234,777	15,097,012	(158,084)	(81,406)	(173,241)	(412,731)
Including: Corporate loans and advances	8,714,321	527,291	194,637	9,436,249	(109,399)	(74,298)	(136,499)	(320,196)
Personal loans	5,585,639	24,795	40,120	5,650,554	(48,670)	(7,108)	(36,722)	(92,500)
Discounted bills	10,189	–	20	10,209	(15)	–	(20)	(35)
Financial investments	4,516,711	4,793	161	4,521,665	(1,504)	(854)	(125)	(2,483)
Precious metal leasing	103,110	750	329	104,189	(530)	(226)	(202)	(958)
Total	23,816,254	566,680	235,267	24,618,201	(161,151)	(82,508)	(173,568)	(417,227)

Note: As simplified approach of impairment allowance is applied to other financial assets measured at amortised cost, three-stage model is not applicable.

	31 December 2018							
	Carrying amount				Provision for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVOCI								
Loans and advances to customers	360,234	1	248	360,483	(198)	(0)	(248)	(446)
Including: Corporate loans and advances	6,255	–	–	6,255	(13)	–	–	(13)
Discounted bills	353,979	1	248	354,228	(185)	(0)	(248)	(433)
Financial investments	1,398,443	1,801	–	1,400,244	(1,622)	(92)	(196)	(1,910)
Total	1,758,677	1,802	248	1,760,727	(1,820)	(92)	(444)	(2,356)
Credit commitments	3,175,598	53,160	754	3,229,512	(28,811)	(5,342)	(562)	(34,715)

(b) Liquidity risk

Liquidity risk is the risk that funds will not be sufficient or will not be raised at a reasonable cost in a timely manner to meet the need of asset growth or repayment of debts due, although remaining solvent. This may arise from amount or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base;
- projecting cash flows and evaluating the level of current assets; and
- in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

(In RMB millions, unless otherwise stated)

(i) Maturity analysis of the assets and liabilities

The tables below summarise the maturity profile of the Group's assets and liabilities. The Group's expected the remaining maturity of its financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

	31 December 2019							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	615,890	1,018	3,850	20,743	–	–	2,676,415	3,317,916
Due from banks and other financial institutions (*)	181,267	846,498	310,639	493,006	55,302	842	–	1,887,554
Derivative financial assets	498	5,045	6,878	28,784	20,962	6,144	–	68,311
Loans and advances to customers	31,249	985,299	712,711	2,791,186	3,559,038	8,190,112	56,957	16,326,552
Financial investments								
— Financial investments measured at FVTPL	10,661	10,955	43,762	421,926	161,035	180,555	133,184	962,078
— Financial investments measured at FVOCI	–	43,068	87,534	242,037	759,038	289,932	55,263	1,476,872
— Financial investments measured at amortised cost	–	66,799	139,014	708,768	2,466,714	1,824,696	2,176	5,208,167
Investments in associates and joint ventures	–	–	–	–	–	–	32,490	32,490
Property and equipment	–	–	–	–	–	–	286,561	286,561
Others	268,114	78,408	41,887	21,220	27,945	31,242	74,119	542,935
Total assets	1,107,679	2,037,090	1,346,275	4,727,670	7,050,034	10,523,523	3,317,165	30,109,436
Liabilities:								
Due to central banks	–	–	141	–	876	–	–	1,017
Financial liabilities designated as at FVTPL	60,486	760	2,054	21,629	14,812	2,501	–	102,242
Derivative financial liabilities	769	5,440	6,547	42,466	22,830	7,128	–	85,180
Due to banks and other financial institutions (**)	1,623,797	354,801	215,289	250,474	46,856	38,629	–	2,529,846
Certificates of deposit	–	78,222	158,141	110,912	8,153	–	–	355,428
Due to customers	12,461,763	1,063,032	1,581,922	4,725,038	3,121,105	24,795	–	22,977,655
Debt securities issued	–	14,399	24,999	77,835	276,082	349,560	–	742,875
Others	109,527	148,125	58,588	214,862	60,474	31,614	–	623,190
Total liabilities	14,256,342	1,664,779	2,047,681	5,443,216	3,551,188	454,227	–	27,417,433
Net liquidity gap	(13,148,663)	372,311	(701,406)	(715,546)	3,498,846	10,069,296	3,317,165	2,692,003

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

	31 December 2018							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Assets:								
Cash and balances with central banks	564,172	–	–	7,303	–	–	2,801,101	3,372,576
Due from banks and other financial institutions (*)	153,907	897,537	257,859	316,762	69,856	577	–	1,696,498
Derivative financial assets	61	13,448	15,369	24,278	11,645	6,534	–	71,335
Loans and advances to customers	21,943	914,097	621,648	2,600,254	3,567,565	7,249,737	70,888	15,046,132
Financial investments								
— Financial investments measured at FVTPL	6,164	44,236	44,671	109,843	405,552	131,963	62,918	805,347
— Financial investments measured at FVOCI	–	52,098	57,803	244,232	775,046	272,032	28,952	1,430,163
— Financial investments measured at amortised cost	7	39,686	130,695	415,725	2,473,116	1,459,953	–	4,519,182
Investments in associates and joint ventures	–	–	–	–	–	–	29,124	29,124
Property and equipment	–	–	–	–	–	–	290,404	290,404
Others	257,916	49,564	19,372	15,912	18,176	38,240	39,599	438,779
Total assets	1,004,170	2,010,666	1,147,417	3,734,309	7,320,956	9,159,036	3,322,986	27,699,540
Liabilities:								
Due to central banks	–	–	–	71	410	–	–	481
Financial liabilities designated as at FVTPL	67,859	478	382	5,570	11,334	1,777	–	87,400
Derivative financial liabilities	415	14,081	15,570	28,094	9,778	5,635	–	73,573
Due to banks and other financial institutions (**)	1,129,334	510,830	302,505	310,489	31,569	44,569	–	2,329,296
Certificates of deposit	–	60,071	126,157	140,227	14,450	449	–	341,354
Due to customers	11,578,642	919,716	1,337,250	4,978,718	2,582,550	12,058	–	21,408,934
Debt securities issued	–	19,689	7,021	65,335	238,450	287,347	–	617,842
Others	285,333	53,041	33,234	90,604	20,299	13,266	–	495,777
Total liabilities	13,061,583	1,577,906	1,822,119	5,619,108	2,908,840	365,101	–	25,354,657
Net liquidity gap	(12,057,413)	432,760	(674,702)	(1,884,799)	4,412,116	8,793,935	3,322,986	2,344,883

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

(In RMB millions, unless otherwise stated)

(ii) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the consolidated statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

	31 December 2019							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	615,890	1,018	7,463	20,743	–	–	2,676,415	3,321,529
Due from banks and other financial institutions (*)	181,303	849,397	314,046	502,881	59,472	1,691	–	1,908,790
Loans and advances to customers (**)	34,735	1,060,503	911,870	3,516,705	6,309,480	12,914,107	239,473	24,986,873
Financial investments								
— Financial investments measured at FVTPL	10,371	10,634	44,638	399,486	181,783	202,154	131,736	980,802
— Financial investments measured at FVOCI	–	43,294	89,714	266,634	843,800	349,679	50,326	1,643,447
— Financial investments measured at amortised cost	–	67,422	145,481	810,717	2,941,781	2,146,968	3,097	6,115,466
Others	369,736	21,787	12,345	5,769	5,887	60	684	416,268
	1,212,035	2,054,055	1,525,557	5,522,935	10,342,203	15,614,659	3,101,731	39,373,175

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

	31 December 2019							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	–	–	141	–	876	–	–	1,017
Financial liabilities designated as at FVTPL	60,547	762	2,062	23,413	15,116	2,501	–	104,401
Due to banks and other financial institutions (*)	1,624,350	356,090	217,433	255,480	52,646	52,003	–	2,558,002
Certificates of deposit	–	78,593	159,434	111,849	10,886	–	–	360,762
Due to customers	12,463,090	1,066,170	1,686,585	5,012,827	3,704,857	25,960	–	23,959,489
Debt securities issued	–	15,025	29,741	98,866	362,680	567,317	–	1,073,629
Others	360,741	7,917	3,290	7,539	31,018	18,327	–	428,832
	14,508,728	1,524,557	2,098,686	5,509,974	4,178,079	666,108	–	28,486,132
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	28	(208)	85	(923)	240	–	(778)
Derivative financial instruments settled on gross basis								
Including: Cash inflow	49,846	619,031	400,059	2,696,186	1,616,510	34,653	–	5,416,285
Cash outflow	(52,452)	(605,109)	(401,263)	(2,717,224)	(1,612,491)	(34,825)	–	(5,423,364)
	(2,606)	13,922	(1,204)	(21,038)	4,019	(172)	–	(7,079)

(*) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

	31 December 2018							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated (***)	Total
Non-derivative cash flows:								
Financial assets:								
Cash and balances with central banks	564,172	–	3,781	7,303	–	–	2,801,101	3,376,357
Due from banks and other financial institutions (*)	154,798	902,607	318,728	342,153	101,025	710	–	1,820,021
Loans and advances to customers (**)	22,507	988,987	801,611	3,301,244	6,077,004	11,176,249	238,194	22,605,796
Financial investments								
— Financial investments measured at FVTPL	5,844	44,867	46,378	118,910	417,216	152,175	63,225	848,615
— Financial investments measured at FVOCI	196	52,536	59,844	270,134	873,992	321,176	23,757	1,601,635
— Financial investments measured at amortised cost	106	40,020	136,471	504,023	2,904,342	1,681,478	–	5,266,440
Others	297,855	19,034	12,285	5,497	6,639	688	1,016	343,014
	1,045,478	2,048,051	1,379,098	4,549,264	10,380,218	13,332,476	3,127,293	35,861,878

(*) Includes reverse repurchase agreements.

(**) The maturity profile of the renegotiated loans' contractual undiscounted cash flows is determined according to the negotiated terms.

(***) Includes loans and advances to customers and financial investments that are impaired or not impaired but overdue for more than one month.

	31 December 2018							
	Overdue/ repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Non-derivative cash flows:								
Financial liabilities:								
Due to central banks	–	–	–	71	410	–	–	481
Financial liabilities designated as at FVTPL	69,065	484	389	5,674	13,173	1,848	–	90,633
Due to banks and other financial institutions (*)	1,129,795	514,886	310,656	321,458	36,610	61,249	–	2,374,654
Certificates of deposit	–	60,697	127,262	144,261	14,952	569	–	347,741
Due to customers	11,595,139	937,070	1,379,365	5,075,713	2,685,178	13,414	–	21,685,879
Debt securities issued	–	20,209	10,896	86,316	317,424	490,724	–	925,569
Others	270,385	11,949	1,719	2,418	15,164	6,453	–	308,088
	13,064,384	1,545,295	1,830,287	5,635,911	3,082,911	574,257	–	25,733,045
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	(1,675)	54	65	3	1,270	–	(283)
Derivative financial instruments settled on gross basis								
Including: Cash inflow	23,964	1,825,500	1,206,634	2,562,995	182,370	38,339	–	5,839,802
Cash outflow	(18,965)	(1,786,499)	(1,188,652)	(2,547,242)	(161,666)	(37,690)	–	(5,740,714)
	4,999	39,001	17,982	15,753	20,704	649	–	99,088

(*) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

(iii) Analysis of credit commitments by contractual expiry date

Management does not expect all of the commitments will be drawn before the expiry of the commitments.

	31 December 2019						
	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	1,309,180	114,410	197,065	469,933	747,810	124,673	2,963,071

	31 December 2018						
	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Total
Credit commitments	1,167,456	143,694	236,602	614,062	873,022	194,676	3,229,512

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The analysis of the interest rate risk in the banking book is disclosed in note 51(d).

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions.

The Group considers the market risk arising from stock prices fluctuations in respect of its investment portfolios as immaterial.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank monitors market risk separately in respect of trading and other non-trading portfolios. The Value-at-risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolios. The following sections include a VaR analysis by risk type of the Group's trading portfolios of the parent company and a sensitivity analysis based on the Group's currency risk exposure and interest rate risk exposure (both trading and non-trading portfolios).

(In RMB millions, unless otherwise stated)

(i) VaR

VaR analysis is a statistical technique which estimates the potential maximum losses that could occur on risk positions taken due to movements in interest rates, foreign exchange rates or prices over a specified time horizon and at a specified level of confidence. The Bank adopts a historical simulation model to calculate and monitor trading portfolio VaR with 250 days' historical market data (with a 99% confidence level, and one-day holding period) on a daily basis.

A summary of VaR by risk type of the Bank's trading portfolios is as follows:

	2019			
	31 December 2019	**Average**	**Highest**	**Lowest**
Interest rate risk	35	47	71	24
Currency risk	88	84	112	54
Commodity risk	15	40	77	6
Total portfolio VaR	91	108	140	64

	2018			
	31 December 2018	**Average**	**Highest**	**Lowest**
Interest rate risk	32	28	42	15
Currency risk	66	64	115	43
Commodity risk	7	23	39	7
Total portfolio VaR	88	74	113	52

VaR for each risk factor is the derived largest potential loss due to fluctuations solely in that risk factor. As there is a diversification effect due to the correlation amongst the risk factors, the individual VaR does not add up to the total portfolio VaR.

Although VaR is an important tool for measuring market risk under normal market environment, the assumptions on which the model is based do give rise to some limitations, mainly including the following:

(1) VaR does not reflect liquidity risk. In the VaR model, a one-day holding period assumes that it is possible to hedge or dispose of positions within that period without restriction, the price of the financial instruments will fluctuate in the specified range, and the correlation between these market prices will remain unchanged. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate or hedge all positions fully;

(2) Even though positions may change throughout the day, VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level; and

(3) VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, especially those of an exceptional nature due to significant market moves.

(In RMB millions, unless otherwise stated)

(ii) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations, foreign exchange dealings and overseas investments.

The exchange rate of RMB to USD is managed under a floating exchange rate system. The HKD exchange rate has been pegged to USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

The Group manages its currency risk through various methods, including limitation management and risk hedging to hedge currency risk, and performing currency risk sensitivity analysis and stress testing regularly.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposure on and off the balance sheet on its monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before taxation and equity. A negative amount in the table reflects a potential net reduction in profit before taxation or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the year end are kept unchanged and, therefore, have not incorporated actions that would be taken by the Group to mitigate the adverse impact of this currency risk.

Currency	Change in currency rate	Effect on profit before taxation		Effect on equity	
		2019	2018	2019	2018
USD	-1%	(146)	44	(379)	(332)
HKD	-1%	260	366	(1,492)	(1,298)

While the tables above indicates the effect on profit before taxation and equity of 1% depreciation of USD and HKD, there will be an opposite effect with the same amount if the currencies appreciate by the same percentage.

(In RMB millions, unless otherwise stated)

A breakdown of the assets and liabilities analysed by currency is as follows:

	31 December 2019				
	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total (equivalent to RMB)
Assets:					
Cash and balances with central banks	3,035,646	141,588	10,890	129,792	3,317,916
Due from banks and other financial institutions (*)	1,214,612	562,308	37,690	72,944	1,887,554
Derivative financial assets	30,693	19,773	7,341	10,504	68,311
Loans and advances to customers	14,809,532	869,350	351,007	296,663	16,326,552
Financial investments					
— Financial investments measured at FVTPL	909,353	32,450	6,076	14,199	962,078
— Financial investments measured at FVOCI	1,041,158	320,611	36,698	78,405	1,476,872
— Financial investments measured at amortised cost	5,030,922	102,767	13,345	61,133	5,208,167
Investments in associates and joint ventures	2,981	930	152	28,427	32,490
Property and equipment	186,232	97,883	751	1,695	286,561
Others	235,342	103,146	5,550	198,897	542,935
Total assets	26,496,471	2,250,806	469,500	892,659	30,109,436
Liabilities:					
Due to central banks	–	141	–	876	1,017
Financial liabilities designated as at FVTPL	20,845	14,433	22	66,942	102,242
Derivative financial liabilities	45,060	23,546	6,157	10,417	85,180
Due to banks and other financial institutions (**)	1,713,312	658,857	27,766	129,911	2,529,846
Certificates of deposit	28,202	231,440	16,247	79,539	355,428
Due to customers	21,509,155	837,901	369,830	260,769	22,977,655
Debt securities issued	370,064	320,025	11,719	41,067	742,875
Others	490,017	110,278	19,481	3,414	623,190
Total liabilities	24,176,655	2,196,621	451,222	592,935	27,417,433
Net position	2,319,816	54,185	18,278	299,724	2,692,003
Credit commitments	2,249,604	499,355	78,134	135,978	2,963,071

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(In RMB millions, unless otherwise stated)

	31 December 2018				
	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	Others (equivalent to RMB)	Total (equivalent to RMB)
Assets:					
Cash and balances with central banks	3,157,631	121,780	8,121	85,044	3,372,576
Due from banks and other financial institutions (*)	990,549	621,782	26,561	57,606	1,696,498
Derivative financial assets	29,939	28,169	4,817	8,410	71,335
Loans and advances to customers	13,537,076	882,110	341,564	285,382	15,046,132
Financial investments					
— Financial investments measured at FVTPL	763,190	29,984	2,641	9,532	805,347
— Financial investments measured at FVOCI	1,112,791	253,590	4,011	59,771	1,430,163
— Financial investments measured at amortised cost	4,354,632	89,283	24,594	50,673	4,519,182
Investments in associates and joint ventures	827	1,687	–	26,610	29,124
Property and equipment	139,113	149,249	754	1,288	290,404
Others	186,738	110,120	6,360	135,561	438,779
Total assets	24,272,486	2,287,754	419,423	719,877	27,699,540
Liabilities:					
Due to central banks	2	–	–	479	481
Financial liabilities designated as at FVTPL	11,698	11,374	–	64,328	87,400
Derivative financial liabilities	32,412	31,708	1,752	7,701	73,573
Due to banks and other financial institutions (**)	1,475,121	677,109	27,341	149,725	2,329,296
Certificates of deposit	27,086	242,586	13,115	58,567	341,354
Due to customers	20,059,293	823,474	313,342	212,825	21,408,934
Debt securities issued	273,881	301,010	4,125	38,826	617,842
Others	376,027	91,201	10,143	18,406	495,777
Total liabilities	22,255,520	2,178,462	369,818	550,857	25,354,657
Net position	2,016,966	109,292	49,605	169,020	2,344,883
Credit commitments	2,476,089	551,927	65,563	135,933	3,229,512

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

(d) Interest rate risk in the banking book

Interest rate risk in the banking book is defined as the risk of loss in the overall gain and economic value of the banking book arising from adverse movements in interest rate and term structure, etc. This risk may occur in the following situations: when the interest rate fluctuates, because the repricing period of different financial instruments is different, the debt interest rate repricing date is earlier than the asset interest rate when interest rate rising and vice versa. The bank will face to the risk of reduced or even negative spreads over certain period of time; when the pricing benchmark interest rates are different, the changes in the benchmark interest rates are inconsistent; when there are embedded option terms or implied options in the business of holding options derivatives or banking book's on- and off-balance sheet business; and due to changes in expected default levels or market liquidity, the market's assessment of the credit quality of financial instruments changes, leading to changes in credit spreads.

The Group manages the interest rate risk of banking book through the Asset and the Liability Management Department, following methods have been adopted:

- Interest rate prediction: analysing the macroeconomic factors that may impact on the PBOC benchmark interest rates and market interest rates;
- Duration management: optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities;
- Pricing management: managing the deviation of the pricing of interest-generating assets and the benchmark interest rates or market interest rates;
- Quota management: optimising the positions of interest-generating assets and interest-bearing liabilities and control the impact on profit and loss and equity; and
- Derivative trading: using interest rate derivatives for hedging management in a timely manner.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modeling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net interest income and equity. The data set out in the following tables includes trading book's data.

The effect of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at year end that are subject to repricing within the coming year, including the effect of hedging instruments. The effect of equity is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing fixed rate financial assets measured at FVOCI held at year end, including the effect of any associated hedges.

(In RMB millions, unless otherwise stated)

	31 December 2019			
	Increased by 100 basis points		Decreased by 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

	31 December 2018			
	Increased by 100 basis points		Decreased by 100 basis points	
Currency	Effect on net interest income	Effect on equity	Effect on net interest income	Effect on equity
RMB	(3,281)	(30,513)	3,281	33,093
USD	(1,645)	(5,679)	1,645	5,683
HKD	936	–	(936)	–
Others	(59)	(690)	59	691
Total	(4,049)	(36,882)	4,049	39,467

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the pro forma movements in net interest income and equity based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income and equity in the case where some rates change while others remain unchanged.

(In RMB millions, unless otherwise stated)

The tables below summarise the contractual repricing or maturity dates, whichever is earlier, of the Group's assets and liabilities:

	31 December 2019					
	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	2,970,858	–	–	–	347,058	3,317,916
Due from banks and other financial institutions (*)	1,317,721	491,964	52,363	842	24,664	1,887,554
Derivative financial assets	–	–	–	–	68,311	68,311
Loans and advances to customers	10,849,253	4,966,835	320,940	135,154	54,370	16,326,552
Financial investments						
— Financial investments measured at FVTPL	124,802	128,720	45,262	102,776	560,518	962,078
— Financial investments measured at FVOCI	232,121	233,683	677,791	278,014	55,263	1,476,872
— Financial investments measured at amortised cost	289,260	700,577	2,405,542	1,812,788	–	5,208,167
Investments in associates and joint ventures	–	–	–	–	32,490	32,490
Property and equipment	–	–	–	–	286,561	286,561
Others	3,395	76	–	–	539,464	542,935
Total assets	15,787,410	6,521,855	3,501,898	2,329,574	1,968,699	30,109,436
Liabilities:						
Due to central banks	141	–	876	–	–	1,017
Financial liabilities designated as at FVTPL	834	19,762	12,068	–	69,578	102,242
Derivative financial liabilities	–	–	–	–	85,180	85,180
Due to banks and other financial institutions (**)	2,212,773	236,160	38,775	38,624	3,514	2,529,846
Certificates of deposit	245,817	102,708	6,903	–	–	355,428
Due to customers	14,687,406	4,670,307	3,084,830	24,008	511,104	22,977,655
Debt securities issued	231,676	39,201	122,446	349,552	–	742,875
Others	2,549	5,087	15,970	7,211	592,373	623,190
Total liabilities	17,381,196	5,073,225	3,281,868	419,395	1,261,749	27,417,433
Interest rate mismatch	(1,593,786)	1,448,630	220,030	1,910,179	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The data set out in the above table includes trading book's data.

(In RMB millions, unless otherwise stated)

	31 December 2018					
	Less than three months	Three months to one year	One to five years	More than five years	Non-interest-bearing	Total
Assets:						
Cash and balances with central banks	3,041,055	–	–	–	331,521	3,372,576
Due from banks and other financial institutions (*)	1,259,592	313,451	66,142	573	56,740	1,696,498
Derivative financial assets	–	–	–	–	71,335	71,335
Loans and advances to customers	10,876,334	3,723,420	207,848	181,472	57,058	15,046,132
Financial investments						
— Financial investments measured at FVTPL	115,666	109,835	382,531	127,288	70,027	805,347
— Financial investments measured at FVOCI	179,158	245,075	715,623	261,355	28,952	1,430,163
— Financial investments measured at amortised cost	239,828	421,975	2,402,746	1,454,633	–	4,519,182
Investments in associates and joint ventures	–	–	–	–	29,124	29,124
Property and equipment	–	–	–	–	290,404	290,404
Others	8,584	192	–	–	430,003	438,779
Total assets	15,720,217	4,813,948	3,774,890	2,025,321	1,365,164	27,699,540
Liabilities:						
Due to central banks	–	71	410	–	–	481
Financial liabilities designated as at FVTPL	–	4,443	9,323	–	73,634	87,400
Derivative financial liabilities	–	–	–	–	73,573	73,573
Due to banks and other financial institutions (**)	1,943,520	306,350	20,996	44,133	14,297	2,329,296
Certificates of deposit	207,061	132,971	873	449	–	341,354
Due to customers	13,519,006	4,709,018	2,577,977	11,468	591,465	21,408,934
Debt securities issued	176,592	52,694	105,509	283,047	–	617,842
Others	7,935	354	1,452	1,467	484,569	495,777
Total liabilities	15,854,114	5,205,901	2,716,540	340,564	1,237,538	25,354,657
Interest rate mismatch	(133,897)	(391,953)	1,058,350	1,684,757	N/A	N/A

(*) Includes reverse repurchase agreements.

(**) Includes repurchase agreements.

The data set out in the above table includes trading book's data.

(e) Capital management

The Group's objectives on capital management are:

- Maintain reasonable capital adequacy ratio to continuously meet regulatory requirements on capital. Keeping stable capital base to ensure the Group's business growth and the implementation of business development and strategic plan in order to achieve comprehensive, coordinated and sustainable development;
- Adopt the advanced measurement approaches, improve the internal capital adequacy assessment process (ICAAP), disclose information on capital management, cover all types of risks, and ensure the stable operation of the Group;
- Integrate the quantified results of various risks into daily management, establish a bank value management system with economic capital as the core tool, improve the policy, process and application management system, strengthen the capital constraint and incentive mechanism, enhance the product pricing and decision-making capabilities, and improve the capital allocation efficiency; and
- Make reasonable use of various capital instruments, continuously enhance capital strengths, refine capital structure, improve capital quality, reduce capital cost, and maximize shareholder returns.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the risk profile of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or repurchase own shares, qualifying additional tier 1 capital instruments, qualifying tier 2 capital instruments and convertible bonds, etc.

The Group's Management monitors the capital adequacy ratios regularly based on regulations issued by the CBIRC. The required information is respectively filed with the CBIRC by the Group semi-annually and quarterly.

From 1 January 2013, the Group commenced to calculate the capital adequacy ratios in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and other relevant regulations. In April 2014, the former CBRC officially approved the Bank to adopt advanced capital management approaches. Within the scope of the approval, the foundation internal ratings-based (IRB) approach is adopted to corporate credit risk, the IRB approach to retail credit risk, the internal model approach (IMA) to market risk, and the standardized approach to operational risk meeting regulatory requirements.

Domestic commercial banks should meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Regulation Governing Capital of Commercial Banks (Provisional). For domestic systemically important banks, minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio should reach 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, corresponding minimum ratios should reach 7.50%, 8.50% and 10.50%, respectively. In addition, overseas entities are directly regulated by local banking regulatory commissions, and the requirements of capital adequacy ratios differ by countries.

The Group calculates the following core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio in accordance with Regulation Governing Capital of Commercial Banks (Provisional) and relevant requirements. The requirements pursuant to these regulations may have certain differences comparing to those applicable in Hong Kong and other jurisdictions.

The capital adequacy ratios and related components of the Group are calculated in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the year, the Group has complied in full with all its externally imposed capital requirements.

(In RMB millions, unless otherwise stated)

The capital adequacy ratios calculated after implementation of the advanced capital management approaches are as follows:

	31 December 2019	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 (i)	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%

(i) Refers to risk-weighted assets after capital floor and adjustments.

52. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: valuation techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement operating procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial Accounting Department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. Risk Management Department is responsible for verifying trade details and valuation models.

The following is a description of the fair value of the financial instruments recorded at fair value which are determined using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Financial investments

Financial investments valued using valuation techniques consist of debt securities and asset-backed securities. The Group values such securities in use of a discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current interest rates; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

A majority of the debt securities classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

Structured products are mainly valued using dealer's quotations.

Loans and advances to customers

The loans and advances to customers valued by the valuation technology are mainly the bill business and the discounted cash flow model is used. For the bank acceptance bill, based on the different credit risk of the acceptor, the interest rate curve is set up with the actual transaction data in the market as the sample; for the commercial bill, based on the interbank offered rate, the interest rate curve is constructed according to the credit risk and liquidity point difference adjustment.

Other liabilities designated as at fair value through profit or loss

For unquoted other liabilities designated as at FVTPL, the discounted cash flow model is used based on current yield curve appropriate for the remaining term to maturity adjusted for market liquidity and credit spreads; and Heston model is applied based on yield curves, foreign exchange forward rates, foreign exchange rate volatilities, etc., which is calibrated by active market quotes of standard European options with the same underlying.

(In RMB millions, unless otherwise stated)

(a) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Derivative financial assets	4,650	62,651	1,010	68,311
Reverse repurchase measured at FVTPL	–	159,657	–	159,657
Loans and advances to customers measured at FVTPL	–	5,276	1,149	6,425
Loans and advances to customers measured at FVOCI	7,637	416,356	–	423,993
Financial investments measured at FVTPL				
Debt securities	6,002	299,342	52,913	358,257
Equity investments	14,410	2,037	64,172	80,619
Funds and other investments	26,224	441,534	55,444	523,202
	46,636	742,913	172,529	962,078
Financial investments measured at FVOCI				
Debt securities	341,281	1,080,281	47	1,421,609
Equity investments	1,017	9,351	44,895	55,263
	342,298	1,089,632	44,942	1,476,872
	401,221	2,476,485	219,630	3,097,336
Financial liabilities which are measured at fair value on a recurring basis:				
Due to customers	–	896,318	–	896,318
Financial liabilities designated as at FVTPL				
Wealth management products	–	19,580	–	19,580
Financial liabilities related to precious metals	–	60,454	–	60,454
Other debt securities issued	–	13,064	–	13,064
Others	48	8,504	592	9,144
	48	101,602	592	102,242
Derivative financial liabilities	3,990	80,138	1,052	85,180
	4,038	1,078,058	1,644	1,083,740

(In RMB millions, unless otherwise stated)

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets which are measured at fair value on a recurring basis:				
Derivative financial assets	5,019	65,356	960	71,335
Reverse repurchase measured at FVTPL	–	174,794	–	174,794
Loans and advances to customers measured at FVTPL	–	924	444	1,368
Loans and advances to customers measured at FVOCI	11,023	349,460	–	360,483
Financial investments measured at FVTPL				
Debt securities	3,802	205,220	34,727	243,749
Equity investments	7,475	408	20,107	27,990
Funds and other investments	19,423	362,672	151,513	533,608
	30,700	568,300	206,347	805,347
Financial investments measured at FVOCI				
Debt securities	280,572	1,119,222	143	1,399,937
Equity investments	703	9,727	19,489	29,919
Other investments	–	–	307	307
	281,275	1,128,949	19,939	1,430,163
	328,017	2,287,783	227,690	2,843,490
Financial liabilities which are measured at fair value on a recurring basis:				
Due to customers	–	851,647	–	851,647
Financial liabilities designated as at FVTPL				
Wealth management products	–	11,480	–	11,480
Financial liabilities related to precious metals	–	67,266	–	67,266
Other debt securities issued	–	2,285	–	2,285
Others	130	4,867	1,372	6,369
	130	85,898	1,372	87,400
Derivative financial liabilities	3,986	67,413	2,174	73,573
	4,116	1,004,958	3,546	1,012,620

(In RMB millions, unless otherwise stated)

(b) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and financial liabilities which are recorded at fair value and the movement during the year:

	1 January 2019	Total gains/(losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	Additions	Disposals and Settlements	Transfer out of level 3	31 December 2019
Financial assets:							
Derivative financial assets	960	944	–	17	(519)	(392)	1,010
Loans and advances to customers measured at FVTPL	444	19	–	686	–	–	1,149
Financial investments measured at FVTPL							
Debt securities	34,727	3,255	–	16,803	(1,235)	(637)	52,913
Equity investments	20,107	20	–	44,899	(172)	(682)	64,172
Funds and other investments	151,513	488	–	31,097	(127,580)	(74)	55,444
Financial investments measured at FVOCI							
Debt securities	143	–	(1)	47	(142)	–	47
Equity investments	19,489	–	(1,714)	27,121	(1)	–	44,895
Other investments	307	–	33	–	(340)	–	–
	227,690	4,726	(1,682)	120,670	(129,989)	(1,785)	219,630
Financial liabilities:							
Financial liabilities designated as at FVTPL	(1,372)	(160)	–	–	107	833	(592)
Derivative financial liabilities	(2,174)	(203)	–	(89)	244	1,170	(1,052)
	(3,546)	(363)	–	(89)	351	2,003	(1,644)

	1 January 2018	Total gains/(losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	Additions	Disposals and Settlements	Transfer out of level 3	31 December 2018
Financial assets:							
Derivative financial assets	1,100	(43)	–	323	(328)	(92)	960
Loans and advances to customers measured at FVTPL	410	44	–	–	(10)	–	444
Financial investments measured at FVTPL							
Debt securities	7,834	67	–	31,422	(1,021)	(3,575)	34,727
Equity investments	5,522	297	–	14,445	(157)	–	20,107
Funds and other investments	170,240	(320)	–	92,119	(107,271)	(3,255)	151,513
Financial investments measured at FVOCI							
Debt securities	1,853	–	–	143	(882)	(971)	143
Equity investments	2,627	–	649	16,232	(19)	–	19,489
Other investments	–	–	(32)	339	–	–	307
	189,586	45	617	155,023	(109,688)	(7,893)	227,690
Financial liabilities:							
Financial liabilities designated as at FVTPL	(1,349)	(135)	–	(193)	299	6	(1,372)
Derivative financial liabilities	(1,662)	100	–	(1,143)	291	240	(2,174)
	(3,011)	(35)	–	(1,336)	590	246	(3,546)

(In RMB millions, unless otherwise stated)

Gains or losses on level 3 financial instruments included in the statement of net profit or loss for the year comprise:

	2019		
	Realised	Unrealised	Total
Net gains for the year	782	3,581	4,363

	2018		
	Realised	Unrealised	Total
Net gains/(losses) for the year	2,015	(2,005)	10

(c) Transfers between levels

(i) Transfers between level 1 and level 2

Due to changes in market conditions for certain securities, quoted prices in active markets were available for these securities. Therefore, these securities were transferred from level 2 to level 1 of the fair value hierarchy as at the end of the reporting period.

Due to changes in market conditions for certain securities, quoted prices in active markets were no longer available for these securities. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities were transferred from level 1 to level 2 of the fair value hierarchy as at the end of the reporting period.

During the year, the transfers between level 1 and level 2 of the fair value hierarchy for financial assets and liabilities of the Group were immaterial.

(ii) Transfers between level 2 and level 3

As at the end of the reporting period, certain financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy for financial assets and liabilities when significant inputs used in their fair value measurements, which was previously unobservable became observable.

During the year, certain derivatives financial instruments were transferred out from level 3 to level 2 of the fair value hierarchy when significant inputs used in their fair value measurements such as market price volatility, which was previously unobservable became observable.

(d) Valuation of financial instruments with significant unobservable inputs

Financial instruments valued with significant unobservable inputs are primarily certain structured derivatives, certain debt securities and asset-backed securities. These financial instruments are valued using cash flow discount model. The models incorporate various non-observable assumptions such as discount rate and market rate volatilities.

As at 31 December 2019, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

(In RMB millions, unless otherwise stated)

(e) Fair value of financial assets and liabilities not carried at fair value

No significant difference between the carrying amount and the fair value of the financial assets and financial liabilities not measured at fair value, except for the following items:

	31 December 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	5,208,167	5,293,114	92,991	4,979,955	220,168
	5,208,167	5,293,114	92,991	4,979,955	220,168
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	350,204	355,307	–	355,307	–
	350,204	355,307	–	355,307	–

	31 December 2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost	4,519,182	4,560,733	67,225	4,280,407	213,101
	4,519,182	4,560,733	67,225	4,280,407	213,101
Financial liabilities					
Subordinated bonds and Tier 2 Capital Notes	282,459	285,834	–	285,834	–
	282,459	285,834	–	285,834	–

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and financial liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these financial assets and financial liabilities:

(i) The fair values of financial investments measured at amortised cost relating to the restructuring of the Bank are estimated on the basis of the stated interest rates and the consideration of the relevant special clauses of the instruments evaluated in the absence of any other relevant observable market data, and the fair values approximate to their carrying amounts. The fair values of financial investments measured at amortised cost irrelevant to the restructuring of the Bank are determined based on the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of subordinated bonds and tier 2 capital notes are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

(In RMB millions, unless otherwise stated)

53. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2019	31 December 2018
ASSETS		
Cash and balances with central banks	3,251,450	3,313,748
Due from banks and other financial institutions	1,189,496	1,031,402
Derivative financial assets	35,991	38,295
Reverse repurchase agreements	644,278	521,393
Loans and advances to customers	15,469,899	14,211,777
Financial investments	7,087,260	6,348,656
— Financial investments measured at FVTPL	804,076	740,645
— Financial investments measured at FVOCI	1,212,515	1,245,837
— Financial investments measured at amortised cost	5,070,669	4,362,174
Investments in subsidiaries	145,320	122,110
Investments in associates	34,242	34,242
Property and equipment	127,518	124,548
Deferred income tax assets	60,829	56,220
Other assets	365,179	269,769
TOTAL ASSETS	28,411,462	26,072,160
LIABILITIES		
Due to central banks	1,017	410
Financial liabilities designated as at FVTPL	85,555	78,737
Derivative financial liabilities	50,726	42,120
Due to banks and other financial institutions	2,162,131	1,644,147
Repurchase agreements	74,384	300,988
Certificates of deposit	297,696	281,380
Due to customers	22,178,290	20,646,928
Income tax payable	92,907	82,946
Debt securities issued	594,828	499,291
Other liabilities	302,505	247,348
TOTAL LIABILITIES	25,840,039	23,824,295
EQUITY		
Share capital	356,407	356,407
Other equity instruments	199,456	79,375
Reserves	756,163	700,637
Retained profits	1,259,397	1,111,446
TOTAL EQUITY	2,571,423	2,247,865
TOTAL EQUITY AND LIABILITIES	28,411,462	26,072,160

Chen Siqing
Chairman

Gu Shu
Vice Chairman and President

Zhang Wenwu
General Manager of Finance
and Accounting Department

54. AFTER THE REPORTING PERIOD EVENT

The Profit Distribution Plan

A final dividend of RMB0.2628 (pre-tax) per share after the appropriation of statutory surplus reserve and general reserve, was approved at the board of directors' meeting held on 27 March 2020, and is subject to the approval of the Bank's shareholders at the forthcoming annual general meeting. Based on the number of ordinary shares issued as at 31 December 2019, the final dividend amounted to approximately RMB93,664 million. The dividend payable was not recognised as a liability as at 31 December 2019.

The impacts of the Coronavirus Disease 2019

Since the outbreak of the Coronavirus Disease 2019 ("COVID-19"), the Group has actively implemented relevant national decisions and arrangements, fully taken the role as a stabilizer in supporting the real economy, and completely ensured various financial services for the epidemic prevention and control. Meanwhile, the Group has been closely following and continuously assessing the impacts of the outbreak on its business, and actively taking countermeasures to ensure the stability of the Group's financial position and financial performance.

Issuance Progress of Overseas Preference Shares

The First Extraordinary General Meeting of 2018 of the Bank reviewed and approved relevant proposals on issuance of domestic and offshore preference shares. In March 2020, the Bank received an approval from 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.

Issuance of Undated Additional Tier 1 Capital Bonds and Eligible Tier 2 Capital Instruments

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.

55. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

56. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2020.

(In RMB millions, unless otherwise stated)

(a) Illustration of differences between the financial statements prepared under IFRSs and those prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the parent company under PRC GAAP and IFRSs for the year ended 31 December 2019 (2018: no differences). There are no differences between the equity attributable to equity holders of the parent company under PRC GAAP and IFRSs as at 31 December 2019 (As at 31 December 2018: no differences).

(b) Foreign currency concentrations

	31 December 2019			
	USD	HKD	Others	Total
Spot assets	2,151,993	468,597	862,537	3,483,127
Spot liabilities	(2,175,878)	(451,222)	(591,767)	(3,218,867)
Forward purchases	2,492,467	223,694	500,414	3,216,575
Forward sales	(2,479,103)	(122,258)	(726,443)	(3,327,804)
Net option position	(63,983)	(118)	(1,593)	(65,694)
Net (short)/long position	(74,504)	118,693	43,148	87,337
Net structural position	78,070	903	28,954	107,927

	31 December 2018			
	USD	HKD	Others	Total
Spot assets	2,136,818	418,669	691,979	3,247,466
Spot liabilities	(2,133,678)	(368,795)	(550,857)	(3,053,330)
Forward purchases	3,357,899	182,036	756,539	4,296,474
Forward sales	(3,472,904)	(103,944)	(866,993)	(4,443,841)
Net option position	(11,568)	1,705	(417)	(10,280)
Net (short)/long position	(123,433)	129,671	30,251	36,489
Net structural position	106,152	(269)	27,898	133,781

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority. The net structural position of the Group includes the structural positions of the Bank's overseas branches, banking subsidiaries and other subsidiaries substantially involved in foreign exchange. Structural assets and liabilities include:

- property and equipment, net of depreciation charges;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries, associates and joint ventures.

(In RMB millions, unless otherwise stated)

(c) International claims

International claims refer to the sum of cross-border claims in all currencies and local claims in foreign currencies, including loans and advances to customers, balances with central banks, amounts due from banks and other financial institutions and debt investments.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	31 December 2019				
	Banks and other financial institutions	Official sector	Non-bank private sector	Others	Total
Asia Pacific	653,898	282,678	961,955	130,308	2,028,839
— of which attributed to Hong Kong	72,345	62,704	234,694	65,293	435,036
North and South America	77,725	126,753	113,197	6,579	324,254
	731,623	409,431	1,075,152	136,887	2,353,093

	31 December 2018				
	Banks and other financial institutions	Official sector	Non-bank private sector	Others	Total
Asia Pacific	762,391	205,372	954,651	111,393	2,033,807
— of which attributed to Hong Kong	76,766	15,483	251,239	54,698	398,186
North and South America	51,155	111,012	136,851	7,350	306,368
	813,546	316,384	1,091,502	118,743	2,340,175

(d) Loans and advances to customers (excludes accrued interest)

(i) Analysis by location of the counterparties

	31 December 2019	31 December 2018
Mainland China	15,612,279	14,411,937
Asia Pacific (excluding Mainland China)	712,383	629,955
— of which attributed to Hong Kong	453,503	428,442
North and South America	144,461	149,910
Europe	184,581	152,352
Africa	107,615	75,751
	16,761,319	15,419,905

(In RMB millions, unless otherwise stated)

(ii) Overdue loans and advances to customers

	31 December 2019	31 December 2018
Gross loans and advances to customers of the Group which have been overdue with respect to either principal or interest for periods of:		
Between 3 and 6 months	36,916	35,323
Between 6 and 12 months	52,709	48,523
Over 12 months	95,507	94,933
	185,132	178,779
As a percentage of the total gross loans and advances to customers:		
Between 3 and 6 months	0.23%	0.23%
Between 6 and 12 months	0.31%	0.31%
Over 12 months	0.56%	0.62%
	1.10%	1.16%

The definition of overdue loans and advances to customers is set out as follows:

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular instalments, if part of the instalments is overdue, the whole amounts of these loans and advances would be classified as overdue.

(iii) Overdue loans and advances to customers by geographical distribution

	31 December 2019	31 December 2018
Head Office	37,579	35,846
Bohai Rim	51,665	57,177
Western China	40,266	39,165
Central China	41,351	39,223
Pearl River Delta	21,804	33,137
Yangtze River Delta	26,608	24,994
Northeastern China	37,190	26,474
Overseas and others	11,753	13,916
	268,216	269,932

(iv) Rescheduled loans and advances to customers

	31 December 2019		31 December 2018	
		% of total loans and advances		% of total loans and advances
Rescheduled loans and advances	7,319	0.04%	7,211	0.05%
Less: Rescheduled loans and advances overdue for more than three months	(1,335)	(0.01%)	(1,143)	(0.01%)
Rescheduled loans and advances overdue for less than three months	5,984	0.03%	6,068	0.04%

(In RMB millions, unless otherwise stated)

(e) Exposures to Mainland China non-bank entities

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2019, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

(f) Correspondence between balance sheet in published financial statements and capital composition

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

(i) Capital composition

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

(In RMB millions, unless otherwise stated)

Item		31 December 2019	31 December 2018	Reference
18	Deductible amount of non-significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
19	Deductible amount of significant minority investment in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	–	–	
20	Mortgage servicing rights	N/A	N/A	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of deferred tax liabilities)	–	–	
22	Deductible amount exceeding the 15% threshold for significant minority capital investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation and undeducted portion of deferred tax assets arising from temporary differences (net of deferred tax liabilities)	–	–	
23	Including: Deductible amount of significant minority investments in core tier 1 capital instruments issued by financial institutions	–	–	
24	Including: Deductible amount of mortgage servicing rights	N/A	N/A	
25	Including: Deductible amount in deferred tax assets arising from temporary differences	–	–	
26a	Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	7,980	X11
26b	Shortfall in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	–	–	
26c	Others that should be deducted from core tier 1 capital	–	–	
27	Undeducted shortfall that should be deducted from additional tier 1 capital and tier 2 capital	–	–	
28	**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	–	–	

(In RMB millions, unless otherwise stated)

Item		31 December 2019	31 December 2018	Reference
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	–	–	
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	–	–	

(In RMB millions, unless otherwise stated)

Item		31 December 2019	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	5.0%	5.0%	
70	Tier 1 capital adequacy ratio	6.0%	6.0%	
71	Capital adequacy ratio	8.0%	8.0%	
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
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	

(In RMB millions, unless otherwise stated)

(ii) Consolidated financial statements

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

(*) Prepared in accordance with PRC GAAP.

(In RMB millions, unless otherwise stated)

	31 December 2019 Consolidated balance sheet as in published financial statements*	31 December 2019 Balance sheet under regulatory scope of consolidation*	31 December 2018 Consolidated balance sheet as in published financial statements*	31 December 2018 Balance sheet under regulatory scope of consolidation*
Liabilities				
Due to central banks	1,017	1,017	481	481
Due to banks and other financial institutions	1,776,320	1,776,320	1,328,246	1,328,246
Placements from banks and other financial institutions	490,253	490,253	486,249	486,249
Financial liabilities measured at FVTPL	102,242	102,242	87,400	87,399
Derivative financial liabilities	85,180	85,180	73,573	73,573
Repurchase agreements	263,273	254,926	514,801	513,495
Certificates of deposit	355,428	355,428	341,354	341,354
Due to customers	22,977,655	22,977,655	21,408,934	21,410,976
Employee benefits payable	35,301	34,960	33,636	33,351
Taxes payable	109,601	109,545	95,678	95,318
Debt securities issued	742,875	742,875	617,842	617,842
Deferred income tax liabilities	1,873	1,690	1,217	1,024
Other liabilities	476,415	339,246	365,246	261,639
Total liabilities	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

(*) Prepared in accordance with PRC GAAP.

(In RMB millions, unless otherwise stated)

(iii) Description of related items

Item	31 December 2019 Balance sheet under regulatory scope of consolidation	Reference
Loans and advances to customers	16,325,339	
Total loans and advances to customers	16,803,837	
Less: Provision for loan impairment under the weighted approach	17,647	X01
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the weighted approach	7,923	X02
Less: Provision for loan impairment under the internal ratings-based approach	460,851	X03
Including: Valid cap of surplus provision for loan impairment in tier 2 capital under the internal ratings-based approach	181,646	X04
Financial investments		
Financial investments measured at FVTPL	921,042	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	90	X05
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	6,144	X06
Including: Non-significant minority investments in additional tier 1 capital instruments issued by financial institutions that are not subject to consolidation	3,034	X07
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	72,788	X08
Financial investments measured at FVOCI	1,451,357	
Including: Non-significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	7,091	X09
Including: Significant minority investments in core tier 1 capital instruments issued by financial institutions that are not subject to consolidation	3,576	X10
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X29
Financial investments measured at amortised cost	5,155,869	
Including: Non-significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	1,488	X30
Including: Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	–	X31
Long-term equity investments	40,470	
Including: Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	7,980	X11
Including: Undeducted portion of non-significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	24	X12
Including: Undeducted portion of significant minority investments in capital instruments issued by financial institutions that are not subject to consolidation	27,934	X13

(In RMB millions, unless otherwise stated)

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

(iv) Main features of eligible capital instruments

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)
Issuer	The Bank	The Bank	The Bank	The Bank	The Bank	The Bank
Unique identifier	601398	1398	4604	360011	1928018	360036
Governing law(s) of the instrument	Securities Law of the People's Republic of China/China	Securities and Futures Ordinance of Hong Kong/Hong Kong, China	The creation and issue of the Offshore Preference Shares and the rights and obligations (including non-contractual rights and obligations) attached to them are governed by, and shall be construed in accordance with, PRC law	Company Law of the People's Republic of 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	Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Guidance of the State Council on Launch of Preference Shares Pilot, Trial Administrative Measures on Preference Shares, Guidance on the Issuance of Preference Shares of Commercial Banks to Replenish Tier 1 Capital/China
Regulatory treatment						
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
Including: Post-transition arrangement of Regulation Governing Capital of Commercial Banks (Provisional)	Core tier 1 capital	Core tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital	Additional tier 1 capital
Including: Eligible to the parent company/group level	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group	Parent company/ Group
Instrument type	Core tier 1 capital instrument	Core tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument	Additional tier 1 capital instrument
Amount recognised in regulatory capital (in millions, as at the latest reporting date)	RMB336,931	RMB168,496	RMB equivalent 4,542	RMB44,947	RMB79,987	RMB69,981
Par value of instrument (in millions)	RMB269,612	RMB86,795	EUR 600	RMB45,000	RMB80,000	RMB70,000
Accounting treatment	Share capital, Capital reserve	Share capital, Capital reserve	Other equity	Other equity	Other equity	Other equity
Original date of issuance	19 October 2006	19 October 2006	10 December 2014	18 November 2015	26 July 2019	19 September 2019
Perpetual or dated	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
Including: Original maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date	No maturity date
Issuer call (subject to prior supervisory approval)	No	No	Yes	Yes	Yes	Yes
Including: Optional call date, contingent call dates and redemption amount	N/A	N/A	The First Redemption Date is 10 December 2021, in full or partial amount	The First Redemption Date is 18 November 2020, in full or partial amount	The First Redemption Date is 30 July 2024, in full or partial amount	The First Redemption Date is 24 September 2024, in full or partial amount
Including: Subsequent call dates, if applicable	N/A	N/A	10 December in each year after the First Redemption Date	Commences on the First Redemption Date (18 November 2020) and ends on the completion date of redemption or conversion of all the Domestic Preference Shares	Redemption of present bonds in full or in part on each 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	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

(In RMB millions, unless otherwise stated)

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)
Coupons/dividends						
Including: Fixed or floating dividend/coupon	Floating	Floating	Fixed to floating	Fixed to floating	Fixed to floating	Fixed to floating
Including: Coupon rate and any related index	N/A	N/A	6% (dividend rate) before 10 December 2021	4.5% (dividend rate) before 18 November 2020	4.45% (interest rate) before 30 July 2024	4.2% (dividend rate) before 24 September 2024
Including: Existence of a dividend stopper	N/A	N/A	Yes	Yes	Yes	Yes
Including: Fully discretionary, partially discretionary or mandatory cancellation of coupons/dividends	Fully discretionary	Fully discretionary	Partially discretionary	Partially discretionary	Partially discretionary	Partially discretionary
Including: Redemption incentive mechanism	No	No	No	No	No	No
Including: Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	No	No	Yes	Yes	No	Yes
Including: If convertible, conversion trigger(s)	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event
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	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
Including: If convertible, conversion rate	N/A	N/A	The initial conversion price is equal to the average trading price of the H shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 25 July 2014, the date of publication of the Board resolution in respect of the issuance plan	N/A	The initial conversion price is equal to the average trading price of the A shares of the Bank for the 20 trading days preceding 30 August 2018, the date of publication of the Board resolution in respect of the issuance plan
Including: If convertible, mandatory or optional conversion	N/A	N/A	Mandatory	Mandatory	N/A	Mandatory
Including: If convertible, specify instrument type convertible into	N/A	N/A	Core tier 1 capital	Core tier 1 capital	N/A	Core tier 1 capital
Including: If convertible, specify issuer of instrument it converts into	N/A	N/A	The Bank	The Bank	N/A	The Bank

Main features of regulatory capital instrument	Ordinary shares (A share)	Ordinary shares (H share)	Preference shares (Offshore)	Preference shares (Domestic)	Undated additional tier 1 capital bonds (Domestic)	Preference shares (Domestic)
Write-down feature	No	No	No	No	Yes	No
Including: If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	Additional Tier 1 Capital Trigger Event or Tier 2 Capital Trigger Event	N/A
Including: If write-down, full or partial	N/A	N/A	N/A	N/A	Full or partial write-down when an Additional Tier 1 Capital Trigger Event occurs; full write-down when a Tier 2 Capital Trigger Event occurs	N/A
Including: If write-down, permanent or temporary	N/A	N/A	N/A	N/A	Permanent write-down	N/A
Including: If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
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 and tier 2 capital bonds	Subordinated to deposits, general debts, subordinated debts, tier 2 capital bonds and undated additional tier 1 capital bonds
Non-compliant transitioned features	No	No	No	No	No	No
Including: If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

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

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

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

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

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

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

(In RMB millions, unless otherwise stated)

(g) Disclosure of Leverage Ratio

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

Comparison of Regulatory Leverage Ratio Items and Accounting Items

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

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

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

(In RMB millions, unless otherwise stated)

(h) Quantitative Information Disclosure of Liquidity Coverage Ratio Using Advanced Approaches

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

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

(In RMB millions, unless otherwise stated)

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

		31 December 2019				
		Unweighted value by residual maturity				
No.	**Item**	**No maturity**	**< 6 months**	**6 months to < 1 year**	**≥ 1 year**	**Weighted value**
	Available stable funding (ASF) item					
1	Capital:	2,865,732	–	–	272,901	3,138,633
2	Regulatory capital	2,865,260	–	–	272,680	3,137,940
3	Other capital instruments	472	–	–	221	693
4	Retail deposits and deposits from small business customers:	5,994,637	5,433,965	23,367	8,681	10,319,962
5	Stable deposits	37,468	41,862	10,854	6,724	92,398
6	Less stable deposits	5,957,169	5,392,103	12,513	1,957	10,227,564
7	Wholesale funding:	7,639,372	5,680,477	206,122	288,681	6,656,170
8	Operational deposits	7,252,753	277,447	21,244	2,933	3,778,655
9	Other wholesale funding	386,619	5,403,030	184,878	285,748	2,877,515
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	11,007	860,783	88,091	530,593	505,359
12	NSFR derivative liabilities				80,286	
13	All other liabilities and equities not included in the above categories	11,007	860,783	88,091	450,307	505,359
14	Total ASF					20,620,124
	Required stable funding (RSF) item					
15	Total NSFR high-quality liquid assets (HQLA)					700,358
16	Deposits held at other financial institutions for operational purposes	184,215	–	11,529	1,101	98,974
17	Loans and securities:	5,296	3,585,858	2,372,383	13,626,434	14,025,884
18	Loans to financial institutions secured by Level 1 HQLA	–	250,665	2,270	11,762	49,947
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,216,077	235,934	214,270	514,735
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	1,895,739	1,884,342	7,683,559	8,363,034
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	381,871	346,339	235,104	509,140
22	Residential mortgages, of which:	–	1,479	2,216	5,135,931	4,363,446
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	717	741	21,536	15,090
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	5,296	221,898	247,621	580,912	734,722
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	384,768	332,135	24,884	472,350	1,102,696
27	Physical traded commodities, including gold	36,967				31,422
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				8,434	7,169
29	NSFR derivative assets				66,711	–
30	NSFR derivative liabilities with additional variation margin posted				85,697*	17,139
31	All other assets not included in the above categories	347,801	332,135	24,884	397,205	1,046,966
32	Off-balance sheet items				6,408,914	240,181
33	Total RSF					16,168,093
34	Net Stable Funding Ratio (%)					127.54%

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

(In RMB millions, unless otherwise stated)

		30 September 2019				
		Unweighted value by residual maturity				
No.	Item	No maturity	< 6 months	6 months to < 1 year	≥ 1 year	Weighted value
Available stable funding (ASF) item						
1	Capital:	2,841,988	–	–	273,638	3,115,626
2	Regulatory capital	2,841,533	–	–	273,028	3,114,561
3	Other capital instruments	455	–	–	610	1,065
4	Retail deposits and deposits from small business customers:	5,843,148	5,531,933	43,512	6,979	10,287,851
5	Stable deposits	34,115	34,391	14,255	4,831	83,454
6	Less stable deposits	5,809,033	5,497,542	29,257	2,148	10,204,397
7	Wholesale funding:	7,559,760	6,023,084	295,735	303,807	6,847,050
8	Operational deposits	7,262,400	231,884	26,661	4,250	3,764,722
9	Other wholesale funding	297,360	5,791,200	269,074	299,557	3,082,328
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	13,850	914,595	61,397	496,518	412,134
12	NSFR derivative liabilities				128,933	
13	All other liabilities and equities not included in the above categories	13,850	914,595	61,397	367,585	412,134
14	Total ASF					20,662,661
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					706,156
16	Deposits held at other financial institutions for operational purposes	199,468	–	7,276	1,251	104,624
17	Loans and securities:	3,452	3,881,312	2,478,392	13,448,654	13,972,341
18	Loans to financial institutions secured by Level 1 HQLA	–	524,328	3,696	12,703	92,645
19	Loans to financial institutions secured by non-Level 1 HQLA and unsecured loans to financial institutions	–	1,224,640	306,019	210,269	547,607
20	Loans to retail and small business customers, non-financial institutions, sovereigns, central banks and PSEs, of which:	–	1,902,979	2,026,707	7,528,033	8,303,612
21	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	333,445	383,520	247,910	512,753
22	Residential mortgages, of which:	–	1,458	2,433	5,030,118	4,272,541
23	With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	665	669	26,961	18,578
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	3,452	227,907	139,537	667,531	755,936
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets:	374,455	396,236	27,259	628,804	1,290,981
27	Physical traded commodities, including gold	30,749				26,137
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				50,770	43,154
29	NSFR derivative assets				104,038	–
30	NSFR derivative liabilities with additional variation margin posted				134,475*	26,895
31	All other assets not included in the above categories	343,706	396,236	27,259	473,996	1,194,795
32	Off-balance sheet items				6,120,143	234,592
33	Total RSF					16,308,694
34	Net Stable Funding Ratio (%)					126.70%

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

List of Domestic and Overseas Branches and Offices

Domestic Institutions

ANHUI PROVINCIAL BRANCH
Address: No. 189 Wuhu Road, Hefei City, Anhui Province, China
Postcode: 230001
Tel: 0551-62869178/62868101
Fax: 0551-62868077

BEIJING MUNICIPAL BRANCH
Address: Tower B, Tianyin Mansion, No. 2 Fuxingmen South Street, Xicheng District, Beijing, China
Postcode: 100031
Tel: 010-66410579
Fax: 010-66410579

CHONGQING MUNICIPAL BRANCH
Address: No. 9 Jiangnan Road, Nan'an District, Chongqing, China
Postcode: 400060
Tel: 023-62918002
Fax: 023-62918059

DALIAN BRANCH
Address: No. 5 Zhongshan Square, Dalian City, Liaoning Province, China
Postcode: 116001
Tel: 0411-82378888
Fax: 0411-82808377

FUJIAN PROVINCIAL BRANCH
Address: No. 108 Gutian Road, Fuzhou City, Fujian Province, China
Postcode: 350005
Tel: 0591-88087819/88087000
Fax: 0591-83353905/83347074

GANSU PROVINCIAL BRANCH
Address: No. 408 Qingyang Road, Chengguan District, Lanzhou City, Gansu Province, China
Postcode: 730030
Tel: 0931-8434172
Fax: 0931-8435166

GUANGDONG PROVINCIAL BRANCH
Address: No. 123 Yanjiangxi Road, Guangzhou City, Guangdong Province, China
Postcode: 510120
Tel: 020-81308130
Fax: 020-81308789

GUANGXI AUTONOMOUS REGION BRANCH
Address: No. 15-1 Jiaoyu Road, Nanning City, Guangxi Autonomous Region, China
Postcode: 530022
Tel: 0771-5316617
Fax: 0771-5316617/2806043

GUIZHOU PROVINCIAL BRANCH
Address: No. 200 Zhonghua North Road, Yunyan District, Guiyang City, Guizhou Province, China
Postcode: 550001
Tel: 0851-88620004/88620018
Fax: 0851-85963911

HAINAN PROVINCIAL BRANCH
Address: No. 54 Heping South Road, Haikou City, Hainan Province, China
Postcode: 570203
Tel: 0898-65303138/65342829
Fax: 0898-65342986

HEBEI PROVINCIAL BRANCH
Address: Tower B, Zhonghua Shangwu Tower, No. 188 Zhongshan West Road, Shijiazhuang City, Hebei Province, China
Postcode: 050051
Tel: 0311-66001999/66000001
Fax: 0311-66001889/66000002

HENAN PROVINCIAL BRANCH
Address: No. 99 Jingsan Road, Zhengzhou City, Henan Province, China
Postcode: 450011
Tel: 0371-65776888/65776808
Fax: 0371-65776889/65776988

HEILONGJIANG PROVINCIAL BRANCH
Address: No. 218 Zhongyang Street, Daoli District, Harbin City, Heilongjiang Province, China
Postcode: 150010
Tel: 0451-84668023/84668577
Fax: 0451-84698115

HUBEI PROVINCIAL BRANCH
Address: No. 31 Zhongbei Road, Wuchang District, Wuhan City, Hubei Province, China
Postcode: 430071
Tel: 027-69908676/69908658
Fax: 027-69908040

HUNAN PROVINCIAL BRANCH
Address: No. 619 Furong Middle Road Yi Duan, Changsha City, Hunan Province, China
Postcode: 410011
Tel: 0731-84428833/84420000
Fax: 0731-84430039

JILIN PROVINCIAL BRANCH
Address: No. 9559 Renmin Avenue, Changchun City, Jilin Province, China
Postcode: 130022
Tel: 0431-89569718/89569007
Fax: 0431-88923808

JIANGSU PROVINCIAL BRANCH
Address: No. 408 Zhongshan South Road, Nanjing City, Jiangsu Province, China
Postcode: 210006
Tel: 025-52858000
Fax: 025-52858111

JIANGXI PROVINCIAL BRANCH
Address: No. 233, Fuhe North Road, Nanchang City, Jiangxi Province, China
Postcode: 330008
Tel: 0791-86695682/86695018
Fax: 0791-86695230

LIAONING PROVINCIAL BRANCH
Address: No. 88 Nanjing North Road, Heping District, Shenyang City, Liaoning Province, China
Postcode: 110001
Tel: 024-23491600
Fax: 024-23491609

INNER MONGOLIA AUTONOMOUS REGION BRANCH
Address: No. 10 East 2nd Ring Road, Xincheng District, Hohhot City, Inner Mongolia Autonomous Region, China
Postcode: 010060
Tel: 0471-6940307/6940297
Fax: 0471-6940048

NINGBO BRANCH
Address: No. 218 Zhongshan West Road, Ningbo City, Zhejiang Province, China
Postcode: 315010
Tel: 0574-87361162
Fax: 0574-87361190

NINGXIA AUTONOMOUS REGION BRANCH
Address: No. 901 Huanghe East Road, Jinfeng District, Yinchuan City, Ningxia Autonomous Region, China
Postcode: 750002
Tel: 0951-5029200
Fax: 0951-5042348

QINGDAO BRANCH
Address: No. 25 Shandong Road, Shinan District, Qingdao City, Shandong Province, China
Postcode: 266071
Tel: 0532-85809988-621031
Fax: 0532-85814711

QINGHAI PROVINCIAL BRANCH
Address: No. 2 Shengli Road, Xining City, Qinghai Province, China
Postcode: 810001
Tel: 0971-6169722/6152326
Fax: 0971-6152326

SHANDONG PROVINCIAL BRANCH
Address: No. 310 Jingsi Road, Jinan City, Shandong Province, China
Postcode: 250001
Tel: 0531-66681622
Fax: 0531-87941749

SHANXI PROVINCIAL BRANCH
Address: No. 145 Yingze Street, Taiyuan City, Shanxi Province, China
Postcode: 030001
Tel: 0351-6248888/6248011
Fax: 0351-6248004

SHAANXI PROVINCIAL BRANCH
Address: No. 395 Dongxin Street, Xi'an City, Shaanxi Province, China
Postcode: 710004
Tel: 029-87602608/87602630
Fax: 029-87602999

SHANGHAI MUNICIPAL BRANCH
Address: No. 9 Pudong Avenue, Pudong New District, Shanghai, China
Postcode: 200120
Tel: 021-58885888
Fax: 021-58882888

SHENZHEN BRANCH
Address: North Block Financial Center, No. 5055 Shennan East Road, Luohu District, Shenzhen City, Guangdong Province, China
Postcode: 518015
Tel: 0755-82246400
Fax: 0755-82246247

SICHUAN PROVINCIAL BRANCH
Address: No. 45 Zongfu Road, Jinjiang District, Chengdu City, Sichuan Province, China
Postcode: 610020
Tel: 028-82866000
Fax: 028-82866025

TIANJIN MUNICIPAL BRANCH
Address: No. 123 Weidi Road, Hexi District, Tianjin, China
Postcode: 300074
Tel: 022-28400648
Fax: 022-28400123/28400647

XIAMEN BRANCH
Address: No. 17 Hubin North Road, Xiamen City, Fujian Province, China
Postcode: 361012
Tel: 0592-5292000
Fax: 0592-5054663

XINJIANG AUTONOMOUS REGION BRANCH
Address: No. 231 Renmin Road, Tianshan District, Urumqi, Xinjiang Autonomous Region, China
Postcode: 830002
Tel: 0991-5981888
Fax: 0991-2828608

TIBET AUTONOMOUS REGION BRANCH
Address: No. 31 Jinzhu Mid-Rd., Lhasa, Tibet Autonomous Region
Postcode: 850000
Tel: 0891-6898019/6898002
Fax: 0891-6898001

YUNNAN PROVINCIAL BRANCH
Address: Bank Mansion, No. 395 Qingnian Road, Kunming City, Yunnan Province, China
Postcode: 650021
Tel: 0871-65536313
Fax: 0871-63134637

ZHEJIANG PROVINCIAL BRANCH
Address: No. 150 Zhonghe Middle Road, Hangzhou City, Zhejiang Province, China
Postcode: 310009
Tel: 0571-87803888
Fax: 0571-87808207

ICBC Credit Suisse Asset Management Co., Ltd.
Address: Tower A, Xinsheng Plaza, No. 5 Financial Street, Xicheng District, Beijing, China
Postcode: 100033
Tel: 010-66583333
Fax: 010-66583158

ICBC Financial Leasing Co., Ltd.
Address: E5AB, Finance Street, No. 20 Plaza East Road, Economic Development Zone, Tianjin, China
Postcode: 300457
Tel: 022-66283766/010-66105888
Fax: 022-66224510/010-66105999

ICBC-AXA Assurance Co., Ltd.
Address: 19/F Mirae Asset Tower, No. 166 Lujiazui Ring Road, Pudong New Area, Shanghai, China
Postcode: 200120
Tel: 021-58792288
Fax: 021-58792299

ICBC Financial Asset Investment Co., Ltd.
Address: 19–20/F, Tower B, Yang Zi S&T Innovation Center Phase I, Jiangbei New Area, No. 211 Pubin Road, Nanjing City, Jiangsu Province, China
Postcode: 211800
Tel: 025-58172219

ICBC Wealth Management Co., Ltd.
Address: COCP Fortune Center, No. 96 Taipingqiao Avenue, Xicheng District, Beijing, China
Postcode: 100032
Tel: 010-66076588
Fax: 010-81011513

ICBC Information and Technology Co., Ltd.
Address: 1/F, Building C, Enterprise Office Area, Xiongan Citizens Service Center, Rongcheng County, Xiongan District, China (Hebei) Pilot Free Trade Zone
Postcode: 071700
Tel: 010-58270028

Chongqing Bishan ICBC Rural Bank Co., Ltd.
Address: No.1 Aokang Avenue, Bishan District, Chongqing, China
Postcode: 402760
Tel: 023-85297704
Fax: 023-85297709

Zhejiang Pinghu ICBC Rural Bank Co., Ltd.
Address: No.258 Chengnan West Road, Pinghu City, Zhejiang Province, China
Postcode: 314200
Tel: 0573-85139616
Fax: 0573-85139626

Overseas Institutions

Hong Kong and Macau

Industrial and Commercial Bank of China Limited, Hong Kong BRANCH
Address: 33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong
Email: icbchk@icbcasia.com
Tel: + 852-25881188
Fax: + 852-25881160
SWIFT: ICBKHKHH

Industrial and Commercial Bank of China (Asia) Limited
Address: 33/F, ICBC Tower, 3 Garden Road, Central, Hong Kong
Email: enquiry@icbcasia.com
Tel: +852-35108888
Fax: +852-28051166
SWIFT: UBHKHKHH

ICBC International Holdings Limited
Address: 37/F, ICBC Tower, 3 Garden Road, Central, Hong Kong
Email: info@icbci.com.hk
Tel: +852-26833888
Fax: +852-26833900
SWIFT: ICILHKH1

Industrial and Commercial Bank of China (Macau) Limited
Address: 18th Floor, ICBC Tower, Macau Landmark, 555 Avenida da Amizade, Macau
Email: icbc@mc.icbc.com.cn
Tel: +853-28555222
Fax: +853-28338064
SWIFT: ICBKMOMX

Industrial and Commercial Bank of China Limited, Macau BRANCH
Address: Alm. Dr. Carlos d'Assumpcao, No.393–437, 9 Andar, Edf. Dynasty Plaza, Macau
Email: icbc@mc.icbc.com.cn
Tel: +853-28555222
Fax: +853-28338064
SWIFT: ICBKMOMM

Asia-Pacific

Industrial and Commercial Bank of China Limited, Tokyo BRANCH
Address: 5-1 Marunouchi 1-Chome, Chiyoda-Ku Tokyo, 100-6512, Japan
Email: icbctokyo@icbc.co.jp
Tel: +813-52232088
Fax: +813-52198525
SWIFT: ICBKJPJT

Industrial and Commercial Bank of China Limited, Seoul BRANCH
Address: 16th Floor, Taepyeongno Bldg., #73 Sejong-daero, Jung-gu, Seoul 100-767, Korea
Email: icbcseoul@kr.icbc.com.cn
Tel: +82-237886670
Fax: +82-27553748
SWIFT: ICBKKRSE

Industrial and Commercial Bank of China Limited, Busan BRANCH
Address: 1st Floor, ABL Life Bldg., # 640 Jungang -daero, Busanjin-gu, Busan 47353, Korea
Email: busanadmin@kr.icbc.com.cn
Tel: +82-514638868
Fax: +82-514636880
SWIFT: ICBKKRSE

Industrial and Commercial Bank of China Limited, Mongolia Representative Office
Address: Suite 1108, 11th floor, Shangri-la Office, Shangri-la Centre, 19A Olympic Street, Sukhbaatar District-1, Ulaanbaatar, Mongolia
Email: mgdbcgw@dccsh.icbc.com.cn
Tel: +976-77108822, +976-77106677
Fax: +976-77108866

Industrial and Commercial Bank of China Limited, Singapore BRANCH
Address: 6 Raffles Quay #12-01, Singapore 048580
Email: icbcsg@sg.icbc.com.cn
Tel: +65-65381066
Fax: +65-65381370
SWIFT: ICBKSGSG

PT. Bank ICBC Indonesia
Address: The City Tower 32nd Floor, Jl. M.H. Thamrin No. 81, Jakarta Pusat 10310, Indonesia
Email: cs@ina.icbc.com.cn
Tel: +62-2123556000
Fax: +62-2131996016
SWIFT: ICBKIDJA

Industrial and Commercial Bank of China (Malaysia) Berhad
Address: Level 10, Menara Maxis, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia
Email: icbcmalaysia@my.icbc.com.cn
Tel: +603-23013399
Fax: +603-23013388
SWIFT: ICBKMYKL

Industrial and Commercial Bank of China Limited, Manila BRANCH
Address: 24F, The Curve, 32nd Street Corner, 3rd Ave, BGC, Taguig City, Manila 1634, Philippines
Email: info@ph.icbc.com.cn
Tel: +63-282803300
Fax: +63-284032023
SWIFT: ICBKPHMM

Industrial and Commercial Bank of China (Thai) Public Company Limited
Address: 622 Emporium Tower 11th–13th Fl., Sukhumvit Road, Khlong Ton, Khlong Toei, Bangkok, Thailand
Tel: +66-26295588
Fax: +66-26639888
SWIFT: ICBKTHBK

Industrial and Commercial Bank of China Limited, Hanoi BRANCH
Address: 3rd Floor Daeha Business Center, No.360, Kim Ma Str., Ba Dinh Dist., Hanoi, Vietnam
Email: admin@vn.icbc.com.cn
Tel: +84-2462698888
Fax: +84-2462699800
SWIFT: ICBKVNVN

Industrial and Commercial Bank of China Limited, Ho Chi Minh City Representative Office
Address: 12th floor Deutsches Haus building, 33 Le Duan Street, District 1, Ho Chi Minh City, Vietnam
Email: mai.hoanghau@vn.icbc.com.cn
Tel: +84-28-35208991

Industrial and Commercial Bank of China Limited, Vientiane BRANCH
Address: Asean Road, Home No.358, Unit12, Sibounheuang Village, Chanthabouly District, Vientiane Capital, Lao PDR
Email: icbcvte@la.icbc.com.cn
Tel: +856-21258888
Fax: +856-21258897
SWIFT: ICBKLALA

Industrial and Commercial Bank of China Limited, Phnom Penh BRANCH
Address: 17th Floor, Exchange Square, No. 19–20, Street 106, Phnom Penh, Cambodia
Email: icbckh@kh.icbc.com.cn
Tel: +855-23955880
Fax: +855-23965268
SWIFT: ICBKKHPP

Industrial and Commercial Bank of China Limited, Yangon BRANCH
Address: ICBC Center, Crystal Tower, Kyun Taw Road, Kamayut Township, Yangon, Myanmar
Tel: +95-019339258
Fax: +95-019339278
SWIFT: ICBKMMMY

Industrial and Commercial Bank of China (Almaty) Joint Stock Company
Address: 150/230, Abai/Turgut Ozal Street, Almaty, Kazakhstan. 050046
Email: office@kz.icbc.com.cn
Tel: +7-7272377085
Fax: +7-7272377070
SWIFT: ICBKKZKX

Industrial and Commercial Bank of China Limited Karachi BRANCH
Address: 15th & 16th Floor, Ocean Tower, G-3, Block-9, Scheme # 5, Main Clifton Road, Karachi, Pakistan.P.C:75600
Email: service@pk.icbc.com.cn
Tel: +92-2135208988
Fax: +92-2135208930
SWIFT: ICBKPKKA

Industrial and Commercial Bank of China Limited, Mumbai BRANCH
Address: 801, 8th Floor, A Wing, One BKC, C-66, G Block, Bandra Kurla Complex, Bandra East, Mumbai-400051, India
Email: icbcmumbai@india.icbc.com.cn
Tel: +91-2271110300
Fax: +91-2271110353
SWIFT: ICBKINBB

Industrial and Commercial Bank of China Limited, Dubai (DIFC) BRANCH
Address: Floor 5&6, Gate Village Building 1, Dubai International Financial Center, Dubai, United Arab Emirates P.O.Box: 506856
Email: dboffice@dxb.icbc.com.cn
Tel: +971-47031111
Fax: +971-47031199
SWIFT: ICBKAEAD

Industrial and Commercial Bank of China Limited, Abu Dhabi BRANCH
Address: Addax Tower Offices 5207, 5208 and 5209, Al Reem Island, Abu Dhabi, United Arab Emirates P.O. Box 62108
Email: dboffice@dxb.icbc.com.cn,
Tel: +971-24998600
Fax: +971-24998622
SWIFT: ICBKAEAA

Industrial and Commercial Bank of China Limited, Doha (QFC) BRANCH
Address: Level 20, Burj Doha, Al Corniche Street, West Bay, Doha, Qatar P.O. BOX: 11217
Email: ICBCDOHA@doh.icbc.com.cn
Tel: +974-44072758
Fax: +974-44072751
SWIFT: ICBKQAQA

Industrial and Commercial Bank of China Limited, Riyadh BRANCH
Address: Level 4&8, A1 Faisaliah Tower Building No: 7277-King Fahad Road Al Olaya, Zip Code: 12212, Additional No.: 3333, Unit No.:95, Kingdom of Saudi Arabia
Email: service@sa.icbc.com.cn
Tel: +966-112899800
Fax: +966-112899879
SWIFT: ICBKSARI

Industrial and Commercial Bank of China Limited, Kuwait BRANCH
Address: Building 2A(Al-Tijaria Tower), Floor 7&8, Al-Soor Street, Al-Morqab, Block3, Kuwait City, Kuwait
Email: info@kw.icbc.com.cn
Tel: +965-22281777
Fax: +965-22281799
SWIFT: ICBKKWKW

Industrial and Commercial Bank of China Limited, Sydney BRANCH
Address: Level 42, Tower 1, International Towers, 100 Barangaroo Avenue, Sydney NSW 2000 Australia
Email: info@icbc.com.au
Tel: +612-94755588
Fax: +612-82885878
SWIFT: ICBKAU2S

Industrial and Commercial Bank of China (New Zealand) Limited
Address: Level 11, 188 Quay Street, Auckland 1010, New Zealand
Email: info@nz.icbc.com.cn
Tel: +64-93747288
Fax: +64-93747287
SWIFT: ICBKNZ2A

Europe

Industrial and Commercial Bank of China Limited, Frankfurt BRANCH
Address: Bockenheimer Anlage 15, 60322 Frankfurt am Main, Germany
Email: icbc@icbc-ffm.de
Tel: +49-6950604700
Fax: +49-6950604708
SWIFT: ICBKDEFF

Industrial and Commercial Bank of China Limited, Luxembourg BRANCH
Address: 32, Boulevard Royal, L-2449 Luxembourg, B.P.278 L-2012 Luxembourg
Email: office@eu.icbc.com.cn
Tel: +352-2686661
Fax: +352-26866666
SWIFT: ICBKLULL

Industrial and Commercial Bank of China (Europe) S.A.
Address: 32, Boulevard Royal, L-2449 Luxembourg, B.P.278 L-2012 Luxembourg
Email: office@eu.icbc.com.cn
Tel: +352-2686661
Fax: +352-26866666
SWIFT: ICBKLULU

Industrial and Commercial Bank of China (Europe) S.A. Paris BRANCH
Address: 73 Boulevard Haussmann, 75008, Paris, France
Email: administration@fr.icbc.com.cn
Tel: +33-140065858
Fax: +33-140065899
SWIFT: ICBKFRPP

Industrial and Commercial Bank of China (Europe) S.A. Amsterdam Branch
Address: Johannes Vermeerstraat 7-9, 1071 DK, Amsterdam, the Netherlands
Email: icbcamsterdam@nl.icbc.com.cn
Tel: +31-205706666
Fax: +31-206702774
SWIFT: ICBKNL2A

Industrial and Commercial Bank of China (Europe) S.A. Brussels BRANCH
Address: 81, Avenue Louise, 1050 Brussels, Belgium
Email: info@be.icbc.com.cn
Tel: +32-2-5398888
Fax: +32-2-5398870
SWIFT: ICBKBEBB

Industrial and Commercial Bank of China (Europe) S.A. Milan BRANCH
Address: Via Tommaso Grossi 2, 20121, Milano, Italy
Email: hradmin@it.icbc.com.cn
Tel: +39-0200668899
Fax: +39-0200668888
SWIFT: ICBKITMM

Industrial and Commercial Bank of China (Europe) S.A. Sucursal en España
Address: Paseo de Recoletos, 12, 28001, Madrid, España
Email: icbcspain@es.icbc.com.cn
Tel: +34-902195588
Fax: +34-912168866
SWIFT: ICBKESMM

Industrial and Commercial Bank of China (Europe) S.A. Poland BRANCH
Address: Plac Trzech Krzyży 18, 00-499, Warszawa, Poland
Email: info@pl.icbc.com.cn
Tel: +48-222788066
Fax: +48-222788090
SWIFT: ICBKPLPW

ICBC (London) PLC
Address: 81 King William Street, London EC4N 7BG, UK
Email: admin@icbclondon.com
Tel: +44-2073978888
Fax: +44-2073978899
SWIFT: ICBKGB2L

Industrial and Commercial Bank of China Limited, London BRANCH
Address: 81 King William Street, London EC4N 7BG, UK
Email: admin@icbclondon.com
Tel: +44-2073978888
Fax: +44-2073978890
SWIFT: ICBKGB3L

ICBC Standard Bank PLC
Address: 20 Gresham Street, London, United Kingdom, EC2V 7JE
Email: londonmarketing@icbcstandard.com
Tel: +44-2031455000
Fax: +44-2031895000
SWIFT: SBLLGB2L

Bank ICBC (joint stock company)
Address: Building 29, Serebryanicheskaya embankment, Moscow, Russia Federation 109028
Email: info@ms.icbc.com.cn
Tel: +7-4952873099
Fax: +7-4952873098
SWIFT: ICBKRUMM

ICBC Turkey Bank Anonim Şirketi
Address: Maslak Mah. Dereboyu, 2 Caddesi No:13 34398 Sariyer, İSTANBUL
Email: gongwen@tr.icbc.com.cn
Tel: +90-2123355011
SWIFT: ICBKTRIS

Industrial and Commercial Bank of China Limited, Prague Branch, odštěpný závod
Address: 12F City Empiria, Na Strži 1702/65, 14000 Prague 4 - Nusle, Czech Republic
Email: info@cz.icbc.com.cn
Tel: +420-237762888
Fax: +420-237762899
SWIFT: ICBKCZPP

Industrial and Commercial Bank of China Limited, Beijing, Zurich BRANCH
Address: Nüschelerstrasse 1, CH-8001, Zurich, Switzerland
Email: service@ch.icbc.com.cn
Tel: +41-58-9095588
Fax: +41-58-9095577
SWIFT: ICBKCHZZ

ICBC Austria Bank GmbH
Address: Kolingasse 4, 1090 Vienna, Austria
Email: generaldept@at.icbc.com.cn
Tel: +43-1-9395588
SWIFT: ICBKATWW

Americas

Industrial and Commercial Bank of China Limited, New York BRANCH
Address: 725 Fifth Avenue, 20th Floor, New York, NY 10022, USA
Email: info-nyb@us.icbc.com.cn
Tel: +1-2128387799
Fax: +1-2128386688
SWIFT: ICBKUS33

Industrial and Commercial Bank of China (USA) NA
Address: 1633 Broadway, 28th Floor, New York, NY 10019
Email: info@us.icbc.com.cn
Tel: +1-2122388208
Fax: +1-2122193211
SWIFT: ICBKUS3N

Industrial and Commercial Bank of China Financial Services LLC
Address: 1633 Broadway, 28th Floor, New York, NY, 10019, USA
Email: info@icbkfs.com
Tel: +1-2129937300
Fax: +1-2129937349
SWIFT: ICBKUS3F

Industrial and Commercial Bank of China (Canada)
Address: Unit 3710, Bay Adelaide Centre, 333 Bay Street, Toronto, Ontario, M5H 2R2, Canada
Email: info@icbk.ca
Tel: +1-4163665588
Fax: +1-4166072000
SWIFT: ICBKCAT2

Industrial and Commercial Bank of China Mexico S.A.
Address: Paseo de la Reforma 250, Piso 18, Col. Juarez, C.P.06600, Del. Cuauhtemoc, Ciudad de Mexico
Email: info@icbc.com.mx
Tel: +52-5541253388
SWIFT: ICBKMXMM

Industrial and Commercial Bank of China (Brasil) S.A.
Address: Av. Brigadeiro Faria Lima, 3477-Block B-6 andar-SAO PAULO/SP-Brasil
Email: bxgw@br.icbc.com.cn
Tel: +55-1123956600
SWIFT: ICBKBRSP

ICBC PERU BANK
Address: Calle Las Orquideas 585, Oficina 501, San Isidro, Lima, Peru
Email: perugw2@pe.icbc.com.cn
Tel: +51-16316801
Fax: +51-16316803
SWIFT: ICBKPEPL

Industrial and Commercial Bank of China (Argentina) S.A.
Address: Blvd. Cecilia Grierson 355, (C1107 CPG) Buenos Aires, Argentina
Email: gongwen@ar.icbc.com.cn
Tel: +54-1148203784
Fax: +54-1148201901
SWIFT: ICBKARBA

ICBC Investments Argentina S.A. Sociedad Gerente de Fondos Comunes de Inversión
Address: Blvd.Cecilia Grierson 355, Piso 14, (C1107CPG) CABA, Argentina
Email: alpha.sales@icbc.com.ar
Tel: +54-1143949432

Inversora Diagonal S.A.
Address: Florida 99, (C1105CPG) CABA, Argentina
Tel: +54-1148202200

Africa

Industrial and Commercial Bank of China Limited, African Representative Office
Address 1: 47 Price Drive, Constantia, Cape Town, South Africa, 7806
Address 2: T11, 2nd Floor East, 30 Baker Street, Rosebank, Johannesburg, Gauteng, South Africa, 2196
Email: icbcafrica@afr.icbc.com.cn
Tel: +27-117215950
Fax: +27-713301141

中國北京市西城區復興門內大街55號　　郵編：100140
55 Fuxingmennei Avenue, Xicheng District, Beijing, China　　Post Code: 100140
www.icbc.com.cn, www.icbc-ltd.com