中国建设银行
China Construction Bank

China Construction Bank Corporation

Annual Report 2019

Embracing New Finance

VISION

Build a world class banking group with top value creation capability.

MISSIONS

Provide better services to our customers, create higher value to our shareholders, build up broader career path for our associates, and assume full responsibilities as a corporate citizen.

CORE VALUES

Integrity, Impartiality, Prudence, Creation

CONTENTS

CORPORATE INTRODUCTION

China Construction Bank Corporation, headquartered in Beijing, is a leading large-scale commercial bank in China. Its predecessor, China Construction Bank, was established in October 1954. It was listed on Hong Kong Stock Exchange in October 2005 (stock code: 939) and the Shanghai Stock Exchange in September 2007 (stock code: 601939). At the end of 2019, the Bank's market capitalisation reached US$217,686 million, ranking fifth among all listed banks in the world. The Group ranks second among global banks by Tier 1 capital.

The Bank provides customers with comprehensive financial services, including personal banking, corporate banking, investment and wealth management. With 14,912 banking outlets and 347,156 staff members, the Bank serves hundreds of millions of personal and corporate customers. The Bank has subsidiaries in various sectors, including fund management, financial leasing, trust, insurance, futures, pension and investment banking, and has more than 200 overseas entities covering 30 countries and regions.

Adhering to the "market-oriented, customer-centric" business concept, the Bank is committed to developing itself into a world class banking group with top value creation capability. The Bank strives to achieve the balance between short-term and long-term benefits, and between business goals and social responsibilities, so as to maximise the value for its stakeholders including customers, shareholders, associates and society.

For further information, please visit
www.ccb.com

IMPORTANT NOTICE

The Board and the board of supervisors of the Bank and its directors, supervisors and senior management warrant that the information contained in this report is truthful, accurate and complete and there are no false representations or misleading statements contained in, or material omissions from, this report, and that they assume severally and jointly legal liability.

This annual report and results announcement have been reviewed and approved at the Board meeting of the Bank held on 27 March 2020. All 14 directors of the Bank attended the meeting.

The Board proposed a cash dividend of RMB0.320 per share (including tax) for 2019 to all the shareholders.

The financial statements of the Group prepared in accordance with PRC GAAP for the year of 2019 have been audited by Ernst & Young Hua Ming LLP, and the financial statements prepared in accordance with IFRS have been audited by Ernst & Young. Both auditors have provided audit report with unqualified audit opinion.

The board of directors of China Construction Bank Corporation
27 March 2020

Mr. Tian Guoli, legal representative of the Bank, Mr. Xu Yiming, chief financial officer, and Mr. Zhang Yi, general manager of finance & accounting department, hereby warrant the truthfulness, accuracy and completeness of the financial statements in this annual report.

We have included in this report certain forward-looking statements with respect to our financial position, operating results and business development. These statements are based on current plans, estimates and projections. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements do not constitute a substantive commitment to investors. Please be fully aware of the risks and understand the differences between plans, projections and commitments.

The main risks faced by the Group include credit risk, liquidity risk, market risk, operational risk, reputational risk and country risk. We proactively took measures to manage various risks effectively. For more information, please refer to "Risk Management" in the "Management Discussion and Analysis".

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 and abbreviation in Chinese	中國建設銀行股份有限公司 (abbreviated as "中國建設銀行")
Legal name and abbreviation in English	CHINA CONSTRUCTION BANK CORPORATION (abbreviated as "CCB")
Legal representative	Tian Guoli
Authorised representatives	Liu Guiping Ma Chan Chi
Secretary to the Board	Hu Changmiao
Contact address	No. 25, Financial Street, Xicheng District, Beijing
Company secretary	Ma Chan Chi
Principal place of business in Hong Kong	28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Registered address, office address and postcode	No. 25, Financial Street, Xicheng District, Beijing 100033
Website	www.ccb.com
Hotline for customer service and complaints	95533
Contact details for investors	Contact telephone: 86-10-66215533 Facsimile: 86-10-66218888 Email address: ir@ccb.com
Newspapers for information disclosure	*China Securities Journal* and *Shanghai Securities News*
Website of the Shanghai Stock Exchange for publishing the annual report prepared in accordance with PRC GAAP	www.sse.com.cn
"HKEXnews" website of Hong Kong Exchanges and Clearing Limited for publishing the annual report prepared in accordance with IFRS	www.hkexnews.hk
Place where copies of this annual report are kept	Board of Directors Office of the Bank
Listing stock exchanges, stock abbreviations and stock codes	A-share: Shanghai Stock Exchange Stock abbreviation: 建設銀行 Stock code: 601939 H-share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB Stock code: 939 Offshore preference share: The Stock Exchange of Hong Kong Limited Stock abbreviation: CCB 15USDPREF Stock code: 4606 Domestic preference share: Shanghai Stock Exchange Stock abbreviation: 建行優1 Stock code: 360030
Certified public accountants	Ernst & Young Hua Ming LLP Address: 16/F, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Avenue, Dongcheng District, Beijing Signing accountants: Wang Pengcheng, Tian Zhiyong and Feng Suoteng Ernst & Young Address: 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Legal advisor as to PRC laws	Commerce & Finance Law Offices Address: 6/F, NCI Tower, A12 Jianguomenwai Avenue, Chaoyang District, Beijing
Legal advisor as to Hong Kong laws	Clifford Chance Address: 27/F, Jardine House, One Connaught Place, Central, Hong Kong
A-share registrar	China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 3/F, China Insurance Building, 166 East Lujiazui Road, Pudong New District, Shanghai
H-share registrar	Computershare Hong Kong Investor Services Limited Address: Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Credit rating	Standard & Poor's: long-term "A"/short-term "A-1"/stable outlook Moody's: long-term "A1"/short-term "P-1"/stable outlook Fitch：long-term "A"/short-term "F1+"/stable outlook

New Finance

Total Assets
(In millions of RMB)
25,436,261
▲ 9.53%

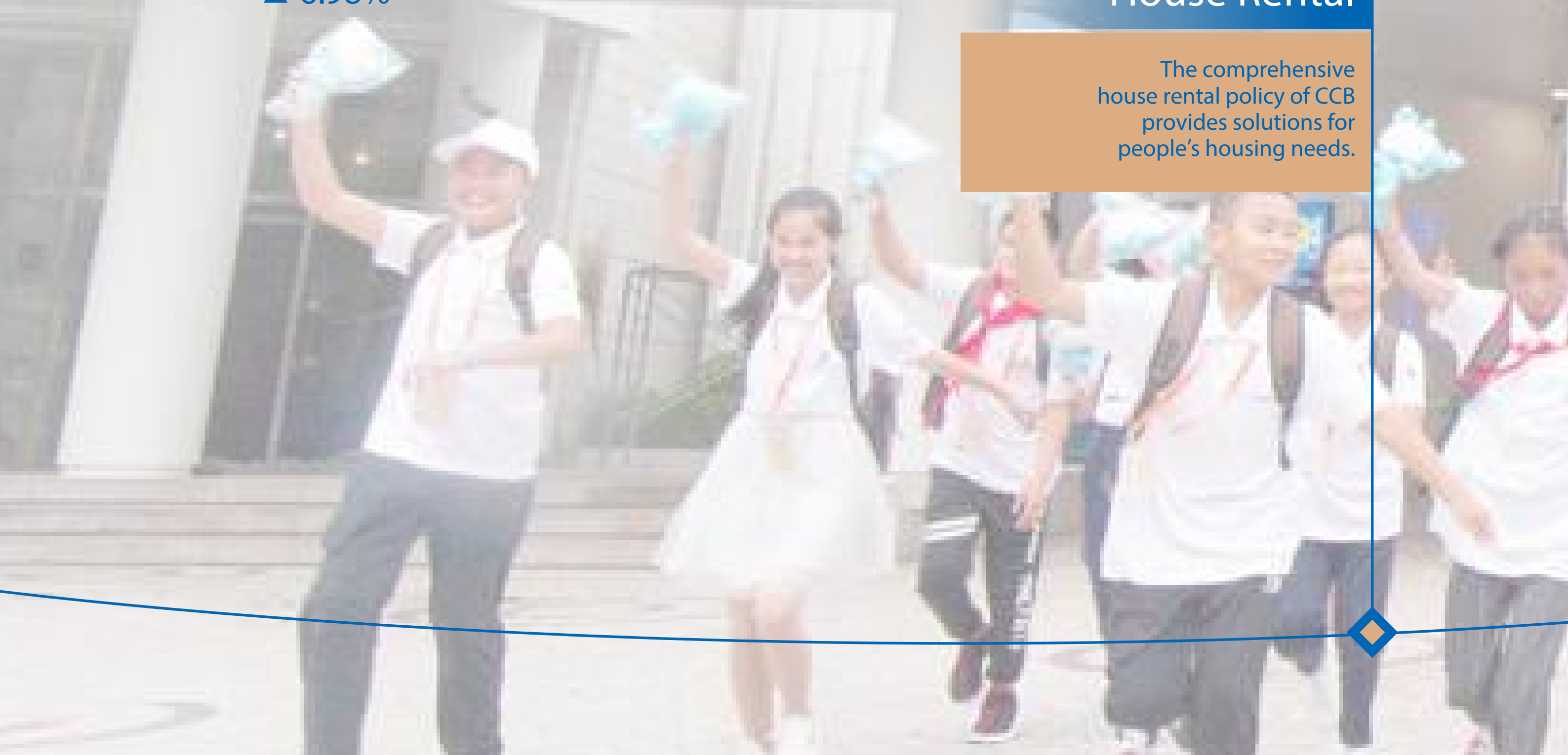
Net Fee and Commission Income (In millions of RMB)
137,284
▲ 11.58%

Net Profit
(In millions of RMB)
269,222
▲ 5.32%

Operating Income
(In millions of RMB)
678,001
▲ 6.98%

House Rental

The comprehensive house rental policy of CCB provides solutions for people's housing needs.



Allowances to NPLs

227.69%

▲ 19.32%

Total Capital Ratio

17.52%

▲ 0.33%

Workers' Harbours

"Workers' Harbours" has been fully launched, creating a new brand that serves people's livelihood.

FinTech

Accelerated empowerment of FinTech fully supports the business development.

Inclusive Finance

Improving quantity and quality of inclusive finance brings about happiness at work.

Smart Government Affairs Services

Building of smart government affairs services platform to help government data governance.

Rural Revitalisation

By creating the "CCB Yunongtong" service platform, the focus of financial services has been deepened.

CCB University

With the aim of promoting openness and common development, CCB University builds a new model of integration of production and education.

2019

Little campers of "Embrace Technology, Let Your Dreams Fly – 2019 CCB Hope Summer Camp" visited the "5G+ Intelligent Banking" outlets of the Bank.

DEFINITIONS

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

"AI"	Artificial intelligence
"AML"	Anti-money laundering
"ABC"	Agricultural Bank of China Limited
"Bank"	China Construction Bank Corporation
"Baowu Steel Group"	China Baowu Steel Group Corporation Limited
"Board"	Board of directors
"BOC"	Bank of China Limited
"BoCom"	Bank of Communications Co., Ltd.
"CBIRC"	China Banking and Insurance Regulatory Commission
"CBRC"	Former China Banking Regulatory Commission
"CCB Asia"	China Construction Bank (Asia) Corporation Limited
"CCB Brasil"	China Construction Bank (Brasil) Banco Múltiplo S/A
"CCB Europe"	China Construction Bank (Europe) S.A.
"CCB Financial Leasing"	CCB Financial Leasing Co., Ltd.
"CCB Futures"	CCB Futures Co., Ltd.
"CCB Housing"	CCB Housing Services Co., Ltd.
"CCB Indonesia"	PT Bank China Construction Bank Indonesia Tbk
"CCB International"	CCB International (Holdings) Limited
"CCB Investment"	CCB Financial Asset Investment Co., Ltd.
"CCB Life"	CCB Life Insurance Co., Ltd.
"CCB London"	China Construction Bank (London) Limited
"CCB Malaysia"	China Construction Bank (Malaysia) Berhad
"CCB New Zealand"	China Construction Bank (New Zealand) Limited
"CCB Pension"	CCB Pension Management Co., Ltd.
"CCB Principal Asset Management"	CCB Principal Asset Management Co., Ltd.
"CCB Property & Casualty"	CCB Property & Casualty Insurance Co., Ltd.
"CCB Russia"	China Construction Bank (Russia) Limited
"CCB Startup Station"	An one-stop comprehensive service platform which integrates "Finance + Incubation + Industry + Education" online and offline built by the Bank for innovative entrepreneurs
"CCB Trust"	CCB Trust Co., Ltd.
"CCB Wealth Management"	CCB Wealth Management Co., Ltd.
"CCB Yunongtong"	A comprehensive inclusive finance service platform targeted at county-level rural areas
"China CITIC Bank"	China CITIC Bank Corporation Limited
"Cloud Pet"	A gamified crowdsourcing application of information collection deployed in the Bank's mobile banking
"Company Law"	The Company Law of the People's Republic of China
"Cross-border e+"	An one-stop cross-border financial service innovation online platform built by the Bank to support the whole processes of cross-border trade

"Cross-border Quick Loan"	An online unsecured credit trade financing service provided by the Bank for small and micro cross-border trade enterprises
"CSRC"	China Securities Regulatory Commission
"Financial Literacy Promotion"	A non-profitable project launched by the Bank, which offers educational and practical financial trainings on hotspot social issues and "pain points" of public concern
"FITS®"	Financial Total Solutions, a comprehensive investment banking brand of the Bank incorporating a host of financial products and tools
"Group", "CCB"	China Construction Bank Corporation and its subsidiaries
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hua Xia Bank"	Hua Xia Bank Co., Ltd.
"Huidongni"	A one-stop service platform built by the Bank for small and micro businesses by using internet, big data and biometric technologies
"Huijin"	Central Huijin Investment Ltd.
"Huishibao"	A comprehensive settlement service platform of the Bank designed to meet the treasury management needs of niche markets and core enterprises in the supply chains
"ICBC"	Industrial and Commercial Bank of China Limited
"IFRS"	International Financial Reporting Standards
"Jianguanyi"	A corporate fund supervision service of the Bank
"Listing Rules of Hong Kong Stock Exchange"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Card Credit (Daiba)"	A credit card service of the Bank with which one can apply for a virtual credit card and receive approval instantly through the Bank's mobile banking
"Long Pay"	An internet-based enterprise-level mobile digital payment brand of the Bank, which include a group of comprehensive integrated payment and settlement products and services
"Mega Asset Manager"	An asset management and investment service platform of the Bank that covers all products and assets, and offers end-to-end management of all risks
"Mijin Card"	An online debit card jointly issued by the Bank and Xiaomi in Xiaomi scenarios
"MOF"	Ministry of Finance of the People's Republic of China
"New financial instruments standard" or "IFRS 9"	*International Financial Reporting Standard No. 9 – Financial Instruments* issued by International Accounting Standards Board, which came into effect on 1 January 2018
"PBC"	The People's Bank of China
"PRC GAAP"	*Accounting Standards for Business Enterprises* and other relevant requirements promulgated by the MOF on 15 February 2006 and afterwards
"RMB"	Renminbi
"SFO"	Securities and Futures Ordinance
"Sino-German Bausparkasse"	Sino-German Bausparkasse Co., Ltd.
"State Council"	State Council of the People's Republic of China
"State Grid"	State Grid Corporation of China
"WMP"	Wealth Management Product
"Yangtze Power"	China Yangtze Power Co., Limited
"Yunong Quick Loan"	A loan service provided by the Bank to agriculture-related entities based on data of agricultural production and operation
"5G⁺ Intelligent Banking"	A new concept banking store built by the Bank using 5G, Internet of Things, biometrics and other new technologies, which represents the trend of the future

UK magazine The Banker
- Ranked 2nd in the "Top 1000 World Banks" in 2019

US magazine FORTUNE
- Ranked 31st in the "Global 500" in 2019

US Interbrand
- Ranked 3rd in the "Top 50 Most Valuable Management Award in China"

Singapore magazine THE ASIAN BANKER
- Achievement in Comprehensive Risk Management Award in China
- Best Mega Trade Finance Bank in China

Hong Kong magazine The Asset
- Best Bank in China 2019

Hong Kong magazine ASIAMONEY
- Best Private Bank in China

CHINESE BUSINESS JOURNAL
- Most Competitive Online Finance Bank 2019

FINANCIAL NEWS
- Best Bank for FinTech Innovation

SINA FINANCE
- Most Influential Bank
- Innovative Mobile Bank

CHINA BANKING ASSOCIATION
- Best Inclusive Finance Performance Award
- Best Social Responsibility Practice Award

FINANCIAL HIGHLIGHTS

The financial information set forth in this annual report is prepared on a consolidated basis in accordance with the IFRS, and expressed in RMB unless otherwise stated.

(Expressed in millions of RMB unless otherwise stated)	2019	2018	Change (%)	2017	2016	2015
For the year						
Net interest income	510,680	486,278	5.02	452,456	417,799	457,752
Net fee and commission income	137,284	123,035	11.58	117,798	118,509	113,530
Other net non-interest income	30,037	24,459	22.81	23,777	23,552	15,405
Operating income	678,001	633,772	6.98	594,031	559,860	586,687
Operating expenses	(188,132)	(174,764)	7.65	(167,043)	(171,515)	(194,826)
Credit impairment losses	(163,000)	(151,109)	7.87	N/A	N/A	N/A
Other impairment losses	(521)	121	N/A	N/A	N/A	N/A
Profit before tax	326,597	308,160	5.98	299,787	295,210	298,497
Net profit	269,222	255,626	5.32	243,615	232,389	228,886
Net profit attributable to equity shareholders of the Bank	266,733	254,655	4.74	242,264	231,460	228,145
Net profit attributable to ordinary shareholders of the Bank	262,771	250,719	4.81	241,219	230,393	228,145
As at 31 December						
Net loans and advances to customers	14,540,667	13,365,430	8.79	12,574,473	11,488,355	10,234,523
Total assets	25,436,261	23,222,693	9.53	22,124,383	20,963,705	18,349,489
Deposits from customers	18,366,293	17,108,678	7.35	16,363,754	15,402,915	13,668,533
Total liabilities	23,201,134	21,231,099	9.28	20,328,556	19,374,051	16,904,406
Total equity	2,235,127	1,991,594	12.23	1,795,827	1,589,654	1,445,083
Total equity attributable to equity shareholders of the Bank	2,216,257	1,976,463	12.13	1,779,760	1,576,500	1,434,020
Share capital	250,011	250,011	–	250,011	250,011	250,011
Common Equity Tier 1 capital after regulatory adjustments[1]	2,089,976	1,889,390	10.62	1,691,332	1,549,834	1,408,127
Tier 1 capital after regulatory adjustments[1]	119,716	79,720	50.17	79,788	19,741	19,720
Tier 2 capital after regulatory adjustments[1]	427,896	379,536	12.74	231,952	214,340	222,326
Total capital after regulatory adjustments[1]	2,637,588	2,348,646	12.30	2,003,072	1,783,915	1,650,173
Risk-weighted assets[1]	15,053,291	13,659,497	10.20	12,919,980	11,937,774	10,722,082
Per share (In RMB)						
Basic and diluted earnings per share	1.05	1.00	5.00	0.96	0.92	0.91
Final cash dividend proposed after the reporting period	0.320	0.306	4.58	0.291	0.278	0.274
Net assets per share attributable to ordinary shareholders of the Bank	8.39	7.59	10.54	6.80	6.23	5.66

1. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.

Financial ratios (%)	2019	2018	Change +/(-)	2017	2016	2015
Profitability indicators						
Return on average assets[1]	1.11	1.13	(0.02)	1.13	1.18	1.30
Return on average equity	13.18	14.04	(0.86)	14.80	15.44	17.27
Net interest spread	2.12	2.18	(0.06)	2.10	2.06	2.46
Net interest margin	2.26	2.31	(0.05)	2.21	2.20	2.63
Net fee and commission income to operating income	20.25	19.41	0.84	19.83	21.17	19.35
Cost-to-income ratio[2]	26.75	26.61	0.14	27.15	27.51	27.02
Capital adequacy indicators						
Common Equity Tier 1 ratio[3]	13.88	13.83	0.05	13.09	12.98	13.13
Tier 1 ratio[3]	14.68	14.42	0.26	13.71	13.15	13.32
Total capital ratio[3]	17.52	17.19	0.33	15.50	14.94	15.39
Total equity to total assets	8.79	8.58	0.21	8.12	7.58	7.88
Asset quality indicators						
Non-performing loan (NPL) ratio	1.42	1.46	(0.04)	1.49	1.52	1.58
Allowances to NPLs[4]	227.69	208.37	19.32	171.08	150.36	150.99
Allowances to total loans[5]	3.23	3.04	0.19	2.55	2.29	2.39

1. Calculated by dividing net profit by the average of total assets at the beginning and end of the year.
2. Operating expenses (after deduction of taxes and surcharges) divided by operating income.
3. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.
4. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and the NPLs do not include the accrued interest. The regulatory target set by the CBIRC is 150% for 2019.
5. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and the total loans do not include the accrued interest. The regulatory target set by the CBIRC is 2% for 2019.

The following table sets forth the main quarterly financial indicators of the Group in 2019.

	2019				2018			
(In millions of RMB)	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	178,825	165,562	167,146	166,468	164,918	157,811	156,336	154,707
Net profit attributable to equity shareholders of the Bank	76,916	77,274	71,154	41,389	73,815	73,212	67,081	40,547

CHAIRMAN'S STATEMENT

Dear shareholders,

Following the arrival of the new year, it is time to welcome Spring. I am pleased to share CCB's annual results for the year 2019. In the past year, CCB calmly responded to the complex environment of rising risks and challenges at home and abroad, promoting the implementation of strategies with continuous innovations, which improved the business development and operating performance of the Bank. Our key indicators continued to remain stable and balanced, reflecting the results of high-quality development: the Group recorded total assets and net profit of RMB25.44 trillion and RMB269,222 million respectively, representing year-on-year increases of 9.53% and 5.32% respectively; return on average assets and return on average equity were 1.11% and 13.18% respectively, a leading profitability among international peers. The non-performing loan and overdue loan ratios were 1.42% and 1.15% respectively, and the asset quality remained solid with steady improvement. Total capital ratio was 17.52%, representing a year-on-year increase of 0.33 percentage points, and the development foundation was continuously consolidated. Based on these favourable results, the Board proposed to distribute an annual cash dividend of RMB0.320 per share (including tax), subject to consideration and approval of the Annual General Meeting.

Tian Guoli Chairman

In 2019, we ushered in the 70th anniversary of the founding of the PRC. In the course of promoting national prosperity, social progress and economic development, CCB has stayed true to its original aspirations and forged ahead, sharing a better future with the motherland, growing together with customers, developing and prospering with times. Over the 65 years of development, CCB has become a globally leading commercial bank through the benefits of reforms and thereby solidified the foundation of the development. All of these are the results of our love for the motherland, appetite for innovation with a spirit of vigilance and vigour. In the course of economic transformation, industrial upgrading and technological revolution, we took targeted measures to adapt to varying situations proactively. On the basis of the "Three Capabilities" and "Three Major Strategies", we have embarked on the journey of the "Second Curve" and enhanced our services to the Government, Business, and Customer communities. Focusing on people's desire to pursue for a better life, we have actively served the needs of economic and social development with New Finance actions, promoted the financial supply-side structural reform and thereby promoted the high-quality growth.

During 2019, we adhered to our original mission and enhanced the "Three Capabilities" in serving the real economy.

To better serve major national strategic projects, we took the initiatives to promote the development of Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macau Greater Bay Area and the Yangtze Economic Belt. We accelerated financial supply-side structural reforms, which included restructuring existing assets, optimising incremental assets and transforming growth drivers. On the basis of consolidating the traditional advantages of medium- to long-term credit in the infrastructure sector, CCB increased its credit support in key areas, including advanced manufacturing industry, green finance, technological innovation and services concerning people's livelihood. The Group leveraged its advantages and released credit support through multiple channels of market-oriented debt-to-equity swaps, trust, bonds, leasing and asset management. The efficiency of serving the transportation network was enhanced, and the ETC business achieved a market-leading leap-forward development.

To better prevent financial risks, we continued to enhance the comprehensive, proactive and smart risk management system, promoted the building and optimisation of the risk management system, improved the digital, smart and intensive risk management and control, and further strengthened credit risk management. The asset quality remained solid with steady improvement and risk compensation capability was gradually enhanced. We consolidated the foundation of liquidity management and, by serving as a major force in stabilising the markets, the Bank supported the stable operation of the financial markets. CCB strengthened the all-round and whole-process management of IT risk, compliance risk, operational risk and country risk, and promoted sharing of advanced risk management technologies and tools to create a new ecosystem of joint risk management.

To enhance our international competitiveness, we further improved the overseas development layout of CCB. With the opening of Astana Branch in Kazakhstan and Labuan Branch in Malaysia, CCB has presence in 30 countries and regions across the world. We implemented the decentralised policies of "one institution one policy" to promote the steady development of overseas businesses in accordance with laws and regulations. CCB extended its support to the development of the Belt and Road Initiative and provided financial support to over 150 major projects in countries along its route. In addition, CCB supported the global development of Chinese enterprises, increased innovative cross-border financial services by exploiting cutting-edge technologies such as blockchain and big data. As one of the first entities to establish direct connection with China International Trade Single Window, CCB launched the online "Cross-border Quick Loan" series products for small and micro businesses and took the lead in establishing a blockchain trade finance platform.

During 2019, we promoted the "Three Major Strategies" in supporting social development with targeted and effective efforts.

The "chain reaction" of the house rental business has been expanding. We gradually established online channels for the house rental platform, with a total of over 20 million properties listed online. The "Digital Real Estate" system has helped enhancing the management of the residential construction sector, and has been promoted to more than 40 cities across the country. The "house deposit" business accelerated the revitalisation of idle housing resources, and the accumulated contracted apartments exceeded 800,000 units. With the additional supply of houses, including the Jianrong apartments for long-term leasing and new residences in urban villages, CCB helped more people realise their dreams of having a home to settle down.

We promoted our inclusive finance services extensively. CCB continued to lead the market with a total balance of inclusive loans of nearly RMB1 trillion for over 1.3 million customers. Based on the development concepts of "digital, platform, ecosystem and empowerment", we promoted "Huidongni", "Huizhuni", and "Huidiantong" service platforms and the "three-in-one" inclusive finance operation and management platform and enriched the "Quick Loan for Small and Micro Businesses" series products. The Bank continued to expand the scope of "inclusive finance" and comprehensively expanded the inclusive finance service outlets of "CCB Yunongtong", which basically covered all administrative villages across the country. CCB has launched the "Mingonghui" platform with innovative application of blockchain and big data, which has served over 4 million customers.

We further exploited the effectiveness of FinTech solutions. With a consolidated FinTech foundation, we actively promoted the development of FinTech-based platforms including AI, blockchain and Internet of Things. We have developed collaborative smart finance solutions to promote the enhancement of internal digital operation and management capabilities. Leveraging the integration advantages of the New Generation core banking system, we have developed a unified view of corporate customers. CCB accelerated the development of "multiple touch-points and integrated" smart channels and launched "$5G^{+}$ intelligent bank". To empower external partners with the concept of openness and sharing, we have built a new ecosystem for Government, Business and Customer communities. Moreover, we created a smart government affairs service platform and established the "five-in-one" service model of mobile APP, PC terminal, outlet STMs, "CCB Yunongtong" and government affairs lobby.

During 2019, we focused on services concerning people's livelihood and fulfilled our responsibility in serving the general public. CCB took targeted measures to assist in poverty alleviation, implemented the "Leap to 2020" financial targeted poverty alleviation action plan, and continued to increase support through loans for targeted poverty alleviation. Moreover, CCB took the initiative to effectively coordinate financial targeted poverty alleviation with rural revitalisation, explored and promoted internal and sustainable models, which included poverty alleviation through industrial development, channelling consumer spending and assistance in education. In addition, CCB launched "Workers' Harbours" project with a total of 14,300 service outlets, which have served workers over 100 million times. Jointly established with the All-China Federation of Trade Unions, the project has become the first brand of "Service Station for Outdoor Workers" as a manifestation of social solidarity. We invited partners to join us in building CCB University, provided a platform of "industry-education integration and school-enterprise cooperation", and established the Industry-Education Integration Alliance for New Financial Talents. So far, we provided on-site training to over 86,000 employees and online learning to 322,000 employees. The "Financial Literacy Promotion" Project provided external training sessions with a total attendance of 1.35 million, promoting financial literacy and sharing financial expertise. We organised the "Summer Practice in Rural Areas for Ten Thousand Students", which not only set up a scenario for college and university students to become familiar with rural areas, understand finance and further cultivate themselves, but also provided opportunities for students to participate in the work-study programme.

During 2019, we worked together to achieve mutual benefits and created value for all parties in harmonious co-existence. We are committed to providing customers with better services, creating greater value for shareholders, building an extensive development platform for our staff, and assuming full responsibilities as a corporate citizen. Adhering to the "customer-centric" concept, we provided customers with convenient services using FinTech, and fully incorporated the protection of consumer rights into our business development by continuously promoting the enhancement of products and services. Adhering to the philosophy of steady operations and innovative development, we safeguarded the long-term interests of shareholders with high-quality and sustainable development, and promoted the steady increase of dividend distribution with balanced and favourable operating results that brought long-term stable and solid dividend yield, so as to deliver significant returns to investors. Adhering to the "people-oriented" concept, we comprehensively promoted the talent development strategy, enhanced the team strength of FinTech talents through market-oriented mechanism, strengthened the development of our international talent team, stimulated the potential and creativity of all employees, and thereby realised the mutual growth and progress of our staff and CCB.

During 2019, we blazed a new trail and improved corporate governance through an efficient and scientific decision-making mechanism. Standardised and efficient corporate governance is the solid foundation for financial institutions to effectively self-restrain, establish a good market image and achieve healthy and sustainable development. Adhering to the objective of the best corporate governance practices, we explored the practices and way forward in improving the corporate governance system. In strict compliance with relevant laws and regulations and the listing rules of the stock exchanges on which the Company's shares are listed, we improved our corporate governance structure, strengthened the development of corporate governance system and maintained excellent corporate governance. In spite of the complicated changes in internal and external environments, the members of the Board were diligent and responsible, and effectively guaranteed the efficient operation and scientific decision-making of the Board by virtue of their profound professional quality, rich practical experience and excellent working ability.

Finance is like water and only with good intentions and good governance can it benefit things in the life-world. Adhering to the enhancement of New Finance on the basis of the advantages of traditional finance, we sought to update the value orientations and functions of finance. With the transformation of the mode of economic development, the advent of the new normal of economy and the adjustment of industrial structure, the market demand for financial services has also undergone fundamental changes. Technology is shifting from being merely an underlying infrastructure to the forefront of innovations, driving business process re-engineering, organisational reforms and strategic transformations in banking. We have been exploring the trend of New Finance actions to step out of the traditional development path and found new development modes and operational space with new concepts, new elements, new paradigm, new ecosystem and new system. After more than two years of exploration, we have aligned our New Finance actions with the national policies, market trends and the actual conditions of CCB, thereby driving a solid upward trend of the "Second Curve", promoting business development, and improving operating results beyond expectations. We are adapting to the emerging development needs of the new era, so as to steadily move ahead on the road of the New Finance actions.

In 2020, the sudden outbreak of the COVID-19 pandemic has brought unprecedented challenges to the economy and society. We earnestly implemented the directives from President Xi and deployment requirements of the central government, proactively assumed our responsibilities as a large bank and spared no effort in this extraordinary battle. We launched "Ten Measures" of financial services and "Twenty Rules" for pandemic prevention and staff caring in our outlets immediately after the outbreak of the pandemic. We established a "Green Channel" for loan approval, launched "Eight Measures" to support small and micro businesses, and granted more than RMB90 billion loans to enterprises working on pandemic prevention and control. Furthermore, CCB initiated the establishment of a RMB5 billion fund for fighting against the pandemic and stabilising development. CCB donated a total of RMB298 million to Hubei Province and other affected areas, provided free insurance coverage to front-line healthcare personnel combatting the pandemic. We promoted the "Smart Community Management

Platform" to assist in pandemic prevention and control management with pandemic prevention functions, including pandemic inquiry and online consultation through multiple channels. CCB provided customers with various financial products and services through the Internet and expanded the "Online Vegetable Basket" with relevant e-commerce platforms to provide people with vegetable and food delivery services. With the momentum of digital operations and the comprehensive support and services through online and offline channels, CCB works in solidarity with the people of the country to overcome the difficulties together and jointly embrace the dawn of victory.

It is fair to say that the pandemic is a comprehensive stress test on the Bank's FinTech strategy. With the support of FinTech systems and related means, staffs are able to work from home to handle businesses and credit approval so that daily operation is secured; we are able to provide various financial products and services online for customers and offer them with solutions and targeted support; we also enable governments and society by facilitating smart community management, goods and articles delivery and home shopping services. This has strengthened our confidence and determination to further deepen our FinTech strategy and push forward digital operation at a faster pace.

Since March, the spread of the pandemic has accelerated across the world. Many countries and regions are taking various measures to jointly cope with this pandemic. In line with the unified deployment of the head office, CCB's overseas institutions acted swiftly by donating anti-pandemic and anti-viral materials to the local governments and medical institutions that are in urgent need of these supplies. Meanwhile, CCB's overseas institutions are actively offering supports and services within their ability. This is the perfect demonstration that people from all countries share connected destiny, jointly fight against the pandemic in this critical period, and build a community of shared future for mankind.

The pandemic has taken its toll on the economy of China and other part of the world, which will bring new risks and challenges to the banking industry. At present, the pandemic situation overseas is becoming more serious. In China, the prevention and control of the disease are trending positively. Resumption of work and production is accelerating. Economic society development is gradually recovering. We believe that the great resilience and potential of the Chinese economy means that its long term favourable momentum will remain unchanged. The proactive fiscal policy will be more active and effective, while the prudent monetary policy will become more flexible and moderate, providing strong support for the recovery of economic development and bringing new opportunities for the development of the banking industry. At the same time, we also note that the novel coronavirus pandemic has disrupted international economic and trade activities and global industry value chains on top of the oil price crash. Such disruption has significantly affected global financial markets, increased the prospect of a global economic downturn and led to numerous stimulatory policy responses by governments and turbulence of the financial market. We need to pay close attention to the uncertainties and related risks associated with this evolving situation.

2020 marks a milestone year for China's development and the in-depth implementation of the "Three Major Strategies" of CCB. Despite encountering the complex situation and various challenges at home and abroad and the uncertainties brought by the pandemic, we will maintain our strategic positioning and strengthen our "Three Capabilities". Adhering to the development layout of "New Finance + High-Tech", we will further expand the scopes of services for inclusive finance, financial services for "agriculture, farmers and rural areas", community finance, house rental and FinTech, and promote the expansion of New Finance actions. Moreover, we will make the best use of every day, strive to forge ahead with passion, adhere to our original aspirations, and pool our strength to achieve our mission. CCB will continue to fully support the fight against the pandemic, while serving the economic and social development as a large bank. We will make our due contributions in the three tough battles, draw the "Second Curve" with New Finance actions, further promote the high-quality development of CCB, and actively contribute to the building of a moderately prosperous society in all respects as well as the successful completion of the "13th Five-Year Plan".

Tian Guoli
Chairman
27 March 2020

PRESIDENT'S REPORT

Dear shareholders,

In 2019, in the face of complex and evolving business environment, the Group effectively enhanced "Three Capabilities" to serve national construction, prevent financial risks and participate in international competition, and made solid progress in "Three Major Strategies" of house rental, inclusive finance and FinTech. It continued to deepen supply-side structural reform in the financial sector, proactively assumed its responsibilities with effective actions, and achieved steady, balanced and sustainable development and inspiring results.

Liu Guiping Vice chairman, executive director and president

Solid operating performance

Balanced core indicators with a good momentum. At the end of 2019, the Group's total assets reached RMB25.44 trillion, an increase of 9.53% over 2018, of which the net loans and advances to customers were RMB14.54 trillion, an increase of 8.79%. Total liabilities amounted to RMB23.20 trillion, an increase of 9.28%, of which deposits from customers totalled RMB18.37 trillion, an increase of 7.35%. Net profit was RMB269,222 million, an increase of 5.32% over 2018, up 0.39 percentage points year on year. Net interest income increased by 5.02% with net interest margin of 2.26%, and net fee and commission income rose by 11.58%. Return on average assets was 1.11%, return on average equity was 13.18%, and total capital ratio was 17.52%, maintaining the leading position among peers.

Implementation of new development philosophy. The Group enhanced innovation in its operational management. Based on overall architecture of the New Generation core banking system, the Group preliminarily established an enterprise-wide unified view of customers, improved network access through multi-channels, and promoted integrated development of all business lines. The Group built an outlet and operation supporting systems that suit the digital economy era, and deepened "Three Integrations", i.e. the integration of corporate banking and personal banking, the integration of RMB and foreign currency businesses, and that of online and offline services. It also pressed ahead with its asset management system innovation, and built a pragmatic and innovative asset management mechanism and model with overall coordination, co-working and co-sharing as its core features. The size of green credit granted by the Group increased, with a year-on-year green loan growth of 12.81%, and green financial bonds were issued in overseas markets to cope with climate change. The Group took the lead to launch its "FITS® e+" investor alliance platform, and built a new intelligent financial product trading ecosystem of sharing and empowerment that provides both funding and solution. The Group was also the first in the industry to launch CCB Finance Market E-Trading platform, which integrated bond distribution, customer-based exchange rate, interest rate, and commodity trading functions, to serve small and medium-sized institutions and enterprises and create a trading ecosystem for the financial market business.

Marked enhancement in "Three Capabilities"

Significantly enhanced capability to serve national construction. In order to accurately allocate credit resources, the Group enhanced its support to both key areas and weak parts such as new infrastructure, advanced manufacturing, scientific and technological innovation, private enterprises and small and micro businesses. At the end of 2019, loans to infrastructure sectors were RMB3.68 trillion, an increase of 6.49%; loans to strategic emerging industries were RMB533,551 million, an increase of 38.38%; loans to private enterprises were RMB2.66 trillion, an increase of 14.21%; investment in local government bonds increased by over RMB400 billion, providing strong support to national construction and the real economy development. The actual investment amount of debt-to-equity swaps increased by RMB159.4 billion, ranking the first among peers.

Significantly enhanced capability to prevent financial risks. The Group continued to foster a "steady, prudent, comprehensive and proactive" risk culture, strengthened control of substantive risks in key areas and emerging businesses, and gave full play to the role of comprehensive credit granting as a platform for resource allocation and structural adjustment. The Group built an intelligent risk control system to accelerate the transformation from "manual control" to "machine control + intelligent control". It increased support of measurement tools for customer selection, management decision-making and risk control, and put in place Risk Scan & Detect system for its online business. The quantity, quality and efficiency of special assets operation and resolution were all improved. At the end of 2019, the Group's NPL ratio was 1.42%, down by 0.04 percentage points from 2018; allowances to NPLs was 227.69%, up by 19.32 percentage points from 2018. The Group refined its long-acting market risk management mechanism, responded actively to fluctuations in foreign exchange, bond and stock markets, and effectively prevented externally imported risks and cross risk contagion. It adhered to the principle of soundness and prudence in managing liquidity risk, considered the changes in internal and external funding situation, comprehensively improved the refined management of liquidity risk, and undertook the entrustment to run the business of Baoshang Bank in a stable and orderly manner. The Group carried out operational risk assessment and monitoring, timely refined policies and process, optimised systems, eliminated potential risks, and enhanced operational risk early warning capability. It continued to improve its reputational risk management mechanism and enhanced its competence in managing reputational risk. The Group also consolidated its compliance management fundamentals, and strictly implemented regulatory requirements on AML, counter-terrorist financing, and anti-tax evasion among others.

Significantly enhanced capability to participate in international competition. As the first batch of banks directly linked to China International Trade Single Window, the Group launched over 10 online financial service functions, maintaining a leading advantage among peers. The "Cross-border e+" comprehensive financial service platform had 150,000 contracted customers, an increase of 173.60% over 2018. The Group took the lead to create a series of "Cross-border Quick Loans", providing online financing services for small and micro businesses, and the cumulative loans approximated RMB4 billion. The Group launched functions such as domestic letter of credit, forfaiting, international factoring and refactoring on the blockchain trade finance platform, with a cumulative transaction volume of over RMB400 billion. It supported the implementation of the Belt and Road Initiative, deepened cross-border financial cooperation in Guangdong-Hong Kong-Macao Greater Bay Area, and became a market leader in the Free Trade Zone business. Moreover, the Group provided services to a record high number of 6.67 million domestic customers going global and overseas customers investing in China. The Group also expanded its overseas network, and opened Astana Branch in Kazakhstan and Labuan Branch in Malaysia in September and October 2019, respectively. The RMB clearing entities in the UK, Switzerland and Chile operated smoothly.

Solid progress in "Three Major Strategies"

Comprehensive deployment of house rental business. The Group built a comprehensive house rental service platform, and preliminarily completed the "Digital Property" system. By the end of 2019, the comprehensive house rental service platform had been launched in 324 administrative regions at prefecture-level and above across the country, with over 20 million apartments and 21 million registered users on a cumulative basis. The Group formed a house rental industry alliance to provide residents with better rental experience by means of standardised renovation and professional services, and established a new house rental ecosystem featuring openness, sharing and efficiency. The Group introduced an innovative house deposit business and attracted more vacant properties into rental market, with over 800,000 contracted apartments on a cumulative basis.

Improvement in both quantity and quality of inclusive finance. The Group carried out platform-based operation, and continuously explored new smart modes for inclusive finance under various scenarios to fully improve the coverage, availability and satisfaction of inclusive finance services. At the end of 2019, the Bank's inclusive finance loans increased by RMB353,081 million over 2018 to RMB963,155 million. The number of inclusive finance loan borrowers increased by nearly 310,000 over 2018 to approximately 1.33 million. New mode products highlighted by "Quick Loan for Small and Micro Businesses" amounted to over RMB1.7 trillion on a cumulative basis, benefiting nearly 1.03 million small and micro businesses. The Group also built an innovative comprehensive service platform "CCB Yunongtong" for rural revitalisation to provide more inclusive finance services to rural areas.

Accelerated empowerment by FinTech. The Group proactively built service platforms including artificial intelligence, blockchain and the Internet of Things, improved service functions of "5G$^+$ Intelligent Banking" and empowered both financial industry and communities. It expanded the application of the New Generation core banking system to its 29 overseas entities, and enhanced its capability to share banking functions under the core system with institutions, customers, products, services and channels within the Group. The Group built a new customer-oriented retail model promoting openness and sharing, win-win value creation, and digital interconnection, a new corporate banking model featuring seamless integration of transactional businesses and emerging businesses, and inclusive finance services that feature intelligence, efficiency and tight risk control. Besides, the Group introduced 131 sets of external data covering industrial and commercial registration, taxation, social security and judicial litigation, which were embedded into more than 40 business scenarios such as risk prevention and control, and credit card management to constantly expand its data application.

2020 Outlook

If we keep up our efforts, we will reach our destination despite the long and arduous journey. In 2020, the international economic and financial landscape is becoming more and more complex and challenging, and China's economic structural transformation and upgrade stays at a critical stage. The sudden COVID-19 pandemic is accelerating its worldwide spreading, which not only takes a heavy toll on the global economy and financial market, but also puts further downward pressure on China's economy. This in turn increases the uncertainties in operation for the banking industry, and "how to seek certainty in uncertainty" could be a big puzzle for us to deal with in 2020. To our relief, the recent G20 Extraordinary Leaders' Summit, particularly the four proposals put forth by Chinese President Xi Jinping, sent us a positive signal that the G20 members will work together to prevail over the contagion of COVID-19 and stabilise the global economy and financial market. As a global systemically important bank, we will consciously shoulder our responsibilities as a large bank, effectively support the prevention and control of COVID-19, serve the real economy, and work with our customers to overcome temporary difficulties. We will enhance efforts in improving "Three Capabilities", deepen the implementation of "Three Major Strategies", effectively release the potential on "Three Communities", i.e. Government Community, Business Community and Customer Community, give full play to "Three Advantages" in infrastructure finance, housing finance and full-coverage financial licenses, strive to build "Three Pillars" of corporate banking, retail banking and asset management, make full use of "Three Tools" of the New Generation core banking system, big data and non-financial services, accelerate business development in "Three Areas", i.e. the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta, firmly hold the bottom line of risk prevention and control, and maintain a stable financial market. We will also strive to build "Six Capabilities", i.e. deepening the integration of governance and business, grasping the trends to seek development, leveraging knowledge and experience to benefit business growth, enhancing digitalised operation, achieving refined management and enabling highly efficient execution, press ahead with sound, balanced and high-quality development of all businesses, and make greater contribution to building a moderately prosperous society in all respects.

Finally, on behalf of the management, I would like to take this opportunity to extend my sincere gratitude to the Board and the board of supervisors for their tremendous support, as well as our customers for their trust and our staff members for their hard work.

Liu Guiping
Vice chairman, executive director and president
27 March 2020

REPORT OF CHAIRMAN OF THE BOARD OF SUPERVISORS

Dear shareholders,

In 2019, the board of supervisors operated compliantly and performed duties diligently in accordance with national laws and regulations, regulatory requirements and the Bank's Articles of Association. Focusing on the Bank's operation, development and strategy implementation, it upheld a problem-oriented approach, ensured effective and efficient supervision, and brought into full play its role in supervision.

Wang Yongqing Chairman of the Board of Supervisors

In the past year, the board of supervisors exercised its duty of supervision according to law. It convened meetings pursuant to laws and regulations, carefully arranged meeting agendas and deepened the research and discussion on the agenda items, raising the quality and efficiency of the meetings. During the year, six meetings of the board of supervisors were convened, reviewing and considering periodic reports of the Bank, work plan of the board of supervisors and other proposals, hearing briefs on the implementation of inclusive finance strategic plan, liquidity risk management, and rectification of problems notified by regulators. The performance and due diligence supervision committee held four meetings, and the finance and internal control supervision committee held five meetings. The board of supervisors and special committees held in-depth discussions at their meetings on important issues such as strategy implementation, business development, risk management and internal control, and brought forward the supervision opinions and recommendations.

Earnestly carrying out performance and due diligence supervision. Members of the board of supervisors attended important meetings such as meetings of the Board and the special committees under the Board, the Group's work conferences, and analytic meetings on operating conditions as non-voting attendees. They continuously strengthened the supervision for the performance of the Board and senior management through methods such as seminars, interviews, review of the information and special studies, etc., and promoted the corporate governance for diligent performance of duties and compliant operation. It supervised the compliance with laws and regulations regarding the proceedings of meetings, decision-making procedures and results, information disclosure by the shareholders' general meetings and the Board's meetings. It learned about the actual operating and management conditions, and supervised the implementation of resolutions of the shareholders' general meeting and the Board. In addition, the board of supervisors carried out the annual performance assessment, developed assessment reports, and reported to the shareholders' general meeting and regulators pursuant to relevant provisions.

Carefully conducting financial supervision. In terms of reviewing periodic reports, the board of supervisors strengthened the communication with external auditors and the senior management, focusing on the authenticity and accuracy of important financial data such as asset quality, as well as changes in accounting policies such as the new lease accounting standard and information disclosure. It also supervised the information disclosure, fund raising, disposal and acquisition of material assets, and registration of insiders in accordance with laws and regulations. Meanwhile, the board of supervisors strengthened the supervision of major financial decisions and followed up on the implementation of business plans, etc. It paid close attention to the impact of the new regulations, and heard reports on the capital management pressure, countermeasures and suggestions. What's more, the board of supervisors continued to conduct supervision over consolidated management and related party transactions. It attached great importance to the transition and transfer of the work of external auditors, communicated with the newly appointed external auditors, and put forward requirements for the quality and independence of audit work.

Continuously deepening risk management supervision. The board of supervisors carried out proactive studies on risk trends and continuously improved the supervision efficiency. It kept taking credit risk as the focus of supervision, regularly analysed the trend of change in the quality of credit assets, and tracked the progress in debt-for-equity swaps and implementation of the Group's risk appetite. In the meantime, the board of supervisors strengthened the comprehensive risk management supervision, and followed up on the improvement of the Group's comprehensive risk management system. Moreover, it focused on liquidity risk management, studied and discussed the directions and measures of improvement. Considering changes in the internal and external situations, it supervised the market risks and counterparty risks of financial institutions. It held special meetings to hear on the stress testing management report, and provided supervisory opinions on scenario setting and results application. In addition, the board of supervisors paid attention to the prospectiveness of risk supervision, and held thematic discussion on the model risk management,

Continuously strengthening the internal control and compliance supervision. The board of supervisors kept following up on the functioning of the internal control and compliance system, and promoted the improvement of the Group's compliance management system. It supervised key areas such as anti-money laundering, and paid attention to suspicious transaction analysis, system optimisation and upgrading, etc. Besides, the board of supervisors strengthened supervision of the prevention and control over non-compliance cases and the conduct management of employees, and put forward supervision opinions on improving the effectiveness of internal control of key positions at outlet level. It heard the report on data governance, and put forward supervision opinions on data standards and security management and control. Moreover, it proactively adapted to the trend of strict and strong supervision, and followed up on the Bank's efforts to rectify market chaos. The board of supervisors heard periodic reports on problems notified by regulators and rectifications thereof, maintained regular communication with external auditors, and promoted systematic and fundamental rectification for problems that have been identified.

In the year, taking the improvement of the supervision system as a major task, the board of supervisors explored and created ways of performing duties, continuously strengthened self-development, and strived to enhance the effectiveness of supervision. It paid much attention to strengthening the communication with the Board and senior management, communicated important supervision matters thoroughly, learned fully about actual operating situations, and proposed reasonable opinions and suggestions. On the basis of exercising the duty of supervision in an all-around manner, the board of supervisors conducted special studies on private enterprise business, asset management business transformation, transaction banking business, etc. All members of the board of supervisors effectively performed their duty of supervision, and actively took part in learning and training programs, with the aim of enhancing their capability to perform their duties. They also fully participated in the work of the board of supervisors, and proactively gave suggestions for the Group's operation and development. Both the Board and senior management attached great importance and provided generous support to the work of the board of supervisors, studied relevant opinions on supervision, and strengthened improvement and implementation to push the corporate governance and operational management to a higher level.

In 2020, the board of supervisors will adhere to the Group's strategic development goal, and carry out its responsibilities according to Articles of Association. Following the principle of promoting development through supervision, it will carry out effective and efficient supervision, and make new contributions to the Bank's sustainable and stable development.

Wang Yongqing
Chairman of the Board of Supervisors
27 March 2020

Working in solidarity to overcome difficulties and fight against the pandemic

On the first day of construction of Wuhan Huoshenshan Hospital, the Bank promptly handled the transfer of construction fund of RMB470 million for the construction company.

Letter to all employees

Mr. Tian Guoli, Chairman of the Board, issued the letter of "Working in solidarity to overcome difficulties and fight against the pandemic" to all employees to encourage them to carry out financial services while ensuring the prevention and control of the pandemic.

Ten Measures and Twenty Rules

The Bank launched "Ten Measures" for financial services and "Twenty Rules" for pandemic prevention and staff caring in outlets immediately after the outbreak.

Green Channel for loan approval

The Bank established the "Green Channel" for loan approval, launched "Eight Measures" to support small and micro businesses, and granted more than RMB90 billion loans to enterprises working on pandemic prevention and control in two months.

Free insurance for medical staff affected by the pandemic

In early February, the Bank's FinTech R&D team spent 48 hours building a "medical supplies assurance management system" for the pandemic prevention and control headquarters in Hubei Province.

Donations amounting to RMB298 million

Up till now, the Bank and all of its employees donated a total of RMB298 million for funds and goods to affected areas.

RMB5 billion of anti-pandemic fund

The Bank initiated the establishment of a RMB5 billion fund for the battle against the pandemic and stable development.

Exploited a Green Channel, streamlined processes and supported resumption of work and production.

Online financing

The Bank is the first in the industry to launch the “Cloud Workshop”, an online financial service window for account managers, which was widely used during the pandemic prevention and control period.

Smart Community

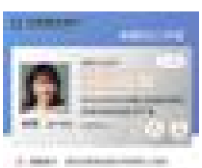
The Bank comprehensively promoted the “Smart Community Management Platform” to assist in pandemic prevention and control management.

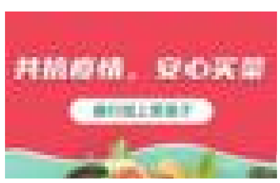
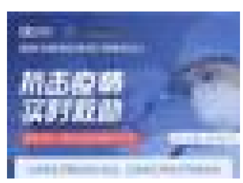
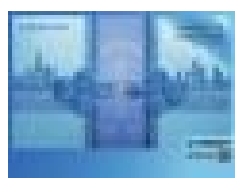
Convenient services

With the support of the sharing platform for enterprise-level businesses, the Bank launched the “Online Vegetables Basket” to help more than 24,000 small and medium-sized businesses in online operation and joined hands with WeDoctor to launch the “COVID-19 Real-time Assistance Platform” for free medical consultations.

The Bank fully supported the construction of Wuhan Huoshenshan Hospital and Wuhan Leishenshan Hospital.

Established a cross-border matching platform to provide services for the export of anti-pandemic supplies, and organised the procurement of anti-pandemic supplies for external donations. So far, nearly 1 million pieces of pandemic prevention supplies have been donated to 22 countries and regions abroad.



FINANCIAL REVIEW

In 2019, the global economic growth momentum weakened. The US economic growth slowed down but remained steady, eurozone economy stabilised after bottoming out, the accelerated Brexit process helped the UK eliminate uncertainties, and Japan's economic growth declined after recovery. The growth of emerging economies declined to varying degrees. Major central banks eased their monetary policies in light of increased volatility in global financial markets, heavy global debt burden and increased financial vulnerability.

China's overall economy remained stable with continuous improvement in economic structure and high-quality development. Consumption played a more important role as an engine of economic growth; industrial production and investment were stable; and the volume of imports and exports expanded. China's GDP and consumer price index increased by 6.1% and 2.9% year on year respectively, and trade surplus was RMB2,918 billion.

Financial markets were stable as a whole. The money market was active, the issuing interest rates of various bonds dropped, and the amount of bond transactions and issuance increased. The stock market rebounded with increased volume of transactions and funds raised. The growth in insurance premium income and assets also accelerated.

Domestic regulators continued to promote supply-side structural reform in the financial sector to prevent and mitigate financial risks, improve the management level of banking sector, and enhance the soundness of banking system. Total assets of banking sector grew steadily with stable liquidity and credit quality, and sufficient capacity to mitigate risks.

The Group stayed committed to prudent operations and innovation-driven development, focused on serving the real economy, and continued to enhance internal control over risks to deliver solid results. It achieved sound and balanced growth in assets and liabilities as its asset quality continued to improve steadily and its profitability remained stable. And it outperformed its peers in capital strength and other key indicators.

STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

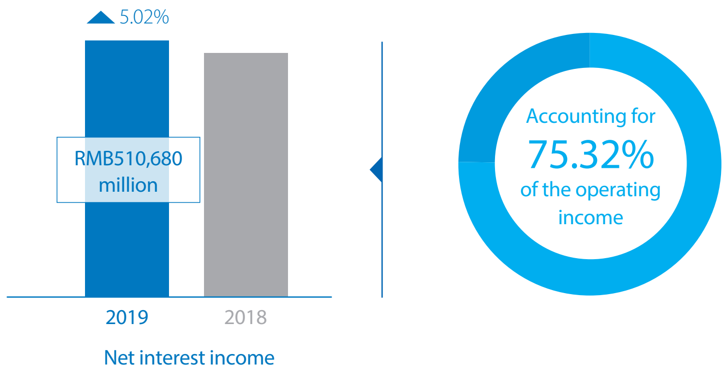
In 2019, the profitability of the Group achieved steady growth with profit before tax of RMB326,597 million, an increase of 5.98% over 2018. Net profit was RMB269,222 million, an increase of 5.32% over 2018. Key factors affecting the Group's profitability are as follows. Firstly, the growth of interest-earning assets led to a steady increase in net interest income, which increased by RMB24,402 million, or 5.02% over 2018. Secondly, net fee and commission income increased by RMB14,249 million, or 11.58% over 2018, partly attributable to the fast growth of fee and commission income from credit card business and agency insurance services. Thirdly, operating expenses increased by 7.65% over 2018, mainly due to the increased investments in strategic businesses. Cost-to-income ratio was 26.75%, 0.14 percentage points higher than that in 2018, and continued to stay at a sound level. Fourthly, in line with its prudent approach, the Group made sufficient provisions for impairment losses on loans and advances, and impairment losses totalled RMB163,521 million, an increase of 8.30% over 2018.

The following table sets forth the composition of the Group's statement of comprehensive income and the changes during the respective periods.

(In millions of RMB, except percentages)	2019	2018	Change (%)
Net interest income	510,680	486,278	5.02
Net non-interest income	167,321	147,494	13.44
– Net fee and commission income	137,284	123,035	11.58
Operating income	678,001	633,772	6.98
Operating expenses	(188,132)	(174,764)	7.65
Credit impairment losses	(163,000)	(151,109)	7.87
Other impairment losses	(521)	121	N/A
Share of profits of associates and joint ventures	249	140	77.86
Profit before tax	326,597	308,160	5.98
Income tax expense	(57,375)	(52,534)	9.21
Net profit	269,222	255,626	5.32

Net interest income

In 2019, the Group's net interest income amounted to RMB510,680 million, an increase of RMB24,402 million, or 5.02% over 2018. Net interest income accounted for 75.32% of the operating income.



The following table sets forth the Group's average balances of assets and liabilities, related interest income or expense, and average yields or costs during the respective periods.

	2019			2018		
(In millions of RMB, except percentages)	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Assets						
Gross loans and advances to customers	14,046,564	630,529	4.49	13,071,979	566,942	4.34
Financial investments	5,234,318	189,465	3.62	4,595,289	172,147	3.75
Deposits with central banks	2,356,099	34,769	1.48	2,543,067	38,892	1.53
Deposits and placements with banks and non-bank financial institutions	793,187	20,079	2.53	717,699	23,996	3.34
Financial assets held under resale agreements	352,397	8,657	2.46	316,993	9,049	2.85
Total interest-earning assets	22,782,565	883,499	3.88	21,245,027	811,026	3.82
Total allowances for impairment losses	(455,382)			(384,314)		
Non-interest-earning assets	2,148,955			2,037,521		
Total assets	24,476,138	883,499		22,898,234	811,026	
Liabilities						
Deposits from customers	17,860,809	280,934	1.57	16,711,441	232,877	1.39
Deposits and placements from banks and non-bank financial institutions	1,927,842	46,592	2.42	1,840,607	50,125	2.72
Debt securities issued	857,224	29,671	3.46	682,886	24,735	3.62
Borrowings from central banks	438,312	14,326	3.27	488,340	15,671	3.21
Financial assets sold under repurchase agreements	44,876	1,296	2.89	46,654	1,340	2.87
Total interest-bearing liabilities	21,129,063	372,819	1.76	19,769,928	324,748	1.64
Non-interest-bearing liabilities	1,218,932			1,293,641		
Total liabilities	22,347,995	372,819		21,063,569	324,748	
Net interest income		510,680			486,278	
Net interest spread			2.12			2.18
Net interest margin			2.26			2.31

In 2019, due to the intense market competition, liabilities with higher interest rates such as personal time deposits took up a higher proportion in total liabilities, which led to a notable increase in the cost of general deposits. The Group's cost of interest bearing liabilities rose more rapidly than the yield on interest earning assets. As a result, net interest spread was 2.12%, down by 6 basis points from 2018; net interest margin was 2.26%, down by 5 basis points from 2018.

Feature article **Press ahead with Loan Prime Rate (LPR) mechanism reform**

The Bank proactively implemented the PBC's decision to deepen interest rate liberalisation reform, and pressed ahead with LPR related work in a steady and orderly manner. Since the start of the reform in August 2019, the role of LPR in guiding the interest rates of loans has been strengthened. For the existing loans, the Bank formulated a plan to switch the pricing basis of various existing floating-rate loans starting from 1 March 2020. In the short run, the reform will affect the banks' yields of loans to a certain extent. In the long run, it will be conducive to improving the independent pricing capability of banks and laying a solid foundation for the long-term healthy development of the banking industry. While steadily promoting the benchmark switch of existing floating-rate loans, the Bank will focus on long-term sustainable development in line with its principle of pursuing progress while ensuring stability, operate steadily and continue to build its core competitiveness with further enhanced risk pricing and interest rate risk management capabilities.

The following table sets forth the effects of the movement of the average balances and average interest rates of the Group's assets and liabilities on the change in interest income and expense for 2019 versus 2018.

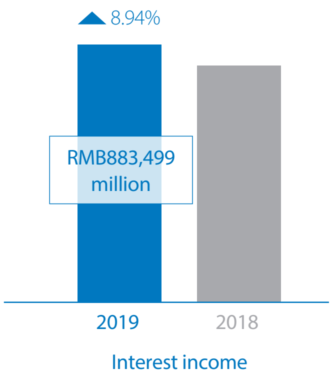
(In millions of RMB)	Volume factor[1]	Interest rate factor[1]	Change in interest income/expense
Assets			
Gross loans and advances to customers	43,446	20,141	63,587
Financial investments	23,426	(6,108)	17,318
Deposits with central banks	(2,854)	(1,269)	(4,123)
Deposits and placements with banks and non-bank financial institutions	2,332	(6,249)	(3,917)
Financial assets held under resale agreements	935	(1,327)	(392)
Change in interest income	67,285	5,188	72,473
Liabilities			
Deposits from customers	16,670	31,387	48,057
Deposits and placements from banks and non-bank financial institutions	2,258	(5,791)	(3,533)
Debt securities issued	6,070	(1,134)	4,936
Borrowings from central banks	(1,633)	288	(1,345)
Financial assets sold under repurchase agreements	(53)	9	(44)
Change in interest expense	23,312	24,759	48,071
Change in net interest income	43,973	(19,571)	24,402

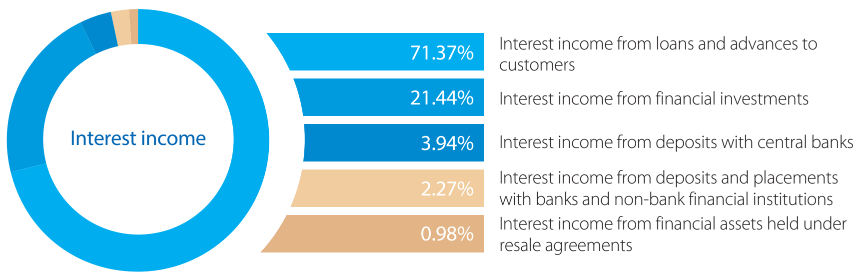
1. Changes caused by both average balances and average interest rates were allocated to the volume factor and interest rate factor respectively based on the respective proportions of absolute values of volume factor and interest rate factor.

Net interest income increased by RMB24,402 million over 2018. In this amount, an increase of RMB43,973 million was due to the movements of average balances of assets and liabilities, and a decrease of RMB19,571 million was due to the movements of average yields or costs.

Interest income

In 2019, the Group achieved interest income of RMB883,499 million, an increase of RMB72,473 million or 8.94% over 2018. In this amount, interest income from loans and advances to customers, financial investments, deposits with central banks, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements accounted for 71.37%, 21.44%, 3.94%, 2.27% and 0.98%, respectively.





Interest income from loans and advances to customers

The following table sets forth the average balance, interest income and average yield of each component of the Group's loans and advances to customers during the respective periods.

	2019			2018		
(In millions of RMB, except percentages)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	6,782,492	299,243	4.41	6,559,434	284,346	4.33
Short-term loans	2,100,343	92,164	4.39	2,165,102	92,314	4.26
Medium to long-term loans	4,682,149	207,079	4.42	4,394,332	192,032	4.37
Personal loans and advances	5,744,939	271,636	4.73	5,167,810	236,588	4.58
Short-term loans	475,884	20,840	4.38	472,760	22,724	4.81
Medium to long-term loans	5,269,055	250,796	4.76	4,695,050	213,864	4.56
Discounted bills	438,401	13,948	3.18	137,720	4,972	3.61
Overseas operations and subsidiaries	1,080,732	45,702	4.23	1,207,015	41,036	3.40
Gross loans and advances to customers	14,046,564	630,529	4.49	13,071,979	566,942	4.34

Interest income from loans and advances to customers amounted to RMB630,529 million, an increase of RMB63,587 million or 11.22% over 2018, mainly driven by increases in both the average balances and average yields of loans and advances to domestic corporate and personal borrowers.

Interest income from financial investments

Interest income from financial investments amounted to RMB189,465 million, an increase of RMB17,318 million over 2018. This was mainly because the average balance of financial investments increased by 13.91% over 2018, offsetting the effect of the decrease in average yield.

Interest income from deposits with central banks

Interest income from deposits with central banks was RMB34,769 million, a decrease of RMB4,123 million or 10.60% from 2018. This was mainly because the average balance of deposits with central banks decreased by 7.35% and the average yield dropped by 5 basis points from 2018.

Interest income from deposits and placements with banks and non-bank financial institutions

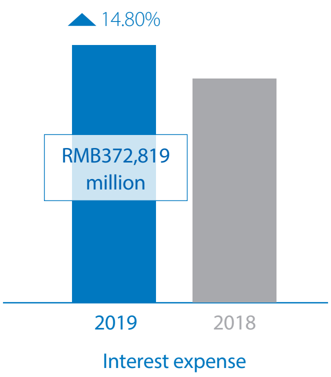
Interest income from deposits and placements with banks and non-bank financial institutions was RMB20,079 million, a decrease of RMB3,917 million or 16.32% from 2018. This was mainly because the average yield of deposits and placements with banks and non-bank financial institutions decreased by 81 basis points over 2018, offsetting the effect of the increase in average balance.

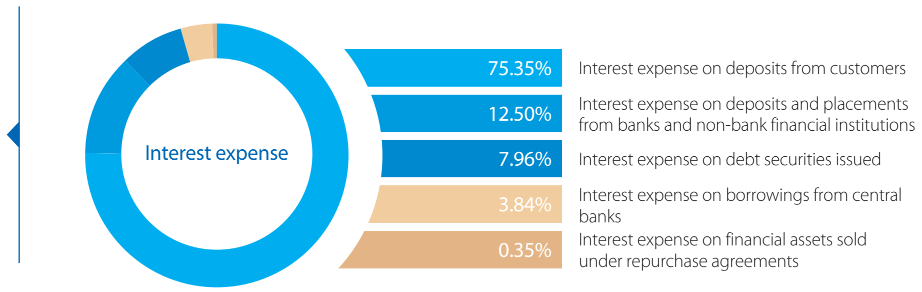
Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements was RMB8,657 million, a decrease of RMB392 million or 4.33% from 2018. This was mainly because the average yield of financial assets held under resale agreements decreased by 39 basis points from 2018, offsetting the effect of the increase in average balance.

Interest expense

In 2019, the Group's interest expense was RMB372,819 million, an increase of RMB48,071 million or 14.80% over 2018. In this amount, interest expense on deposits from customers accounted for 75.35%, that on deposits and placements from banks and non-bank financial institutions accounted for 12.50%, that on debt securities issued accounted for 7.96%, that on borrowings from central banks accounted for 3.84%, and that on financial assets sold under repurchase agreements accounted for 0.35%.





Interest expense on deposits from customers

The following table sets forth the average balance, interest expense and average cost of each component of the Group's deposits from customers during the respective periods.

	2019			2018		
(In millions of RMB, except percentages)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	8,940,187	124,459	1.39	8,728,970	111,300	1.28
Demand deposits	5,865,717	45,824	0.78	5,673,929	39,921	0.70
Time deposits	3,074,470	78,635	2.56	3,055,041	71,379	2.34
Personal deposits	8,424,052	145,910	1.73	7,459,776	111,147	1.49
Demand deposits	3,552,153	10,804	0.30	3,164,811	9,612	0.30
Time deposits	4,871,899	135,106	2.77	4,294,965	101,535	2.36
Overseas operations and subsidiaries	496,570	10,565	2.13	522,695	10,430	2.00
Total deposits from customers	17,860,809	280,934	1.57	16,711,441	232,877	1.39

Interest expense on deposits from customers was RMB280,934 million, an increase of RMB48,057 million or 20.64% over 2018, mainly because the average cost of deposits from customers rose by 18 basis points and the average balance increased by 6.88% over 2018. The average cost of domestic corporate deposits and personal deposits rose by 11 and 24 basis points respectively as a result of intense market competition.

Interest expense on deposits and placements from banks and non-bank financial institutions

Interest expense on deposits and placements from banks and non-bank financial institutions decreased by RMB3,533 million or 7.05% from 2018 to RMB46,592 million. This was mainly because the average cost of deposits and placements from banks and non-bank financial institutions dropped by 30 basis points from 2018, offsetting the effect of the increase in average balance.

Interest expense on debt securities issued

Interest expense on debt securities issued was RMB29,671 million, an increase of RMB4,936 million or 19.96% over 2018, mainly because the average balance of debt securities issued, including eligible Tier 2 capital bonds and certificates of deposits, increased by 25.53% over 2018, offsetting the effect of the decrease in average cost.

Interest expense on borrowings from central banks

Interest expense on borrowings from central banks decreased by RMB1,345 million or 8.58% from 2018 to RMB14,326 million, mainly because the average balance of borrowings from central banks decreased by 10.24% over 2018, offsetting the effect of the increase in average cost.

Interest expense on financial assets sold under repurchase agreements

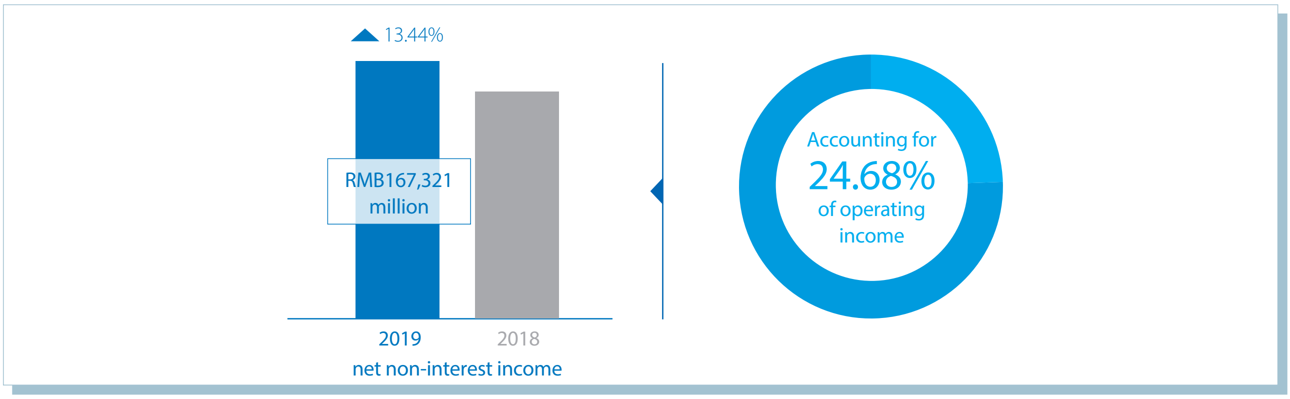
Interest expense on financial assets sold under repurchase agreements was RMB1,296 million, down by RMB44 million or 3.28% over 2018, mainly because the average balance of financial assets sold under repurchase agreements decreased by 3.81% over 2018, offsetting the effect of the increase in average cost.

Net non-interest income

The following table sets forth the composition and change of the Group's net non-interest income during the respective periods.

(In millions of RMB, except percentages)	2019	2018	Change (%)
Fee and commission income	155,262	138,017	12.49
Fee and commission expense	(17,978)	(14,982)	20.00
Net fee and commission income	137,284	123,035	11.58
Other net non-interest income	30,037	24,459	22.81
Total other net non-interest income	167,321	147,494	13.44

In 2019, the Group's net non-interest income reached RMB167,321 million, an increase of RMB19,827 million or 13.44% over 2018, and accounted for 24.68% of operating income.



Net fee and commission income

The following table sets forth the composition and change of the Group's net fee and commission income during the respective periods.

(In millions of RMB, except percentages)	2019	2018	Change (%)
Fee and commission income	155,262	138,017	12.49
Bank card fees	52,620	46,192	13.92
Electronic banking service fees	25,666	18,585	38.10
Agency service fees	16,894	16,044	5.30
Commission on trust and fiduciary activities	14,194	12,748	11.34
Wealth management service fees	12,899	11,113	16.07
Settlement and clearing fees	12,267	12,101	1.37
Consultancy and advisory fees	10,331	10,441	(1.05)
Guarantee fees	3,633	3,414	6.41
Credit commitment fees	1,449	1,573	(7.88)
Others	5,309	5,806	(8.56)
Fee and commission expense	(17,978)	(14,982)	20.00
Net fee and commission income	137,284	123,035	11.58

In 2019, the Group leveraged market opportunities and strived to meet customer needs by continuously optimising products, enhancing innovation and improving service capacity. As a result, net fee and commission income rose by 11.58% over 2018 to RMB137,284 million. The ratio of net fee and commission income to operating income was 20.25%, up by 0.84 percentage points over 2018.

In this amount, bank card fees grew by 13.92% to RMB52,620 million, primarily because the Group focused on accelerating product innovation of credit card, expanding product lines for various customers, and steadily promoting the growth of credit cards issued and transaction volume; electronic banking service fees increased by 38.10% to RMB25,666 million, mainly due to the rapid increase in online payment transaction volume as the Group strengthened FinTech innovation and application and gave full play to its strength in online operation; agency service fees increased by 5.30% to RMB16,894 million, mainly driven by the growth of agency insurance and bonds underwriting businesses; commission on trust and fiduciary activities rose by 11.34% to RMB14,194 million, mainly due to the growth driven by increased efforts in leading, arranging and distributing syndicated loans, as well as steady growth of custody service and entrusted housing finance business; wealth management service fees increased by 16.07% to RMB12,899 million, primarily because of the stable product volume and lower product issuance costs compared to 2018, with increased efforts in new product development and marketing as well as improvement in asset operation and management capability; settlement and clearing fees increased by 1.37% to RMB12,267 million; consultancy and advisory fees decreased by 1.05% to RMB10,331 million.

Other net non-interest income

The following table sets forth the composition and change of the Group's other net non-interest income during the respective periods.

(In millions of RMB, except percentages)	2019	2018	Change (%)
Net trading gain	9,120	12,614	(27.70)
Net gain arising from investment securities	9,093	3,444	164.02
Net gain/(loss) on derecognition of financial assets measured at amortised cost	3,359	(2,241)	N/A
Dividend income	1,184	773	53.17
Other net operating income	7,281	9,869	(26.22)
Total other net non-interest income	30,037	24,459	22.81

Other net non-interest income of the Group was RMB30,037 million, an increase of RMB5,578 million, or 22.81% over 2018. In this amount, net trading gain was RMB9,120 million, a decrease of RMB3,494 million from 2018, mainly because the income from precious metals leasing dropped with lower leasing volume. Net gain arising from investment securities was RMB9,093 million, an increase of RMB5,649 million over 2018, mainly due to the substantial gain from changes in fair value of subsidiaries' investments over the previous year, as affected by the recovery of the capital market. Net gain on derecognition of financial assets measured at amortised cost was RMB3,359 million, an increase of RMB5,600 million over 2018, mainly because net gain arose from the derecognition following the issuance of securitisation products, compared to the low base in 2018 caused by net loss arising from the derecognition. Other net operating income was RMB7,281 million, a decrease of RMB2,588 million from 2018, mainly because of the substantial decrease in foreign exchange gain compared to the previous year due to the decrease in the volume of swap business related to precious metals leasing.

Operating expenses

The following table sets forth the composition of the Group's operating expenses during respective periods.

(In millions of RMB, except percentages)	2019	2018
Staff costs	105,784	102,057
Premises and equipment expenses	33,675	32,390
Taxes and surcharges	6,777	6,132
Others	41,896	34,185
Total operating expenses	188,132	174,764
Cost-to-income ratio (%)	26.75	26.61

In 2019, the Group continuously strengthened cost management and optimised expenses structure. Cost-to-income ratio rose by 0.14 percentage points over 2018 to 26.75%, and continued to stay at a sound level. Operating expenses were RMB188,132 million, an increase of RMB13,368 million or 7.65% over 2018. In this amount, staff costs were RMB105,784 million, an increase of RMB3,727 million or 3.65% over 2018; premises and equipment expenses were RMB33,675 million, an increase of RMB1,285 million or 3.97% over 2018; taxes and surcharges were RMB6,777 million, an increase of RMB645 million or 10.52% over 2018; Other operating expenses were RMB41,896 million, an increase of RMB7,711 million or 22.56% over 2018, mainly due to increased outlays on electronic toll collection ("ETC") business expansion, FinTech investment and digitalised marketing.

Impairment losses

The following table sets forth the composition of the Group's impairment losses during respective periods.

(In millions of RMB)	2019	2018
Loans and advances to customers	148,942	143,045
Financial investments	7,286	1,088
Financial assets measured at amortised cost	5,789	1,072
Financial assets measured at fair value through other comprehensive income	1,497	16
Others	7,293	6,855
Total impairment losses	163,521	150,988

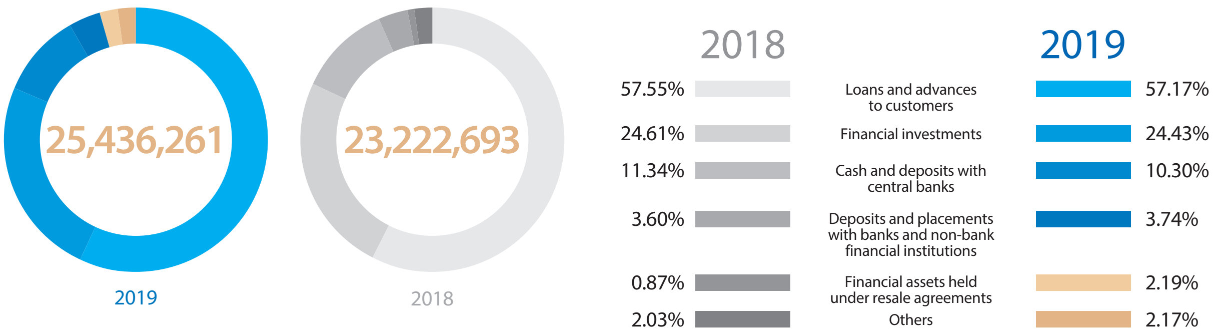
In 2019, the Group's impairment losses were RMB163,521 million, an increase of RMB12,533 million or 8.30% over 2018. This was mainly because the Group made provisions for impairment losses in a prudent manner, impairment losses on loans and advances to customers increased by RMB5,897 million, impairment losses on financial investments increased by RMB6,198 million, while other impairment losses increased by RMB438 million over 2018.

Income tax expense

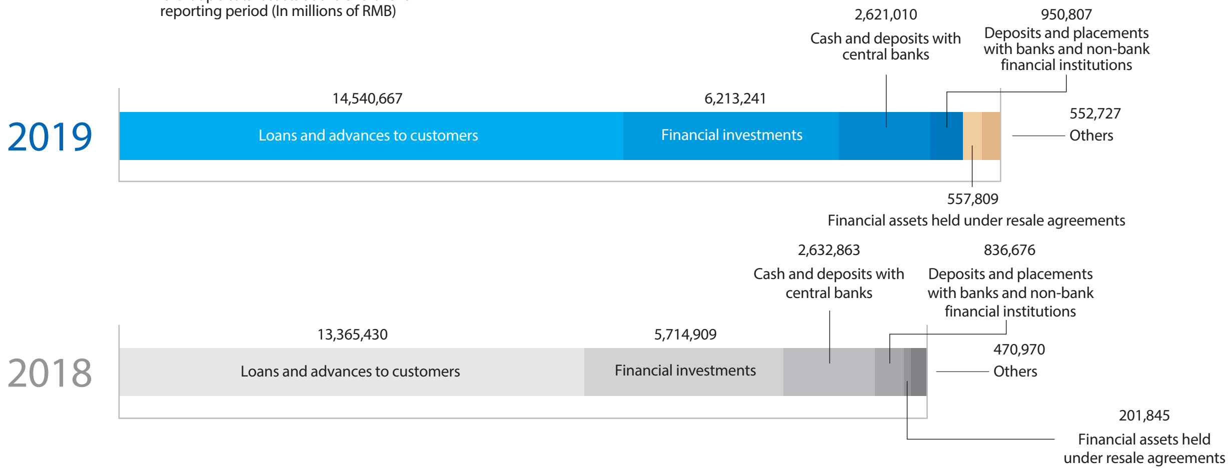
In 2019, income tax expense was RMB57,375 million, an increase of RMB4,841 million over 2018. The effective income tax rate was 17.57%, lower than the statutory rate of 25%. This was mainly because interest income from the PRC treasury bonds and local government bonds was non-taxable in accordance with the tax law.

STATEMENT OF FINANCIAL POSITION ANALYSIS

Assets



The Group's total assets at the end of the reporting period (In millions of RMB)



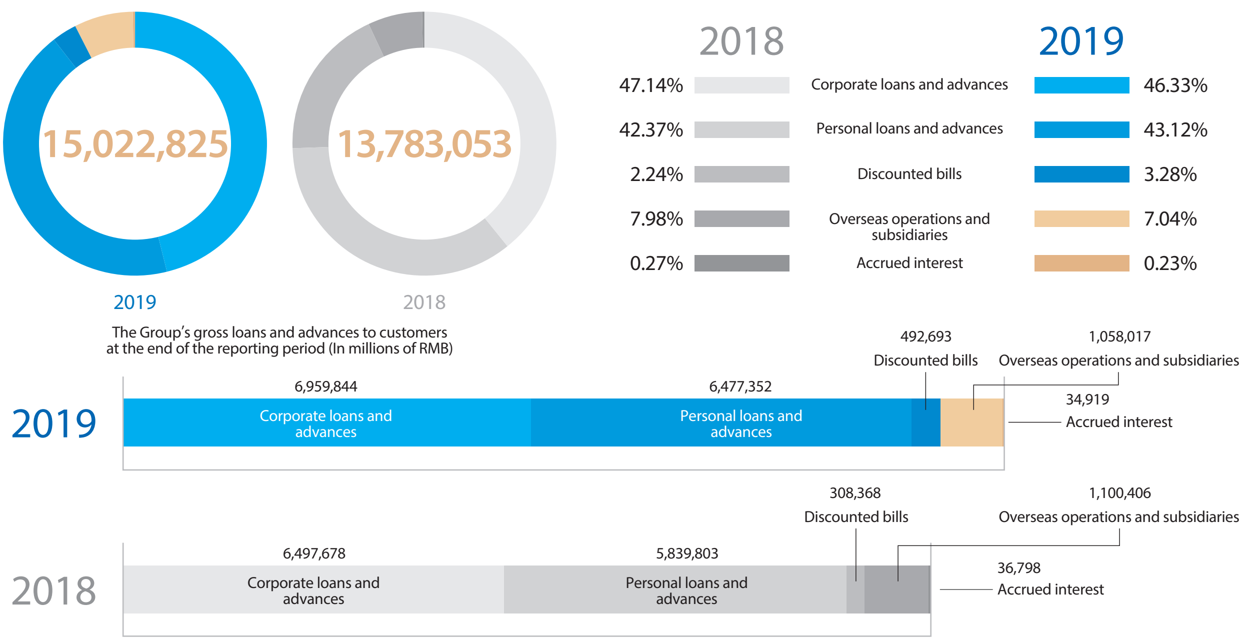
The following table sets forth the composition of the Group's total assets as at the dates indicated.

	As at 31 December 2019		As at 31 December 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Loans and advances to customers	14,540,667	57.17	13,365,430	57.55	12,574,473	56.84
Loans and advances to customers measured at amortised cost	14,479,931	56.93	13,405,030	57.72	12,903,441	58.33
Allowances for impairment losses on loans	(482,158)	(1.90)	(417,623)	(1.80)	(328,968)	(1.49)
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	492,693	1.94	308,368	1.33	N/A	N/A
The carrying amount of loans and advances to customers measured at fair value through profit or loss	15,282	0.06	32,857	0.14	N/A	N/A
Accrued interest	34,919	0.14	36,798	0.16	N/A	N/A
Financial investments	6,213,241	24.43	5,714,909	24.61	5,181,648	23.42
Financial assets measured at amortised cost	3,740,296	14.70	3,272,514	14.09	N/A	N/A
Financial assets measured at fair value through other comprehensive income	1,797,584	7.07	1,711,178	7.37	N/A	N/A
Financial assets measured at fair value through profit or loss	675,361	2.66	731,217	3.15	578,436	2.61
Held-to-maturity investments	N/A	N/A	N/A	N/A	2,586,722	11.69
Available-for-sale financial assets	N/A	N/A	N/A	N/A	1,550,680	7.01
Investment classified as receivables	N/A	N/A	N/A	N/A	465,810	2.11
Cash and deposits with central banks	2,621,010	10.30	2,632,863	11.34	2,988,256	13.51
Deposits and placements with banks and non-bank financial institutions	950,807	3.74	836,676	3.60	500,238	2.26
Financial assets held under resale agreements	557,809	2.19	201,845	0.87	208,360	0.94
Interest receivable	N/A	N/A	N/A	N/A	116,993	0.53
Others[1]	552,727	2.17	470,970	2.03	554,415	2.50
Total assets	25,436,261	100.00	23,222,693	100.00	22,124,383	100.00

1. These comprise precious metals, positive fair value of derivatives, long-term equity investments, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

At the end of 2019, the Group's total assets amounted to RMB25.44 trillion, an increase of RMB2,213,568 million or 9.53% over 2018. While proactively supporting the key areas and weak parts of the real economy, it adjusted its asset size and structure on a dynamic basis in light of its funding sources and use of funds. Loans and advances to customers increased by RMB1,175,237 million or 8.79% over 2018. Financial investments increased by RMB498,332 million or 8.72% over 2018. Due to the PBC's cuts in required reserve ratio, cash and deposits with central banks decreased by RMB11,853 million or 0.45% from 2018. Deposits and placements with banks and non-bank financial institutions increased by RMB114,131 million or 13.64% over 2018. Financial assets held under resale agreements increased by RMB355,964 million or 176.36% over 2018. As a result, in the total assets, the proportion of net loans and advances to customers decreased by 0.38 percentage points to 57.17%, that of financial investments decreased by 0.18 percentage points to 24.43%, that of cash and deposits with central banks decreased by 1.04 percentage points to 10.30%, that of deposits and placements with banks and non-bank financial institutions increased by 0.14 percentage points to 3.74%, and that of financial assets held under resale agreements increased by 1.32 percentage points to 2.19%.

Loans and advances to customers



The Group's gross loans and advances to customers at the end of the reporting period (In millions of RMB)

The following table sets forth the composition of the Group's gross loans and advances to customers as at the dates indicated.

	As at 31 December 2019		As at 31 December 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	6,959,844	46.33	6,497,678	47.14	6,443,524	49.94
Short-term loans	2,205,697	14.68	2,000,945	14.52	2,050,273	15.89
Medium to long-term loans	4,754,147	31.65	4,496,733	32.62	4,393,251	34.05
Personal loans and advances	6,477,352	43.12	5,839,803	42.37	5,193,853	40.25
Residential mortgages	5,305,095	35.31	4,753,595	34.49	4,213,067	32.65
Credit card loans	741,197	4.94	651,389	4.73	563,613	4.37
Personal consumer loans	189,588	1.26	210,125	1.52	192,652	1.49
Personal business loans	44,918	0.30	37,287	0.27	36,376	0.28
Other loans[1]	196,554	1.31	187,407	1.36	188,145	1.46
Discounted bills	492,693	3.28	308,368	2.24	122,495	0.95
Overseas operations and subsidiaries	1,058,017	7.04	1,100,406	7.98	1,143,569	8.86
Accrued interest	34,919	0.23	36,798	0.27	N/A	N/A
Gross loans and advances to customers	15,022,825	100.00	13,783,053	100.00	12,903,441	100.00

1. These comprise personal commercial property mortgage loans, home equity loans and educational loans.

At the end of 2019, the Group's gross loans and advances to customers were RMB15,022,825 million, an increase of RMB1,239,772 million or 8.99% over 2018, mainly due to the increase in domestic loans.

Corporate loans and advances reached RMB6,959,844 million, an increase of RMB462,166 million or 7.11% over 2018, mainly extended to infrastructure sectors. In this amount, short-term loans increased by RMB204,752 million, and medium to long-term loans increased by RMB257,414 million over 2018.

Personal loans and advances reached RMB6,477,352 million, an increase of RMB637,549 million or 10.92% over 2018. In this amount, residential mortgages experienced an increase of RMB551,500 million or 11.60% to RMB5,305,095 million; credit card loans were RMB741,197 million, an increase of RMB89,808 million or 13.79%; personal consumer loans dropped by RMB20,537 million or 9.77% to RMB189,588 million.

Discounted bills reached RMB492,693 million, an increase of RMB184,325 million or 59.77% over 2018, mainly to meet the short-term funding demand of the corporate customers.

Loans and advances made by overseas operations and subsidiaries were RMB1,058,017 million, a decrease of RMB42,389 million or 3.85% from 2018.

Distribution of loans by type of collateral

The following table sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

	As at 31 December 2019		As at 31 December 2018	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Unsecured loans	4,959,932	33.02	4,301,972	31.21
Guaranteed loans	1,920,411	12.78	2,024,072	14.69
Loans secured by property and other immovable assets	6,875,286	45.77	6,218,435	45.12
Other pledged loans	1,232,277	8.20	1,201,776	8.72
Accrued interest	34,919	0.23	36,798	0.26
Gross loans and advances to customers	15,022,825	100.00	13,783,053	100.00

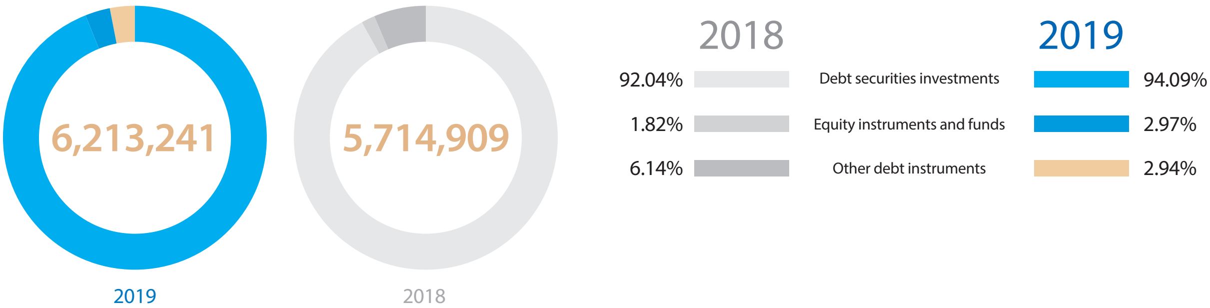
Allowances for impairment losses on loans and advances to customers

	2019			
(In millions of RMB)	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019	183,615	93,624	140,384	417,623
Transfers:				
Transfers in/(out) to Stage 1	6,416	(6,061)	(355)	–
Transfers in/(out) to Stage 2	(7,197)	8,537	(1,340)	–
Transfers in/(out) to Stage 3	(2,163)	(18,815)	20,978	–
Newly originated or purchased financial assets	116,460	–	–	116,460
Transfer out/repayment	(76,030)	(12,040)	(50,416)	(138,486)
Remeasurements	18,926	27,635	81,082	127,643
Write-off	–	–	(49,078)	(49,078)
Recoveries of loans and advances written off	–	–	7,996	7,996
As at 31 December 2019	240,027	92,880	149,251	482,158

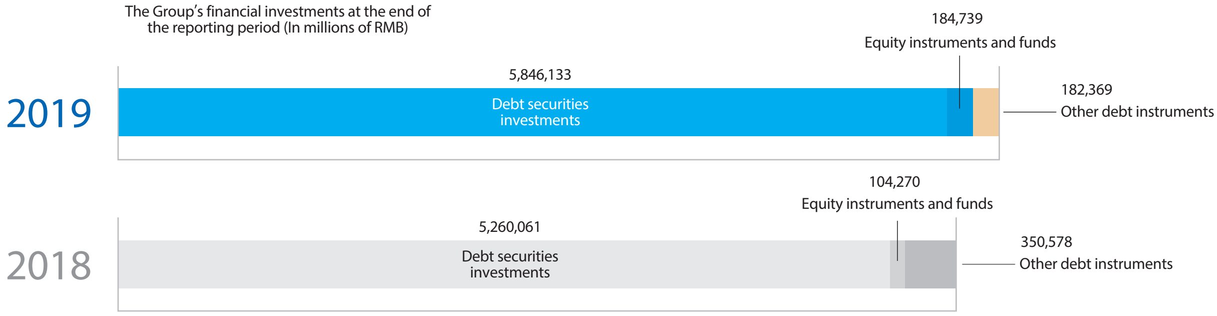
The Group made provisions for impairment losses in line with changes in the quality of its credit assets as required by the new financial instruments standard. At the end of 2019, the allowances for impairment losses on loans and advances measured at amortised cost were RMB482,158 million. In addition, the allowances for impairment losses on discounted bills at fair value through other comprehensive income were RMB1,622 million.

Please refer to Note "Loans and advances to customers" to the financial statements for details of allowances for impairment losses on loans.

Financial investments



The Group's financial investments at the end of the reporting period (In millions of RMB)



The following table sets forth the composition of the Group's financial investments by nature as at the dates indicated.

	As at 31 December 2019		As at 31 December 2018	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Debt securities investments	5,846,133	94.09	5,260,061	92.04
Equity instruments and funds	184,739	2.97	104,270	1.82
Other debt instruments	182,369	2.94	350,578	6.14
Total financial investments	6,213,241	100.00	5,714,909	100.00

At the end of 2019, the Group's financial investments totalled RMB6,213,241 million, an increase of RMB498,332 million or 8.72% over 2018. In this amount, debt securities investments increased by RMB586,072 million or 11.14% over 2018, and accounted for 94.09% of total financial investments, up by 2.05 percentage points over 2018; equity instruments and funds increased by RMB80,469 million over 2018, and accounted for 2.97% of total financial investments, an increase of 1.15 percentage points over 2018. In responding to the transformation of WMPs, other debt instruments, including deposits with banks and non-bank financial institutions, debt securities and credit assets that the Bank held through issuance of on-balance sheet principal-guaranteed WMPs, decreased by RMB168,209 million, with its proportion in total financial investments down to 2.94%.

Please refer to Note "Risk Management-Fair Value of Financial Instruments" to the financial statements for details of financial instruments measured at fair value.

Debt securities investments

The following table sets forth the composition of the Group's debt instruments by currency as at the dates indicated.

	As at 31 December 2019		As at 31 December 2018	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
RMB	5,572,754	95.32	5,008,914	95.22
USD	178,717	3.06	147,218	2.80
HKD	36,356	0.62	53,664	1.02
Other foreign currencies	58,306	1.00	50,265	0.96
Total debt securities investments	5,846,133	100.00	5,260,061	100.00

At the end of 2019, investments in RMB debt securities totalled RMB5,572,754 million, an increase of RMB563,840 million or 11.26% over 2018. Investments in foreign-currency debt securities totalled RMB273,379 million, an increase of RMB22,232 million or 8.85% over 2018.

The following table sets forth the composition of the Group's debt instruments by issuer as at the dates indicated.

	As at 31 December 2019		As at 31 December 2018	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Government	4,258,718	72.85	3,753,874	71.36
Central banks	40,792	0.70	38,852	0.74
Policy banks	780,481	13.35	791,660	15.05
Banks and non-bank financial institutions	339,230	5.80	227,713	4.33
Others	426,912	7.30	447,962	8.52
Total debt securities investments	5,846,133	100.00	5,260,061	100.00

Financial debt securities

At the end of 2019, the Group held financial debt securities issued by financial institutions totalling RMB1,119,711 million. In this amount, RMB780,481 million was issued by policy banks and RMB339,230 million was issued by banks and non-bank financial institutions, which accounted for 69.70% and 30.30% respectively. Adhering to its prudent and reasonable principle, the Group made provisions for impairment losses on financial debt securities measured at amortised cost with no significant increase of credit risk in accordance with the new financial instruments standard.

The following table sets forth the top ten financial debt securities held by the Group by par value at the end of the reporting period.

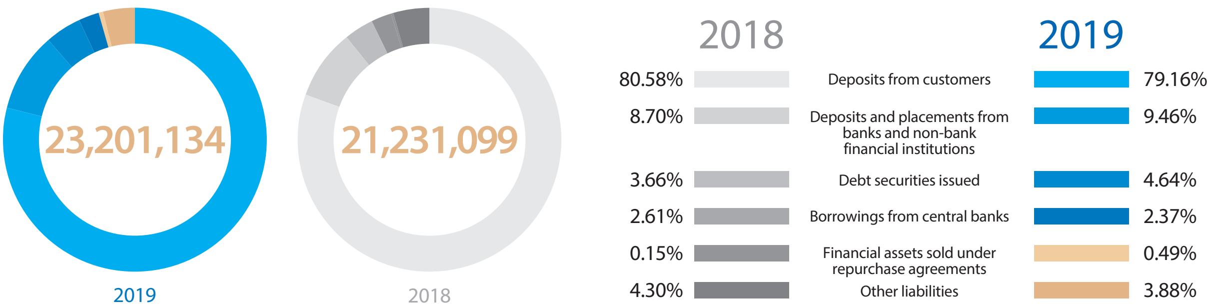
(In millions of RMB, except percentages)	Par value	Annual interest rate (%)	Maturity date	Allowances for impairment losses
Policy bank bond issued in 2019	17,540	3.75	2029-01-25	8.30
Policy bank bond issued in 2019	13,725	3.48	2029-01-08	1.47
Policy bank bond issued in 2019	13,110	3.86	2029-05-20	5.46
Policy bank bond issued in 2018	12,850	4.00	2025-11-12	6.06
Policy bank bond issued in 2018	11,659	3.76	2023-08-14	1.26
Policy bank bond issued in 2014	11,540	5.67	2024-04-08	1.31
Policy bank bond issued in 2014	11,340	5.79	2021-01-14	1.29
Policy bank bond issued in 2018	11,120	4.15	2025-10-26	1.22
Policy bank bond issued in 2018	10,641	4.89	2028-03-26	5.47
Policy bank bond issued in 2014	10,630	5.61	2021-04-08	1.19

1. Financial debt securities refer to negotiable debt securities in bond market issued by financial institutions including policy banks and bank and non-bank financial institutions.

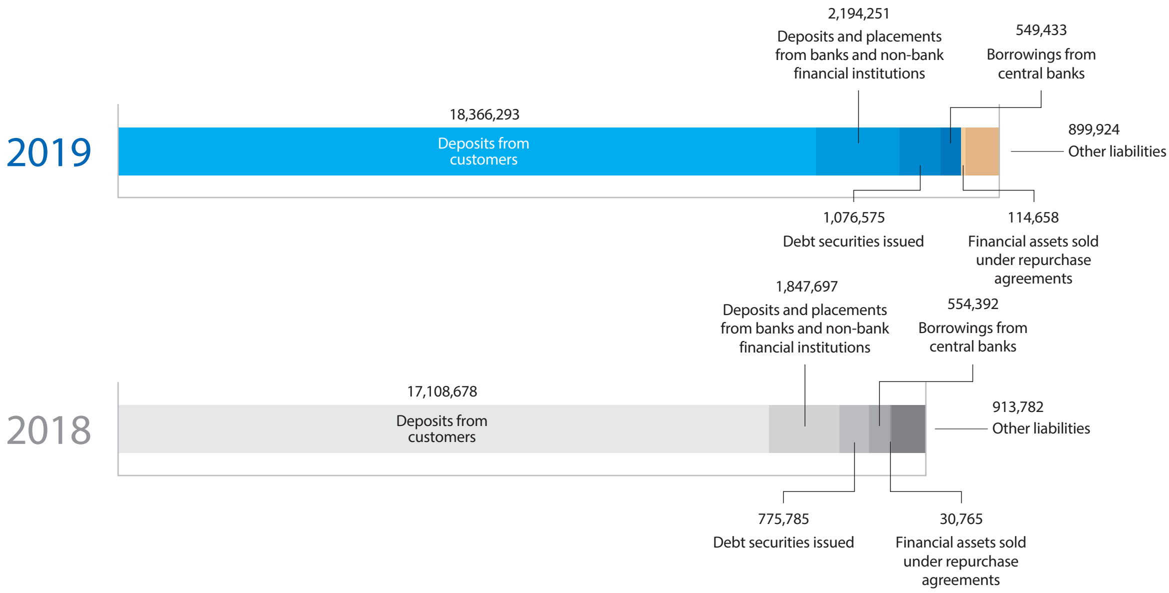
Repossessed assets

As part of its efforts to recover impaired loans and advances to customers, the Group may obtain the title to the collateral, through legal actions or voluntary transfer from the borrowers, as compensation for the losses on loans and advances and interest receivable. At the end of 2019, the Group's repossessed assets were RMB2,580 million, and the balance of impairment allowances for repossessed assets was RMB1,353 million. Please refer to Note "Other Assets" to the financial statements for details.

Liabilities



The Group's total liabilities at the end of the reporting period (In millions of RMB)



The following table sets forth the composition of the Group's total liabilities as at the dates indicated.

	As at 31 December 2019		As at 31 December 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	18,366,293	79.16	17,108,678	80.58	16,363,754	80.50
Deposits and placements from banks and non-bank financial institutions	2,194,251	9.46	1,847,697	8.70	1,720,634	8.46
Debt securities issued	1,076,575	4.64	775,785	3.66	596,526	2.93
Borrowings from central banks	549,433	2.37	554,392	2.61	547,287	2.69
Financial assets sold under repurchase agreements	114,658	0.49	30,765	0.15	74,279	0.37
Other liabilities[1]	899,924	3.88	913,782	4.30	1,026,076	5.05
Total liabilities	23,201,134	100.00	21,231,099	100.00	20,328,556	100.00

1. These comprise financial liabilities measured at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, interest payable, provisions, deferred tax liabilities and other liabilities.

At the end of 2019, the Group's total liabilities were RMB23.20 trillion, an increase of RMB1,970,035 million or 9.28% over 2018, as the Group continued to expand its funding sources by broadening channels of funds. In this amount, deposits from customers amounted to RMB18.37 trillion, up by RMB1,257,615 million or 7.35% over 2018. Deposits and placements from banks and non-bank financial institutions increased by RMB346,554 million or 18.76% over 2018 to RMB2,194,251 million. Debt securities issued were RMB1,076,575 million, an increase of RMB300,790 million or 38.77% over 2018, mainly due to the increase of certificates of deposits and eligible Tier 2 capital bonds. Borrowings from central banks were RMB549,433 million, a decrease of 0.89% from 2018. Accordingly, in the Group's total liabilities, deposits from customers accounted for 79.16% of total liabilities, a decrease of 1.42 percentage points from 2018; deposits and placements from banks and non-bank financial institutions accounted for 9.46% of total liabilities, an increase of 0.76 percentage points over 2018; debt securities issued accounted for 4.64% of total liabilities, an increase of 0.98 percentage points over 2018; borrowings from central banks accounted for 2.37% of total liabilities, a decrease of 0.24 percentage points over 2018.

Deposits from customers

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

	As at 31 December 2019		As at 31 December 2018		As at 31 December 2017	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	8,941,848	48.69	8,667,322	50.66	8,700,872	53.17
Demand deposits	5,927,636	32.28	5,854,542	34.22	5,723,939	34.98
Time deposits	3,014,212	16.41	2,812,780	16.44	2,976,933	18.19
Personal deposits	8,706,031	47.40	7,771,165	45.42	7,105,813	43.43
Demand deposits	4,100,088	22.32	3,271,246	19.12	3,169,395	19.37
Time deposits	4,605,943	25.08	4,499,919	26.30	3,936,418	24.06
Overseas operations and subsidiaries	510,907	2.78	492,942	2.88	557,069	3.40
Accrued interest	207,507	1.13	177,249	1.04	N/A	N/A
Total deposits from customers	18,366,293	100.00	17,108,678	100.00	16,363,754	100.00

At the end of 2019, domestic corporate deposits of the Bank were RMB8,941,848 million, an increase of RMB274,526 million or 3.17% over 2018. The Bank strengthened linkage between corporate and personal businesses and deepened the cultivation of personal customers. Domestic personal deposits of the Bank were RMB8,706,031 million, an increase of RMB934,866 million or 12.03% over 2018. It accounted for 49.33% of domestic deposits from customers, up by 2.06 percentage points over 2018. Deposits from overseas operations and subsidiaries were RMB510,907 million, an increase of RMB17,965 million, accounting for 2.78% of total deposits from customers. The Bank adhered to its systematic network-based strategy, and vigorously attracted funds for settlement. Domestic demand deposits were RMB10,027,724 million, an increase of RMB901,936 million or 9.88% over 2018, and accounted for 56.82% of domestic deposits from customers, up by 1.31 percentage points over 2018. Domestic time deposits were RMB7,620,155 million, up by RMB307,456 million or 4.20% over 2018, and accounted for 43.18% of domestic deposits from customers.

Debt securities issued

The Bank issued no corporate debt securities that were required to be disclosed in accordance with *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – Contents and Formats of Annual Reports (2017 Revision)* and *Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 38 – Contents and Formats of Annual Reports on Corporate Debt Securities*. Please refer to Note "Debt securities issued" to the financial statements for details.

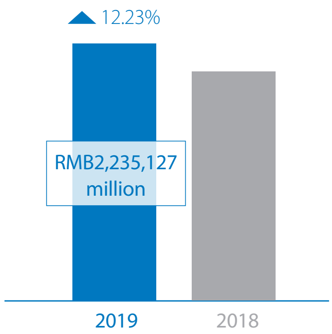
Shareholder's equity

The following table sets forth the Group's total equity and its composition as at the dates indicated.

(In millions of RMB)	As at 31 December 2019	As at 31 December 2018
Share capital	250,011	250,011
Other equity instruments	119,627	79,636
– preference shares	79,636	79,636
– perpetual bonds	39,991	–
Capital reserve	134,537	134,537
Other comprehensive income	31,986	18,451
Surplus reserve	249,178	223,231
General reserve	314,389	279,725
Retained earnings	1,116,529	990,872
Total equity attributable to equity shareholders of the Bank	2,216,257	1,976,463
Non-controlling interests	18,870	15,131
Total equity	2,235,127	1,991,594

At the end of 2019, the Group's equity was RMB2,235,127 million, an increase of RMB243,533 million or 12.23% over 2018, primarily driven by the increase of RMB125,657 million in retained earnings. As the growth rate of total equity surpassed that of assets, the ratio of total equity to total assets for the Group reached 8.79%, up by 0.21 percentage points over 2018.

Total equity



Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives mainly include interest rate contracts, exchange rate contracts, precious metal and commodity contracts, etc. Please refer to Note "Derivatives and Hedge Accounting" to the financial statements for details on the nominal amounts and fair value of derivatives. Commitments and contingent liabilities include credit commitments, operating lease commitments, capital commitments, underwriting obligations, government bond redemption obligations, and outstanding litigation and disputes. Among these, credit commitments were the largest component, including undrawn loan facilities which are approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of 2019, credit commitments balance was RMB3,085,807 million, an increase of RMB237,083 million or 8.32% over 2018. Please refer to Note "Commitments and Contingent Liabilities" to the financial statements for details on commitments and contingent liabilities.

ANALYSIS ON CASH FLOW STATEMENTS

Cash from operating activities

Net cash received from operating activities was RMB581,287 million, an increase of RMB137,520 million from 2018, mainly because net increase in deposits from customers and from banks and non-bank financial institutions and net increase in certificates of deposit issued were both much higher than those in 2018.

Cash used in investing activities

Net cash used in investing activities was RMB292,548 million, an increase of RMB94,833 million from 2018, mainly because of the substantial increase in purchase of investment securities.

Cash used in financing activities

Net cash used in financing activities was RMB101,841 million, an increase of RMB130,762 million from 2018, mainly due to the decrease in the cash proceeds from issue of bonds, as well as the increase of cash repayment of borrowing over the previous year.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS AND CHANGES IN ACCOUNTING POLICIES

The Group's significant accounting estimates and judgements mainly include classification of financial assets, measurement of expected credit losses, fair value of financial instruments, income tax, employee retirement benefit obligations and scope of consolidation. Please refer to Note "Significant accounting policies and accounting estimates" in the financial statements for details.

The Group has adopted the *International Financial Reporting Standard No. 16 – Leases*, which was issued by the International Accounting Standards Board in January 2016. This constitutes a change in the accounting policies, and adjustments to relevant amounts have been recognised in the financial statements. According to the transitional requirement of this standard, the Group chose not to restate information in the comparative period. On 1 January 2019, the Group adopted this standard. Compared to the financial statements as at 31 December 2018, the Group's total assets and total liabilities as at 1 January 2019 both increased by RMB19,944 million respectively.

DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER PRC GAAP AND THOSE PREPARED UNDER IFRS

There is no difference in the net profit for the year 2019 or total equity as at 31 December 2019 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

Enhancing "Three Capabilities" and serving the real economy

an increase of **6.49%**

Loans to infrastructure sectors were RMB3.68 trillion.

an increase of **12,759,300**

The cumulative number of credit cards issued by the Bank amounted to 133 million.

an increase of **38.38%**

Loans to strategic emerging industries were RMB533,551 million.

an increase of **11.93%**

The financial assets of private banking customers amounted to RMB1.51 trillion.

an increase of **7.47%**

Assets under custody of the Bank amounted to RMB13.13 trillion.

US$3.20 trillion

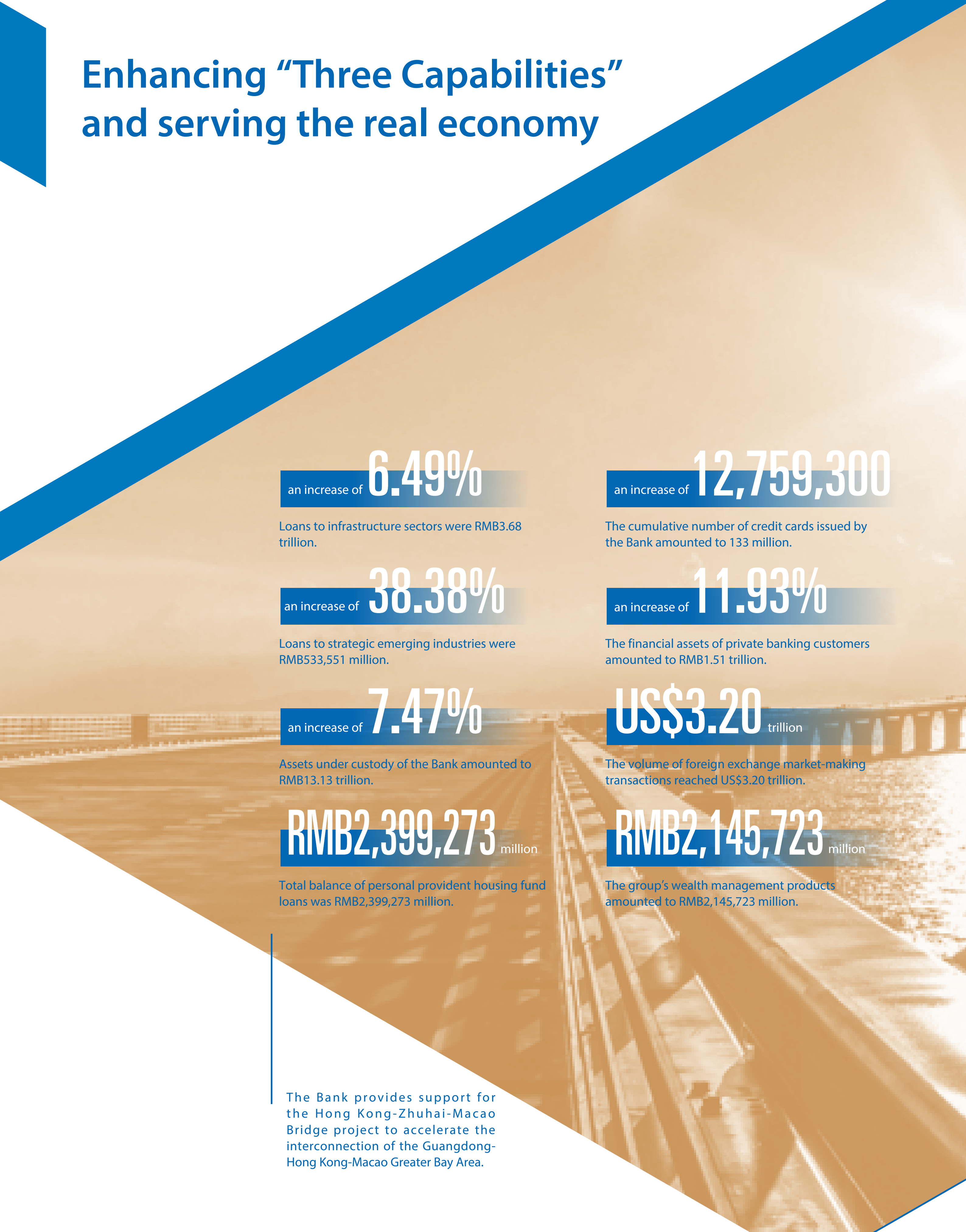
The volume of foreign exchange market-making transactions reached US$3.20 trillion.

RMB2,399,273 million

Total balance of personal provident housing fund loans was RMB2,399,273 million.

RMB2,145,723 million

The group's wealth management products amounted to RMB2,145,723 million.



The Bank provides support for the Hong Kong-Zhuhai-Macao Bridge project to accelerate the interconnection of the Guangdong-Hong Kong-Macao Greater Bay Area.

Focusing on the capability of serving the Country's construction

The Bank kept up with major national strategic projects, increased support in key areas and released credit support through multiple channels.

Focusing on the capability of preventing financial risks

The Bank strengthened digital, intelligent, and intensive risk management and control, consolidated the foundation of liquidity management and gave played the role as "the stabilizer" of market and created a new ecosystem of risk governance that is open and shared.

Focusing on the capability of participating in international competition

The Bank further enhanced the overseas layout, strengthened the support for the construction of the Belt and Road Initiative and cross-border financial service innovation.

Chairman Tian Guoli attended the 5th anniversary ceremony of the Bank's RMB clearing service in London.

The Bank actively participated in the construction of the Belt and Road Initiative and provided medium- and long-term export credit loans for the second phase development of Egypt's new capital CBD project.

The Chishui River Bridge project supported by the Bank will improve transportation in northern Sichuan and northern Guizhou, and help the poverty-stricken areas in Wumeng Mountain.

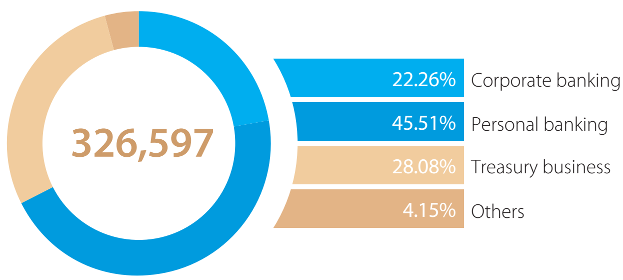
BUSINESS REVIEW

In 2019, the profit before tax of the Group's corporate banking business was RMB72,694 million, a decrease of 1.99% over 2018, accounting for 22.26% of the profit before tax of the Group; the profit before tax of personal banking business reached RMB148,642 million, an increase of 6.37% over 2018, accounting for 45.51% of the profit before tax of the Group, an increase of 0.17 percentage points over 2018; the profit before tax of treasury business reached RMB91,693 million, an increase of 8.21%, accounting for 28.08% of the profit before tax of the Group, an increase of 0.58 percentage points over 2018.

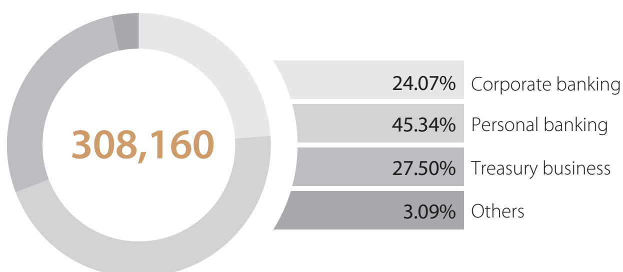
The Group's major business segments are corporate banking, personal banking, treasury business and others including overseas business and subsidiaries.

The profits before tax of each segment for the periods indicated are set out below:

	2019	
(In millions of RMB, except percentages)	Amount	% of total
Corporate banking	72,694	22.26
Personal banking	148,642	45.51
Treasury business	91,693	28.08
Others	13,568	4.15
Profit before tax	326,597	100.00



2019



2018

	2018	
(In millions of RMB, except percentages)	Amount	% of total
Corporate banking	74,168	24.07
Personal banking	139,734	45.34
Treasury business	84,735	27.50
Others	9,523	3.09
Profit before tax	308,160	100.00

PROMOTION OF THREE MAJOR STRATEGIES

House rental strategy

Leveraging its traditional advantages, the Group actively advocated the idea of "Long-term leasing is long-term residence, and long-term residence means settling down", built a house rental system and created a housing model under the New Financial. The Group built a comprehensive house rental service platform, offering an effective tool for the government to regulate the market and providing fair and transparent trading environment and service guarantee for market participants. By the end of 2019, the comprehensive house rental service platform had been launched in 324 administrative regions at the prefecture level and above, with over 20 million properties listed online and 21 million registered users on a cumulative basis. The Group set up an alliance for the house rental industry, which provided better rental experience with standardised bulk renovation and professional services, and established a new, open, sharing, and highly efficient house rental ecosystem. The Group also introduced an innovative business to take deposit of rental properties, which attracted more idle properties into the rental market. It provided high-quality properties and rental services for colleges, institutions and enterprises, offered comfortable and affordable apartments to college graduates and ordinary workers in central cities, and cooperated with professional institutions to provide houses for elderly care service and tourists, etc. By the end of 2019, the Group had 800,000 contracted apartments.

Inclusive finance strategy

The Group carried out platform-based operation, and continuously explored new, intelligent and ecological modes for inclusive finance to comprehensively improve the coverage, availability and satisfaction of inclusive finance services. It increased inclusive finance products and refined service systems, and granted more than RMB1.7 trillion of loans to nearly 1.03 million small and micro businesses led by products under new modes, such as "Quick Loan for Small and Micro Businesses". It continued to optimise "Huidongni" service platform to improve customer experience of credit services. It also promoted digitalised precision marketing, and implemented digitalised and end-to-end refined risk control, to safeguard the high-quality development of inclusive finance business. Moreover, it leveraged its advantages as a group to establish an inclusive finance ecosystem focused on targeted customer groups. It launched the "Training Program for One Million Entrepreneurs" by cooperating with universities to provide training sessions for small and micro businesses owners and individual businesses, and built a "CCB Startup Station" to provide full life cycle support for medium and small-sized sci-tech innovation enterprises. In 2019, the inclusive finance loans made by the Bank increased by RMB353,081 million to RMB963,155 million; the number of inclusive finance borrowers increased by 307.2 thousand over the end of 2018 to 1,325.1 thousand; and the interest rate of the accumulative inclusive finance loans to small and micro businesses for 2019 was 4.95%.

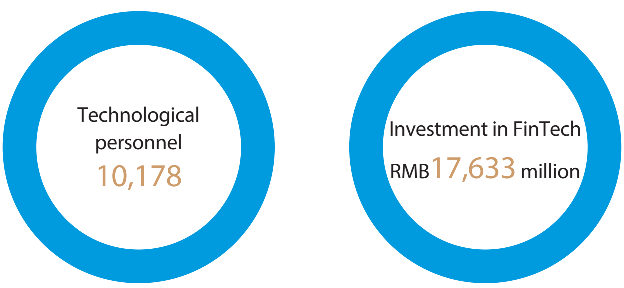
To pave the way for the "last mile" in financial services to rural community, the Group built an innovative and comprehensive service platform for rural revitalisation. The platform provides one-stop comprehensive services, including smart government affairs services, convenience services, e-commerce services and financial services for rural customers. At the end of 2019, "CCB Yunongtong" inclusive finance service outlets cover most of the administrative villages across the country, providing convenient and affordable transaction services for millions of farmers.

FinTech strategy

The Group strengthened the development of its intelligent platforms. It built an enterprise-wide network and information security management system, and promoted the building of its disaster recovery system. It established a smart operation platform with real-time perception, intelligent decision-making and automatic control functions to improve operation capacity. It also built an AI platform which supported 18 components, such as image and video recognition, and natural language processing, and covered 381 business scenarios. An Internet of Things platform was put in place to support the application of 5G+ Intelligent Banking, smart vault, and smart cash box. A robotic process automation platform undertook repetitive work in channel operation, credit card and other business processes, saving more than 500 working hours per day.

The Bank used its FinTech strength to support business development. It built a "scenario-oriented, personalised and intelligent" model of new retail banking, new corporate banking featuring "seamless integration of transactional businesses and emerging businesses", and "intelligent, efficient and stringent risk control" inclusive finance services. It also rolled out its New Generation core banking system to 29 overseas entities, created the new experience of "5G+ Intelligent Banking" outlets to customers, built the online process management capability by optimising customer journey, and established a "comprehensive, intelligent, targeted, timely, proactive and prospective" risk control system. It deepened its efforts in sectors such as construction, housing and social security, connected government institutions, businesses and customers with integrated solutions, and enhanced its capability to acquire and reactivate customers.

At the end of 2019, the number of technological personnel of the Group was 10,178, accounting for 2.75% of its total headcount. In 2019, the investment in FinTech was RMB17,633 million, accounting for 2.60% of its operating income.



Feature article

Implement New Finance and start the "Second Curve"

New Finance is a new form of finance, which is the outcome of China's new development concept and in line with the new normal of economic development. It features technology, inclusiveness and sharing, and is designed to serve the high-quality economic and social development as well as people's ever-growing needs for a better life. New Finance facilitates efficient and transparent government operation, precise and smart city administration, and convenient social services. It provides enterprises with smart and supportive solutions, sci-tech infrastructures and integrated financial services, to help them enhance resource allocation efficiency, reduce transaction costs and manage risks more effectively. It is embedded in various life scenarios, such as housing, transportation, education, medical care and elderly care, and serve as a "gentle scalpel" to deal with social problems, and directly provides considerate services that are ubiquitous and readily available.

Charles Handy, the management thinker, put forward the theory of "Second Curve" in his works. The essence of the "Second Curve" of financial sector is the business model innovation of New Finance. The Group actively pushes forward innovation and strives to start the "Second Curve" under the new model before the first curve reaches its peak under traditional development model. The Group's efforts towards New Finance focus on leaping out of traditional development path and seeking new business model and space, that is, focusing on the development of "Three Capabilities", pressing ahead with supply-side structural reform in financial sector, enhancing efforts in "Three Major Strategies" of house rental, inclusive finance and FinTech, starting its "Second Curve" in the New Finance explorations and creating the future power engine.

CORPORATE BANKING

Corporate deposits

In 2019, the Bank continued to consolidate its customer and account basis, deepened its cooperation with government institutions and enterprises, and maintained a steady growth in corporate deposits. At the end of 2019, domestic corporate deposits of the Bank amounted to RMB8,941,848 million, an increase of RMB274,526 million or 3.17% over the end of 2018. In this amount, demand deposits increased by 1.25%, and time deposits increased by 7.16%.

Feature article "Mingonghui" of CCB – serve and benefit the people with innovative approach

"Mingonghui" uses new technologies such as blockchain, big data, and the Internet of Things to help overcome the migrant workers' difficulty to get wages. By leveraging analysis and model calculation based on data of the entire industry chain, such as industrial and commercial registration, taxation, credit rating and transaction records, the Bank provides labour service companies with special loans for migrant workers' wages. It uses the Internet of Things tools such as electric fences and face recognition technologies to obtain employment information and attendance data etc., to ensure the accuracy and truthfulness of the payroll. The Bank uses its New Generation core banking system to create a closed loop of cash flow to ensure direct and accurate wage payment to bank cards of migrant workers from the special funds. In a word, "Mingonghui" achieves reliable sources of funds, valid payroll management and fully supervised payment processes.

Since its launch at the end of 2018, "Mingonghui" has now been deployed in all 37 tier-one branches and has received wide recognition from the society. It was rated as the most influential "Internet + Inclusive Service" platform by the All-China Federation of Trade Unions and the Cyberspace Administration of China and won the "Best Financial Innovation Award" from *The* Chinese *Banker* magazine. In 2019, the Bank cumulatively granted special loans of RMB45.5 billion via "Mingonghui", which benefited 4.29 million migrant workers in over 6,000 projects, and served manufacturing and mining industries as well as construction sector.

Corporate loans

The Bank continued to optimise its credit structure to support the development of the real economy and maintained steady growth of corporate loans and stable asset quality. At the end of 2019, domestic corporate loans and advances of the Bank amounted to RMB6,959,844 million, an increase of RMB462,166 million or 7.11% over the end of 2018. The NPL ratio of the corporate loans and advances was 2.47%, a slight decrease of 0.13 percentage points over the end of 2018.

The loans to infrastructure sectors reached RMB3,684,011 million, an increase of RMB224,393 million or 6.49% over the end of 2018, accounting for 52.93% of the corporate loans and advances, with the NPL ratio of 1.20%. The loans to private enterprises were RMB2.66 trillion, an increase of RMB331,501 million or 14.21% over the end of 2018. The loans to strategic emerging industries were RMB533,551 million, an increase of RMB147,978 million or 38.38% over the end of 2018. Agriculture-related loans amounted to RMB1.81 trillion, an increase of RMB47,839 million over the end of 2018. The number of network supply chain cooperation platforms reached 2,659, and a total of RMB879,927 million of network supply chain financing had been provided to 65 thousand enterprises. The property development loans were RMB396,303 million, an increase of RMB30,648 million over the end of 2018, mainly to support high-quality real estate developers and general commercial residential housing projects. By strictly implementing list-based management, the loans to overcapacity industries dropped by RMB5,513 million to RMB114,596 million as compared to the end of 2018.

Institutional business

Focusing on smart government affairs services, the Bank established innovative institutional business platforms, including benevolent religious affairs, senior citizen caring, party and masses work services, smart political and legal services, CCB smart campus application, CCB wise healthcare application, and smart payment for government charges, which had accumulatively handled over 30 million pieces of businesses. The Bank sponsored the China "Internet Plus" College Students Innovation and Entrepreneurship Competition for five consecutive years, benefiting nearly 10 million college students. Actively exploring new model to serve the veterans, the Bank established CCB Yunongtong veteran entrepreneurship service station, and sponsored CCB veteran entrepreneurship competition. To promote the rural revitalisation strategy, the Bank built a platform for rural funds, assets and resources as an effective community-level application of smart government affairs services strategy.

Feature article

Promote smart government affairs services to drive the development of digital China

Adhering to the principle of meeting the people's needs for a better life, the Bank actively fulfilled its mission as a big state-owned bank, and adopted innovative approaches to integrating government services and financial services to support the modernisation of governance system and capacity.

The Bank leveraged its "Finance + Technology + Capital" strengths to empower the development of the smart government affairs services platform and facilitate government data governance. It offered its channel service resources, and turned its outlets, mobile banking, and "CCB Yunongtong" platforms into government affairs halls for the public. For government services, the Bank strived to design one-stop services across regions, departments and approval levels to improve the accessibility and efficiency of government services. For public services, the Bank strived to reduce the processing time and cost for enterprises and individuals by virtue of digital technology to save people's time and energy.

The Bank fostered an ecology where governments, enterprises and individuals can share the value chain through the smart government affairs services platform, changed the way of acquiring customers from the single-point and decentralized marketing approaches to a network platform in a systemic manner, and initiated the Second Curve.

International business

The Bank persisted in innovation-led development, and continuously improved its international competitiveness. To support the steady growth of foreign trade and as one of the first banks directly linked to China International Trade Single Window, the Bank launched over 10 financial service functions, maintaining a leading advantage among peers. The "Cross-border e+" comprehensive financial service platform had 150,000 contracted customers, an increase of 173.60% over 2018. The Bank created a new series of "Cross-border Quick Loan", providing online financing services for small and micro businesses, and granted nearly RMB4 billion on a cumulative basis. The block chain trade finance platform launched functions such as domestic letter of credit, forfaiting, international factoring and refactoring, with a total amount of over RMB400 billion, attracting more than 50 bank customers. Besides, the Bank supported the implementation of the Belt and Road Initiative, deepened the cross-border financial cooperation in Guangdong-Hong Kong-Macao Greater Bay Area, and took the lead in the free trade zone business. It also won many awards such as "Most Innovative Bank for Trade Finance of the World" by *Global Finance*.

The Bank's RMB clearing banks in the UK, Switzerland and Chile operated steady. CCB London Branch continued to be the largest RMB clearing bank outside Asia, with a cumulative clearing amount of over RMB42 trillion. In 2019, the Bank's international settlement volume amounted to US$1.09 trillion, and the volume of cross-border RMB settlement was RMB1.68 trillion.

Custody service

The Bank actively leveraged its strengths in custody service to support national strategy, promoted business innovation, strengthened risk control, and achieved high-quality development of asset custody business. The Bank provided custody service to the Belt and Road Initiative construction projects of the state-owned asset management platform, actively engaged in the exchange traded funds ("ETF") project for reform of Sichuan state-owned enterprises, and facilitated insurance funds investment in the construction of important national infrastructure such as highways and bridges. The number of funds in the Science and Technology Innovation Board ("STAR Market") under custody of the Bank and the winning rate of its bidding for enterprise annuity custody service for central government-owned enterprises were both higher than its peers. It was also one of the first banks to provide custody services to cross-border conversion brokers of the global depository receipt and to funds under China-Japan ETF Connectivity scheme. At the end of 2019, assets under custody of the Bank amounted to RMB13.13 trillion, an increase of RMB912,255 million or 7.47% over the end of 2018; and fee income from custody service was RMB4,692 million, an increase of RMB137 million over the end of 2018.

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Settlement and cash management business

The settlement and cash management business continued to grow steadily. The Bank completed its work related to the PBC's lift of approval requirements on corporate bank accounts to optimise account opening service, and further improved its corporate account services. The Bank established an integrated professional corporate settlement service platform named "Huishibao" to support merchants and create a new service model. It also introduced "Jianguanyi" to help supervise funds in manufacturing industry, infrastructure investment and other fields, and to support the medical care insurance reform and projects on improving people's living standards. The Bank continued to improve its global cash management services to make funds in global accounts "visible and controllable" to its customers that invest abroad. At the end of 2019, the Bank had 11,053.4 thousand corporate RMB settlement accounts, an increase of 1,015.5 thousand, and its active cash management customers increased by 810.3 thousand to 2,966.6 thousand.

PERSONAL BANKING

Personal finance

The Bank strived to implement the concept of New Finance, and proactively promoted the development of new retail banking. It achieved balanced growth in quantity and quality of personal customers, maintained leading position among peers in terms of core business indicators, and further improved digitalised operation capability.

The Bank optimised innovative products and consolidated process management based on market trends and its fund status to achieve rapid growth in personal deposits. At the end of 2019, domestic personal deposits of the Bank rose by 12.03% over the end of 2018 to RMB8,706,031 million. In accordance with national macro-control policies and long-acting mechanism for real estate market, the Bank steadily carried forward the transition of pricing basis to LPR for new residential mortgages, and strictly implemented differentiated housing credit policies to support people's reasonable housing needs. The Bank supported the consumption upgrading, and granted self-service personal loans through "CCB Quick Loan" online channel to over 15 million customers, with an amount of RMB175.7 billion.

Entrusted housing finance business

The Bank actively enhanced the service standard of its system for entrusted housing finance business, steadily pressed ahead with its indemnificatory housing loans business to support low- and middle-income residents' housing needs for residential purpose. At the end of 2019, housing fund deposits were RMB878,927 million, and total balance of personal provident housing fund loans was RMB2,399,273 million. The Bank has cumulatively provided RMB115,971 million personal indemnificatory housing loans to nearly 600,000 low- and middle-income households.

Feature article Achieve a breakthrough at the customer community and build a better digital life for personal customers

The Bank focused on customers' needs, took a deep dive into scenarios creation, and established service touch points by "going out and bringing in" strategies, to grow its new digitalised service capability on a constant basis while enhancing its business middle desk's capability to support digitalised operations.

"Going out" means to empower partners with the Bank's financial capabilities to resonate with users in ecological scenarios. The Bank entered into strategic partnership with Xiaomi Finance to launch an online digital account "Mijin Card" and customised money market fund "Mijin Bao". The Bank also carried out multi-channel cooperation with Dmall by launching joint membership service and digital account "Dmall Change Card" in Dmall app. It deployed pilot customised intelligent self-service shopping terminals in Beijing Wumart which support code-scanning payment and CCB's face recognition payment. Furthermore, the Bank was the first to introduce a new service model of "face recognition payment enabled access + member wallet + weekly pass" for Zhengzhou Metro, and helped the city of Zhengzhou enter the new era of "smart tour" through digitalised marketing approaches.

"Bringing in" means to cooperate with industry professionals to provide customers with one-stop and all-round services. The upgraded "Long Pay" is able to recommend the best payment methods based on different scenarios in order to provide extremely simple, intelligent and fast payment experience for users. It built an enterprise-level cloud-based commercial platform where users can access non-financial services via a single gateway. The platform creates a digitalised operation journey from acquiring customers, reactivating customers, to value creation, by integrating frequent life scenarios such as car-hailing, bike sharing, food delivery, and cinema ticketing, and rigid demands such as smart services for government affairs and housing finance. It also built a service platform to create a comprehensive system of products, rights and services for car owners, and an integrated smart car owner travel ecosystem.

A	B	C	D
Seize the ecological entrance and promote scenario construction	Create new digital service capabilities	Construct the "business, data, technology" three-in-one large middle desk	Build agile banking and innovation culture
Core path	Market strategy	Key support	Mechanism protection

Debit card business

The Bank continuously intensified its efforts in mobile payment innovation. It continued to upgrade its "Long Pay" business, attracting 122 million users with 349 million transactions conducted in the year, making the Bank a leading presence among peers in terms of brand awareness and business scale. The Bank actively pressed ahead with the PBC's mobile payment model project to provide convenience service, and promoted the upgrading and expansion of its payment and settlement ecosystem. It also accelerated the development of open banking, and achieved batch customer acquisition and financial service output in external scenarios through cooperation with third-party institutions. At the end of 2019, the number of debit cards in use was 1,129 million, including 622 million financial IC cards. The transaction volume of debit cards in 2019 was RMB23.19 trillion, an increase of 10.42% over 2018.

Credit card business

The credit card business achieved rapid and sound development as the Bank implemented differentiated operating models for each region. The Bank actively promoted the innovation of its products for targeted customer bases such as young people, car owners and consumers shopping overseas. It introduced a range of products such as QQ Music Card, Feichi Changxing Long Card, and Joy Card and issued more than 2.2 million virtual credit cards, "Long Card Credit (Daiba)", which can be applied and issued online instantly. It actively promoted marketing for ETC, with more than 20 million credit card customers contracting for ETC service. It strengthened credit card-based mobile payment and payment innovation, and accelerated scenario-based deployment with merchants by launching more than one hundred innovative industry applications at the intelligent POS platform. It comprehensively improved its risk control and compliance management capability, optimised its risk strategies and differentiated credit approval system, strictly implemented regulatory requirements and strengthened the control of the use of funds. At the end of 2019, the cumulative number of credit cards issued by the Bank amounted to 133 million, an increase of 12,759,300 over the end of 2018. The transaction volume of credit cards was RMB3.15 trillion. The Bank outperformed its peers in asset quality, with loans of RMB741,197 million and NPL ratio of 1.03%.

Private banking

Upholding the principle of "high-quality service and excellent experience" for private banking, the Bank continued to build its banking expertise.

Professionalism ensures service quality. The Bank actively cooperated with high-quality third parties to continuously improve its specialised operating capability in wealth structure, legal and tax services and asset allocation, regularly issued investment strategies and special research reports, held high-level salons such as family wealth forum, and consolidated its leading position in family trust advisory business among peers, with the assets under its management reaching RMB28,605 million at the end of 2019.

Attentiveness wins customer trust. The Bank carried forward its refined service model with professional teams to enhance customer trust by uncovering and fully satisfying customer needs. To build a private banking model that integrates online and offline operation, the Bank enhanced its operating capability of private banking centres, improved functions of the mobile version of "CCB e-private banking" and optimised its deployment at channels, which effectively improved customer experience.

At the end of 2019, the financial assets of private banking customers amounted to RMB1.51 trillion, up by RMB160,823 million or 11.93% over the end of 2018. The number of private banking customers increased to 142,739, up by 15,528 or 12.21% over the end of 2018.

TREASURY BUSINESS

Financial market business

The Bank's financial market business actively responded to changes in the internal and external environments, and continued to make efforts in improving trading capabilities, strengthening customer base, expanding channel platforms, supporting small and medium-sized financial institutions and enhancing risk control management. With these efforts, it expanded business smoothly, maintained a leading position in terms of key operational indicators and steadily sharpened its competitive edge.

Money market business

The Bank used a combination of money market tools, maintained reasonable RMB and foreign currency funding positions, and strengthened active operations to ensure sound liquidity. With regard to RMB money market business, the Bank closely followed monetary policies with in-depth understanding of market movement patterns, and strengthened forward-looking research to maintain stable positions and maximise returns on its funds. With regard to foreign currency money market portfolio, the Bank paid close attention to the impact of changes in US Federal Reserve's policies, Sino-US trade frictions and other factors on USD liquidity, and made proper arrangement of the maturities of inflows and outflows, which ensured that its foreign currency liquidity stayed reasonably adequate throughout the year.

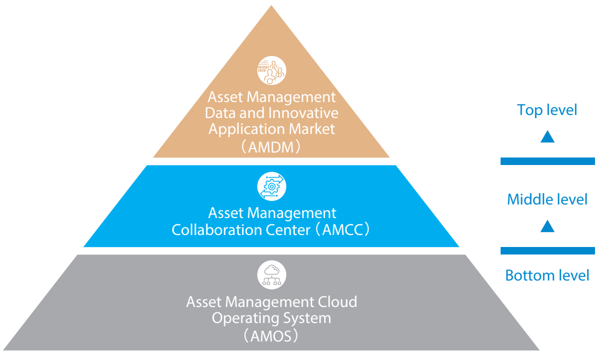
Debt securities investments

The Bank achieved a balance between liquidity, security and returns on debt securities investments. With regard to investment in RMB debt securities, the Bank adhered to the strategy of value investing, and optimised its portfolio structure with reasonable pace of investment. With regard to investments in foreign currencies debt securities, the Bank paid close attention to interest rate movements in global market, actively adjusted its portfolio structure, and increased the volatility operations in order to raise the overall returns of investments.

Customer-based trading business

The Bank steadily promoted the high-quality development of its customer-based trading business. It consolidated its customer base with a record number of customers. And it built the CCB Finance Market E-Trading platform and a Financial Derivative Pricing system supported by FinTech, and expanded counterparties to meet the hedging demands of foreign institutional investors. It also conducted in-depth strategy research and built its market trading brand. Moreover, it strengthened compliance management to ensure the healthy development of its customer-based trading business. In 2019, customer-based trading business amounted to US$387.1 billion, and the volume of foreign exchange market-making transactions reached US$3.20 trillion. The Bank maintained the leading position in the comprehensive ranking of interbank foreign exchange market makers.

Feature article Build a new group-wide asset management system and create a mega asset management ecosystem

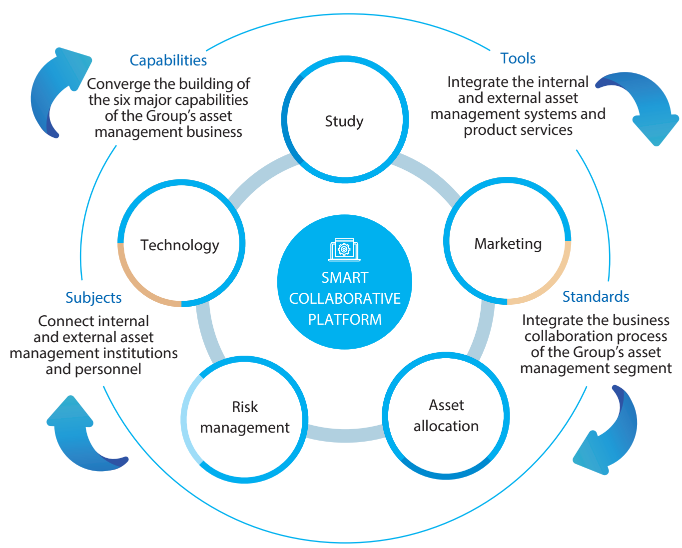


FinTech: "Big Asset Manager" Framework

The Group has a variety of asset management products, covering wealth management, fund, trust, insurance asset management, pension and other niches. In 2019, the Group completed the overall design and set up the framework of its new asset management system to facilitate high-quality development of its asset management business. It was the first bank to set up and start a wealth management subsidiary. It also actively implemented the new regulations on asset management to prevent and mitigate financial risks.

The Group accelerated transformation from a big "assets holder" to "a big assets manager". It coordinated various aspects of asset management, such as channel sales, asset allocation, investment research, risk management, investment and operation, and FinTech, to create a new asset management model for modern commercial bank that suits CCB. It continued to develop the asset management operating system ("AMOS"), asset management cooperation centre ("AMCC") and asset management data market ("AMDM"), and built its "Mega Asset Manager" system. Leveraging its advantages as a group, it focused on asset management industry chain, gathered all kinds of upstream investors and downstream managers, and integrated high-quality accounting, legal, trust custody and other high-quality asset management service resources together. It conducted multi-level cooperation with world-class asset managers, forged strong connections by sharing services and capabilities and making deals, and built a CCB-oriented asset management business ecosystem.

In 2020, the Group will continue to press ahead with the development of its new Group-wide asset management system, realise the smooth and orderly transition of wealth management business, and improve its capability to satisfy the comprehensive investment, financing and capital market development needs of customers. It will also improve its overall capabilities of value creation and risk control, and enhance its market competitiveness in asset management.



Cooperative participation: "SMART", the Group's asset management overall planning and coordination platform

Precious metals and commodities

The Bank achieved sound development of its precious metals and commodities business in compliance with regulations. It continued to expand commodity hedging business with new products in PX, naphtha, apples, etc., in order to meet the diversified investment and trading needs of its customers. In 2019, the total trading volume of precious metals of the Bank reached 74,274 tonnes, and the number of personal customers for precious metals and commodities trading reached 49.78 million.

Asset management

The Bank strictly followed regulatory policies to accelerate the transformation of its asset management model, and constantly optimised its product and asset structure. At the end of 2019, the Group's wealth management products (WMPs) amounted to RMB2,145,723 million. In this amount, those managed by the Bank were RMB2,061,897 million, and those managed by CCB Wealth Management were RMB83,826 million.

At the end of 2019, the Bank's net asset value type products amounted to RMB478,533 million, an increase of RMB178,909 million over the end of 2018, with 285 net asset value type products issued during the year. The WMPs to personal customers increased steadily, and accounted for 78.80% of the total with an amount of RMB1,624,721 million. The asset structure was further optimised, and mismatches in maturity were reduced significantly. At the end of 2019, the Bank's direct and indirect investments of wealth management business totalled RMB2,145,757 million. Specifically, cash, deposits and interbank negotiable certificates of deposit were RMB533,876 million, accounting for 24.88% of the total; bonds were RMB679,460 million, accounting for 31.67%; non-standardised debt assets were RMB721,420 million, accounting for 33.62%; and other assets were RMB211,001 million, accounting for 9.83%. The standard assets that can be traded in the open market accounted for 47.06%, amounting to RMB1,009,782 million, an increase of RMB195,972 million or 24.08% over the end of 2018. To protect the interests of customers and carry out product transition to CCB's subsidiaries in an orderly manner, it smoothly transferred "Qianyuan – Longbao" (daily) product of RMB72,280 million to the subsidiary with nearly 250,000 personal customers involved in December 2019. In 2019, the Bank independently issued various WMPs totalling RMB7,771,813 million to effectively meet the investment needs of customers, including 276 principal-guaranteed WMPs with an amount of RMB353,192 million at issuance, and 8,019 non-principal-guaranteed WMPs with an amount of RMB7,418,621 million at issuance. A total of 441 principal-guaranteed WMPs with an amount of RMB518,123 million and 8,614 non-principal-guaranteed WMPs with an amount of RMB7,380,095 million matured in 2019. At the end of 2019, the Bank's WMPs totalled RMB2,061,897 million. Specifically, the balance of the remaining 179 principal-guaranteed WMPs was RMB176,847 million, a decrease of RMB164,932 million from the end of 2018; the balance of the remaining 4,003 non-principal-guaranteed WMPs was RMB1,885,050 million, an increase of RMB38,526 million over the end of 2018.

Investment banking business

In order to deepen the supply-side structural reform in financial sector, the Bank focused on key social and economic issues, proactively served the real economy, and provided enterprises with comprehensive financial solutions that include both funds and ideas. In 2019, the Bank's income from investment banking reached RMB5,536 million as the bond underwriting business maintained its leading advantage and the financial advisory business showed a strong growth momentum. A total of 666 batches of debt financing instruments were underwritten for non-financial enterprises, with an amount of RMB478 billion. By applying Credit Risk Mitigation Warrants ("CRMW") and other instruments, the Bank underwrote debt financing instruments worth RMB22,580 million and undertook asset-backed securitisation projects for private enterprises of RMB7,470 million. The Bank also undertook debt financing instruments projects of RMB3.7 billion for "innovation and entrepreneurs" businesses, poverty alleviation debts of RMB6.2 billion, and inclusive finance credit assets backed securitisation projects of RMB2,148 million. It deepened the cooperation in green finance sector and underwrote green bond projects totalling RMB24 billion. The cumulative amount of overseas debts underwritten by the Bank reached US$69,129 million, and the total investments in debt-to-equity swaps and other integrated deleveraging businesses reached RMB217,922 million. Meanwhile, the Bank actively served customers with potential to list on the STAR Market and provided tailor-made financial services solutions.

Financial institutional business

The Bank vigorously promoted the application of FinTech strategy in financial institutional business, built an interbank cooperation platform, and launched 21 services such as intelligent risk control for retail banking and big data governance advisory service to help customers reduce costs, prevent and control risks, and improve efficiency. At the end of 2019, the amounts due to other domestic financial institutions (including insurance deposits) were RMB1,528,007 million, an increase of RMB248,754 million or 19.45% over the end of 2018. The Bank's assets placed with other domestic financial institutions were RMB684,009 million, a decrease of RMB81,662 million over the end of 2018.

OVERSEAS COMMERCIAL BANKING BUSINESS

The Group steadily expanded its overseas business and institutional network to enhance globalised customer service capability and international competitiveness. Astana Branch in Kazakhstan and Labuan Branch in Malaysia opened for business in September and October 2019, respectively. By the end of 2019, the Group had established overseas institutions in 30 countries and regions. The Group had wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand, CCB Brasil and CCB Malaysia, and held 60% of equity in CCB Indonesia. Net profit of overseas commercial banking institutions of the Group in 2019 was RMB8,946 million, a year-on-year increase of 11.84%.

CCB Asia

China Construction Bank (Asia) Corporation Limited is a licensed bank registered in Hong Kong with an issued and fully paid capital of HK$6,511 million and RMB17,600 million.

CCB Asia holds a license to engage in multiple lines of business, with its core base in Hong Kong and Macau and a wide reach that spreads to the mainland of China and Southeast Asia. The targeted customers of its wholesale business include local Blue-Chip and large Red-Chip companies, large Chinese conglomerates and multinational corporations, while it also provides top financial services to premium local customers. CCB Asia has rich experience and traditional advantages in providing professional financial services such as overseas syndicated loans and structured finance and has achieved rapid growth in corporate financial services in international settlement, trade finance, financial market trading, large structured deposits and financial advisory service. CCB Asia is the Group's service platform for retail and small and medium-sized enterprises in Hong Kong, and has 46 branches and outlets (including branches, wealth management centres and personal loan centres). At the end of 2019, total assets of CCB Asia amounted to RMB405,231 million, and shareholders' equity was RMB62,814 million. Net profit in 2019 was RMB3,246 million.

CCB London

China Construction Bank (London) Limited, a wholly-owned subsidiary of the Bank, was established in the UK in 2009, with a registered capital of US$200 million and RMB1.5 billion.

CCB London is dedicated to serving Chinese institutions in the UK, British companies with investment in China, and enterprises involved in Sino-British bilateral trade. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, financial market trading products, etc. At the end of 2019, total assets of CCB London amounted to RMB3,880 million, and shareholders' equity was RMB3,677 million. Net profit in 2019 was RMB16 million.

CCB Russia

China Construction Bank (Russia) Limited, a wholly-owned subsidiary of the Bank, was established in Russia in 2013, with a registered capital of RUB4.2 billion. CCB Russia holds a comprehensive banking license, a precious metal business license and a security market participant license issued by the Central Bank of Russia.

CCB Russia is dedicated to providing financial services to support construction of projects under the Belt and Road Initiative and trade and investment between China and Russia. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, financial market trading, financial institutional business and clearing, etc. At the end of 2019, total assets of CCB Russia amounted to RMB3,168 million, and shareholders' equity was RMB722 million. Net profit in 2019 was RMB18 million.

CCB Europe

China Construction Bank (Europe) S.A., a wholly-owned subsidiary of the Bank, was established in Luxembourg in 2013, with a registered capital of EUR200 million. Based in Luxembourg, CCB Europe has established branches in Paris, Amsterdam, Barcelona, Milan and Warsaw.

CCB Europe mainly provides services to large and medium-sized Chinese enterprises in Europe as well as European multinational enterprises in China. It is mainly engaged in corporate deposits and loans, international settlement and trade finance, and cross-border trading. At the end of 2019, total assets of CCB Europe amounted to RMB10,427 million, and shareholders' equity was RMB1,425 million. Net profit in 2019 was RMB15 million.

CCB New Zealand

China Construction Bank (New Zealand) Limited, a wholly-owned subsidiary of the Bank, was established in New Zealand in 2014, with a registered capital of NZD199 million.

CCB New Zealand holds wholesale and retail business license, and offers all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and cross-border trading. At the end of 2019, total assets of CCB New Zealand amounted to RMB8,686 million, and shareholders' equity was RMB1,063 million. Net profit in 2019 was RMB52 million.

CCB Brasil

China Construction Bank (Brasil) Banco Múltiplo S/A is a wholly-owned subsidiary acquired by the Bank in Brasil in 2014. Its predecessor, Banco Industrial e Comercial S.A., was changed to its present name in 2015.

CCB Brasil provides banking services, including corporate loans, trading and personal lending, as well as non-banking financial services such as leasing. CCB Brasil has eight domestic branches and sub-branches in Brasil, one Cayman branch, five wholly-owned subsidiaries, and one joint venture. The wholly-owned subsidiaries provide personal loans, credit cards, finance leasing and other services, while the joint venture focuses on factoring. At the end of 2019, total assets of CCB Brasil amounted to RMB34,220 million, and shareholders' equity was RMB2,705 million. Negative net profit in 2019 was RMB61 million.

CCB Malaysia

China Construction Bank (Malaysia) Berhad, a wholly-owned subsidiary of the Bank, was established in Malaysia in 2016, with a registered capital of MYR822.6 million. It replenished Tier-2 capital amounting to US$200 million in August 2019.

As a licensed commercial bank, CCB Malaysia can provide various financial services, including global credit granting, trade finance, supply chain finance, clearing in multiple currencies, and cross-border fund transactions for key projects under the Belt and Road Initiative, enterprises engaging in Sino-Malaysian bilateral trade, and large local infrastructure projects in Malaysia. At the end of 2019, total assets of CCB Malaysia amounted to RMB10,798 million, and shareholders' equity was RMB1,448 million. Net profit in 2019 was RMB27 million.

CCB Indonesia

PT Bank China Construction Bank Indonesia Tbk is a fully licensed commercial bank listed on the Indonesia Stock Exchange, with a registered capital of IDR1.66 trillion. Headquartered in Jakarta, CCB Indonesia has 87 branches and sub-branches across the country. The Bank completed the acquisition of 60% equity in PT Bank Windu Kentjana International Tbk in September 2016 and renamed it PT Bank China Construction Bank Indonesia Tbk in February 2017.

CCB Indonesia is committed to promoting bilateral investment and trade between China and Indonesia, including providing major support to the Belt and Road Initiative, promoting local development and serving Blue-Chip companies in Indonesia. Its business priorities include corporate business, small and medium-sized enterprise business, trade finance and infrastructure finance. At the end of 2019, total assets of CCB Indonesia amounted to RMB9,410 million, and shareholders' equity was RMB1,323 million. Net profit in 2019 was RMB34 million.

INTEGRATED OPERATION SUBSIDIARIES

The Group has multiple domestic and overseas subsidiaries, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, Sino-German Bausparkasse, CCB Futures, CCB Pension, CCB Property & Casualty, CCB Investment, CCB Wealth Management and CCB International. In 2019, the overall development of integrated operation subsidiaries was robust with steady business growth. At the end of 2019, total assets of integrated operation subsidiaries were RMB603,687 million. Net profit in 2019 reached RMB3,809 million.

CCB Principal Asset Management

CCB Principal Asset Management Co., Ltd., was established in 2005, with a registered capital of RMB200 million, to which the Bank, Principal Financial Services, Inc. and China Huadian Capital Holdings Company Limited contribute 65%, 25% and 10%, respectively. It is engaged in the raising and selling of funds, and asset management.

CCB Principal Asset Management maintained its leading position in various business indicators. At the end of 2019, total assets managed by CCB Principal Asset Management were RMB1.62 trillion. Specifically, mutual funds were RMB529,505 million; separately managed accounts were RMB534,554 million, and assets managed by its subsidiary CCB Principal Capital Management Co., Ltd. reached RMB553,427 million. At the end of 2019, total assets of CCB Principal Asset Management were RMB6,996 million, and shareholders' equity was RMB5,880 million. Net profit in 2019 was RMB1,238 million.

CCB Financial Leasing

CCB Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2007, with a registered capital of RMB8 billion. It is mainly engaged in finance leasing, transfer and purchase of finance lease assets, fixed-income securities investment, etc.

CCB Financial Leasing took root in the real economy, focused on sectors including transportation infrastructure, green energy, advanced manufacturing and people's livelihood services, expanded the development of aircraft leasing and shipping leasing, actively and steadily developed overseas business, and consolidated risk management and control foundation. As a result, it maintained a low NPL ratio in the industry with steadily improved development quality and results. At the end of 2019, total assets of CCB Financial Leasing were RMB131,076 million, and shareholders' equity was RMB16,013 million. Net profit in 2019 was RMB1,521 million.

CCB Trust

CCB Trust Co., Ltd. is a trust subsidiary invested and controlled by the Bank in 2009, with a registered capital of RMB2,467 million. The Bank and Hefei Xingtai Financial Holding (Group) Co., Ltd. hold 67% and 33% of its shares, respectively. It is mainly engaged in trust business, investment banking and proprietary business.

CCB Trust stepped up efforts in improving compliance in its operations, actively engaged in innovation-driven development, and delivered strong operating results. At the end of 2019, trust assets under management amounted to RMB1,391,232 million. Total assets of CCB Trust were RMB31,586 million, and shareholders' equity was RMB20,801 million. Net profit in 2019 was RMB2,218 million.

CCB Life

CCB Life Insurance Co., Ltd. was established in 1998 with a registered capital of RMB4,496 million. The Bank, China Life Insurance Co., Ltd. (Taiwan), the National Council for Social Security Fund, China Jianyin Investment Limited, Shanghai Jin Jiang International Investment and Management Company Limited, and Shanghai China-Sunlight Investment Co., Ltd. hold 51%, 19.9%, 14.27%, 5.08%, 4.9% and 4.85% of its shares, respectively. It is mainly engaged in personal insurance such as life, health, accidental injury insurance and reinsurance of the above-mentioned offerings.

CCB Life pressed ahead with its business transformation and its financial results continued to improve. At the end of 2019, total assets of CCB Life were RMB177,197 million, and shareholders' equity was RMB12,844 million. Net profit in 2019 was RMB757 million.

Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. was established in 2004 with a registered capital of RMB2 billion. The Bank and Bausparkasse Schwaebisch Hall AG hold 75.10% and 24.90% of its shares, respectively. As a specialised commercial bank committed to serving the housing finance sector, Sino-German Bausparkasse is engaged in housing savings deposits and loans, residential mortgages, and real estate development loans for indemnificatory housing supported by state policies.

In 2019, Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products increased to RMB31,989 million. At the end of 2019, total assets of Sino-German Bausparkasse were RMB22,758 million, and shareholders' equity was RMB2,948 million. Net profit in 2019 was RMB45 million.

CCB Futures

CCB Futures Co., Ltd. is a futures subsidiary invested and controlled by the Bank in 2014, with a registered capital of RMB561 million. CCB Trust and Shanghai Liangyou (Group) Co., Ltd. hold 80% and 20% of its shares, respectively. It is mainly engaged in commodity futures brokerage, financial futures brokerage, asset management and futures investment advisory business. CCB Trading Company Limited, a wholly-owned subsidiary of CCB Futures, is engaged in pilot risk management operations approved by the CSRC, such as warehouse receipt service and pricing service, and general trade business.

CCB Futures actively served the real economy and maintained stable development in all business lines. At the end of 2019, total assets of CCB Futures were RMB7,543 million, and shareholders' equity was RMB680 million. Net profit in 2019 was RMB8 million.

CCB Pension

CCB Pension Management Co., Ltd. was established in 2015 with a registered capital of RMB2.3 billion. The Bank and the National Council for Social Security Fund hold 85% and 15% of its shares, respectively. It is mainly engaged in investment and management of national social security funds, businesses related to management of enterprise annuity funds, entrusted management of pension funds, and pension advisory service for the above-mentioned asset management activities.

CCB Pension strived to build a financial ecosystem for pension and CCB pension service brand, successfully completed signing of the first "house-deposit for pension" business and continued to optimise the comprehensive pension service platform. It won all the public tenders for occupational annuity plans of centrally managed regions. At the end of 2019, assets under management amounted to RMB541,701 million. Total assets of CCB Pension were RMB3,088 million, and shareholders' equity was RMB2,472 million. Net profit in 2019 was RMB197 million.

CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. was established in 2016 with a registered capital of RMB1 billion. CCB Life, Ningxia Communications Investment Group Co., Ltd. and Yinchuan Tonglian Capital Investment Operation Co., Ltd. hold 90.2%, 4.9% and 4.9% of its shares, respectively. It is mainly engaged in motor vehicle insurance, insurance for business and household property, construction and engineering, liability insurance, hull and cargo insurance, short-term health and accidental injury insurance, and reinsurance of the above-mentioned offerings.

CCB Property & Casualty witnessed a steady business development. At the end of 2019, total assets of CCB Property & Casualty were RMB1,116 million, and shareholders' equity was RMB545 million. Negative net profit in 2019 was RMB98 million.

CCB Investment

CCB Financial Asset Investment Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2017, with a registered capital of RMB12 billion. It is mainly engaged in debt-for-equity swaps and relevant supporting businesses.

CCB Investment adopted a market-oriented and law-based approach and achieved a leading position in the market in terms of debt-for-equity swaps business. As at end of 2019, the total contractual amount in terms of framework agreements was RMB854,352 million and the actual investment amount was RMB314,631 million. At the end of 2019, total assets of CCB Investment were RMB102,680 million, and shareholders' equity was RMB12,417 million. Net profit in 2019 was RMB287 million.

CCB Wealth Management

CCB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2019, with a registered capital of RMB15 billion. It is mainly engaged in the offering of WMPs, investment and management of properties entrusted by investors, and wealth management advisory and consulting services.

In June 2019, as the first wealth management subsidiary of a commercial bank established in China, CCB Wealth Management was officially opened. The establishment of CCB Wealth Management will further improve the Group's proactive management capability and professionalism in wealth management and asset management business, to support the steady development of the real economy and capital market. At the end of 2019, total assets of CCB Wealth Management were RMB15,217 million, and shareholders' equity was RMB15,060 million. Net profit in 2019 was RMB60 million.

CCB International

CCB International (Holdings) Limited, established in 2004 with a registered capital of US$601 million, is one of the Bank's wholly-owned subsidiaries in Hong Kong. It offers through its subsidiaries investment banking related services, including sponsoring and underwriting of public offerings, corporate merger and acquisition and restructuring, direct investment, asset management, securities brokerage and market research.

Affected by downward economy and fluctuating capital market, CCB International adjusted business strategy and risk appetite, reduced assets moderately and slowed down the growth in new investments. At the end of 2019, total assets of CCB International were RMB75,727 million, and shareholders' equity was RMB7,433 million. Negative net profit in 2019 was RMB2,515 million.

ANALYSED BY GEOGRAPHICAL SEGMENT

The following table sets forth, for the periods indicated, the distribution of the Group's profit before tax by geographical segment:

	2019		2018	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	52,927	16.20	49,754	16.15
Pearl River Delta	54,439	16.67	48,878	15.86
Bohai Rim	33,564	10.28	33,146	10.76
Central	39,834	12.20	41,131	13.35
Western	34,420	10.54	42,631	13.83
Northeastern	8,505	2.60	782	0.25
Head Office	97,271	29.78	81,572	26.47
Overseas	5,637	1.73	10,266	3.33
Profit before tax	326,597	100.00	308,160	100.00

The following table sets forth, as at the dates indicated, the distribution of the Group's assets by geographical segment:

	As at 31 December 2019		As at 31 December 2018	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Yangtze River Delta	4,749,945	13.57	4,552,908	13.78
Pearl River Delta	3,767,856	10.76	3,568,920	10.80
Bohai Rim	5,574,202	15.92	5,294,864	16.03
Central	4,487,688	12.82	4,207,180	12.73
Western	3,670,832	10.49	3,448,750	10.44
Northeastern	1,286,929	3.68	1,179,534	3.57
Head Office	9,745,744	27.84	9,090,812	27.52
Overseas	1,722,884	4.92	1,694,519	5.13
Total assets[1]	35,006,080	100.00	33,037,487	100.00

1. Total assets exclude elimination and deferred tax assets.

The following table sets forth, as at the dates indicated, the distribution of the Group's loans and NPLs by geographical segment:

(In millions of RMB, except percentages)	As at 31 December 2019 Gross loans and advances	% of total	NPLs	NPL ratio (%)	As at 31 December 2018 Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	2,584,684	17.24	25,796	1.00	2,386,931	17.36	26,234	1.10
Pearl River Delta	2,320,984	15.49	24,914	1.07	2,085,684	15.17	24,077	1.15
Bohai Rim	2,527,254	16.86	43,954	1.74	2,292,606	16.68	42,331	1.85
Central	2,684,077	17.91	46,289	1.72	2,418,013	17.59	34,087	1.41
Western	2,480,840	16.55	40,008	1.61	2,277,666	16.57	36,092	1.58
Northeastern	738,388	4.93	20,384	2.76	712,310	5.18	25,850	3.63
Head Office	747,741	4.99	8,185	1.09	685,733	4.99	8,123	1.18
Overseas	903,938	6.03	2,943	0.33	887,312	6.46	4,087	0.46
Gross loans and advances excluding accrued interest	14,987,906	100.00	212,473	1.42	13,746,255	100.00	200,881	1.46

The following table sets forth, as at the dates indicated, the distribution of the Group's deposits by geographical segment:

(In millions of RMB, except percentages)	As at 31 December 2019 Amount	% of total	As at 31 December 2018 Amount	% of total
Yangtze River Delta	3,141,230	17.10	2,933,998	17.15
Pearl River Delta	2,830,395	15.41	2,514,306	14.70
Bohai Rim	3,368,554	18.34	3,106,230	18.16
Central	3,624,357	19.73	3,498,480	20.44
Western	3,457,424	18.83	3,262,605	19.07
Northeastern	1,216,744	6.63	1,115,627	6.52
Head Office	9,175	0.05	7,241	0.04
Overseas	510,907	2.78	492,942	2.88
Accrued interest	207,507	1.13	177,249	1.04
Total deposits from customers	18,366,293	100.00	17,108,678	100.00

BUILDING OF BRANCH NETWORK AND CHANNELS

The Group provides its customers with convenient and high-quality services through branches and sub-branches, self-service facilities and specialised service entities across the world as well as e-banking service platforms. At the end of 2019, the Bank had a total of 14,912 operating entities, consisting of 14,879 domestic entities including the head office, 37 tier-one branches, 355 tier-two branches, 14,184 sub-branches, 301 outlets, a specialised credit card centre at the head office level, and 33 overseas entities. The Bank had 19 major subsidiaries with a total of 561 entities, including 383 domestic ones and 178 overseas ones.

Physical channels

The Bank continued to promote the integration of online and offline channels and positioned its outlets as a comprehensive platform connecting online platforms with the local communities to meet people's needs for a better life.

The Bank maintained the reasonable and appropriate number and composition of outlets to expand its service coverage of core areas and inclusive finance. The Bank upgraded its outlet layouts and relocated 278 outlets in 2019, of which 55.04% were located in Bohai Rim, Yangtze River Delta and Pearl River Delta. To meet the national development requirements for inclusive finance, the Bank established 91 outlets targeting the small and micro businesses, agriculture, farmers and rural areas, mass entrepreneurship and innovation and poverty alleviation, and expanded its reach into nine new counties that previously had no outlet presence, making the number of county outlets reach 4,341, accounting for 29.34% of the total. The Bank also continued to optimise its self-service network. It had 86,767 ATMs, 27,126 self-service banks, including 12,757 off-premise self-service banks, and 50,135 smart teller machines to fully support corporate and personal banking. The Bank had established nearly 300 private banking centres, set up 288 small business operating centres, and built over 1,500 personal loan centres.

The Bank accelerated the building of intelligent operation systems at the group level to promote the intelligent and ecological transformation of outlets. The Bank introduced the robotic process automation (RPA) technology, established China's first enterprise-level RPA management and operation platform and implemented agile research and development of 100 business application scenarios, realising automation of manual processes and machine-controlled risk management processes. The Bank set up an incubation laboratory to build intelligent identification capability, realising intelligent information collection of nine types of counter vouchers (e.g., checks), corporate financial statements and business licenses, which replaced up to 28% of manual information collection volume. The Bank promoted a cloud-based production model and standardised operating rules for corporate foreign exchange policy regulatory review and authorisation review, achieving shared operation at the bank level. The Bank introduced new concept banking outlets by setting up "5G+ Intelligent Banking" outlets and introduced an innovative "face scanning" approach for 14 types of high-frequency services in physical channels. The Bank strengthened online and offline collaborative operations and launched a new service model as WeChat Mini Program "CCB At Home" on a pilot basis to provide its customers with integrated financial services by way of "online order, centralised processing, physical distribution and doorstep service".

The Bank enriched non-financial services at the outlets to better serve its customers. The Bank opened 14,310 "Workers' Harbours" to the public, which served approximately 102 million comers offline with online user visits of over 48.16 million. The Bank cooperated with 316 institutions such as labour unions and sanitation companies to promote the "Workers' Harbours +" model, covering integrated government affairs services, convenient services for residents' daily life, poverty alleviation, education and training, technologies and intelligence, and special group services. The Bank launched the campaign of "smart government affairs" on 46,000 smart teller machines at 10,015 outlets in 33 tier-one branches, providing 166 public services such as taxation, heath care, official documents, pension and judicial services, 95 of which are "one-stop services". The Bank organised the "Year of Service Quality Improvement" activity. In 2019, the Bank ranked first in the banking industry in terms of the number of Top 100 Civilised and Standardised Service Outlets and Five-Star Outlets as rated by the China Banking Association.

E-channels

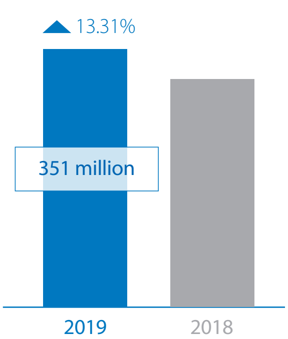
In 2019, the Bank adhered to its mobile-first strategy, strengthened the application of FinTech, promoted the innovation of online financial security services and enhanced the level of intelligent risk prevention and control, so as to provide quality and secure e-financial services for all customers.

Mobile finance

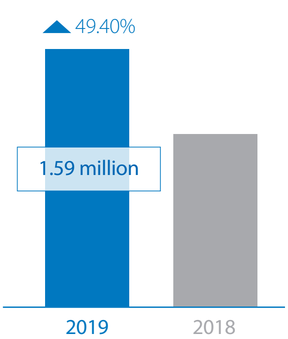
Led by personal mobile banking innovation, the Bank set up an open platform for mobile banking micro application, launched smart voice banking and picture recognition-enabled money transfer services, and realised linking bank cards with phone numbers by one click, which reduced customers' manual input and improved customer experience. At the end of 2019, the number of personal mobile banking users rose to 351 million, an increase of 41.21 million or 13.31% over 2018, and the number of transactions was 17,317 million, amounting to RMB58.93 trillion. The Bank enriched functions and services of corporate mobile banking and launched a special zone for small and micro businesses. The number of corporate mobile banking users reached 1.59 million, an increase of 0.53 million or 49.40% over 2018, and the number of transactions was 9.73 million, amounting to RMB1.06 trillion. The number of users who followed the Bank's WeChat account reached 102 million, an increase of 12.78 million or 14.35% over 2018, and the number of transactions was 11.65 million, amounting to RMB28,814 million. The number of SMS financial service users reached 464 million, an increase of 39 million or 9.10% over 2018, and the number of transactions was 0.13 million, amounting to RMB647 million.

At the end of 2019, the number of e-banking financial transactions accounted for 94.77% of the total transactions at the bank level. 74% of funds sales, 53% of insurance sales, 43% of WMPs sales and 88% of personal quick loan granting were completed via personal mobile banking. The strength in mobile banking data traffic became a solid foundation, which supports the development of the Bank's retail business.

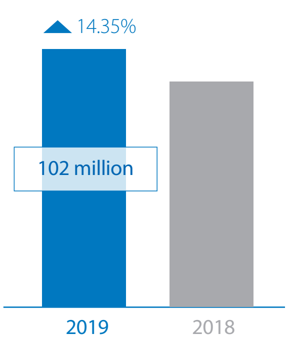
Personal mobile banking users



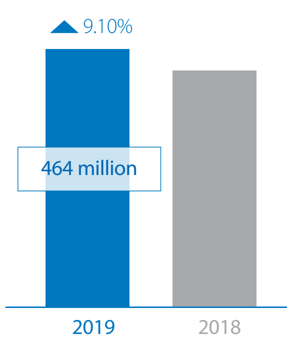
Corporate mobile banking users



Users who followed the Bank's WeChat account



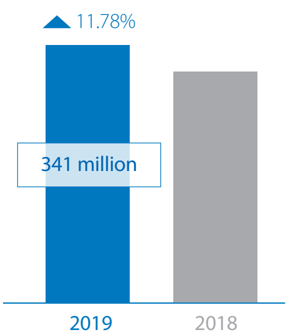
SMS financial service users



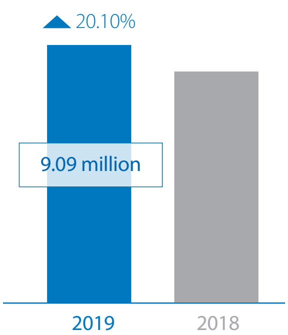
Online banking

The Bank promoted the development of personal online banking with digitalised marketing and customer base-specific strategy, enriched investment and wealth management products and provided services such as asset planning and asset allocation. At the end of 2019, the number of personal online banking users rose to 341 million, an increase of 35.94 million or 11.78% over 2018, and the number of transactions was 31,165 million, amounting to RMB31.09 trillion. The Bank launched credit report inquiry service for corporate online banking to assist small and micro businesses and private enterprises in financing and credit enhancement. It also launched corporate online banking for schools to expand school payment scenarios. Corporate online banking was launched in 29 overseas entities of the Bank. At the end of 2019, the number of corporate online banking users rose to 9.09 million, an increase of 1.52 million or 20.10% over 2018, and the number of transactions was 2,038 million, amounting to RMB208.68 trillion.

Personal online banking users



Corporate online banking users



Online payment

The Bank launched an "Aggregate Pay" brand, an innovative card acquiring product that provides one-point access, one-stop fund settlement and reconciliation services, covering scenarios in various sectors, including restaurants, supermarkets, transportation, logistics and health care. At the end of 2019, the number of merchants that used the aggregate payment service was 3.22 million, an increase of 4.94% over 2018. The total amount of aggregate payment transactions through UnionPay, Alipay and WeChat reached RMB1,093,073 million, an increase of 261.78%, and the number of transactions stood at 4,572 million, up 308.70% year on year. The amount of online payment (including refund and cash withdrawal) of the Bank reached RMB29.64 trillion, up 9.1% year on year. The number of transactions reached 45,737 million, up 9.6% year on year, leading the industry in terms of online payment.

E.ccb.com

The Bank pressed ahead with poverty alleviation through e-commerce based on E.ccb.com and established various poverty alleviation pavilions in cooperation with local governments and state-owned enterprises. By the end of 2019, E.ccb.com had 4,230 poverty alleviation merchants, covering 925 poverty-stricken counties, and 28 provincial poverty alleviation e-commerce marketplaces. The poverty alleviation transaction volume on E.ccb.com amounted to RMB14,417 million, an increase of 4,410 million or 44.07% over 2018. The number of effective buyers was 2.39 million, an increase of 0.83 million or 53.41%, and the transaction volume amounted to RMB127,680 million, an increase of RMB10,254 million or 8.73% over 2018.

Remote intelligent banking

The Bank expanded the application of AI and other FinTech to create quality service experience that is convenient, efficient, customised and available anytime and anywhere. The Bank launched a multimedia contact centre platform that can be accessed via multiple channels such as telephone, WeChat and SMS. The customer service chain was expanded overseas, and the comprehensive service capacity of "manual + intelligent" was significantly enhanced. In 2019, the total number of customers served across all channels was 1,688 million. 90.73% of manual inquiries were successfully connected to customer service representatives. The Bank deployed AI robots in various fields. Its WeChat official account "CCB Customer Service" had 5.97 million followers and cumulatively served over 28 million customers.

PRODUCT INNOVATION

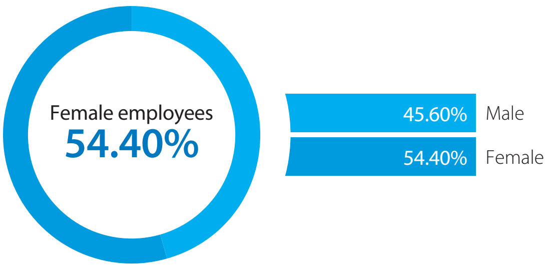
In 2019, the Bank was actively engaged in product innovations, completed 1,648 product innovations and deployed 2,435 products. The quantity and quality of innovation improved simultaneously. The Bank focused its efforts on creating an innovative atmosphere for all staff, optimised management mechanism and consolidated management foundation by actively launching the innovation marathon activity and building mass innovation platform and product tree.

The Bank intensified its efforts in house rental, launched the "Jianrong Public Rental Housing" online platform, a public rental housing operation and management system and intelligent public rental housing products to create a smart ecosystem of public rental housing community. The Bank expanded inclusive finance services, set out service plans for "mass entrepreneurship and innovation" for young entrepreneurs in the Guangdong-Hong Kong-Macao Greater Bay Area, issued debt financing tools for "mass entrepreneurship and innovation", and launched cloud-based loans for incubation and a series of entrepreneurship and innovation products such as poverty alleviation loans and technology acceptance loans. The Bank launched "Hui e Nong" quick loans, smart county convenient products for residents, Beijing suburb featured homestay loans, and order guarantees for apples, to provide all-round services for rural customers. The Bank built an intelligent reconciliation platform for merchants to achieve systematical and automatic reconciliation of acquiring bills and clearing bills. The Bank launched the "Self-service Store" project, using "Long Pay" for self-service checkout and collection to enhance customer experience of smart city.

HUMAN RESOURCES

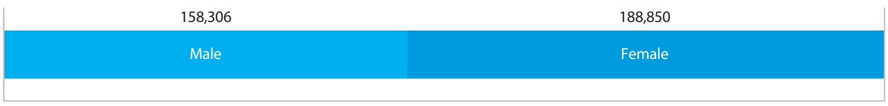
At the end of 2019, the Bank had 347,156 employees, an increase of 0.34% from 2018 (not including 3,774 workers dispatched by labour leasing companies, a decrease of 4.14% from 2018). The number of employees with academic qualifications of bachelor's degree or above was 242,408 or 69.83%, and the number of local employees in overseas entities was 817. In addition, the Bank assumed the expenses of 78,886 retired employees.

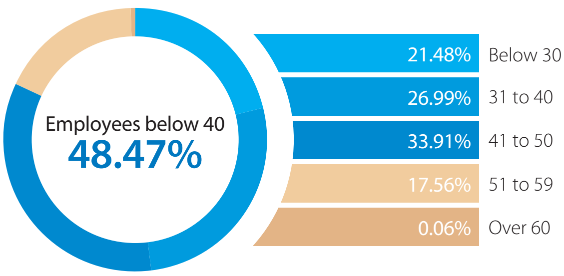
The compositions of the Bank's employees by age, academic qualification and responsibilities are as follows:



Gender	Number of employees	% of total
Male	158,306	45.60
Female	188,850	54.40

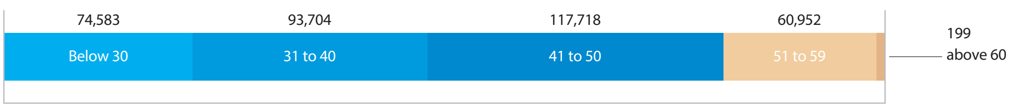
Gender

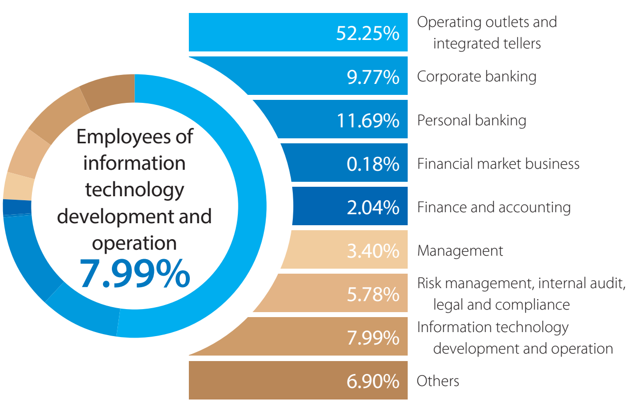




Age	Number of employees	% of total
Below 30	74,583	21.48
31 to 40	93,704	26.99
41 to 50	117,718	33.91
51 to 59	60,952	17.56
Over 60	199	0.06

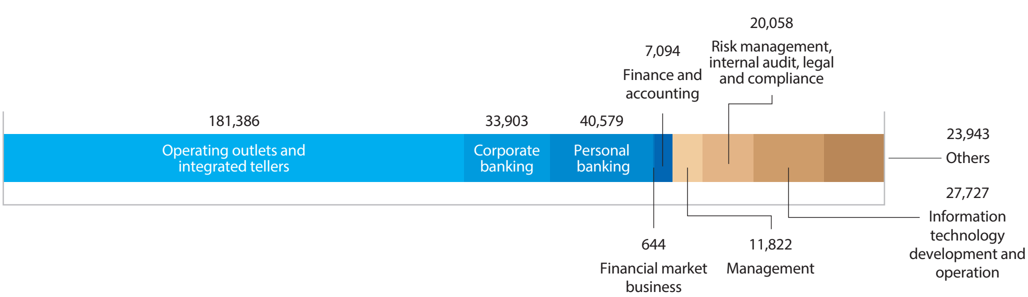
Age

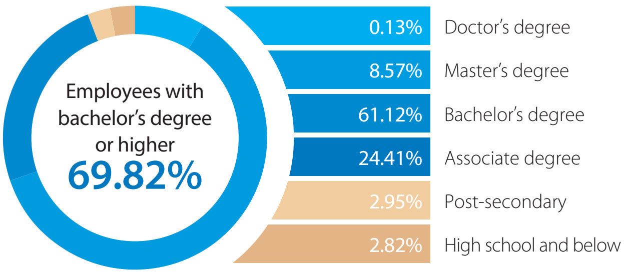




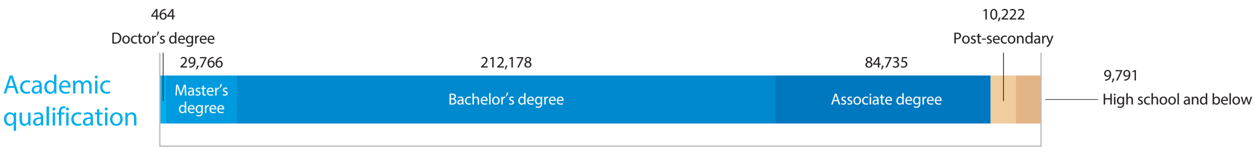
Responsibilities	Number of employees	% of total
Operating outlets and integrated tellers	181,386	52.25
Corporate banking	33,903	9.77
Personal banking	40,579	11.69
Financial market business	644	0.18
Finance and accounting	7,094	2.04
Management	11,822	3.40
Risk management, internal audit, legal and compliance	20,058	5.78
Information technology development and operation	27,727	7.99
Others	23,943	6.90

Responsibilities





Academic qualification	Number of employees	% of total
Doctor's degree	464	0.13
Master's degree	29,766	8.57
Bachelor's degree	212,178	61.12
Associate degree	84,735	24.41
Post-secondary	10,222	2.95
High school and below	9,791	2.82



Staff remuneration policies

The Bank is committed to maintaining order and harmony in remuneration allocation, and continuously improves the level of performance and remuneration management to serve the development of the whole bank.

Pursuant to relevant government policies regarding remuneration reform of state-owned enterprise leaders, annual remunerations for the Bank's leaders administered by the Central Committee of the Communist Party of China include three parts, namely the basic annual salary, performance-based annual salary and tenure incentive income. If a material error arises during a leader's tenure and causes a significant loss for the Bank, part or the entirety of the paid-out performance-based annual salary and tenure incentive income may be reclaimed. The Bank's major allocation policies and other significant matters relating to remuneration management should be reviewed by the nomination and remuneration committee under the Board. Material proposals relating to remuneration allocation should be voted at and approved by the shareholders' general meeting or be reported to the competent authority of the state for approval and filing.

The Bank makes full use of remuneration allocation to motivate and constrain its employees. In order to encourage value creation, it continues to favour sub-branch level, front-line and direct value creation posts in terms of remuneration increase and grants allowance for outlets employee, in order to stimulate the enthusiasm of frontline employees to create greater value and improve the Bank's profitability. The Bank strengthens the role of performance assessment as an incentive to improve the cost-efficiency of its human resources and match remuneration to performance. The Bank improves rules and requirements related to deferred payment and clawback of performance-based remuneration for key positions. For employees subject to disciplinary sanctions or other penalties due to non-compliance with rules or breach of duties, their remunerations are deducted in accordance with relevant rules and measures.

Staff training

The Bank establishes a professional education platform for its employees through CCB University. It develops a preliminary curriculum system with unified teaching standards and a complete set of functions through independent development, cooperative development and external curriculum introduction, etc. The Bank organises various programmes such as pre-job training, on-the-job training, off-site training, business simulation, skills contest, online learning, skills enhancement programmes, and overseas training for champion talents and urgently-needed talents. In 2019, CCB University held on-site training sessions covering 86,000 employees and 67 training sessions targeting talent growth, covering more than 3,700 employees. The Bank held live training via the network platform of CCB University, which covered all 37 domestic tier-one branches with a total of over 320,000 employees and 6.38 million employees participated in the online learning. The Bank also organised job-related examinations, involving 18 business lines and 32 subjects, with over 160,000 participants.

Feature article A corporate university fostering New Finance and new ecosystem for a new era

Born in a new era, CCB University focuses on New Finance and prospers by fostering a new ecosystem.

As a corporate university growing in a new era, it helps the Bank to sharpen the edge of financial services, provides shared education services for the communities to achieve better life, and strives to advance the building of an all-round prosperous society. As a corporate university focusing on New Finance, it improves the quality and efficiency of the financial sector to serve the real economy, enhances the capability to control financial risks, and presses ahead with further reform of commercial banks. As a corporate university fostering a new ecosystem, it works together with colleges and universities to study social "pain point" issues and establish the Industry-Education Integration Alliance for New Financial Talents. The Alliance is a production-study-research-application integrated platform on which banks, governments, universities and enterprises collaboratively explore new ways to transform research results into practical outcomes. Currently, CCB University has 10 regional campuses, 10 specialised campuses and 37 provincial-level campuses managed by the local tier-one branches with 4,571 lecturers and 6,922 courses on various subjects.

In 2019, to perform the mission of "serving the society, serving corporate strategy and serving employees", CCB University actively practiced the concepts of "specialisation, sharing, technology-driven and internationalisation", supported major national strategies and proactively fulfilled its social responsibility. As a pioneer in providing education services to benefit the people, CCB university held 14,700 "Financial Literacy Promotion" training sessions with a total of 1.35 million participants, including 204,000 small and micro businesses owners, 109,000 individual business owners, 223,000 people engaged in agricultural business and 268,000 college students. It also launched the Summer Campaign of "Sending Ten-Thousand Students to Rural Areas for Social Practice", in which over 10,000 students from 1,200 domestic and overseas colleges and universities visited 10,800 villages, 54,000 rural households, and over 3,600 county-level enterprises across the country, benefiting 110,000 villagers.

Staff in subsidiaries

The subsidiaries of the Bank had 23,013 employees (not including 457 workers dispatched by labour leasing companies), an increase of 1,988 over 2018. Specifically, the domestic and overseas employees numbered 17,716 and 5,297 respectively. In addition, the subsidiaries assumed the expenses of 243 retired employees.

House Rental

Long-term leasing is long-term residence, and long-term residence means settling down

The Bank actively advocated the idea of "Long-term leasing is long-term residence, and long-term residence means settling down".

House rental industry alliance

The Bank formed an alliance with the players of the housing rental industry to provide residents with better rental experience by standardising renovation and professional services, and establishing a new house rental ecosystem featuring openness, sharing and efficiency.

Over 20 million

The comprehensive house rental service platform gradually became a network and had been launched in 324 administrative regions at the prefecture level and above, with over 20 million properties listed online.

Over 800 thousand

The Bank introduced an innovative house deposit business and attracted more vacant properties into the rental market, with over 800,000 contracted apartments on a cumulative basis.

More than 40 cities

"Digital Property" system helped to improve the governance capacity in the field of housing construction and has been extended to more than 40 cities nationwide.

The Bank supported the "Dream Community" urban villages renovation project, helping people to build their dream homes in Guangzhou.

CCB建融家园

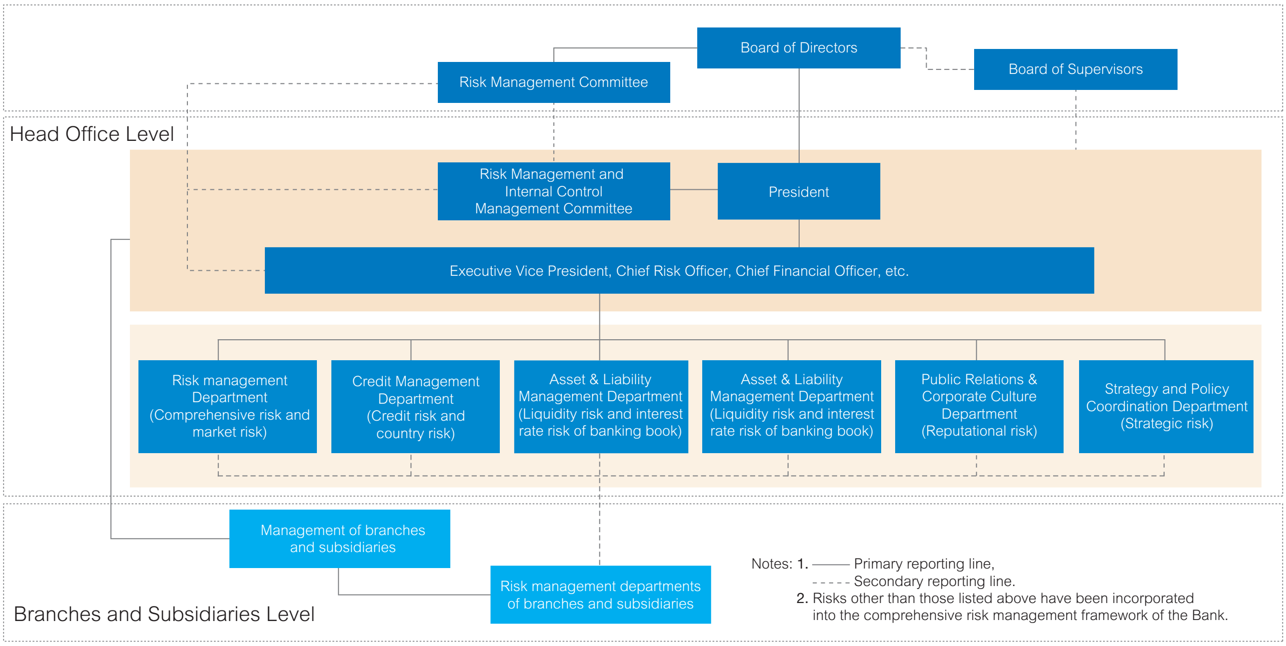
RISK MANAGEMENT

In 2019, the Group adhered to the guiding principle that business development should be bounded by its risk management and control capabilities, and solidly developed the comprehensive, proactive, and intelligent risk prevention, monitoring and management system. The Group's asset quality remained solid and all types of risks were kept stable. Its ability to prevent financial risks was further improved, shoring up the stable operation and innovative development of the Group.

The Group has continuously cultivated a "steady, prudent, comprehensive and proactive" risk culture, promoted the refined management of entities at all levels, all kinds of risks and businesses, proactively integrated risk management into strategies, management, businesses and processes and made proactive research to prevent and mitigate potential risks. The Group has built an intelligent risk control system. It accelerated the transformation from "manual control" to "machine control + intelligent control", and improved the digital, intelligent and intensive level of risk control.

RISK MANAGEMENT STRUCTURE

The risk management organisational structure of the Bank comprises the Board and its special committees, the senior management and its special committees, the risk management departments, etc. The basic structure is as follows:



The Board carries out the risk management responsibility pursuant to the Articles of Association of the Bank and other related regulatory requirements. The risk management committee under the Board is responsible for making risk management strategies, monitoring their implementation, and evaluating the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and communicates risk appetite through relevant policies. The board of supervisors oversees the building of the comprehensive risk management system, as well as the performance of the Board and the senior management in fulfilling their comprehensive risk management responsibilities. The senior management is responsible for carrying out the risk strategies adopted by the Board and organising the implementation of the comprehensive risk management activities across the Group.

Chief Risk Officer of the Bank assists the President with the corresponding risk management work within designated responsibilities. Risk management department is the leading management department responsible for the Group's comprehensive risk management, and the market risk management department, its subordinate department, is in charge of the management of market risks. Credit management department is the leading management department responsible for the overall credit risk management and country risk management. Asset & liability management department is the leading management department responsible for the management of liquidity risk and interest rate risk of the banking book. Internal control & compliance department is the leading management department responsible for operational risk and information technology risk management. Public relations & corporate culture department is in charge of reputational risk management. Strategy and policy coordination department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for other respective risks.

The Bank places high priority on the risk management of subsidiaries, monitors their adherence to the risk appetite and conducts the overall risk assessment of subsidiaries on a regular basis. It established a centralised reporting mechanism for the risk management of subsidiaries, pushing subsidiaries to continuously improve their corporate governance. The subsidiaries implemented the risk management requirements of the parent bank through their corporate governance mechanisms, and established and improved their comprehensive risk management systems to enhance their compliance and risk management capabilities.

CREDIT RISK MANAGEMENT

In 2019, the world economic growth continued to slow down, and the downward pressure on the domestic economy increased. Against the backdrop of the complex and tough external environment, the Group established and continued to improve its comprehensive, proactive and intelligent risk prevention, monitoring and management system, and continued to optimise its credit asset structure. As a result, the asset quality remained solid with steady improvement.

The Group continued to adjust its credit structure. It enhanced its advantage in retail business, expanded inclusive finance business, promoted the sustainable development of green finance and housing rental businesses, and consolidated the development advantage in infrastructure sectors. It vigorously supported the transformation and upgrading of manufacturing industry, and raised the speed of its response to the market. The Group also strengthened the control over substantive risks in key areas and emerging businesses. It gave full play to the comprehensive credit line management as a platform for resource allocation and structure adjustment, strengthened customer selection standards, and strictly implemented the credit strategy.

The Group improved its credit process and mechanism. It used FinTech to strengthen pre-lending diagnosis, and improved its rules and procedures for evaluation, rating, and credit approval. It pushed forward centralized credit approvals at tier-one branches. And the Group enhanced quality of loan review and disbursement in the lending process, promoted the post-lending follow-up meeting mechanism and intensive management of collaterals, and built a smart collection platform for retail business. It improved its unified credit risk monitoring system across the group, and promoted multi-dimensional and penetrating monitoring.

The Group enhanced risk measurement capabilities. It heightened the support of measurement tools for customer selection, management decision-making and risk control, developed and applied an online business Risk Scan & Detect system, optimised the scorecard for retail small and micro businesses, launched a risk limits model for retail customers, and promoted deeper application of the risk evaluation system for personal customers in marketing. It developed and applied a rating and risk limits model for municipal and prefecture-level local governments and optimised the rating model of large and medium-sized manufacturers, and realized the intelligent recognition and input of financial statements. The Group deeply applied the risk alert and detect system and an intelligent mobile risk control application. It also optimised the economic capital measurement model and guided its branches to balance risks and returns.

The Group strengthened its special asset operation capabilities. It intensified the disposal of non-performing assets, and improved the "quantity, quality and efficiency" of operation and disposal synergistically. It actively promoted the market-oriented debt-to-equity swaps of non-performing assets, and effectively defused the credit risk of private enterprises. It also increased investments in FinTech, deepened the research of online products, and built a digital and intelligent platform for special asset resolution.

Distribution of loans by five-category classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include substandard, doubtful and loss categories.

	As at 31 December 2019		As at 31 December 2018	
(In millions of RMB, except percentages)	Amount	% of total	Amount	% of total
Normal	14,336,247	95.65	13,157,944	95.72
Special mention	439,186	2.93	387,430	2.82
Substandard	105,633	0.71	81,432	0.59
Doubtful	82,569	0.55	93,270	0.68
Loss	24,271	0.16	26,179	0.19
Gross loans and advances excluding accrued interest	14,987,906	100.00	13,746,255	100.00
NPLs	212,473		200,881	
NPL ratio		1.42		1.46

In 2019, the Group built and continuously optimised comprehensive, proactive and intelligent risk prevention, monitoring and management system. By improving capability for credit management, it adjusted credit structure, improved the level of refined process management and consolidated risk basis. As a result, the asset quality remained solid with steady improvement. At the end of 2019, the Group's NPLs were RMB212,473 million, an increase of RMB11,592 million over 2018. The NPL ratio stood at 1.42%, a decrease of 0.04 percentage points from 2018. The special mention loans accounted for 2.93% of the gross loans and advances to customers excluding accrued interest, an increase of 0.11 percentage points over 2018.

Distribution of loans and NPLs by product type

The following table sets forth the Group's loans and NPLs by product type as at the dates indicated.

	As at 31 December 2019			As at 31 December 2018		
(In millions of RMB, except percentages)	Loans	NPLs	NPL ratio (%)	Loans	NPLs	NPL ratio (%)
Corporate loans and advances	6,959,844	171,846	2.47	6,497,678	169,248	2.60
Short-term loans	2,205,697	79,342	3.60	2,000,945	73,974	3.70
Medium to long-term loans	4,754,147	92,504	1.95	4,496,733	95,274	2.12
Personal loans and advances	6,477,352	26,736	0.41	5,839,803	24,076	0.41
Residential mortgages	5,305,095	12,484	0.24	4,753,595	11,414	0.24
Credit card loans	741,197	7,651	1.03	651,389	6,387	0.98
Personal consumer loans	189,588	2,643	1.39	210,125	2,302	1.10
Personal business loans	44,918	1,184	2.64	37,287	1,391	3.73
Other loans	196,554	2,774	1.41	187,407	2,582	1.38
Discounted bills	492,693	724	0.15	308,368	–	–
Overseas operations and subsidiaries	1,058,017	13,167	1.24	1,100,406	7,557	0.69
Gross loans and advances excluding accrued interest	14,987,906	212,473	1.42	13,746,255	200,881	1.46

Distribution of loans and NPLs by industry

The following table sets forth the Group's loans and NPLs by industry as at the dates indicated.

	As at 31 December 2019				As at 31 December 2018			
(In millions of RMB, except percentages)	Loans	% of total	NPLs	NPL ratio (%)	Loans	% of total	NPLs	NPL ratio (%)
Corporate loans	6,959,844	46.43	171,846	2.47	6,497,678	47.27	169,248	2.60
Transportation, storage and postal services	1,398,515	9.33	23,305	1.67	1,307,712	9.51	16,033	1.23
Manufacturing	1,080,296	7.21	71,289	6.60	1,092,369	7.95	79,422	7.27
Leasing and commercial services	1,058,276	7.06	8,927	0.84	962,465	7.00	4,647	0.48
– Commercial services	1,038,417	6.93	8,518	0.82	928,327	6.75	4,338	0.47
Production and supply of electric power, heat, gas and water	794,734	5.30	8,176	1.03	803,746	5.85	9,075	1.13
Real estate	560,580	3.74	5,274	0.94	510,045	3.71	8,505	1.67
Wholesale and retail trade	494,876	3.30	25,954	5.24	373,246	2.72	26,064	6.98
Water, environment and public utility management	423,191	2.82	3,912	0.92	390,220	2.84	2,390	0.61
Construction	310,783	2.07	5,359	1.72	281,932	2.05	5,907	2.10
Mining	205,966	1.38	8,685	4.22	222,771	1.62	11,281	5.06
– Exploitation of petroleum and natural gas	1,438	0.01	89	6.19	3,231	0.02	90	2.79
Information transmission, software and information technology services	72,430	0.48	874	1.21	53,230	0.39	410	0.77
– Telecommunications, broadcast and television, and satellite transmission services	27,716	0.18	34	0.12	26,382	0.19	38	0.14
Education	64,791	0.43	255	0.39	64,212	0.47	397	0.62
Others	495,406	3.31	9,836	1.99	435,730	3.16	5,117	1.17
Personal Loans	6,477,352	43.22	26,736	0.41	5,839,803	42.48	24,076	0.41
Discounted bills	492,693	3.29	724	0.15	308,368	2.24	–	–
Overseas operations and subsidiaries	1,058,017	7.06	13,167	1.24	1,100,406	8.01	7,557	0.69
Gross loans and advances excluding accrued interest	14,987,906	100.00	212,473	1.42	13,746,255	100.00	200,881	1.46

In 2019, the Group optimised its credit policies, refined customer selection criteria, maintained strict industry limits, and continuously improved its credit structure. It actively supported the transformation and upgrade of manufacturing industry, and made concrete efforts to support the real economy. The NPL ratio of infrastructure sectors remained relatively low. The amounts and ratios of NPLs in the manufacturing industry, and wholesale and retail trade both decreased compared to 2018. The NPL ratio of personal loans stayed flat.

Rescheduled loans and advances to customers

The following table sets forth the Group's rescheduled loans and advances to customers as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2019 Amount	As at 31 December 2019 % of gross loans and advances excluding accrued interest	As at 31 December 2018 Amount	As at 31 December 2018 % of gross loans and advances excluding accrued interest
Rescheduled loans and advances to customers	6,030	0.04	5,818	0.04

At the end of 2019, the rescheduled loans and advances to customers increased by RMB212 million to RMB6,030 million over 2018, and their proportion in gross loans and advances excluding accrued interest stayed flat.

Overdue loans and advances to customers

The following table sets forth the Group's overdue loans and advances to customers by overdue period as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2019 Amount	As at 31 December 2019 % of gross loans and advances excluding accrued interest	As at 31 December 2018 Amount	As at 31 December 2018 % of gross loans and advances excluding accrued interest
Overdue within three months	48,567	0.32	55,045	0.40
Overdue between three months and six months	23,125	0.15	27,131	0.20
Overdue between six months and one year	46,297	0.31	38,132	0.28
Overdue between one and three years	42,843	0.29	45,970	0.33
Overdue for over three years	12,051	0.08	9,443	0.07
Total overdue loans and advances to customers	172,883	1.15	175,721	1.28

At the end of 2019, overdue loans and advances to customers decreased by RMB2,838 million to RMB172,883 million from 2018, and their proportion in gross loans and advances excluding accrued interest dropped by 0.13 percentage points.

Migration rate of loans

(%)	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
Migration rate of normal loans	2.52	2.26	2.31
Migration rate of special mention loans	15.97	20.19	24.26
Migration rate of substandard loans	50.11	66.44	71.14
Migration rate of doubtful loans	20.60	16.39	14.12

1. The migration rate of loans is calculated according to the relevant regulations of the CBIRC on a consolidated basis.

Large Exposures Management

The Group established and improved its large exposure management system, standards and processes, and established its large exposure management measures and limit management procedures. It promoted the building of its IT system, and enhanced online management of large exposures for all products across different systems and business lines.

Concentration of loans

At the end of 2019, the Group's gross loans to the largest single borrower accounted for 2.65% of the total capital after regulatory adjustment, while those to the top ten customers accounted for 10.82% of the total capital after regulatory adjustment.

Concentration indicator	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
Proportion of loans to the largest single customer (%)	2.65	2.95	4.27
Proportion of loans to top ten customers (%)	10.82	13.05	13.90

The Group's top ten single borrowers as at the date indicated are as follows:

		As at 31 December 2019	
(In millions of RMB, except percentages)	Industry	Amount	% of gross loans and advances excluding accrued interest
Customer A	Transportation, storage and postal services	69,958	0.47
Customer B	Transportation, storage and postal services	32,484	0.22
Customer C	Transportation, storage and postal services	30,176	0.20
Customer D	Transportation, storage and postal services	25,478	0.17
Customer E	Finance	23,299	0.15
Customer F	Transportation, storage and postal services	22,838	0.15
Customer G	Finance	22,000	0.15
Customer H	Transportation, storage and postal services	21,028	0.14
Customer I	Finance	19,299	0.13
Customer J	Transportation, storage and postal services	18,805	0.12
Total		285,365	1.90

LIQUIDITY RISK MANAGEMENT

The Board assumes the ultimate responsibility for liquidity risk management, authorises its special committees to discharge relevant duties, and reviews and approves the liquidity risk strategy and risk appetite. The senior management carries out the liquidity risk strategy set by the Board, and organises the implementation of the liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and the senior management in the liquidity risk management. The asset & liability management department leads in the Bank's daily liquidity risk management, and forms an executive system together with the business management departments and branches to perform specific duties in liquidity risk management. The subsidiaries assume the primary responsibility for their own liquidity risk management.

The Group's objective for liquidity risk management is to ensure the security of its payment and settlement, and the overall strategy features prudence, decentralisation, coordination and diversification. Liquidity risk arises from such major factors and events as a significant drop in liquidation of current assets, a massive outflow of wholesale and retail deposits, falling availability of wholesale and retail financing, shorter financing periods, increasing financing costs, significant adverse changes in market liquidity and a sudden breakdown of the Bank's payment and settlement system, etc. In light of the regulatory requirements, external macro environment and the Bank's business development, the head office formulates approaches to liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out intra-day liquidity management, conducts stress testing at the group level regularly, and reviews and assesses contingency plans.

In 2019, the Group adhered to the principle of robustness and prudence to manage liquidity risk, coordinated and tackled the changes in internal and external funding, managed the access to funding and the use of funds, actively adapted to the adjustment of monetary policy instruments, and reasonably adjusted the size and structure of assets and liabilities. The Group used FinTech to strengthen liquidity risk management fundamentals. With coordinated efforts of the parent bank and its subsidiaries, the level of refined liquidity risk management was fully elevated, and the security of the Bank's payment and settlement was ensured.

Stress testing of liquidity risk

The Group conducted quarterly stress testing on its liquidity risk in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It improved its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

Indicators of liquidity risk management

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

The following table sets forth the liquidity ratios, and loan-to-deposit ratio of the Group as at the dates indicated.

(%)		Regulatory standard	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
Liquidity ratio[1]	RMB	≥25	51.87	47.69	43.53
	Foreign currency	≥25	68.29	84.88	74.52
Loan-to-deposit ratio[2]	RMB		77.68	73.71	70.73

1. Calculated by dividing current assets by current liabilities in accordance with the requirements of the CBIRC.
2. Calculated on the basis of domestic legal person in accordance with the requirements of the CBRC.

In accordance with the requirements of the *Administrative Measures for Liquidity Risk Management of Commercial Banks*, the liquidity coverage ratio equals to high-quality liquid assets divided by net cash outflows in the future 30 days. High-quality liquid assets of the Group mainly include securities guaranteed or issued by sovereign states and central banks with a risk weight of zero or 20%, and central bank reserves that may be used under stress circumstances. The average daily liquidity coverage ratio of the Group in the fourth quarter of 2019 was 154.83% which met the regulatory requirements. The liquidity coverage ratio in the fourth quarter increased by 16.00 percentage points over the previous quarter, mainly due to the increase of high-quality liquid assets, secured lending (including reverse repos and securities borrowing) and cash inflows from fully performing exposures.

The following table sets forth the liquidity coverage ratio of the Group as at the dates indicated.

(In millions of RMB, except percentages)	Fourth quarter 2019	Third quarter 2019	Second quarter 2019	First quarter 2019	Fourth quarter 2018
High-quality liquid assets	4,323,267	4,196,573	4,309,848	4,317,948	4,209,453
Net cash outflows	2,806,467	3,027,574	2,996,749	2,938,487	2,991,869
Liquidity coverage ratio (%)[1]	154.83	138.83	143.88	147.12	140.78

1. Calculated in accordance with the applicable regulatory requirements, definitions and accounting standards for the period. All figures represent simple arithmetic means of the values for every calendar day in the quarter.

Net stable funding ratio ("NSFR") is calculated by dividing available stable funding by the required stable funding. It is used to evaluate whether commercial banks have sufficient and stable funding sources to meet the needs of various assets and off-balance sheet risk exposures. According to the applicable regulatory requirements, definitions and accounting standards for the period, as at 31 December 2019, the Group's NSFR was 129.12%, meeting the regulatory requirements. It was 1.48 percentage points lower than that as at 30 September mainly due to the increase in the required stable funding in performing loans and securities and other assets. It was 0.71 percentage points higher than that as at 30 June, mainly due to the increase in the available stable funding in retail deposits and deposits from small business customers and wholesale funding.

The following table sets forth the NSFR of the Group as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2019	As at 30 September 2019	As at 30 June 2019	As at 31 March 2019	As at 31 December 2018
Available stable funding	17,720,370	17,329,553	16,991,797	16,914,591	15,994,683
Required stable funding	13,723,611	13,269,145	13,232,894	13,202,701	12,645,878
NSFR (%)	129.12	130.60	128.41	128.11	126.48

Please refer to "Unaudited Supplementary Financial Information" for details of liquidity coverage ratio and net stable funding ratio.

The analysis of the Group's assets and liabilities by remaining maturity as at the dates indicated is set out below.

(In millions of RMB)	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Net gaps as at 31 December 2019	2,700,022	(10,568,933)	37,627	(483,565)	(183,339)	2,445,984	8,287,331	2,235,127
Net gaps as at 31 December 2018	2,596,087	(10,147,155)	(144,391)	(585,977)	(106,509)	3,181,995	7,197,544	1,991,594

The Group regularly monitors the maturity gaps between its assets and liabilities for various businesses in order to assess its liquidity risk in different time periods. As at 31 December 2019, the cumulative maturity gap of the Group was RMB2,235,127 million, an increase of RMB243,533 million over 2018. The negative gap for repayment on demand was RMB10,568,933 million, an increase of RMB421,778 million over 2018, mainly due to the relatively fast growth of deposits from its expansive customer base. Considering the low turnover rate of the Group's demand deposits and steady growth of deposits, the Group expects to enjoy a stable source of funding and maintain a sound liquidity position in the future.

MARKET RISK MANAGEMENT

Interest rate risk and exchange rate risk are the main market risks faced by the Group.

In 2019, the Group actively responded to fluctuations in foreign exchange, bond and stock markets, and effectively prevented imported risks and cross risk contagion. It improved its rules and policies in terms of products, businesses and customers, improved the long-term mechanism of market risk management, fully strengthened the building of its IT systems, and consolidated the foundation of market risk management. As a result, its market risk management capability is further enhanced.

The Group strengthened the monitoring of key market developments and related risks, enhanced the research on response to major risk events, built a system of monitoring indicators for market risk and trading and investment business, and expanded the unified risk picture for its trading and investment customers. It established a mechanism for tracking customers with large exposures risk and taking early measures, and used online tools to improve the quality and efficiency of early warning. It promoted the building of an intelligent management and control platform for investment and trading business, developed a risk management system for asset management business, and launched a risk alert system for bond underwriting and a risk classification system for interbank business, thereby standardising the financial market trading operations. It carried forward the transformation of asset management business steadily, and strengthened risk management during the transition period. It also strengthened new product risk assessment and risk prevention. And it enhanced management on business access criteria, risk screening, and information reporting etc., and prevented financial risk contagion across institutions, markets and industries.

Value at Risk analysis

The Bank divides its on- and off-balance sheet assets and liabilities into trading book and banking book. The Bank performs value at risk (VaR) analysis on its trading portfolio to measure and monitor the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices. The Bank calculates the VaRs of its RMB and foreign currency trading portfolios on a daily basis (at a confidence level of 99% and with a holding period of one trading day).

The VaR analysis of the Bank's trading book as at the balance sheet date and during the respective periods is as follows:

	2019				2018			
(In millions of RMB)	As at 31 December	Average	Maximum	Minimum	As at 31 December	Average	Maximum	Minimum
Risk valuation of trading portfolio	253	302	341	227	327	179	336	92
Interest rate risk	59	85	117	57	85	59	104	32
Exchange risk	262	298	361	234	323	176	332	77
Commodity risk	4	12	31	–	–	6	39	–

Interest rate risk management

The primary sources of interest rate risk of the Group are the gap risk and basis risk due to the repricing period mismatch and the pricing benchmark inconsistency of assets and liabilities.

The Group established an interest rate risk management framework and management system in light of its own condition, and implemented a robust and prudent interest rate risk management strategy. The interest rate risk policy is in line with the Group's development strategy, risk appetite and risk management capability, and seeks to achieve a healthy balance between interest rate risk and profitability, minimize changes in net interest income and economic value arising from interest rate changes, and ensure steady profit growth and stable capital structure. The Group employed a range of methods to measure and analysed the interest rate risk on banking book, including repricing gap analysis, sensitivity analysis of net interest income and economic value, duration analysis, stress testing, and economic capital analysis. The Group performed interest rate risk management and evaluation by using a combination of measures, including balance sheet quantitative tool, internal and external pricing tool, planning and performance appraisal, and internal capital assessment, to effectively control the interest rate risk of business lines, overseas entities and subsidiaries, and ensure that the interest rate risk on banking book is acceptable.

In 2019, the Group paid close attention to changes in external interest rate environment, and reinforced dynamic risk monitoring and prediction. It continued to optimise the product portfolio and term structure of assets and liabilities and maintained the solid growth of assets and liabilities. It flexibly adjusted internal and external pricing strategies, strengthened adjustment of the durations of assets and liabilities, effectively managed the interest rate risk associated with innovative products, maintained steady growth of net interest income, and stabilised the net interest margin. In addition, the Group actively implemented the requirements of the PBC on the reform of interest rate liberalisation, and effectively promoted the smooth transition of loan prime rate reform. It further strengthened the effectiveness of controls over interest rate risks at overseas entities and subsidiaries and optimised the interest risk limit management of its overseas branches and subsidiaries. In accordance with the latest regulatory requirements, the Group further improved its interest rate risk management rules, promoted the building of interest rate risk system, refined the models and risk measurement to consolidate the Group's interest rate risk management fundamentals. During the reporting period, the results of the stress testing indicated that all indicators are kept within the set limits, and the interest rate risk on banking book of the Group was at a low level on the whole.

In 2017, the UK's Financial Conduct Authority declared that that it will no longer persuade or require banks to submit rates for the London interbank offered rate ('Libor') after 2021. The Bank actively addressed the impact of adopting replacement reference rates, completed quantitative analysis on related areas, and identified overall standard and principles. Since the proportion of the Bank's foreign currency business based on Libor in the overall business is relatively low, the risk related to the transition to alternative reference rates is very limited. In future, the Bank will closely follow the progress of new benchmark interest rates establishment in various countries, facilitate an orderly transition from Libor, and effectively control related risks under China's financial supervision framework.

Interest rate sensitivity gap analysis

The analysis of interest rate sensitivity gaps of the Group's assets and liabilities as at the dates indicated by the next expected repricing dates or maturity dates (whichever are earlier) is set out below:

(In millions of RMB)	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Interest rate sensitivity gap as at 31 December 2019	173,493	(1,696,225)	2,285,433	(712,910)	2,185,336	2,235,127
Accumulated interest rate sensitivity gap as at 31 December 2019		(1,696,225)	589,208	(123,702)	2,061,634	
Interest rate sensitivity gap as at 31 December 2018	52,746	(1,019,800)	1,308,199	(9,511)	1,659,960	1,991,594
Accumulated interest rate sensitivity gap as at 31 December 2018		(1,019,800)	288,399	278,888	1,938,848	

At the end of 2019, the repricing gap of the Group's assets and liabilities with maturities of less than one year was RMB589,208 million, with an increase of RMB300,809 million over 2018, mainly due to the increased proportion of loans and advances and the assets from money market. The positive gap of the assets and liabilities with maturities of more than one year was RMB1,472,426 million, a decrease of RMB178,023 million from 2018, mainly due to the higher proportion of time deposits for periods of more than one year in total deposits.

Net interest income sensitivity analysis

The net interest income sensitivity analysis is based on two scenarios. The first assumes that all yield curves rise or fall by 100 basis points in a parallel way, while the interest rates for deposits at the PBC remain the same; the second assumes that the interest rates for deposits at the PBC and the demand deposits remain the same, while all the other yield curves rise or fall by 100 basis points in a parallel way.

The change in net interest income of the Group under different scenarios as at the specified dates is set out below:

	Scenario 1: the interest rates for deposits at the PBC being constant		Scenario 2: the interest rates for deposits at the PBC and the demand deposits being constant	
(In millions of RMB)	Rise by 100 basis points	Fall by 100 basis points	Rise by 100 basis points	Fall by 100 basis points
As at 31 December 2019	(35,183)	35,183	77,716	(77,716)
As at 31 December 2018	(32,453)	32,453	69,138	(69,138)

Exchange rate risk management

The Group is exposed to exchange rate risk primarily because of the currency mismatch of the assets and liabilities it holds in currencies other than RMB and the positions it takes as a market maker in the financial markets. The Group measures and analyses its exchange rate risk by using a combination of methods such as exchange rate risk exposure and stress testing, and mitigates its risk by matching its assets and liabilities, setting limits, hedging, etc.

In 2019, the Group paid close attention to the international economic trend and changes in the global financial market, focused on the impact of the Sino-US trade friction and Brexit on major currency exchange rates, strengthened research on emerging market currency exchange rates, improved its exchange rate risk prediction capability for multiple currencies, and effectively implemented market hedging. The Group enhanced the building of its exchange rate risk management mechanism, improved the measurement method for gold risk exposure, optimised the stress testing function of the exchange rate risk system, and guided overseas entities to improve the accuracy and automation level of exchange rate risk measurement. During the reporting period, the Group's overall exchange rate risk exposure was stable, and continued to satisfy regulatory requirements of the CBIRC. The stress testing results of exchange rate risk showed that the overall risk was under control.

Currency concentrations

The Group's currency concentrations as at the dates indicated are set out below:

	As at 31 December 2019				As at 31 December 2018			
(In millions of RMB)	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,177,322	336,136	473,907	1,987,365	1,053,925	336,580	402,370	1,792,875
Spot liabilities	(1,280,135)	(388,492)	(324,861)	(1,993,488)	(1,029,400)	(371,917)	(291,300)	(1,692,617)
Forward purchases	2,126,358	174,874	185,347	2,486,579	2,765,210	181,417	205,064	3,151,691
Forward sales	(1,988,021)	(79,784)	(309,671)	(2,377,476)	(2,760,568)	(106,381)	(296,062)	(3,163,011)
Net options position	(14,714)	–	(10)	(14,724)	(13,216)	16	–	(13,200)
Net long position	20,810	42,734	24,712	88,256	15,951	39,715	20,072	75,738

At the end of 2019, the net exposure of the Group's exchange rate risk was RMB88,256 million, an increase of RMB12,518 million over 2018, mainly due to the increase of profits in foreign currencies.

OPERATIONAL RISK MANAGEMENT

In 2019, the Group strengthened the formulation of policies related to operational risk management, reinforced data statistical analysis and position management, promoted the application of management tools, and improved operational risk management capability. The Group also enhanced business continuity management, carried out business impact analysis, and improved the contingency planning system, which together strengthened its capability in response to emergencies.

The Group improved its policy system for operational risk management, and revised the operational risk management measures. It analysed regulatory penalties and other non-compliance losses, strengthened the application of results to prevent further losses from violations; carried out new product operational risk assessment, and strengthened operational risk management in advance; selected key areas to carry out self-assessment of operational risk, revised policies, improved processes and systems in time to reduce potential risks; regularly monitored key risk indicators to improve the operational risk early warning capability; rechecked the manual on incompatible positions, established the catalogue of important positions and regularly checked the implementation status to enhance the counterbalance of different positions. The Group also carried out a new round of business impact analysis, clarified the priorities such as main businesses, key resources and emergency plan; issued and distributed relevant policies on business continuity management, improved the framework and template for the contingency planning system; built a new business continuity management platform to improve the automation and digital level of business continuity management.

Anti-money Laundering

In 2019, the Group strictly implemented the regulatory requirements on AML, anti-terrorist financing, anti-tax evasion and other relevant regulating requirements. In line with its risk-based approach, the Group conscientiously fulfilled all legal obligations, built a sound mechanism for money laundering risk management under the comprehensive risk management framework, enhanced the management of customer identification, money laundering risk assessment and suspicious transaction monitoring, and improved the compliance and effectiveness of AML management.

The Group improved its system of rules for AML, and formulated AML management policies at the group level. It optimised the functions of AML system, and improved the capability of money laundering risk analysis, monitoring, prevention and control. The Group unified its financial sanction screening lists and related control rules from the aspects of customer and transaction, and deepened the refined management of sanction compliance risk. It also built a multi-level training system with full coverage to improve AML management at the group level.

Feature article

Promote the compliance management culture where everyone assumes his respective responsibility to lay a solid risk control basis for high-quality development

In recent years, the Group actively built a centralised, scientific, advanced, authoritative and efficient and pragmatic compliance management system that covers the whole group, deepened the concepts of "Proactive compliance by all employees" and "Compliance creates value", created compliance management culture of executives taking the initiative and every employee assuming his respective responsibilities.

The Group has comprehensively strengthened regulatory compliance. It has internalised external regulations, applied full process management to rules, and improved the reasonableness and effectiveness of these rules and regulations. In 2019, the Bank conducted compliance reviews on businesses, products and major projects totalling 5,137, controlled compliance risk from the stage of design. It has established a long-term remediation mechanism for issues identified during regulatory inspections, and built a complete work chain including issue management, remediation verification, and accountability.

The Group has continued to intensify employee behaviour management. It has improved the employee behaviour management system, established the three-level management grids covering the outlet, tier-2 branches and tier-1 branches, managed daily behaviours and screened abnormal behaviours. It has integrated internal and external data resources to develop a monitoring model for violations.

The Group has effectively reinforced oversight and accountability. It has regularly held joint meetings on corruption prevention and regulatory case control, improved the working mechanisms for communication, coordination and joint supervision between the compliance department and the discipline inspection agency to jointly supervise violations. It has established and improved the accountability system, established a "two committees" system that separates inspection and auditing, improved the accountability rules and standards, and made the accountability work more standardised, authoritative and scientific.

The Group has consolidated the fundamentals of its group compliance management. It operated the enterprise-level compliance management platform effectively and realised online operation and systematic control of compliance. The platform captures key indicators and locates the weak link of compliance management and possible violations. It continued to promote the building of long-acting mechanism of compliance management of overseas entities, increased compliance headcounts, strengthened system support and increased performance assessments.

REPUTATIONAL RISK MANAGEMENT

In 2019, the Group continued to improve its reputational risk management system and mechanisms, and enhanced its competence in managing reputational risks. Based on the economic capital measurement of reputational risk, the Group used management tools to appraise reputational risk management of domestic tier-1 branches, overseas branches, and subsidiaries. It expanded the coverage of media monitoring, strengthened emergency responses, and introduced new methods to resolve and respond to public opinion in time. It also reinforced staff training and education to promote the effectiveness of prevention and control of reputational risk at all levels. During the reporting period, the Group steadily improved its reputational risk management standard, and effectively safeguarded its corporate image and reputation.

COUNTRY RISK MANAGEMENT

In strict compliance with regulatory requirements, the Group incorporated the country risk management into the comprehensive risk management system. The Board assumes the ultimate responsibility for monitoring the effectiveness of country risk management. The senior management carries out the country risk management policies approved by the Board. The Group used a range of tools to manage the country risk, including evaluation and rating, risk limit, exposure analysis, provisioning, stress testing, monitoring and early warning, and emergency responses.

In 2019, in the context of increasingly complex international political and economic situation, the Group continued to strengthen country risk management. It promoted the building of country risk management system, enhanced the management of identification, measurement, monitoring, control and reporting processes, and reinforced the unified management of the country risk at the group level. The Bank's country risk exposure was mainly concentrated in countries or regions with "low" or "relatively low" country risk, and the overall country risk was maintained at a reasonable level.

CONSOLIDATED MANAGEMENT

In 2019, the Bank proactively implemented the latest requirements on consolidated management, improved the Group's consolidated management system, and enhanced the planning and coordination, in order to prevent cross-border and cross-industry operating risks for the group and strengthen its consolidated management.

The Group improved corporate governance and consolidated management system. It streamlined the Group's equity hierarchy, strengthened seeing-through management of subsidiaries. Three-year business plans were prepared for subsidiaries on a rolling basis, to enhance the strategic management of subsidiaries. The Group also strengthened the management of authorisation to the subsidiaries to highlight the central role of the board of subsidiaries in corporate governance.

The Group intensified its comprehensive risk management. It deepened the risk appetite coordination, strengthened the building of a long-term mechanism for risk control, and improved the capability of proactive risk management. It refined the market risk policy limit scheme and industry-specific limit schemes, established the large exposure management system, and further enhanced limit monitoring across the group. Furthermore, it optimised the consolidated credit approval rules to strengthen the unified credit line management within the group.

The Group accelerated IT system building and application. It continued to optimise the consolidated management system, built a unified view of subsidiaries, improved the automation level of consolidated management, and comprehensively improved its refined management capability.

INTERNAL AUDIT

The Bank's internal audit department insists on the purpose of promoting a sound and effective risk management mechanism, the internal control system and corporate governance procedures. It evaluates the effectiveness of the internal control system and risk management mechanism, the effects of corporate governance procedures, the profitability of business operations, and the economic responsibilities of relevant individuals, and puts forward related suggestions for improvement. The internal audit system of the Bank is vertically managed, and relatively independent. The internal auditors are responsible to and report to the Board and the audit committee, and also report to the board of supervisors and senior management. In addition to the audit department at the head office, the Bank also has 37 audit offices at tier-1 branches and an overseas audit centre in Hong Kong.

In 2019, considering the changes in the economic and financial situations, the internal audit department of the Bank focused on risk prevention and control of key businesses, and conducted 33 categories of systematic audit projects, including dynamic audit on credit business, audit on comprehensive financing risks of large and medium-sized credit customers, dynamic audit on cross- financial business, and audit on financial advisory business. It strengthened its efforts in audit follow-ups of key internal control deficiencies and significant risk events, performed in-depth analysis on the underlying causes of identified issues, promoted relevant departments and branches to improve management mechanisms, business processes and internal management, and effectively promoted the stable and healthy development of the Bank's operation and management.

Inclusive Finance

RMB963,155 million

At the end of 2019, the Bank's inclusive finance loans increased by RMB353,081 million over 2018 to RMB963,155 million.

1,325.1 thousand

The number of inclusive finance loan borrowers increased by 307.2 thousand over 2018 to 1,325.1 thousand.

RMB1.7 trillion

New model products highlighted by "Quick Loan for Small and Micro Businesses" has issued over RMB1.7 trillion, benefiting nearly 1.03 million small and micro businesses.

4.95%

The interest rate of the accumulative inclusive finance loans to small and micro businesses for 2019 was 4.95%.

Guizhou Branch of the Bank explored a new model of poverty alleviation for industrial sector "leading enterprises + finance + farmers", and now kiwifruit cultivation has become the main source of income for some local farmers.

Three-in-one

The Bank promoted "Huidongni", "Huizhuni", and "Huidiantong" service platforms and the "three-in-one" inclusive finance operation and management platform.

CCB Yunongtong

CCB Yunongtong inclusive finance service point basically covered administrative villages across the country.

Mingonghui

The Bank has launched the "Mingonghui" platform with innovative application of blockchain and big data, which has served 4.29 million customers

CCB Startup Station

The Bank built a "CCB Startup Station" to provide full life cycle support for medium and small-sized sci-tech innovation start-ups.

Training Program for One Million Entrepreneurs

The Bank launched the "Training Program for One Million Entrepreneurs" by cooperating with universities to provide training sessions for small and micro businesses owners and individual businesses.

The Bank`s staff helped "Mingonghui" customers to apply for bank cards onsite

Yunongtong inclusive financial service started operating, which completed the "last mile" of rural revitalization and financial services.

The Bank provides inclusive financial services for small and medium-sized science and technology startups engaged in artificial intelligence research and development.

Please scan the QR code

CAPITAL MANAGEMENT

The Group adheres to a robust and prudent capital management strategy. The Group strengthens capital constraint and incentives, and further promotes intensive capital management to continuously enhance the efficiency of capital use. The Group relies on internal capital accumulation supported by external capital replenishment, and strives to achieve self-driven capital growth. The Group maintains a capital adequacy standard that is constantly above the regulatory requirements with proper safety margin and buffer zone.

In 2019, the Group improved its capital management system covering the whole Group, increased the transmission of regulatory capital pressures, and maintained effective connections between capital and business, profitability and risk, and mobilised capital resources to support the development of the real economy. The Group continued to promote and optimise asset structure, and encouraged the development of light-capital and high-return businesses. The Group promoted intensive capital management, applied big data and systems to reduce inefficient and less efficient capital occupation and realised reasonable growth of risk-weighted assets and self-driven growth of capital. The Group improved capital management awareness and capabilities of employees and entities at all levels through specific training sessions, Q&A manuals and analysis and notices. The Group successfully issued US$1.85 billion overseas Tier-2 capital bonds and RMB40 billion domestic undated additional Tier 1 capital bonds, thereby further sharpening its capital strength.

CAPITAL ADEQUACY RATIOS

As at 31 December 2019, given the relevant rules for the transitional period, the Group's total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, which were calculated in accordance with the Capital Rules for Commercial Banks (Provisional), were 17.52%, 14.68% and 13.88% respectively, all in compliance with the regulatory requirements. The total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio increased by 0.33, 0.26 and 0.05 percentage points respectively compared with those as at 31 December 2018.

The rise of the capital adequacy ratio of the Group was mainly due to the following factors: On the one hand, capital accumulation continued to maintain a good momentum. The Group reasonably carried out external financing and achieved self-driven capital growth. At the end of 2019, total capital after regulatory adjustments increased by 12.30%, which improved the capital adequacy ratio by 1.92 percentage points. The Group achieved rapid internal capital growth through profit retention, and successfully issued capital instruments and completed external capital replenishment. On the other hand, the Group fulfilled the responsibility of a state-owned bank to support and serve the development of the real economy, and the risk-weighted assets increased reasonably. In 2019, the Group's assets and liabilities maintained a rapid growth, and loans and bond investments increased significantly year-on-year. However, through active and effective structural adjustment and intensive management, risk weighted assets increased by 10.20%, 2.10 percentage points lower than capital growth.

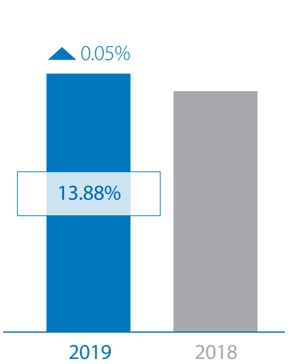
Capital adequacy ratios

The following table sets forth, as at the dates indicated, the information related to the capital adequacy ratios of the Group and the Bank.

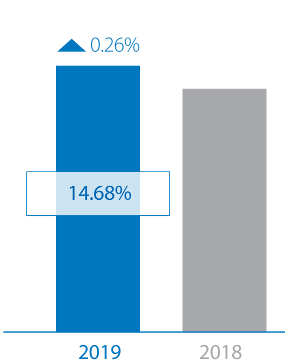
	As at 31 December 2019		As at 31 December 2018	
(In millions of RMB, except percentages)	The Group	The Bank	The Group	The Bank
Common Equity Tier 1 capital after regulatory adjustments	2,089,976	1,938,236	1,889,390	1,766,840
Tier 1 capital after regulatory adjustments	2,209,692	2,046,546	1,969,110	1,838,956
Total capital after regulatory adjustments	2,637,588	2,468,041	2,348,646	2,215,308
Common equity Tier 1 ratio	13.88%	13.88%	13.83%	13.74%
Tier 1 ratio	14.68%	14.65%	14.42%	14.30%
Total capital ratio	17.52%	17.67%	17.19%	17.22%

Please refer to Note "Risk management – Capital management" in the financial statements for details of composition of capital.

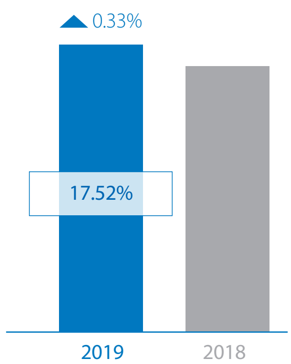
Common equity Tier 1 ratio



Tier 1 ratio



Total capital ratio



Risk-weighted assets

The Group follows the advanced approach to calculate capital adequacy ratio. The corporate credit risk-weighted assets that meet the regulatory requirements are calculated with the foundation internal ratings-based approach, the retail credit risk-weighted assets are calculated with the internal ratings-based approach, the market risk-weighted assets are calculated with the internal models approach and the operational risk-weighted assets are calculated with the standardised approach.

The following table sets forth the information related to the risk-weighted assets of the Group.

(In millions of RMB)	As at 31 December 2019	As at 31 December 2018
Credit risk-weighted assets	13,788,746	12,473,529
Covered by the internal ratings-based approach	8,748,138	8,369,011
Uncovered by the internal ratings-based approach	5,040,608	4,104,518
Market risk-weighted assets	123,700	120,524
Covered by the internal models approach	74,509	72,578
Uncovered by the internal models approach	49,191	47,946
Operational risk-weighted assets	1,140,845	1,065,444
Additional risk-weighted assets due to the application of capital floor	–	–
Total risk-weighted assets	15,053,291	13,659,497

For details about capital composition, capital measurement and management, please refer to *Capital Adequacy Ratio Report 2019* issued by the Bank.

LEVERAGE RATIO

From the first quarter of 2015 on, the Group calculated its leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)* promulgated by the CBRC in January 2015. Leverage ratio is calculated by dividing Tier 1 capital after regulatory adjustments by on and off-balance sheet assets after adjustments. Leverage ratio of a commercial bank shall not be below 4%. As at 31 December 2019, the Group's leverage ratio was 8.28%, meeting the regulatory requirements.

The following table sets forth the general information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	As at 31 December 2019	As at 30 September 2019	As at 30 June 2019	As at 31 March 2019	As at 31 December 2018
Leverage ratio	8.28%	8.27%	7.98%	8.05%	8.05%
Tier 1 capital after regulatory adjustments	2,209,692	2,126,153	2,045,186	2,042,655	1,969,110
On and off-balance sheet assets after adjustments	26,694,733	25,720,002	25,616,737	25,383,975	24,460,149

For the details of leverage ratio, please refer to "Unaudited Supplementary Financial Information".

PROSPECTS

In 2020, impacted by geopolitics, economic and trade frictions and global spread of COVID-19, the world economy is facing great downward pressure. Looking ahead, the outbreak of COVID-19 will affect China's economy to some extent, but the duration and scale of COVID-19 remain to be seen. China's economic fundamentals remain favourable for the long term, and China is still in an important period with strategic opportunities.

The banking industry in China is still facing a complex operating environment, which presents both challenges and opportunities. On the one hand, the world economic growth continues to slow with rising external uncertainties, while China's economy faces a combination of structural and cyclical problems exerting increasing downward pressures on economic development, making it more difficult for banks to achieve stable operation. COVID-19 will affect China's short-term economic growth, leading to a decline in consumption and presenting challenges to business operations. The deepening interest rate liberalisation will intensify competitions within the financial industry and across other industries, putting the interest yield of commercial banks under pressure. On the other hand, the implementation of national strategies, such as the coordinated development of the Beijing-Tianjin-Hebei region, the integrated regional development of the Yangtze River Delta and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, will unleash enormous business development opportunities for the banking industry. The new infrastructure construction, advanced manufacturing, green finance, technology and innovation, and improvement of people's livelihood will all bring huge demands for financial services. The measures to cut taxes and administrative fees by the Chinese government will be conducive to building up market confidence and vitality of enterprises, especially for micro, small and medium businesses and private businesses, laying a solid foundation for banks to expand customer base and business. The increasingly stringent regulatory requirements and a well-organised financial market will create a more secure external environment for the healthy development of the banking industry.

In 2020, as the uncertainties and related risks rise along with the evolution of the pandemic, the Group will continue to pay close attention to and make assessment of the impacts of COVID-19 and take active countermeasures. Meanwhile, it will strengthen strategic implementation, accelerate development of key regions, comprehensively promote refined management, and enhance risk control so as to realise high-quality business development. The Group will focus on the following tasks: firstly, it will press ahead with "Three Major Strategies" by expanding the new blue ocean of house rental business, making new progress in inclusive finance business and creating new FinTech advantages. Secondly, it will effectively invigorate "Three Communities" by connecting the government (G-community) with "Intelligent government affairs services", improving the experience of customers (C-community) with "Digitalised operation", and strengthening the empowerment for businesses (B-community) with "Supply chain finance". Thirdly, it will give full play to "Three Advantages" by consolidating its leading position in infrastructure and housing finance and taking advantages of its full-coverage financial licenses. Fourthly, it will strive to build "Three Pillars" by continuously improving the value creation of corporate business, strengthening coordinated development of retail business, and promoting collaborative efforts in asset management business. Fifthly, it will accelerate business development in the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta, promote business innovation, strengthen fundamental and front-line management, and improve regional competitiveness and contribution to the Bank. Sixthly, it will actively strengthen risk control and compliance management, accelerate the building of an intelligent risk control system, and firmly hold the bottom line of no systemic financial risks.

Focusing on the real economy, the Group provides financial solutions by closely following economic and social development and meeting customer demands and strives to improve the living standards and working environment and create a better life. Upholding the customer-oriented philosophy, the Group constantly launches new products and services, and while achieving steady and sound development of various businesses, it strives to become a bank that serves the public, promotes people's livelihood, advocates the low-carbon and environment-friendly principle, and pursues sustainable development.

Please refer to *2019 Corporate Social Responsibility Report* of the Bank for details.

FINANCIAL SERVICES FOR "AGRICULTURE, FARMERS AND RURAL AREAS" AND POVERTY ALLEVIATION

Financial Services for "Agriculture, Farmers and Rural Areas"

In 2019, the Bank focused on the national strategy of rural revitalisation and strengthened innovation in offerings related to agriculture to provide strong resource and service guarantee for rural revitalisation.

The Bank set up the rural revitalisation finance department and placed it in charge of the operation and management of rural financial business. The Bank entered into a strategic cooperation agreement with the Ministry of Agriculture and Rural Affairs. The Bank built "Financial Literacy Promotion" education platform to provide financial training for agriculture related groups, those living under the poverty line and officials responsible for poverty alleviation. The Bank promoted the construction of "CCB Yunongtong" inclusive finance service outlets, expanding banking services to villages. The Bank launched "Agriculture Credit Cloud-based Loans", "Supply and Demand Cloud-based Loans" and other innovative "Yunong Quick Loan" products and "Rural Revitalisation Loans" to provide customised products for farmers and new agricultural operators. By the end of 2019, the Bank had set up 4,341 physical outlets and 8,656 self-service banks in county level. The agriculture-related loans increased by RMB47,839 million over 2018 to RMB1,812,489 million, and the number of agriculture-related loans borrowers was 1.75 million. The average interest rate of agriculture-related loans was 4.92%.

Targeted poverty alleviation plans

Basic principle

The Bank should focus on areas of extreme poverty and regions targeted by the head office and branches, optimise policy guarantees, strengthen development driven by innovation, science and technology, invigorate inherent impetus in these impoverished areas, establish a long-acting mechanism for finance-assisted poverty alleviation, and help implement the strategy of rural revitalisation.

General target and major task

The Bank continued to increase investments in poverty alleviation, driving the increase of the number of registered impoverished people and people who have escaped poverty. The Bank enriched financial product lines and service models for poverty alleviation, increased investments in e-commerce poverty alleviation, expanded the coverage of outlets and self-service channels in poverty-stricken counties, and promoted the full coverage of "CCB Yunongtong" inclusive finance service outlets in poverty-stricken villages targeted by branches at all levels. The Bank precisely allocated poverty alleviation funds together with various measures to the registered impoverished people with accurate and effective services and helped successfully lift the areas targeted by the head office and branches out of poverty.

Safeguard measures

Strengthening organisational leadership. The Bank set up a leading team on poverty alleviation led by Chairman of the Board, responsible for the overall coordination and promotion of poverty alleviation. The Bank selected and sent senior staffs who are familiar with poverty alleviation related to agriculture, farmers and rural areas, inclusive finance and other businesses to work in poverty-stricken areas, and implemented the poverty alleviation model by pairing the head office and branches with poverty-stricken areas. The Bank strengthened the evaluation and supervision of finance-assisted poverty alleviation and targeted poverty alleviation.

Increasing allocation of resources. The Bank granted special funds for fixed assets to establish new service channels and purchase poverty alleviation equipment in state-level impoverished counties, as well as e-commerce poverty alleviation funds for e-commerce marketing of e.ccb.com in poverty-stricken areas. The Bank prioritised support for credit needs of poverty alleviation and fully satisfied new demand for loans in areas of extreme poverty. The Bank reduced service fees in impoverished areas, and strictly implemented national requirements for reduction and exemption of financial service fees in poverty-stricken areas.

Optimising policy guarantees. The Bank adopted differentiated credit policies and approval and authorization arrangements for areas of extreme poverty and targeted areas and implemented differentiated risk control requirements for targeted poverty alleviation loans.

Summary of annual targeted poverty alleviation

Making solid progress in poverty alleviation. The Bank issued and distributed finance-assisted targeted poverty alleviation action plan "Beyond 2020" and differentiated support policies for credit business in key areas subject to poverty alleviation. The Bank continued to increase finance-assisted targeted poverty alleviation loans by launching innovative products such as "Poverty-alleviation Supply Loan", and promoting personal agricultural support loans, student loans, micro credit for poverty alleviation and other products in key areas. At the end of 2019, the balance of the Bank's targeted poverty alleviation loans was RMB219,507 million, an increase of RMB28,746 million over the end of 2018.

Reinforcing in-depth integration between FinTech and finance-assisted poverty alleviation. The Bank carried out a series of activities of "Year of Consumption-driven Poverty Alleviation via e.ccb.com" and mobilised its staff to actively participate. In 2019, the poverty alleviation transactions via e.ccb.com reached RMB14,417 million, attracting poverty alleviation merchants from 925 provincial poverty-stricken counties. The Bank effectively improved income of poverty-stricken households by establishing outsourcing bases in impoverished areas, setting up cloud-based production sites based on "CCB Yunongtong", and promoting cloud pet platform on mobile devices.

Expanding service channels and networks. The Bank made steady progress in the construction of outlets in 832 state-level impoverished areas, provided 7,118 automatic teller machines, 2,278 self-service banks and 3,943 smart teller machines.

Expanding poverty alleviation landscape through coordination and interaction. The Bank gave full play to the Group's advantages and introduced various finance-assisted poverty alleviation approaches. The Bank developed "Qianyuan-Fuxiang" special poverty alleviation WMPs, becoming the only bank in the industry using WMPs for targeted poverty alleviation, established "CCB Joint Targeted Poverty Alleviation Charity Trust" to provide donations to poverty alleviation projects in Ankang City, Shaanxi Province, and innovated "Insurance + Futures" model to assist cotton farmers in Xinjiang Province in overcoming poverty. The Bank mobilised the society and coordinated with the All-China Federation of Industry and Commerce to promote targeted poverty alleviation activity of "Ten Thousand Enterprises Help Ten Thousand Villages" and worked with state-owned enterprises to alleviate poverty.

Achievements in targeted poverty alleviation

Indicator	Amount and description
I. General information	
Fund	At the end of 2019, the balance of the Bank's industry-based targeted poverty alleviation loans was RMB66,079 million and the Bank's poverty alleviation donations in designated areas were RMB108 million.
Number of registered impoverished people lifted out of poverty	The Bank granted industry-based targeted poverty alleviation loans to 127,000 people times, and the number of registered impoverished people receiving loans was 131,000.
II. Investments by items	
1. Poverty alleviation by promoting industry development	
1.1 Poverty alleviation programmes	√ Poverty alleviation by promoting agriculture, forestry, animal husbandry and fishery At the end of 2019, the Bank's loans to agriculture, forestry, animal husbandry and fishery were RMB3,130 million.
	√ Poverty alleviation through e-commerce At the end of 2019, e.ccb.com had 4,230 poverty alleviation merchants on a cumulative basis, covering 925 provincial poverty-stricken counties and 28 provincial poverty alleviation e-commerce pavilions. The transactions amounted to RMB14,546 million.
	√ Others In line with local conditions, the Bank has actively supported to the development of modern agriculture, ecological farming, leisure agriculture, rural tourism and other featured industries, and explored a mechanism for poverty alleviation supported by finance-driven industry development to promote the sustainable development of industries in impoverished areas.
1.2 Amount of industry-based investments	At the end of 2019, the balance of industry-based targeted poverty alleviation loans of the Bank was RMB66,079 million.
2. Poverty alleviation through education	
2.1 Student loans and related donations	Since the Bank launched "Building the Future – CCB Sponsorship Programme for Impoverished High School Students" in 2007, it had issued RMB150 million grants for this programme. Since it launched "Tibet in Our Hearts – CCB and Jianyin Investment Scholarship (Bursary) Foundation" to subsidise impoverished high school students and college students in Tibet in 2007, the Bank had granted scholarships (bursaries) of RMB2.76 million.
2.2 Number of students benefited	At the end of 2019, the Bank funded 93,500 senior high school students and offered scholarship to 1,320 financially distressed students in Tibet.
2.3 Loans for improving educational resources	At the end of 2019, the Bank had RMB1,293 million of outstanding education loans to schools in impoverished areas.
3. Poverty alleviation initiatives to promote healthcare	From 2011 to 2019, the Bank made consecutive donations for "Healthy Mother Express" in poverty-stricken villages and counties in 24 provinces and autonomous regions, to provide free health check and treatment to women and healthcare services for pregnant and parturient women. The Bank had cumulatively donated RMB62 million to purchase 410 "Healthy Mother Express" vehicles.
4. Poverty alleviation initiatives to promote ecological protection	At the end of 2019, the Bank's loan balance for restoring ecological environment in impoverished areas reached RMB1,340 million.
5. Poverty alleviation initiatives to promote social undertakings	In 2019, the Bank sent 1,685 senior staff to serve temporary positions for poverty alleviation, donated RMB225 million to designated poverty alleviation areas and helped the poverty-stricken areas sell agriculture products amounted to RMB895 million. To ensure that rural poor people are free from worries over food and clothing and have access to compulsory education, basic medical services and safe housing, the Bank innovated poverty alleviation measures and stepped up efforts to achieve the mission and targets of 2019.
III. Awards	
21 ST CENTURY BUSINESS HERALD	Outstanding Cases of Targeted Poverty Alleviation in China
people.cn	Top 10 "Outstanding Cases of Social Poverty Alleviation"

Follow-up targeted poverty alleviation plan

In 2020, the Bank will continue to optimise policy guarantees, promote industry-based poverty alleviation, and allocate new credit resources to impoverished areas, especially areas of extreme poverty. The Bank will increase the application of FinTech and innovation and develop innovative products and services in line with local conditions to support poverty alleviation and rural revitalisation.

ENVIRONMENTAL PROTECTION

The Bank continued to build a robust long-acting mechanism for green finance development. It defined the green credit strategy responsibilities of the Board of Directors and the related party transaction, social responsibility and consumer protection committee under the Board of Directors. At the level of senior management, the Bank established a green finance committee to coordinate and promote green finance initiatives.

The Bank proactively participated in cooperation on green finance. As the core member of the special committee for green credit of the China Banking Association, the Bank was among the first to join the "Green Investment Principles for the Belt and Road Initiative", and helped the domestic banking industry to promote the development of green credit business..

The Bank increased the issuance of green credit. It continued to promote business development in its traditional areas of strength including green transportation and green energy, proactively expanded new green areas, sped up the promotion of green credit products such as "Energy Conservation Loans", "Carbon Finance", "Construction Loans for Sponge Cities" and "Construction Loans for Comprehensive Utility Tunnels", and actively controlled greenhouse gas emissions. At the end of 2019, the balance of green loans was RMB1,175,802 million, an increase of RMB133,542 million over the end of 2018. It adopted "Environmental Protection Veto Policy" for credit approval and strictly controlled the increase in loans to customers with high environmental and social risks.

The Bank promoted the issuance of green corporate bonds. It issued green financial bonds in overseas markets designed to cope with climate change, issued green credit asset-backed securities, and actively assisted customers in issuing green corporate bonds.

In addition, the Bank incorporated and implemented green concept in procurement management. It introduced stringent supplier access criteria for green environmental protection, energy conservation and emission reduction, and included the environmental protection and energy conservation performance of product suppliers of official vehicles, self-service machines and other equipment as an important factor for making procurement decisions.

PROTECTION OF CONSUMER RIGHTS AND INTERESTS

Adhering to the "customer-centric" concept, the Bank integrated the protection of consumer rights and interests into its business development strategy, corporate culture development and annual business development guidance to continuously improve the operation and management mechanism and promote the well-organised protection of consumer rights and interests.

In 2019, the Board of Directors, the board of supervisors and senior management further strengthened the overall coordination, planning, supervision and guidance of consumer protection. The related party transaction, social responsibilities and consumer protection committee under the Board of Directors and the performance and due diligence supervision committee under the Board of Supervisors regularly listened to reports on the development of consumer protection and provided guidance and requirements on consumer protection. The senior management issued evaluation standards for consumer protection by analysing key focus areas of the year and promoted the effective implementation of consumer protection.

The Bank strived to create a better financial consumption environment for consumers. From the viewpoint of consumer protection, the Bank reviewed new products and services, rules and regulations, marketing and promotional materials to avoid financial consumer disputes from the beginning. The Bank optimised product information query platform by fully disclosing financial product information so that consumers can have access to make queries and verify information, and can consume without worries. The Bank actively organised financial knowledge sharing and education activities. In 2019, nearly 70 million audiences attended such activities organised by more than 14,000 outlets of the Bank. The Bank clarified the requirements of complaint management, launched a customer complaint management system, and strengthened statistical analysis and improved functions for customer complaints using digitalised approaches to effectively solve difficult problems and ensure that customer complaints are all responded and resolved. In 2019, the overall satisfaction of retail customers of the Bank was 81.1%.

The Bank effectively protected the security of customer information by focusing on multiple aspects including rules and procedures, IT system control and staff training. The Bank formulated a series of rules for customer information security management based on the business practices. It optimised the authorisation control of information search, strengthened the management of counter operation and increased the examination. And it built an bank-wide internet and information security integrative management system preventing the leakage of information from inside and security threat from outside. The Bank emphasized the importance of customer information security in daily management and organised trainings and inspections on a regular basis to continuously strengthen staff's risk awareness and the level of customer information security management.

For more details, please refer to *Corporate Social Responsibility Report 2019* issued by the Bank.

CHARITY

The Bank helped more people in need and injecting new positive energy into the society in the spirit of "translating the responsibility of serving public interests into businesses while calling for involvement of employees, customers and institutions". In 2019, the Bank made charitable donation of RMB134 million, of which RMB108 million was used for poverty alleviation donation in designated area. The Bank made great efforts in long-term public welfare programmes such as CCB Hope Primary Schools, Programme for High School Students and Healthy Mother Express.

Programme	Cooperative institutions	Accumulated donation	Duration	At the end of 2019
Building the Future – CCB Sponsorship Programme for High School Students	China Education Development Foundation	RMB150 million	2007 – present	Donated RMB150 million cumulatively and funded 93,500 high school students
CCB Sponsorship Programme of "Healthy Mother Express"	China Women's Development Foundation	RMB62 million	2011 – present	Accumulatively purchased 410 vehicles under the programme for poor counties and towns in 24 provinces and autonomous regions, including Xinjiang, Tibet, Gansu and Qinghai
Supporting CCB Hope Primary Schools	China Youth Development Foundation	RMB13.06 million	1996 – present	Provided support in building 46 Hope Primary Schools with libraries, computer rooms and sports grounds; provided trainings for more than 800 teachers and organised summer camps for 250 students and teachers.
Tibet in Our Hearts – CCB and Jianyin Investment Scholarship (Bursary) Foundation	China Foundation for Poverty Alleviation	RMB3.5 million	2007 – present	Accumulatively granted scholarships (bursaries) of RMB2.76 million to 1,320 students from impoverished families in Tibet.
"Donation of Bonus Points to Make Dream Come True · Micro-Charity"	China Youth Development Foundation, China Literature and Art Foundation, Chinese Young Volunteers Association, Young Volunteers Action Guidance Centre of the Central Committee of the Communist Youth League of China	RMB8 million	2012 – present	Funded 134 "Happy Music Rooms", provided funds for Rural Music and Art Teachers Training Programme, and donated to build the "Home of Youth" for Chinese Young Volunteers Association and Young Volunteers Action Guidance Centre of the Central Committee of the Communist Youth League of China
"Do Good, Be Wise" Caring Student Action	CCB Youth Volunteers Association and local committees of Communist Youth League of China of all branches	RMB4.8 million	2016 – present	Made donations to more than 12,000 students from poverty-stricken areas, and organized more than 200 teachers and students from poverty-stricken areas to participate in summer/winter camp activities.

Please scan the QR code

"Donation of Bonus Points to Make Dream Come True · Micro-Charity"

Cooperative institutions	China Youth Development Foundation, China Literature and Art Foundation, Chinese Young Volunteers Association, Young Volunteers Action Guidance Centre of the Central Committee of the Communist Youth League of China
Duration	2012 - present

Funded **134** "Happy Music Rooms"

Provided funds for Rural Music and Art Teachers Training Programme, and donated to build the "Home of Youth".

Building the Future - CCB Sponsorship Programme for High School Students

Cooperative institutions	China Education Development Foundation
Duration	2007 - present

Funded **93,500** high school students

Donated RMB150 million.

CCB Sponsorship Programme of "Healthy Mother Express"

Cooperative institutions	China Women's Development Foundation
Duration	2011 - present

Accumulatively purchased **410** vehicles

under the programme for poor counties and towns in 24 provinces and autonomous regions, including Xinjiang, Tibet, Gansu and Qinghai. The accumulated donation is RMB62 million.

Tibet in Our Hearts - CCB and Jianyin Investment Scholarship (Bursary) Foundation

Cooperative institutions	China Foundation for Poverty Alleviation
Duration	2007 - present

Accumulatively granted scholarships (bursaries) of RMB2.76 million to **1,320** students from impoverished families in Tibet.

The accumulated donation is RMB3.5 million.

"Do Good, Be Wise" Caring Student Action

Cooperative institutions	CCB Youth Volunteers Association and local committees of Communist Youth League of China of all branches
Duration	2016 - present

Accumulated donation

RMB4.8 million

Made donations to more than 12,000 students from poverty-stricken areas, and arranged more than 200 teachers and students from poverty-stricken areas to participate in summer/winter camp activities.

Supporting CCB Hope Primary Schools

Cooperative institutions	China Youth Development Foundation
Duration	1996 - present

Provided support in building **46** Hope Primary Schools

Equipped the Hope Primary Schools with libraries, computer rooms and sports grounds; provided trainings for more than 800 teachers and organised summer camps for 250 students and teachers.

Works of pupils from CCB Hope primary schools and targeted poverty alleviation villages assigned to CCB.

FinTech

10,178 technological personnel

The number of technological personnel of the Group was 10,178, accounting for 2.75% of the Bank's total headcount.

RMB17,633 million

In 2019, the investment in FinTech was RMB17,633 million, accounting for 2.60% of the Bank's operating income.

"5G^{+} Intelligent Banking"

The Bank created the new experience of "5G^{+} Intelligent Banking" outlets to customers.

29

The Bank also rolled out its New Generation core banking system to 29 overseas entities.

FinTech Foundation Platform

The Bank vigorously promoted the construction of infrastructure of FinTech foundation platform, including artificial intelligence, blockchain, Internet of Things.

President Liu Guiping inspects "5G^{+} Intelligent Banking" outlet.

New retail banking

The Bank built a "scenario-oriented, personalised and intelligent" model of new retail banking.

New corporate banking

The Bank built new corporate banking featuring "seamless integration of transactional businesses and emerging businesses".

Inclusive finance

The Bank built "intelligent, efficient and stringent risk control" inclusive finance services.

Smart government affairs

The Bank created a smart government affairs service platform and established the "five-in-one" service model of mobile APP, PC terminal, outlet STMs, "CCB Yunongtong" and government affairs lobby.

Intelligent risk control

The Bank established a "comprehensive, intelligent, targeted, timely, proactive and prospective" risk control system.

The beautiful Wuhan Nanhu Science and Technology Park.

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CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

CHANGES IN ORDINARY SHARES

Unit: share

	1 January 2019		Change during the reporting period					31 December 2019	
	Number of shares	Percentage (%)	Issuance of additional shares	Bonus issue	Shares converted from capital reserve	others	Sub-total	Numbers of shares	Percentage (%)
I. Shares subject to selling restrictions	–	–	–	–	–	–	–	–	–
II. Shares not subject to selling restrictions									
1. RMB ordinary shares	9,593,657,606	3.84	–	–	–	–	–	9,593,657,606	3.84
2. Overseas listed foreign investment shares	93,350,242,249	37.34	–	–	–	+216,620,000	+216,620,000	93,566,862,249	37.42
3. Others[1]	147,067,077,631	58.82	–	–	–	-216,620,000	-216,620,000	146,850,457,631	58.74
III. Total number of shares	250,010,977,486	100.00	–	–	–	–	–	250,010,977,486	100.00

1. H-shares of the Bank free from selling restrictions held by the promoters of the Bank, i.e. Huijin, Baowu Steel Group, State Grid and Yangtze Power.

DETAILS OF SECURITIES ISSUANCE AND LISTING

During the reporting period, the Bank did not issue any ordinary shares or convertible bonds. For details of the issuance of preference shares of the Bank, please refer to "Details of Preference Shares".

According to the resolution of the shareholders' general meeting of 2016 of the Bank and upon approvals from the CBIRC and PBC, in February 2019, the Bank issued fixed-rate Tier 2 capital bonds of US$1.85 billion with a tenor of ten years and the Bank has a conditional right to redeem the bonds at the end of the fifth year; the bonds have an initial fixed interest rate of 4.25%. All proceeds raised are used to replenish the Bank's Tier 2 capital.

According to the resolution of the shareholders' general meeting of 2018 of the Bank and upon approvals from the CBIRC and PBC, in November 2019, the Bank issued undated additional Tier 1 capital bonds of RMB40 billion. The coupon rate is 4.22% during the first 5 years, and will be reset every five years. The issuer has a conditional redemption right on every dividend payment day from the fifth year onwards. All proceeds raised are used to replenish Bank's additional Tier 1 capital.

For details of the issuance of other debt securities, please refer to Note "Debt Securities Issued" to the financial statements.

NUMBER OF ORDINARY SHAREHOLDERS AND PARTICULARS OF SHAREHOLDING

At the end of the reporting period, the Bank had a total of 338,985 ordinary shareholders, of whom 42,497 were holders of H-shares and 296,488 were holders of A-shares. As at 29 February 2020, the Bank had 368,281 ordinary shareholders, of whom 42,338 were holders of H-shares and 325,943 were holders of A-shares.

Unit: share

Total number of ordinary shareholders	338,985 (Total number of registered holders of A-shares and H-shares as at 31 December 2019)				
Particulars of shareholding of the top ten ordinary shareholders					
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Changes during the reporting period	Total number of shares held	Number of shares pledged or frozen
Huijin[1]	State	57.03	–	142,590,494,651 (H-shares)	None
		0.08	–	195,941,976 (A-shares)	None
HKSCC Nominees Limited[1,2]	Foreign legal person	36.87	+206,985,167	92,179,073,035 (H-shares)	Unknown
China Securities Finance Corporation Limited	State-owned legal person	0.88	–	2,189,259,768 (A-shares)	None
Baowu Steel Group[2]	State-owned legal person	0.80	–	1,999,556,250 (H-shares)	None
State Grid[2,3]	State-owned legal person	0.64	–	1,611,413,730 (H-shares)	None
Reca Investment Limited	Foreign legal person	0.34	–	856,000,000 (H-shares)	None
Yangtze Power[2]	State-owned legal person	0.26	-216,620,000	648,993,000 (H-shares)	None
Hong Kong Securities Clearing Company Ltd.[1]	Foreign legal person	0.23	+91,017,029	579,849,435 (A-shares)	None
Central Huijin Asset Management Ltd.[1]	State-owned legal person	0.20	–	496,639,800 (A-shares)	None
National Social Security Fund Portfolio 106	State	0.07	+65,384,258	168,118,506 (A-shares)	None

1. Central Huijin Asset Management Ltd. is a wholly-owned subsidiary of Huijin. HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Securities Clearing Company Ltd. Apart from these, the Bank is not aware of any connected relation or concerted action among the aforesaid shareholders.

2. As at 31 December 2019, State Grid and Yangtze Power held 1,611,413,730 H-shares and 648,993,000 H-shares of the Bank respectively, all of which were held under the name of HKSCC Nominees Limited; Baowu Steel Group held 1,999,556,250 H-shares of the Bank, in which 599,556,250 H-shares were held under the name of HKSCC Nominees Limited. Save the aforesaid H-shares of the Bank held by State Grid and Yangtze Power, as well as 599,556,250 H-shares held by Baowu Steel Group, 92,179,073,035 H-shares of the Bank were held under the name of HKSCC Nominees Limited, which included the H-shares of the Bank held by Temasek Holdings (Private) Limited.
3. As at 31 December 2019, the holding of H-shares of the Bank by State Grid through its subsidiaries was as follows: State Grid Yingda International Holdings Group Co., Ltd. held 54,131,000 shares, State Grid International Development Limited held 1,315,282,730 shares, Luneng Group Co., Ltd. held 230,000,000 shares and Shenzhen Guoneng International Trading Co., Ltd. held 12,000,000 shares.
4. None of the shares held by the aforesaid shareholders were subject to selling restrictions.

SUBSTANTIAL SHAREHOLDERS OF THE BANK

Huijin is the controlling shareholder of the Bank, holding 57.11% of the shares of the Bank at the end of the reporting period, and indirectly holds 0.20% of the shares of the Bank through its subsidiary. Central Huijin Asset Management Ltd. Huijin is a wholly state-owned company established in accordance with the PRC Company Law on 16 December 2003 with the approval of the State Council. Both its registered capital and paid-in capital is RMB828,209 million. Its legal representative is Mr. Peng Chun. Huijin makes equity investment in key state-owned financial institutions as authorised by the State Council, and exercises the contributor's rights and obligations in key state-owned financial institutions up to its contribution amount on behalf of the State to achieve preservation and appreciation of state-owned financial assets. Huijin does not engage in any other commercial activities, nor does it interfere with daily operations of the key state-owned financial institutions in which it holds controlling shares.

As at 31 December 2019, the information on the enterprises whose shares were directly held by Huijin is as follows:

No.	Name of the Institution	Shareholding of Huijin (%)
1	China Development Bank	34.68
2	Industrial and Commercial Bank of China Limited[1, 2]	34.71
3	Agricultural Bank of China Limited[1, 2]	40.03
4	Bank of China Limited[1, 2]	64.02
5	China Construction Bank Corporation[1, 2, 3]	57.11
6	China Everbright Bank Company Limited[1, 2]	19.53
7	Hengfeng Bank Co., Limited.	53.95
8	China Everbright Group Ltd.	55.67
9	China Jianyin Investment Limited	100.00
10	China Galaxy Financial Holdings Co., Ltd.	69.07
11	Shenwan Hongyuan Group Co., Ltd.[1, 2]	20.05
12	China Export & Credit Insurance Corporation	73.63
13	China Reinsurance (Group) Corporation[2]	71.56
14	New China Life Insurance Company Limited[1, 2]	31.34
15	China International Capital Corporation Limited[2]	44.32
16	China Securities Co., Ltd.[1, 2]	31.21
17	Jiantou Zhongxin Assets Management Co., Ltd.	70.00
18	Guotai Junan Investment Management Co., Ltd.	14.54

1. A-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2019.
2. H-share listed companies held by Huijin, the controlling shareholder of the Bank, as at 31 December 2019.
3. Besides the enterprises above whose shares are directly held by Huijin, Huijin has a wholly-owned subsidiary Central Huijin Asset Management Ltd., which was established in November 2015 in Beijing with a registered capital of RMB5 billion, which engages in assets management business. The percentage of Huijin's direct shareholding of the Bank does not include A-shares held by Central Huijin Asset Management Ltd.

Please refer to the *Announcement on Matters related to the Incorporation of China Investment Corporation* published by the Bank on 9 October 2007 for details of China Investment Corporation.

At the end of the reporting period, there were no other corporate shareholders holding 10% or more of shares of the Bank excluding HKSCC Nominees Limited, nor were there any internal staff shares.

DETAILS OF PREFERENCE SHARES

Details of Issuance and Listing of Preference Shares

In December 2015, the Bank made a non-public issuance of offshore preference shares, which were listed on the Hong Kong Stock Exchange, with net proceeds of RMB19,659 million. In December 2017, the Bank made a non-public issuance of domestic preference shares, which were listed on the Integrated Services Platform of Shanghai Stock Exchange for transfer, with net proceeds of RMB59,977 million. All of the net proceeds were used to replenish additional Tier 1 capital of the Bank.

Stock code of preference shares	Abbreviation of preference shares	Issuance date	Issuance price	Dividend rate (%)	Number of shares issued	Listing date	Number of shares approved to traded
4606	CCB 15USD PREF	2015/12/16	US$20/share	4.65	152,500,000	2015/12/17	152,500,000
360030	建行優1	2017/12/21	RMB100/share	4.75	600,000,000	2018/01/15	600,000,000

Number of Preference Shareholders and Particulars of Shareholding

At the end of reporting period, the Bank had 20 preference shareholders (or proxies), including 1 offshore preference shareholder (or proxy) and 19 domestic preference shareholders. As at 29 February 2020, the Bank had 20 preference shareholders (or proxies), including 1 offshore preference shareholder (or proxy) and 19 domestic preference shareholders.

At the end of 2019, the particulars of shareholding of the offshore preference shareholders (or proxies) of the Bank are as follows:

Unit: share

Name of preference shareholder	Nature of shareholder	Shareholding percentage (%)	Change during the reporting period	Total number of shares held	Number of shares pledged or frozen
The Bank of New York Depository (Nominees) Limited	Foreign legal person	100.00	–	152,500,000	Unknown

1. Particulars of shareholding of the preference shareholders were based on the information in the Bank's register of preference shareholders.
2. As the issuance is non-public issuance of offshore preference, the register of shareholders presented the shareholding information of The Bank of New York Depository (Nominees) Limited as proxy of the preference shareholders in the clearing systems of Euroclear Bank S.A./N.V. and Clearstream Banking S.A. at the end of the reporting period.
3. The Bank is not aware of any connected relation or concerted action between the aforesaid preference shareholders and the top ten ordinary shareholders.
4. "Shareholding percentage" refers to the percentage of offshore preference shares held by the preference shareholder in the total number of offshore preference shares.

At the end of 2019, the particulars of shareholding of the top ten (including ties) domestic preference shareholders are as follows:

Name of preference shareholder	Nature of shareholder	Shareholding percentage (%)	Change during the reporting period	Total number of shares held	Number of shares pledged or frozen
Bosera Asset Management Co., Limited	Others	26.83	–	161,000,000	None
China Mobile Communications Group Co., Ltd.	State-owned legal person	8.33	–	50,000,000	None
China Life Insurance Company Limited	Others	8.33	–	50,000,000	None
Shanghai Branch of Bank of China Limited	Others	8.17	+49,000,000	49,000,000	None
Manulife Teda Fund Management Co., Ltd.	Others	6.83	-49,000,000	41,000,000	None
Truvalue Asset Management Co., Limited	Others	6.67	–	40,000,000	None
China CITIC Bank Corporation Limited	Others	5.00	–	30,000,000	None
GF Securities Asset Management (Guangdong) Co., Ltd.	Others	4.50	–	27,000,000	None
Postal Savings Bank of China Co., Ltd.	Others	4.50	–	27,000,000	None
PICC Asset Management Company Limited	Others	3.33	–	20,000,000	None
AXA SPDB Investment Managers Co., Ltd.	Others	3.33	–	20,000,000	None
E Fund Management Co., Ltd.	Others	3.33	–	20,000,000	None

1. Particulars of shareholding of the preference shareholders were based on the information in the Bank's register of preference shareholders.
2. The Bank is not aware of any connected relation or concerted action among the aforesaid preference shareholders, or between the aforesaid preference shareholders and the top ten ordinary shareholders.
3. "Shareholding percentage" refers to the percentage of domestic preference shares held by preference shareholders in the total number of domestic preference shares.

Profit Distribution of Preference Shares

According to the resolution and authorisation of the shareholders' general meeting, the meeting of the Board held on 30 October 2019 considered and approved the dividend distribution plan of domestic and offshore preference shares of the Bank. Dividends of preference shares would be paid in cash once a year by the Bank to preference shareholders. Dividends not fully distributed to preference shareholders would not be accumulated to next year. After distribution at the agreed dividend rate, preference shareholders will not participate in the distribution of any remaining profit with ordinary shareholders.

According to the terms of issuance of offshore preference shares, the Bank distributed dividends of US$142 million (after tax) to the holders of the offshore preference shares. According to relevant laws, when the Bank distributes dividends for offshore preference shares, the income tax shall be withheld by the Bank at a rate of 10%. According to provisions of the terms and conditions of the offshore preference shares, the Bank paid such income tax. Such dividends were paid in cash on 16 December 2019.

According to the terms of issuance of domestic preference shares, the Bank distributed dividends of RMB2,850 million (including tax) to the holders of the domestic preference shares. Such dividends were paid in cash on 26 December 2019.

Please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank for information on dividend distribution of preference shares.

Distributions of dividends for preference shares of the Bank in the past three years were as follows:

	2019[1]		2018		2017	
(In millions of RMB, except percentages)	Dividend rate	Dividend distribution (including tax)	Dividend rate	Dividend distribution (including tax)	Dividend rate	Dividend distribution (including tax)
Offshore preference shares	4.65%	1,112	4.65%	1,086	4.65%	1,045
Domestic preference shares	4.75%	2,850	4.75%	2,850	4.75%	–

1. The dividends of offshore preference shares distributed in 2019 were translated into RMB at the exchange rate on 16 December 2019.

Redemption or Conversion of Preference Shares

During the reporting period, there was no redemption or conversion of preference shares issued by the Bank.

Restoration of Voting Rights of Preference Shares

During the reporting period, there was no restoration of voting rights of preference shares issued by the Bank.

Accounting Policy Adopted for Preference Shares and Causes Thereof

In accordance with *Accounting Standards for Enterprise No. 22 – Recognition and Measurement of Financial Instruments*, *Accounting Standards for Enterprise No. 37 – Presentation of Financial Instruments* promulgated by the MOF, as well as *International Accounting Standards No. 39 – Financial Instruments: Recognition and Measurement* and *International Accounting Standards No. 32 – Financial Instruments: Presentation* formulated by the International Accounting Standards Board, the issued and existing preference shares of the Bank conform to the accounting requirements as equity instruments in its provisions, and are accounted for as equity instruments.

Workers' Harbours

14,310

The Bank opened 14,310 "Workers' Harbours" to the public.

1st

The first "Service Station for Outdoor Workers" honoured by All-China Federation of Trade Unions.

102 million times

The Bank served approximately 102 million person-times.

48.16 million

Online user visits amounted to over 48.16 million.

316

The Bank cooperated with 316 institutions to promote the "Workers' Harbours +" model.

46,000

The Bank launched the campaign of "smart services for government affairs" on 46,000 smart teller machines at 10,015 outlets in 33 tier-one branches.

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PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Name	Position	Gender	Age	Term of Office
Tian Guoli	Chairman, executive director	Male	59	October 2017 to 2019 annual general meeting
Liu Guiping	Vice chairman, executive director, president	Male	53	July 2019 to 2021 annual general meeting
Zhang Gengsheng	Executive director, executive vice president	Male	59	August 2015 to 2020 annual general meeting
Feng Bing	Non-executive director	Female	54	July 2017 to 2019 annual general meeting
Zhu Hailin	Non-executive director	Male	54	July 2017 to 2019 annual general meeting
Zhang Qi	Non-executive director	Male	47	July 2017 to 2019 annual general meeting
Tian Bo	Non-executive director	Male	48	August 2019 to 2021 annual general meeting
Xia Yang	Non-executive director	Male	51	August 2019 to 2021 annual general meeting
Anita Fung Yuen Mei	Independent non-executive director	Female	59	October 2016 to 2020 annual general meeting
Malcolm Christopher McCarthy	Independent non-executive director	Male	76	August 2017 to 2019 annual general meeting
Carl Walter	Independent non-executive director	Male	72	October 2016 to 2020 annual general meeting
Kenneth Patrick Chung	Independent non-executive director	Male	62	November 2018 to 2020 annual general meeting
Graeme Wheeler	Independent non-executive director	Male	68	October 2019 to 2021 annual general meeting
Michel Madelain	Independent non-executive director	Male	64	January 2020 to 2021 annual general meeting
Resigned directors				
Wang Zuji	Vice chairman, executive director, president	Male	61	July 2015 to March 2019
Li Jun	Non-executive director	Male	60	September 2015 to May 2019
Wu Min	Non-executive director	Male	52	July 2017 to December 2019
Chung Shui Ming Timpson	Independent non-executive director	Male	68	October 2013 to June 2019
Murray Horn	Independent non-executive director	Male	65	December 2013 to September 2019

Supervisors of the Bank

Name	Position	Gender	Age	Term of Office
Wang Yongqing	Chairman of the board of supervisors, shareholder representative supervisor	Male	56	October 2019 to 2021 annual general meeting
Wu Jianhang	Shareholder representative supervisor	Male	58	June 2018 to 2020 annual general meeting
Lu Kegui	Employee representative supervisor	Male	58	May 2018 to 2020 annual general meeting
Cheng Yuanguo	Employee representative supervisor	Male	57	May 2018 to 2020 annual general meeting
Wang Yi	Employee representative supervisor	Male	57	May 2018 to 2020 annual general meeting
Zhao Xijun	External supervisor	Male	56	June 2019 to 2021 annual general meeting
Resigned supervisor				
Fang Qiuyue	Shareholder representative supervisor	Male	60	June 2018 to April 2020
Bai Jianjun	External supervisor	Male	64	June 2013 to 2018 annual general meeting

Senior management of the Bank

Name	Position	Gender	Age	Term of Office
Liu Guiping	President	Male	53	May 2019 to
Zhang Gengsheng	Executive vice president	Male	59	April 2013 to
Ji Zhihong	Executive vice president	Male	51	August 2019 to
Jin Yanmin	Chief risk officer	Male	58	May 2019 to
Hu Changmiao	Secretary to the Board	Male	56	May 2019 to
Resigned senior management				
Wang Zuji	President	Male	61	July 2015 to March 2019
Huang Yi	Executive vice president	Male	56	April 2014 to April 2020
Zhang Lilin	Executive vice president	Male	49	September 2017 to August 2019
Liao Lin	Executive vice president	Male	54	September 2018 to November 2019
	Chief risk officer			March 2017 to May 2019
Huang Zhiling	Secretary to the Board	Male	59	February 2018 to May 2019
Xu Yiming	Chief financial officer	Male	60	June 2014 to April 2020

Shareholdings of directors, supervisors and senior executives

During the reporting period, there was no change in the shareholdings of directors, supervisors and senior executives of the Bank. Some of the Bank's directors, supervisors and senior executives indirectly held H-shares of the Bank via employee stock incentive plan of the Bank before they assumed their current positions. Mr. Zhang Gengsheng held 19,304 H-shares, Mr. Wu Jianhang held 20,966 H-shares, Mr. Fang Qiuyue held 21,927 H-shares, Mr. Lu Kegui held 18,989 H-shares, Mr. Cheng Yuanguo held 15,863 H-shares, Mr. Wang Yi held 13,023 H-shares, Mr. Jin Yanmin held 15,739 H-shares, Mr. Xu Yiming held 17,925 H-shares and Mr. Hu Changmiao held 17,709 H-shares. Mr. Liao Lin, the resigned executive vice president and chief risk officer, held 14,456 H-shares and Mr. Huang Zhiling, the resigned secretary to the Board, held 18,751 H-shares. Apart from the above, all other directors, supervisors and senior executives did not hold any shares of the Bank.

Particulars of positions of directors, supervisors and senior management at shareholders

Name	Name of shareholder	Position at shareholder	Starting date of assuming duties
Feng Bing	Huijin	Employee	July 2017
Zhu Hailin	Huijin	Employee	July 2017
Zhang Qi	Huijin	Employee	July 2011
Tian Bo	Huijin	Employee	September 2019
Xia Yang	Huijin	Employee	October 2019

1. Ms. Feng Bing, Mr. Zhu Hailin, Mr. Zhang Qi, Mr. Tian Bo and Mr. Xia Yang, the current non-executive directors of the Bank, were nominated by Huijin, the shareholder of the Bank.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Upon election at the 2019 first extraordinary general meeting of the Bank and approval of the CBIRC, Mr. Michel Madelain commenced his position as independent non-executive director of the Bank from January 2020. Upon election at the 2018 annual general meeting of the Bank and approval of the CBIRC, Mr. Graeme Wheeler commenced his position as independent non-executive director of the Bank from October 2019. Upon election at the 2018 annual general meeting of the Bank and approval of the CBIRC, Mr. Tian Bo and Mr. Xia Yang commenced their positions as non-executive directors of the Bank from August 2019. Upon election at the 2018 annual general meeting of the Bank and approval of the CBIRC, Mr. Liu Guiping commenced his position as executive director of the Bank and vice chairman of the Board from July 2019; upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Liu Guiping commenced his position as president of the Bank from May 2019.

Due to change of job, Mr. Wu Min ceased to serve as non-executive director of the Bank from December 2019. Due to change of job, Mr. Murray Horn ceased to serve as independent non-executive director of the Bank from September 2019. Due to expiration of his term of office, Mr. Chung Shui Ming Timpson ceased to serve as independent non-executive director of the Bank from June 2019. Due to retirement, Mr. Li Jun ceased to serve as non-executive director of the Bank from May 2019. By reason of his age, Mr. Wang Zuji ceased to serve as vice chairman of the Board, executive director and president of the Bank from March 2019.

Upon election at the 2019 first extraordinary general meeting of the Bank and the 2019 fifth meeting of the board of supervisors, Mr. Wang Yongqing commenced his position as chairman of the board of supervisors and the shareholder representative supervisor of the Bank from October 2019. Upon election at the 2018 annual general meeting of the Bank, Mr. Zhao Xijun commenced his position as external supervisor of the Bank from June 2019.

By reason of his age, Mr. Fang Qiuyue ceased to serve as shareholder representative supervisor of the Bank from April 2020. Due to expiration of his term of office, Mr. Bai Jianjun ceased to serve as external supervisor of the Bank from June 2019.

Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Ji Zhihong commenced his position as executive vice president of the Bank from August 2019. Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Jin Yanmin commenced his position as chief risk officer of the Bank from May 2019. Upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Hu Changmiao commenced his position as secretary to the Board of the Bank from May 2019.

By reason of his age, Mr. Xu Yiming ceased to serve as chief financial officer of the Bank from April 2020. Due to retirement, Mr. Huang Yi ceased to serve as executive vice president of the Bank from April 2020. Due to work arrangements, Mr. Liao Lin ceased to serve as chief risk officer of the Bank from May 2019 and ceased to serve as executive vice president of the Bank from November 2019. Due to work arrangements, Mr. Zhang Lilin ceased to serve as executive vice president of the Bank from August 2019. Due to work arrangements, Mr. Huang Zhiling ceased to serve as secretary to the Board of the Bank from May 2019.

CHANGES IN PERSONAL INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Zhang Gengsheng, executive vice president and executive director of the Bank, commenced to serve concurrently as chairman of CCB Asia from December 2019.

Mr. Tian Bo, non-executive director of the Bank, ceased to serve as deputy general manager of global transaction banking department of BOC from September 2019.

Mr. Xia Yang, non-executive director of the Bank, ceased to serve as general manager of the asset custody services department of Hua Xia Bank from October 2019.

Ms. Anita Fung Yuen Mei, independent non-executive director of the Bank, ceased to serve in Airport Authority Hong Kong from May 2019, and ceased to serve as independent non-executive director of Westpac Banking Corporation from April 2020.

Mr. Kenneth Patrick Chung, independent non-executive director of the Bank, ceased to serve as independent non-executive director of Prudential Corporation Asia from September 2019.

Mr. Wang Yi, employee representative supervisor of the Bank, ceased to serve as chairman of CCB Housing from November 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors of the Bank

Tian Guoli Chairman, executive director

Major positions

Chairman and executive director of the Bank since October 2017

Chairman of Sino-German Bausparkasse since March 2018

Chairman of China Banking Association

Member of the Expert Committee for the 14th Five-Year Plan for Economic and Social Development of China

Member of the PBC's Monetary Policy Committee

Chairman of Asian Financial Cooperation Association

Member of International Advisory Panel of Monetary Authority of Singapore

Educational experience, qualifications and honors

Bachelor in Economics from Hubei Institute of Finance and Economics in 1983

Senior economist

Past experience

Mr. Tian joined BOC in April 2013, and served as chairman of BOC from May 2013 to August 2017, during which he also served as chairman and non-executive director of Bank of China Hong Kong (Holdings) Limited. From December 2010 to April 2013, he served as vice chairman and general manager of China CITIC Group Corporation, during which he also served as chairman and non-executive director of China CITIC Bank. From April 1999 to December 2010, he served consecutively as vice president and president of China Cinda Asset Management Company, and chairman of China Cinda Asset Management Co., Ltd. From July 1983 to April 1999, he held various positions in the Bank, including sub-branch manager, branch deputy general manager, general manager of Head Office departments, and assistant president of the Bank.

Liu Guiping Vice chairman, executive director, president

Major positions

Vice chairman, executive director of the Bank since July 2019

President of the Bank since May 2019

Educational experience, qualifications and honors

Ph.D. in Finance from Finance Department of Zhongnan University of Economics and Law in 2002

Senior economist with special grants by the PRC government

Past experience

Mr. Liu served as Vice Mayor of Chongqing from June 2016 to March 2019. From May 2014 to June 2016, he served as deputy general manager of China Investment Corporation. From January 2005 to May 2014, he consecutively served as deputy general manager and general manager of Fujian Branch, general manager of Shanghai Branch, head of the Retail Banking Department (Retail Product Department) of ABC. From May 1994 to January 2005, he consecutively served as ABC's assistant director and deputy director in charge of the Executive Office of Guangdong Branch, deputy general manager of Zhaoqing Branch, Dongguan Branch and Shenzhen Branch in Guangdong Province.

Zhang Gengsheng Executive director, executive vice president

Major positions

Executive director of the Bank since August 2015

Executive vice president of the Bank since April 2013

Chairman of CCB Asia since December 2019

Vice chairman of Payment & Clearing Association of China

Educational experience, qualifications and honors

Bachelor in Infrastructure Finance and Credit from Liaoning Finance and Economics College in 1984

EMBA from Peking University in 2010

Senior economist

Past experience

Mr. Zhang served concurrently as chairman of CCB Life from May 2013 to July 2018. He worked as a member of senior management of the Bank from December 2010 to April 2013. He was general manager of the Group Clients Department (Banking Business Department) and deputy general manager of Beijing Branch of the Bank from October 2006 to December 2010, general manager of the Banking Business Department and the Group Clients Department (Banking Business Department) at the Head Office of the Bank from March 2004 to October 2006, deputy general manager of the Banking Business Department at the Head Office of the Bank from June 2000 to March 2004 (in charge of overall management from March 2003), general manager of the Three Gorges Branch of the Bank from September 1998 to June 2000, and deputy general manager of the Three Gorges Branch of the Bank from December 1996 to September 1998.

Feng Bing Non-executive director

Major positions

Director of the Bank since July 2017

Staff member of Huijin, the Bank's substantial shareholder

Educational experience, qualifications and honors

Bachelor in Finance from Renmin University of China in 1988

Master in Finance from Renmin University of China in 2001

Past experience

Ms. Feng served as deputy director (deputy director-general level) of Payment Centre of the National Treasury of MOF from September 2015 to August 2017. From August 1988 to September 2015, she had served in various positions including deputy division-chief and division-chief of the Tax Department of MOF.

Zhu Hailin Non-executive director

Major positions

Director of the Bank since July 2017

Staff member of Huijin, the Bank's substantial shareholder

Educational experience, qualifications and honors

Master in Accounting from Jiangxi University of Finance and Economics in 1992

Ph.D. in Economics specialised in Accounting from the Research Institute for Fiscal Science of MOF in 2000

Expert with special grants by the PRC government

Certified Public Accountant (non-practicing member)

Associate research fellow

Doctoral supervisor

Past experience

Mr. Zhu served as deputy director (deputy director-general level) of National Accountant Assessment & Certification Centre of MOF from July 2012 to August 2017. From August 1992 to June 2012, he had served in various positions including deputy division-chief, division-chief of the Accounting Department of Ministry of Finance.

Zhang Qi Non-executive director

Major positions

Director of the Bank since July 2017

Staff member of Huijin, the Bank's substantial shareholder

Educational experience, qualifications and honors

Bachelor, Master and Ph.D. in Economics from the Investment Department and Finance Department of Dongbei University of Finance & Economics in 1995,1998 and 2001 respectively

Doctoral supervisor at Dongbei University of Finance & Economics

Past experience

Mr. Zhang served as non-executive director of BOC from July 2011 to June 2017. From 2001 to 2011, he worked consecutively at Central Expenditure Division One and Comprehensive Division of the Budget Department, Ministers' Office under the General Office of the MOF, and the Office of China Investment Corporation, and had served as deputy division-chief, division-chief and senior manager.

Tian Bo Non-executive director

Major positions

Director of the Bank since August 2019

Staff member of Huijin, the Bank's substantial shareholder

Educational experience, qualifications and honors

Bachelor in Finance from Beijing College of Finance and Trade in 1994

Master in Management from the Capital University of Economics and Business in 2004

Past experience

Mr. Tian served as deputy general manager of Global Transaction Banking Department of the BOC from January to August 2019. He joined BOC in March 2006, and had served in various positions including assistant general manager of Corporate Banking Department and deputy general manager of Global Trade Services Department of BOC. Concurrently, he served as Member of the Standing Committee of the CPC Municipal Party Committee and Vice Mayor of Fangchenggang City of Guangxi Zhuang Autonomous Region from February 2016 to February 2018.

Xia Yang Non-executive director

Major positions

Director of the Bank since August 2019

Staff member of Huijin, the Bank's substantial shareholder

Educational experience, qualifications and honors

Bachelor specialised in human and animal physiology from Nanjing University in 1988

Ph.D. in Management Sciences and Engineering from Nanjing University in 2018

Senior economist and accountant

Past experience

Mr. Xia served as general manager of the asset custody services department of Hua Xia Bank from January 2018 to September 2019. He joined Hua Xia Bank in August 1997, and had served in various positions including general manager of Jinan Branch and general manager of Hefei Branch.

Anita Fung Yuen Mei Independent non-executive director

Major positions

Director of the Bank since October 2016

Independent non-executive director of Hong Kong Exchanges and Clearing Limited and Hang Lung Properties Limited

Serving in Court of the Hong Kong University of Science and Technology

Educational experience, qualifications and honors

Master in Applied Finance from Macquarie University of Australia in 1995

Bronze Bauhinia Star in 2013

Justice of Peace by the Government of the Hong Kong Special Administrative Region in 2015

Past experience

Ms. Fung served as group general manager of HSBC Holdings plc from May 2008 to February 2015. She served consecutively as head of Hong Kong currency bond market, head of Asian fixed income trading, head of Asian Pacific trading, treasurer and joint head of global markets for Asia-Pacific, treasurer and head of global markets for Asia-Pacific, head of global banking and markets for Asia-Pacific as well as chief executive officer of Hong Kong region of The Hongkong and Shanghai Banking Corporation Limited from September 1996 to February 2015. She also served as non-executive director of BoCom from November 2010 to January 2015. She concurrently served in various positions including chairwoman and director of HSBC Global Asset Management (Hong Kong) Limited, non-executive director of HSBC Bank (China) Company Limited and director of HSBC Markets (Asia) Limited from September 2011 to February 2015. Ms. Fung served as non-executive director of Hang Seng Bank Limited from November 2011 to January 2014.

Malcolm Christopher McCarthy Independent non-executive director

Major position

Director of the Bank since August 2017

Educational experience, qualifications and honors

Master from Graduate School of Business of Stanford University

MA in History from Merton College of Oxford University

Ph.D. in Economics of Stirling University

Honorary Fellow of Merton College

Honorary Doctorate of the University of Stirling and the Cass Business School

Freeman of the City of London

Past experience

Sir McCarthy served as independent non-executive director of ICBC from December 2009 to October 2016. He worked first as an economist for ICI before joining the UK Department of Trade and Industry where he held various posts from economic adviser to undersecretary. He subsequently worked as a senior executive of Barclays Bank in London, Japan and North America. He served as chairman and chief executive of Office of Gas and Electricity Markets (Ofgem), chairman of the Financial Services Authority (FSA), non-executive director of Her Majesty's Treasury, chairman of the board of directors of J.C. Flowers & Co. UK Ltd, non-executive director of NIBC Holding N.V., NIBC Bank N.V., OneSavings Bank plc, Castle Trust Capital plc and Intercontinental Exchange (ICE), and trustee of the Said Business School of Oxford University.

Carl Walter Independent non-executive director

Major positions

Director of the Bank since October 2016

Independent consultant, providing strategic consulting advice to various countries and financial institutions.

Educational experience, qualifications and honors

Bachelor in Politics and Russian Language from Princeton University in 1970

Advanced studies certificate in Economics from Peking University in 1980

Doctoral degree in Politics from Stanford University in 1981

Visiting scholar and adjunct professor at the Freeman Spogli Institute of Stanford University in 2012

Past experience

Mr. Walter served as managing director and chief operating officer in China of JPMorgan Chase & Co and chief executive officer of JP Morgan Chase Bank (China) Company Limited from September 2001 to April 2011. He was seconded from Morgan Stanley to serve as managing director and chief administrative officer of China International Capital Corporation from January 1999 to July 2001. He served concurrently as vice president and head of Asian Credit Management and Research of Credit Suisse First Boston (Singapore) as well as the director and head of China investment banking in Beijing from September 1990 to December 1998. He served in various positions including vice president and general manager of Taipei Branch of Chemical Bank from January 1981 to August 1990.

Kenneth Patrick Chung Independent non-executive director

Major positions

Director of the Bank since November 2018

Independent non-executive director of Sands China Ltd

Trustee of Fu Tak Iam Foundation Limited

Educational experience, qualifications and honors

Bachelor in Economics from the University of Durham

Member of the Institute of Chartered Accountants in England and Wales

Member of the Hong Kong Institute of Certified Public Accountants

Member of the Macau Society of Certified Practising Accountants

Past experience

Mr. Chung served as independent non-executive director of ICBC from December 2009 to March 2017. He joined Deloitte Haskins and Sells London Office in 1980, became a partner of PricewaterhouseCoopers in 1992, and was a financial service specialist of PricewaterhouseCoopers (Hong Kong and China) since 1996. Previously, he was the human resources partner of PricewaterhouseCoopers (Hong Kong), the responsible partner of the audit department of PricewaterhouseCoopers (Hong Kong and China), the global lead partner of the audit engagement team for BOC, the honorary treasurer of the Community Chest of Hong Kong and was a member of the ethics committee, limitation of professional liability committee, communications committee, and the investigation panel of the Hong Kong Society of Accountants. He also served as the audit head for the restructurings and initial public offerings of BOC, Bank of China (Hong Kong) Limited and BoCom, chairman of the audit committee of the Harvest Real Estate Investments (Cayman) Limited and independent non-executive director of Prudential Corporation Asia.

Graeme Wheeler Independent non-executive director

Major position

Director of the Bank since October 2019

Educational experience, qualifications and honors

Master of commerce in economics from University of Auckland in 1972

Companion of the New Zealand Order of Merit in 2018

Past experience

Mr. Wheeler served as non-executive director of Thyssen-Bornemisza Group since 2017. He served as governor of Reserve Bank of New Zealand from 2012 to 2017, non-executive director of Thyssen-Bornemisza Group and cofounder of Privatisation Analysis and Consulting Ltd from 2010 to 2012, managing director responsible for operations of World Bank from 2006 to 2010, vice president and treasurer of the World Bank from 2001 to 2006, director of financial products and services department of World Bank from 1997 to 2001, treasurer of New Zealand Debt Management Office (NZDMO) and deputy secretary to the New Zealand Treasury from 1993 to 1997, director of macroeconomic Policy of New Zealand Treasury from 1990 to 1993, economic and financial counsellor of New Zealand Delegation to the OECD, Paris, from 1984 to 1990 and an advisor in the New Zealand Treasury from 1973 to 1984.

Michel Madelain Independent non-executive director

Major positions

Director of the Bank since January 2020

Trustee of the IFRS Foundation since January 2018

Member of the Supervisory Board of La Banque Postale in France since April 2018

Educational experience, qualifications and honors

Bachelor in Business Administration from the Ecole Supérieure de Commerce de Rouen, France

Master in Management from Kellogg Graduate School of Management of Northwestern University (US)

Qualified Chartered Accountant of France

Past experience

From June 2016 to December 2018, Mr. Madelain was vice chairman of Moody's Investors Service (MIS). Concurrently, he chaired several of the European Boards and was a member of MIS US Board. From May 2008 to June 2016, he was president and chief operating officer of MIS, having previously assumed a number of positions in Europe and the USA with MIS from 1994 to May 2008. From May 1980 to May 1994, he worked with Ernst & Young in Belgium and France and was promoted to the partnership in 1989.

Supervisors of the Bank

Wang Yongqing   Chairman of the board of supervisors, shareholder representative supervisor

Major position

Chairman of the board of supervisors of the Bank since October 2019

Educational experience, qualifications and honors

Graduated from Hubei Institute of Finance and Economics

Master in Economics from Renmin University of China

Ph.D. in Economics from Beijing Jiaotong University

Senior accountant

Past experience

Mr. Wang served as vice chairman of the China Federation of Industry and Commerce from December 2016 to July 2019. He served consecutively as deputy director (director-general level) and director of the fifth bureau, director of the sixth bureau of the United Front Work Department of the CPC Central Committee from December 2003 to November 2016. He served consecutively as deputy director of the general office, assistant general manager and director of the general office, chief accountant of China International Engineering Consulting Corporation from December 1998 to December 2003. He joined China Development Bank in July 1994, and started working in financial department of the Ministry of Railway in July 1985.

Wu Jianhang   Shareholder representative supervisor

Major positions

Supervisor of the Bank since June 2018

Director of humanities teaching and research department of CCB University since November 2019

Deputy head of CCB Research Academy since August 2018

Educational experience, qualifications and honors

Master in International Finance from Nankai University in 1991

Ph.D. in Technology Economics and Management from Tongji University in 2003

Senior accountant with special grants by the PRC government

Past experience

Mr. Wu served as dean of training centre for staff's development of CCB University from December 2018 to November 2019, general manager of strategic planning department of the Bank from March 2014 to January 2019, and general manager of research department of the Bank from October 2013 to March 2014. From December 2007 to October 2013, he served as president of CCB Financial Leasing. He served as general manager of Guangdong Branch of the Bank from October 2004 to December 2007, general manager of Shenzhen Branch of the Bank from July 2003 to October 2004, and deputy general manager of Zhejiang Branch of the Bank from May 1997 to July 2003.

Fang Qiuyue Shareholder representative supervisor

Major positions

Supervisor of the Bank from June 2018 to April 2020

Dean of training centre for accounting and audits of CCB University from November 2019 to April 2020

Non-executive director of CCB Brasil from April 2017 to April 2020

Educational experience, qualifications and honors

EMBA from Tsinghua University in 2010

Senior accountant with special grants by the PRC government

Past experience

Mr. Fang served as general manager of finance & accounting department of the Bank from January 2015 to November 2019, head of finance & accounting department of the Bank from August 2014 to January 2015, deputy general manager (general manager level) of Beijing Branch of the Bank from August 2011 to August 2014, deputy general manager of Beijing Branch of the Bank from August 2000 to August 2011, and deputy general manager of accounting department of the Bank from January 1998 to August 2000. From December 1997 to January 1998, he served as deputy general manager of Beijing Branch of the Bank.

Lu Kegui Employee representative supervisor

Major positions

Supervisor of the Bank since May 2018

Dean of training centre for asset management and investment banking of CCB University since October 2019

Educational experience, qualifications and honors

Bachelor in Infrastructure Finance and Credit from Hubei Institute of Finance and Economics in 1982

Senior accountant with special grants by the PRC government

Past experience:

Mr. Lu served as dean of training centre for asset management and wealth management of CCB University from December 2018 to October 2019 (during which he held a concurrent position from December 2018 to April 2019). He served as general manager of special assets resolution centre of the Bank from April 2017 to April 2019, director of Tianjin audit department of the Bank from September 2013 to April 2017, general manager of Heilongjiang Branch of the Bank from April 2011 to September 2013, and head of Heilongjiang Branch of the Bank from February 2011 to April 2011. He served as general manager of fund settlement department of the Bank from July 2008 to February 2011, general manager of accounting department of the Bank from August 2000 to July 2008, deputy general manager of planning and finance department of the Bank from January 1998 to August 2000, and deputy general manager of the finance and accounting department of the Bank from September 1995 to January 1998.

Cheng Yuanguo Employee representative supervisor

Major positions

Supervisor of the Bank since May 2018

General manager of corporate banking department of the Bank since February 2017

Educational experience, qualifications and honors

Bachelor in Infrastructure Finance and Credit from China Northeast University of Finance and Economics in 1986

Senior accountant

Past experience

Mr. Cheng served as chairman of CCB Trust from August 2017 to July 2018. He served as general manager of Hebei Branch of the Bank from August 2014 to February 2017, general manager of group clients department (banking business department) of the Bank from March 2011 to July 2014, and concurrently as director of CCB International from September 2010 to October 2015. He served as deputy general manager of group clients department (banking business department) of the Bank from May 2005 to March 2011 and deputy general manager of banking business department of the Bank from September 2001 to May 2005.

Wang Yi Employee representative supervisor

Major positions

Supervisor of the Bank since May 2018

General manager of housing finance and personal lending department of the Bank since November 2013

Educational experience, qualifications and honors

Bachelor in Computational Mathematics from Shandong University in 1984

EMBA from Peking University in 2010

Senior engineer

Past experience

Mr. Wang served as chairman of CCB Housing from December 2018 to November 2019. He served as deputy general manager of personal savings and investment department of the Bank (general manager level) from November 2009 to November 2013, deputy general manager of personal savings and investment department of the Bank from December 2008 to November 2009, deputy general manager of personal finance department of the Bank from June 2005 to December 2008, and assistant general manager of personal banking department of the Bank from July 2001 to June 2005.

Zhao Xijun External supervisor

Major positions

Supervisor of the Bank since June 2019

Deputy dean of the School of Finance of Renmin University of China since 2005

Independent non-executive director of China National Foreign Trade Financial & Leasing Co., Ltd. and FAW Capital Holdings Co., Ltd.

Educational experience, qualifications and honors

Bachelor in Scientific French from Wuhan University in 1985

Master in Finance from the finance department of Renmin University of China in 1987

Ph.D. in Finance from the School of Finance of Renmin University of China in 1999

Visiting scholar in University of Sherbrooke and McGill University, Canada from 1989 to 1990 and Nijenrode University, Netherlands from 1995 to 1996

Past experience

Mr. Zhao served as director of international office of Renmin University of China from 2001 to 2005, head of finance department of the School of Finance of Renmin University of China from 1995 to 2001 and a research fellow of the international department of the CSRC from 1994 to 1995. He served as independent non-executive director of the Bank from August 2010 to March 2014.

Senior Management of the Bank

Liu Guiping Vice chairman, executive director, president

See "Directors of the Bank".

Zhang Gengsheng Executive director, executive vice president

See "Directors of the Bank".

Huang Yi Executive vice president

Major position

Executive vice president of the Bank from April 2014 to April 2020

Educational experience, qualifications and honors

Ph.D. in Law from Peking University in 1997

Recipient of special grants by the PRC government

Past experience

Mr. Huang served as member of senior management of the Bank from December 2013 to April 2014, and director of legal department of the CBRC from January 2010 to December 2013. He served consecutively as deputy director, director of the supervisory rules & regulations department and head of the research bureau of the CBRC from July 2003 to January 2010. From April 1999 to July 2003, he served consecutively as a director level staff member and director of financial claim management office under the legal affairs department, assistant inspector of legal affairs department (also working as deputy director-general of Department of Finance of Sichuan Province during this period) and assistant inspector of banking management department of the PBC. He was general manager of the development and research department of Hua Xia Bank from August 1997 to April 1999.

Ji Zhihong Executive vice president

Major position

Executive vice president of the Bank since August 2019

Educational experience, qualifications and honors

Master in International Finance from the PBC School of Finance, Tsinghua University (formerly known as the Graduate School of the PBC Head Office) in 1995

Ph.D. in Economics from Chinese Academy of Social Sciences in 2005

Research fellow

Past experience

Mr. Ji served as director-general of the Financial Market Department of the PBC from August 2013 to May 2019, during which he was concurrently director of the Financial Market Management Department of the PBC Shanghai Head Office from August 2013 to May 2016. From September 2012 to August 2013, he was director-general of the Research Bureau of the PBC. From April 2010 to September 2012, he was deputy director-general of the Monetary Policy Department of the PBC. From February 2008 to April 2010, he was deputy director (deputy director-general Level) of the Open Market Operations Department of the PBC Shanghai Head Office.

Xu Yiming Chief financial officer

Major position

Chief financial officer of the Bank from June 2014 to April 2020.

Educational experience, qualifications and honors

Ph.D. degree in Economics from the fiscal science major of Research Institute for Fiscal Science of the MOF in 1994

Senior accountant

Past experience

Mr. Xu served as general manager of asset and liability management department of the Bank from August 2005 to July 2014, deputy general manager of asset and liability management department of the Bank from March 2003 to August 2005, and deputy general manager of the office of Asset and Liability Management Committee of the Bank from March 2001 to March 2003.

Jin Yanmin Chief risk officer

Major positions

Chief risk officer of the Bank since May 2019

Supervisor of CCB Financial Leasing since December 2015

Non-executive director of CCB Investment since November 2017

Educational experience, qualifications and honors

Bachelor in Infrastructure Finance and Credit from Liaoning Finance and Economics College in 1983

EMBA from Tsinghua University in 2010

Economist

Past experience:

Mr. Jin served as general manager of credit approval department of the Bank from November 2014 to May 2019. From February 2011 to November 2014, he served as head and general manager of Guangdong Branch of the Bank; from March 2009 to February 2011, he served as general manager of corporate banking department and concurrently as general manager of small enterprises finance service department of the Bank. He served as general manager of corporate banking department of the Bank from August 2007 to March 2009, risk supervisor of Guangdong Branch of the Bank from June 2006 to August 2007, and deputy general manager of corporate banking department of the Bank from March 2001 to June 2006.

Hu Changmiao Secretary to the Board

Major positions

Secretary to the Board of the Bank since May 2019

General manager of the board of directors office the Bank since December 2018

Educational experience, qualifications and honors

Master of science in economic geography of Peking University in 1986

Senior economist

Past experience

Mr. Hu served as chairman of CCB Financial Leasing from August 2016 to December 2018, general manager of Guangxi Branch of the Bank from February 2012 to August 2016, general manager of public relations & corporate culture department of the Bank from March 2006 to February 2012, and deputy general manager in charge of the overall management of the board of directors office of the Bank from June 2005 to March 2006. He served as deputy general manager of executive office of the Bank from December 2004 to June 2005, deputy general manager of credit card centre of the Bank from March 2003 to December 2004, and deputy general manager of personal banking department of the Bank from July 2001 to March 2003.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(In thousands of RMB)

Name	Fees	Remuneration paid	Contribution by the employer to social insurance housing fund, etc.	Total (before tax)[1]	Whether obtaining remuneration from related parties of the Bank
Tian Guoli	–	579.0	169.1	748.1	No
Liu Guiping	–	386.0	107.9	493.9	No
Zhang Gengsheng	–	521.1	165.1	686.2	No
Feng Bing[2]	–	–	–	–	Yes
Zhu Hailin[2]	–	–	–	–	Yes
Zhang Qi[2]	–	–	–	–	Yes
Tian Bo[2]	–	–	–	–	Yes
Xia Yang[2]	–	–	–	–	Yes
Anita Fung Yuen Mei	415.0	–	–	415.0	No
Malcolm Christopher McCarthy	410.0	–	–	410.0	No
Carl Walter	441.7	–	–	441.7	No
Kenneth Patrick Chung	430.0	–	–	430.0	No
Graeme Wheeler	110.0	–	–	110.0	No
Michel Madelain	–	–	–	–	No
Wang Yongqing	–	241.3	65.6	306.9	No
Wu Jianhang	–	660.0	196.1	856.1	No
Lu Kegui[3]	50.0	–	–	50.0	No
Cheng Yuanguo[3]	50.0	–	–	50.0	No
Wang Yi[3]	50.0	–	–	50.0	No
Zhao Xijun	138.3	–	–	138.3	No
Ji Zhihong	–	304.0	91.4	395.4	No
Jin Yanmin	–	459.9	118.1	578.0	No
Hu Changmiao	–	459.9	116.0	575.9	No
Resigned directors, supervisors and senior management					
Wang Zuji	–	136.5	45.9	182.4	No
Li Jun[2]	–	–	–	–	Yes
Wu Min[2]	–	–	–	–	Yes
Chung Shui Ming Timpson	220.0	–	–	220.0	No
Murray Horn	352.5	–	–	352.5	No
Fang Qiuyue	–	660.0	200.0	860.0	No
Bai Jianjun	125.0	–	–	125.0	No
Huang Yi	–	521.1	165.1	686.2	No
Zhang Lilin	–	332.6	105.1	437.7	No
Liao Lin	–	462.8	183.9	646.7	No
Huang Zhiling	–	328.5	85.8	414.3	No
Xu Yiming	–	788.4	204.1	992.5	No

1. From 2015 onwards, remunerations of the Bank's leaders administered by central authorities have been paid in accordance with relevant policies of the States relating to the remuneration reform for central enterprises.
2. Non-executive directors of the Bank receive their remuneration from Huijin, the shareholder of the Bank.
3. Remuneration before tax paid for acting as employee representative supervisor of the Bank.
4. As some of the Bank's non-executive directors and external supervisors hold positions of directors or senior executives in other legal persons or organisations, such legal persons or organisations thus become related parties of the Bank. Apart from this, none of the Bank's directors, supervisors or senior executives obtained remuneration from the related parties of the Bank.
5. The total compensation package for some directors, supervisors and senior executives for the year ended 31 December 2019 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The total final compensation will be disclosed by the Bank in a separate announcement when it is determined.

The Bank is committed to maintaining a high level of corporate governance. In strict compliance with the PRC Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the listing venues, the Bank optimised its corporate governance structure and improved related rules based on its corporate governance practices.

The Bank has complied with the code provisions of the *Corporate Governance Code* and *Corporate Governance Report* as set out in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange. The Bank has also substantially adopted the recommended best practices therein.

Feature article

Continuously improve corporate governance and enhance effective communications with the market

The Bank continued to improve the corporate governance, promoted the supply-side structural reform in the financial sector with New Finance actions, comprehensively transformed the advantages of the system into governance effectiveness and high-quality development capabilities, fully supported economic society development. The Bank enhanced the quality management of accounting information, advanced the quality of financial reports; improved the internal control system, solidified the basis of internal control; supervised and guided the internal and external audits, facilitated the enhancement of the effectiveness of internal and external audit; strengthened the effective communication with the market, and demonstrated the Bank's market investment value.

Continuously improving corporate governance. The Bank strengthened the decision-making communication and connection between the Party Committee and the Board to coordinate various aspects of corporate governance and to further improve the scientificity and effectiveness of the decision-making of the Board. The Bank implemented the requirements of the State Council and the MOF on management of state-owned financial capital, equity management of state-owned financial enterprises, and operating guidelines for the deliberation of proposals by directors of state-owned financial institution, ensured that the Board operates efficiently according to the laws, and members of the Board perform their duties in compliance with laws and regulations. According to the latest regulatory guidance, the Bank's own strategic development and operational management needs, the Bank reviewed the relevant provisions of the Articles of Association, studied the implementation of the authorisation to the Board granted by the shareholders' general meeting, the authorisation to the president granted by the Board and relevant amendments, and continuously improved the corporate governance system. In accordance with the relevant requirements of the CBIRC on corporate governance supervision and evaluation measures, the corporate governance assessment work was initiated to promote the further improvement of the corporate governance system and mechanism. The Bank paid great attention to the protection of consumer's rights and interests, and improved the building of the system and mechanism for the protection of consumer's rights and interests at the Board's level.

Strengthening governance of the quality of accounting information, improving the quality of financial reports. The Bank studied and followed up the changes of IFRS and PRC GAAP, as well as the changes to relevant overseas and domestic regulatory laws and regulations, and promoted the revisions and improvements to the Bank's basic accounting policies and the relevant systems and measures in accounting. The Bank strengthened the supervision and guidance of internal and external audits to facilitate the enhancement of the effectiveness of internal and external audits, promoted the management to continuously improve the internal audit system, studied and carried out the recommendations to the management raised from external audits, strengthened the rectification of the issues found in internal and external audits. The Bank attached importance to the development of internal control systems, urged the management to enhance the valuation of internal control, timely rectify the internal control deficiencies, and continuously improved the integrity and effectiveness of the internal control system.

Implementing investor relations management and information disclosure in accordance with laws and regulations. The Bank paid close attention to the dynamics and trending issues of the capital market, enhanced effective communications with the market, proactively responded to market concerns, comprehensively, objectively and accurately announced to the market about the practices and results of Bank's New Finance actions that promote high-quality development, demonstrated the Bank's competitive advantages and its investment value in the capital market. The Bank coordinated with Shanghai Stock Exchange ("SSE") to hold an event called "Learn about the Quality of Corporations listed in SSE, 'I am a shareholder'-CCB special event designed for minority investors", offering which helped investors the first-hand knowledge of learn the Bank's achievements by themselves.. The Bank disclosed operating results on a quarterly basis in accordance with laws, timely disclosed major decision-making matters, effectively protected the legitimate rights and interests of shareholders, depositors and related stakeholders; the Bank won the Platinum Award in the banking industry in the global 2018 annual report evaluation organised by the League of American Communications Professionals (LACP), which has maintained a good image of the Bank in the capital market.

Learn about the Quality of Corporations listed in SSE, 'I am a shareholder' – CCB special event designed for middle and small investors

SHAREHOLDERS' GENERAL MEETING

Powers of shareholders' general meeting

The shareholders' general meeting is the authoritative body of the Bank and mainly exercises the following functions and powers:

- deciding on the business strategies and investment plans of the Bank;
- electing and changing directors and supervisors (except for employee representative supervisors), and determining the remuneration of relevant directors and supervisors;
- considering and approving the Bank's annual financial budgets, final accounts, profit distribution plans and loss recovery plans;
- adopting resolutions related to matters including the increase or reduction of registered capital, and merger, split, dissolution and liquidation of the Bank;
- adopting resolutions related to the issuance and listing of corporate bonds or other marketable securities;
- adopting resolutions related to material acquisitions and repurchase of the Bank's shares;
- adopting resolutions to engage, dismiss or cease to retain certified public accountants;
- deciding the issuance of preference shares; deciding or authorising the Board to decide the matters relating to the issued preference shares by the Bank, including but without limitation to repurchase, conversion and dividend distribution, etc.;
- amending the Articles of Association and other basic corporate governance documents of the Bank.

Details of shareholders' general meeting convened

On 21 June 2019, the Bank held the 2018 annual general meeting, which reviewed and approved the 2018 report of the board of directors, report of the board of supervisors, final financial accounts, profit distribution plan, 2019 fixed assets investment budget, remuneration distribution and settlement plan for directors and supervisors of 2017, election of executive director, non-executive directors, independent non-executive directors and external supervisor, appointment of external auditors for 2019, and the issuance of write-down undated capital bonds and the issuance of write-down eligible tier-2 capital instruments, etc. The executive director, namely Mr. Tian Guoli, the non-executive directors, namely Ms. Feng Bing, Mr. Zhu Hailin, Mr. Wu Min and Mr. Zhang Qi, and the independent non-executive directors, namely Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung and Mr. Murray Horn attended the meeting. The directors' attendance rate was 75%. The domestic and international auditors of the Bank also attended the meeting. The shareholders' general meeting was held in compliance with relevant legal procedures. The announcement on resolutions of the meeting was published on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 21 June 2019, and on the designated newspapers on 22 June 2019 for information disclosure.

On 30 October 2019, the Bank held the 2019 first extraordinary general meeting, which reviewed and approved the election of independent non-executive directors and shareholder representative supervisors, remuneration distribution and settlement plan for directors and supervisors in 2018 and authorisation for additional temporary limit on poverty alleviation donations, etc. The executive director, namely Mr. Zhang Gengsheng, the non-executive directors, namely Ms. Feng Bing, Mr. Zhu Hailin, Mr. Wu Min, Mr. Zhang Qi, Mr. Tian Bo and Mr. Xia Yang, and the independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung and Mr. Graeme Wheeler attended the meeting. The directors' attendance rate was 86%. The shareholders' general meeting was held in compliance with relevant legal procedures. The announcement on resolutions of the meeting was published on the websites of the Shanghai Stock Exchange and Hong Kong Stock Exchange on 30 October 2019, and on the designated newspapers on 31 October 2019 for information disclosure.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is the executive body of the shareholders' general meeting, which is responsible to the general meeting of shareholders, and performs the following functions and duties in accordance with relevant laws:

- convening the general meeting of shareholders and reporting to the general meeting of shareholders;
- implementing the resolutions of the general meeting of shareholders;
- determining the Bank's development strategy, and supervising the implementation of the development strategy;
- deciding on business plans, investment plans and risk capital allocation plans of the Bank;
- preparing annual financial budget plans, final accounting plans, profit distribution plans and loss recovery plans;
- preparing plans related to the increase or reduction of registered capital, the issuance and listing of convertible bonds, subordinated bonds, corporate bonds or other marketable securities; and plans related to merger, split, dissolution and liquidation of the Bank;
- preparing plans related to material acquisitions and repurchase of the Bank's shares;
- exercising other powers under the Articles of Association of the Bank and as authorised by the general meeting of shareholders.

The Board's implementation of resolutions of the general meetings of shareholders

In 2019, the Board strictly implemented the resolutions of shareholders' general meeting and matters authorised by the shareholders' general meetings to the Board, earnestly implementing the proposals approved by the shareholders' general meetings, including the profit distribution plan for 2018, fixed assets investment budget for 2019, appointment of external auditors for 2019, and election of directors and supervisors.

Composition of the Board

At the end of 2019, the Board comprised 13 directors, including three executive directors, namely Mr. Tian Guoli, Mr. Liu Guiping and Mr. Zhang Gengsheng; five non-executive directors, namely Ms. Feng Bing, Mr. Zhu Hailin, Mr. Zhang Qi, Mr. Tian Bo and Mr. Xia Yang; and five independent non-executive directors, namely Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung and Mr. Graeme Wheeler.

Upon election at the 2019 first extraordinary general meeting of the Bank and upon approval of the CBIRC, Mr. Michel Madelain commenced his position as independent non-executive director of the Bank from January 2020.

The term of office of directors of the Bank is three years, and directors may be re-elected upon expiration of their terms of office.

In order to diversify the composition of the Board, the Bank formulated the *Diversity Policy for the Board of Directors* in August 2013. For nomination of directors, the Board should consider both professional capabilities and ethics of the candidates, and at the same time, take into account the requirements on board diversity. The candidates should be selected as complementary to one another, with diversified backgrounds in terms of gender, age, cultural and educational background, professional experience, specialty, knowledge and term of service. The final decision should be based on the candidates' overall competence and possible contributions to the Board. The nomination and remuneration committee is responsible for supervising the implementation of the *Diversity Policy for the Board of Directors*.

The Bank attaches great importance to continuous improvement of professionalism and structural rationality of the Board, forms the best combination of Board members matching the development strategy of the Bank, and lays the foundation for the efficient operation and scientific decision-making of the Board. Currently, the Board comprised 14 directors, including five non-executive directors, three executive directors and six independent non-executive directors. Among which, the executive directors of the Bank have rich professional experience in financial management for a long time and a multi-level perspective to grasp the pulse of market, industry and regulation; the non-executive directors of the Bank have rich experience in holding important positions in major state-owned enterprises, core financial regulatory institutions or government departments, and have profound experience in enterprise management, finance, accounting and other professional fields; the independent non-executive directors of the Bank come from many principal economic regions of the world, such as America, Europe, Australia and Hong Kong. They are all financial experts and investment bankers with international vision from overseas important government institutions or financial institutions. They have a deep understanding of domestic and foreign economic situations and financial industry development trends, and are familiar with international accounting standards and capital market rules in Hong Kong. The chairmen of the audit committee, risk management committee, nomination and remuneration committee and related party transaction, social responsibility and consumer protection committee of the Board of the Bank are all independent non-executive directors. The diversified board structure of the Bank has brought broad vision and high-level professional experience to the Board, also maintained the due independent elements within the Board, so as to ensure that the Board of the Bank can effectively make independent judgments and scientific decisions when studying and considering major issues.

Chairman and president

Mr. Tian Guoli is the chairman of the Board and the legal representative of the Bank, and is responsible for the business strategy and overall development of the Bank.

Mr. Liu Guiping is the president of the Bank, and is responsible for the daily management of the business operations. The president is appointed by and accountable to the Board, and performs his duties in accordance with provisions of the Articles of Association and authorisation of the Board.

The roles of chairman of the Board and president are separate, each with clearly defined duties.

Operation of the Board

The Board convenes regular meetings, generally no fewer than six times a year; extraordinary meetings are convened if and when necessary. Board meetings may be convened by means of on-site conference or written resolutions. The agenda for regular board meetings is scheduled upon consultation with each director. Board meeting papers and relevant materials are usually circulated to all directors and supervisors 14 days in advance of board meetings.

According to the Articles of Association, the Board decides the risk management policies and internal control policies of the Bank, formulates related systems of risk management and internal control of the Bank, and supervises the implementation of such systems. The Board reviews the overall risk management report of the Group semi-annually, and reviews the report of internal control evaluation and the statements of risk appetite of the Group annually, to evaluate the overall risk condition and the effectiveness of internal control system. After the evaluation, the Board held the opinion that the overall risk of the Group remained steady, the management and control of the asset quality was in line with expectations and core risk indicators remained stable. The Board also believed that the Bank had maintained effective internal control of financial reporting covering all the major aspects, in compliance with the requirements of the system of rules for enterprise internal control and other relevant regulations.

All directors keep contact with the secretary to the Board and the company secretary, to ensure compliance with board procedures and all applicable rules and regulations. Detailed minutes of board meetings are kept, and minutes of the board meetings are kept by the secretary to the Board, and are available for review by directors at any time.

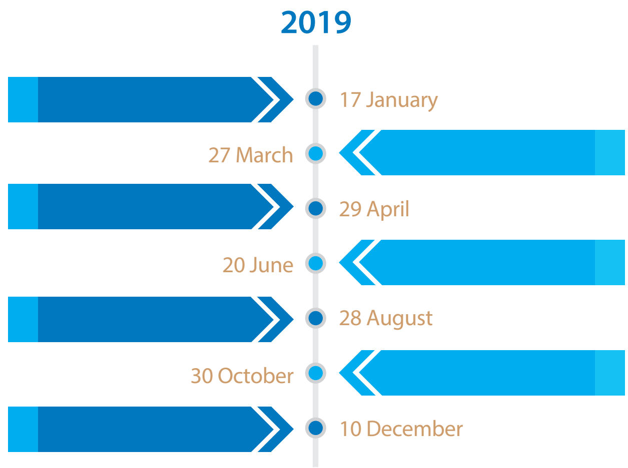
Communication and reporting mechanism has been established between the Board, directors and senior management. The president reports his work to the Board on a regular basis, and is supervised by the Board. Relevant senior executives are invited to attend board meetings from time to time to provide explanations or reply to enquiries.

At board meetings, directors can express their opinions freely, and major decisions shall only be made after thorough discussion. Directors may also follow certain procedures to engage independent specialised institutions at the Bank's expense, for provision of independent professional advice, if they deem necessary. If any director has material interest in a proposal to be considered by the Board, such director should abstain from discussion and voting on the relevant proposal, and will not be counted in the quorum of the relevant proposal.

The Bank effected directors' liability insurance policy for all directors in 2019.

Board meetings

In 2019, the Board of the Bank held seven meetings on 17 January, 27 March, 29 April, 20 June, 28 August, 30 October and 10 December respectively to elect directors, appoint senior management, and review periodic reports, profit distribution, the issuance of capital replenishment tools, annual operational plan, budget for fixed assets investment, additional temporary limit on poverty alleviation donations, establishment of rural revitalisation finance department of head office, establishment and adjustment of overseas institutions, and remuneration settlement plan for directors, supervisors and senior management, etc. The directors' individual attendance records of board meetings in 2019 are set out as follows:



Board members	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Executive directors		
Mr. Tian Guoli	6/7	1/7
Mr. Liu Guiping	2/3	1/3
Mr. Zhang Gengsheng	5/7	2/7
Non-executive directors		
Ms. Feng Bing	7/7	0/7
Mr. Zhu Hailin	6/7	1/7
Mr. Zhang Qi	7/7	0/7
Mr. Tian Bo	3/3	0/3
Mr. Xia Yang	3/3	0/3
Independent non-executive directors		
Ms. Anita Fung Yuen Mei	6/7	1/7
Sir Malcolm Christopher McCarthy	7/7	0/7
Mr. Carl Walter	6/7	1/7
Mr. Kenneth Patrick Chung	7/7	0/7
Mr. Graeme Wheeler	2/2	0/2
Resigned directors		
Mr. Wang Zuji	0/1	1/1
Mr. Li Jun	3/3	0/3
Mr. Wu Min	7/7	0/7
Mr. Chung Shui Ming Timpson	3/4	1/4
Mr. Murray Horn	5/5	0/5

Duty performance of independent non-executive directors

At the end of 2019, the Bank had five independent non-executive directors, representing 38% of the total number of directors of the Bank, which complies with the provisions of relevant laws, regulations and Articles of Association of the Bank. The audit committee, risk management committee, nomination and remuneration committee, and related party transaction, social responsibility and consumer protection committee under the Board are all chaired by independent non-executive directors.

The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, neither do they assume any management positions in the Bank. The independence of the independent non-executive directors of the Bank is in compliance with the relevant regulatory requirements.

In 2019, the independent non-executive directors of the Bank actively attended the board meetings and related special committees meetings, and heard reports on operation and management. They communicated with management in a timely manner with special attention to the development of the Bank and implementation of development strategies, actively carried out researches and on-site inspections on the operation and management of the Bank. With forward-looking thoughts on business plans of the Bank, they raised constructive suggestions on the Bank's development strategy, risk management, overseas business and subsidiaries' development, and played an important role in the Board's decision-making process. During the reporting period, the Bank's independent non-executive directors did not raise any objection to the relevant matters reviewed by the Board.

To constantly improve their duty performance capabilities, independent non-executive directors kept a close watch on changes in regulatory policies, paid constant attention to the regulatory guidance, and diligently attended trainings on corporate governance, risk management and internal control and compliance, etc. The work of independent non-executive directors was actively supported and coordinated by the management.

Please refer to the *Work Report of Independent Directors for the Year of 2019* for details of duty performance of independent non-executive directors during the reporting period, which would be disclosed by the Bank on the same day of this annual report.

Special statement and independent opinion given by the independent non-executive directors regarding the external guarantees provided by the Bank

Pursuant to the relevant provisions and requirements of the circular ZhengJianFa [2003] No. 56 issued by the CSRC and based on the principles of fairness, justice, and objectiveness, the independent non-executive directors of the Bank, including Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain made the following statements on external guarantees provided by the Bank:

The external guarantee business provided by the Bank has been approved by the regulators, and is part of the ordinary business of the Bank. With respect to the risks arising from external guarantee business, the Bank formulated specific management measures, operational processes and approval procedures, and carried out the business accordingly. The external guarantee business of the Bank is mainly in the form of letter of guarantees. As at 31 December 2019, the balance under the letter of guarantees issued by the Group was approximately RMB1,187,338 million.

Accountability of the directors in relation to financial statements

The directors are responsible for overseeing the preparation of the financial report for each accounting period to give a true and fair view of the Group's financial position, operating results and cash flow.

During the reporting period, the Bank published the 2018 annual report, the report for the first quarter of 2019, the half-year report 2019, and the report for the third quarter of 2019 within the prescribed time set out in the provisions of relevant laws, regulations and listing rules of the listing venues.

Training of directors

In 2019, all directors of the Bank took part in directors' compliance training on the US Bank Secrecy Act and AML laws; Mr. Tian Bo participated in the special training organised by the Listed Companies Association of Beijing; Mr. Tian Bo and Mr. Xia Yang participated in the special training regarding the corporate governance of directors and senior management in respect of the banking and insurance industry held by the CBIRC; Ms. Anita Fung Yuen Mei participated in the director trainings held by Hong Kong Exchanges and Clearing Limited; Mr. Kenneth Patrick Chung participated in the trainings regarding the IAS 17, AML and financial crime, accounting standard for leases, risk management, etc.; Mr. Michel Madelain participated the training regarding the Solvency II for European Union insurance companies, etc.

Training of company secretary

In 2019, Mr. Ma Chan Chi, company secretary of the Bank, participated in professional trainings held by the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Certified Public Accountants, the Chamber of Hong Kong Listed Companies, etc. on aspects including corporate governance, cyber security, Personal Data (Privacy) Ordinance, corporate social responsibilities, data protection, which totalled over 15 hours and is in compliance with the requirements of the Listing Rules of Hong Kong Stock Exchange.

Compliance with Model Code for Securities Transactions by Directors

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the *Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code in the year ended 31 December 2019.

Independent operating capability

The Bank is independent from Huijin, its controlling shareholder, with respect to business, personnel, assets, organisations and finance. The Bank has independent and integral operating assets and independent operating capability, and is able to survive in the market on its own.

Internal transactions

The internal transactions of the Bank include credit extension and off-balance sheet quasi-credit extension, financial market transactions and derivative transactions, wealth management arrangement, asset transfer, management and service arrangement, service charges, and agency transactions between the Bank and subsidiaries as well as between the subsidiaries. The internal transactions of the Bank were in compliance with regulatory requirements, and did not have any negative impact on the Group's sound operation.

COMMITTEES UNDER THE BOARD

There are five committees under the Board: strategy development committee, audit committee, risk management committee, nomination and remuneration committee, and related party transaction, social responsibility and consumer protection committee. More than half of the members of the audit committee, risk management committee, nomination and remuneration committee, and related party transaction, social responsibility and consumer protection committee are independent non-executive directors.

According to the regulatory requirements, upon consideration and approval by the Board meetings on 17 January, 2020, the former social responsibilities and related party transactions committee of the Board was renamed as the related party transaction, social responsibility and consumer protection committee of the Board and the relevant duties of the committee were adjusted and optimised accordingly.

Committees under Board of Directors	Strategy Development Committee	Audit Committee	Risk Management Committee	Nomination and Remuneration Committee	Related Party Transaction, Social Responsibility and Consumer Protection Committee
Executive directors					
Mr. Tian Guoli	● Chairman				
Mr. Liu Guiping	• Committee member		• Committee member		
Mr. Zhang Gengsheng	• Committee member				• Committee member
Non-executive directors					
Ms. Feng Bing	• Committee member			• Committee member	
Mr. Zhu Hailin	• Committee member	• Committee member			
Mr. Zhang Qi	• Committee member			• Committee member	
Mr. Tian Bo	• Committee member	• Committee member			
Mr. Xia Yang	• Committee member		• Committee member		
Independent non-executive directors					
Ms. Anita Fung Yuen Mei	• Committee member		• Committee member	• Committee member	
Sir Malcolm Christopher McCarthy	• Committee member		• Committee member	● Chairman	
Mr. Carl Walter	• Committee member	• Committee member	● Chairman		• Committee member
Mr. Kenneth Patrick Chung	• Committee member	● Chairman	• Committee member		• Committee member
Mr. Graeme Wheeler		• Committee member	• Committee member	• Committee member	● Chairman
Mr. Michel Madelain		• Committee member	• Committee member	• Committee member	

● Chairman • Committee member

1. From July 2019, Mr. Liu Guiping commenced his position as vice chairman of the Board, executive director, member of the strategy development committee and the risk management committee of the Board.
2. From August 2019, Mr. Tian Bo commenced his position as non-executive director, member of the strategy development committee and the audit committee of the Board.
3. From August 2019, Mr. Xia Yang commenced his position as non-executive director, member of the strategy development committee and the risk management committee of the Board.
4. From October 2019, Ms. Anita Fung Yuen Mei ceased to serve as member of the audit committee of the Board.

5. From August 2019, Mr. Carl Walter commenced his position as member of the risk management committee and ceased to serve as member of the nomination and remuneration committee of the Board; from September 2019, Mr. Carl Walter commenced his position as chairman of the risk management committee of the Board and commenced his position as member, and ceased to be chairman of the related party transaction, social responsibility and consumer protection committee of the Board.
6. From October 2019, Mr. Kenneth Patrick Chung commenced his position as member of the strategy development committee of the Board, ceased to serve as member of the nomination and remuneration committee of the Board; from June 2019, Mr. Kenneth Patrick Chung commenced his position as the chairman of the audit committee of the Board.
7. From October 2019, Mr. Graeme Wheeler commenced his position as independent non-executive director of the Bank, member of the audit committee, member of the risk management committee and the nomination and remuneration committee of the Board, and the chairman of the related party transaction, social responsibility and consumer protection committee of the Board.
8. From January 2020, Mr. Michel Madelain commenced his position as member of the audit committee, member of the risk management committee and the nomination and remuneration committee of the Board.
9. From March 2019, Mr. Wang Zuji ceased to serve as the vice chairman of the Board, executive director and member of the strategy development committee and the risk management committee of the Board.
10. From May 2019, Mr. Li Jun ceased to serve as the non-executive director, member of the strategy development committee and the audit committee of the Board.
11. From December 2019, Mr. Wu Min ceased to serve as the non-executive director of the Bank, member of the strategy development committee and the risk management committee of the Board.
12. From September 2019, Mr. Murray Horn ceased to serve as the independent non-executive director of the Bank, member of the strategy development committee and the audit committee, the chairman of the risk management committee, member of the nomination and remuneration committee and member of the related party transaction, social responsibility and consumer protection committee of the Board.
13. From June 2019, Mr. Chung Shui Ming Timpson ceased to serve as independent non-executive director, the chairman of the audit committee, member of the risk management committee, the nomination and remuneration committee and the related party transaction, social responsibility and consumer protection committee of the Board.

Strategy development committee

At the end of 2019, the strategy development committee consisted of 12 directors. Mr. Tian Guoli, chairman of the Board, currently serves as chairman of the strategy development committee. Members include Mr. Liu Guiping, Mr. Zhang Gengsheng, Ms. Feng Bing, Mr. Zhu Hailin, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter and Mr. Kenneth Patrick Chung. Three of these members are executive directors, five are non-executive directors, and four are independent non-executive directors.

The primary responsibilities of the strategy development committee include:

- drafting strategic development plans, supervising and assessing implementation thereof;
- reviewing annual operational plans and fixed assets investment budgets;
- reviewing the implementation of annual operational plans and fixed assets investment budgets;
- evaluating the coordinated development of various businesses;
- reviewing material restructuring and re-organisation plans;
- reviewing significant investment and financing projects of the Bank;
- exercising the power of equity investment, IT planning, capital adequacy ratio management and other matters within the scope of the Board's authorisation; and
- other duties and powers authorised by the Board.

In 2019, the strategy development committee held seven meetings in total. The topics reviewed and discussed mainly included: comprehensive business plan and implementation of fixed assets budget, establishment of departments of head office, overseas institutions and subsidiaries, contribution to the national manufacturing industry conversion fund. The strategy development committee put forward opinions or suggestions on the Bank's establishment of branches, major investment plans, implementation of policy for financial services to support real economy, commitment to national development strategy, etc.

Members of strategy development committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Tian Guoli	6/7	1/7
Mr. Liu Guiping	2/3	1/3
Mr. Zhang Gengsheng	5/7	2/7
Ms. Feng Bing	7/7	0/7
Mr. Zhu Hailin	6/7	1/7
Mr. Zhang Qi	7/7	0/7
Mr. Tian Bo	3/3	0/3
Mr. Xia Yang	3/3	0/3
Ms. Anita Fung Yuen Mei	6/7	1/7
Sir Malcolm Christopher McCarthy	7/7	0/7
Mr. Carl Walter	6/7	1/7
Mr. Kenneth Patrick Chung	0/0	0/0
Resigned members		
Mr. Wang Zuji	0/1	1/1
Mr. Li Jun	3/3	0/3
Mr. Wu Min	7/7	0/7
Mr. Murray Horn	5/5	0/5

In 2020, the strategy development committee will adhere to the new development concept, actively promote the supply-side structural reform in the financial sector, sink the focus of service, and embody the responsibilities as a large bank with the New Finance actions to enhance the ability of service economy with high quality development. The strategy development committee will solidly promote the "Three Major Strategies", accelerate the development of key regions, adhere to the "customer-centric" concept, strengthen the synergy of the Group, quickly enhance the comprehensive competitiveness of the outlets, thoroughly deepen refined management, solidly build a risk floor, safeguard the bottom line of wiping out systemic risks, and promote stable, balanced and sustainable development across the Bank.

Audit committee

As at the end of 2019, the audit committee of the Bank consisted of five directors. Mr. Kenneth Patrick Chung, independent non-executive director of the Bank, currently serves as chairman of the audit committee. Members include Mr. Zhu Hailin, Mr. Carl Walter, Mr. Tian Bo and Mr. Graeme Wheeler. Two of these members are non-executive directors and three are independent non-executive directors. The composition of the audit committee meets the requirements of corporate governance and the domestic and overseas regulations.

From January 2020, Mr. Michel Madelain commenced his position as member of the audit committee of the Bank.

The primary responsibilities and authorities of the audit committee include:

- monitoring the financial reports, reviewing the disclosure of accounting information and significant events of the Bank;
- monitoring and assessing the internal controls of the Bank;
- monitoring and assessing the internal auditing work of the Bank;
- monitoring and assessing the external auditing work;
- paying attention to potential misconducts and ensuring appropriate arrangements;
- reporting work to the Board; and
- other duties and powers authorised by the Board.

In 2019, the audit committee convened six meetings, and held separate meetings with external auditors. The audit committee supported the decision-making process of the Board on aspects including the supervision and review of the annual report for 2018, half-year report for 2019 and results announcements, and the financial reports for the first and third quarters of 2019; the supervision and evaluation of the external audit work; the supervision and guidance of the internal audit, the push of the rectification of problems identified in the internal and external audits; strengthening of the supervision and assessment of internal control and expressed material opinions and suggestions on the matters aforesaid.

Pursuant to requirements of the CSRC and the annual report working rules of the audit committee of the Board of the Bank, the audit committee reviewed the annual financial report of the Bank, and communicated sufficiently with the management and formed written opinions before the entry of external auditors. Based on the initial audit opinions given by the external auditors, the audit committee improved communication with external auditors and reviewed the annual financial report of the Bank again. After the completion of the audit on annual financial report, the audit committee reviewed and voted on the annual financial report, and submitted it to the Board for consideration.

Members of audit committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Kenneth Patrick Chung	6/6	0/6
Mr. Zhu Hailin	5/6	1/6
Mr. Carl Walter	5/6	1/6
Mr. Tian Bo	2/2	0/2
Mr. Graeme Wheeler	1/1	0/1
Resigned members		
Mr. Chung Shui Ming Timpson	4/4	0/4
Ms. Anita Fung Yuen Mei	5/6	1/6
Mr. Li Jun	3/3	0/3
Mr. Murray Horn	5/5	0/5

In 2020, the audit committee will continue to strengthen the supervision of the periodic financial reports, provide professional advice to the Board, monitor and evaluate the external audits, and promote the improvement of the service quality of external audits. It will monitor and guide the internal audits, push forward the implementation of rectification of internal and external audit findings. It will enhance the monitoring and evaluation of internal control, continue to perfect the comprehensiveness and effectiveness of the internal control system. The audit committee will also assist the Board in relevant work under the authorisation of the Board.

Risk management committee

At the end of 2019, the risk management committee consisted of seven directors. Mr. Carl Walter, independent non-executive director of the Bank, currently serves as chairman of the risk management committee. Members include Mr. Liu Guiping, Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Xia Yang and Mr. Graeme Wheeler. One of these members is an executive director, one is a non-executive director, and five are independent non-executive directors.

From January 2020, Mr. Michel Madelain commenced his position as the member of the risk management committee of the Bank.

The primary responsibilities of the risk management committee include:

- reviewing the risk management policies in accordance with the overall strategy of the Bank, monitoring and assessing their implementation and effectiveness;
- supervising and examining continuously the effectiveness of risk management system of the Bank;
- providing guidance on the building of risk management system;
- monitoring and assessing the establishment, organisational structure, working procedures and effectiveness of risk management departments, and proposing suggestions for improvement;
- reviewing the risk report, conducting periodic assessments of the risk condition, and providing suggestions in relation to improvements on the risk management of the Bank;
- evaluating the performance of the Bank's senior executives responsible for risk management;
- supervising the compliance of core businesses, management systems and major operation activities of the Bank;
- taking the responsibilities of the US risk management committee as well; and
- other duties and powers authorised by the Board.

In 2019, the risk management committee convened six meetings. The risk management committee paid close attention to the impact of international and domestic economic and financial situations on the Bank, strengthened the Group's overall risk management. It guided the revision of basic risk management policies, actively promote the review and optimisation of risk management appetites; guided the supervision and inspection to identify and rectify the problems, continued to advance the Bank's global anti-money laundering capability assessment and rectification; continued to promote the implementation of advanced methods of capital management, comprehensively implemented regulatory requirements on global systematically important banks; conducted the special studies on reputation risk and real estate business, inter-bank business risk, followed up the development and risk prevention and control of green credit business and inclusive finance business; assessed the comprehensive risk conditions of the Group regularly, enhanced the consolidated management, continuously strengthened the rick management of internal transactions, country and information technology, etc.; strengthened the prevention and control over non-compliance cases, continuously enhanced the compliance risk management of the Group, especially for the overseas institutions. The committee also took the responsibilities of the US risk management committee, and held four special meetings on risk in the United States.

Under the framework of overall risk management system, the risk management committee continued to supervise and review the effectiveness of the risk management system of the Bank, The Board and the risk management committee of the Bank debriefed special reports on the overall risk management of the Group once every half year. Please refer to "Management Discussion and Analysis – Risk Management" for details of risk management.

Members of risk management committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Carl Walter	2/2	0/2
Mr. Liu Guiping	3/3	0/3
Ms. Anita Fung Yuen Mei	3/6	3/6
Sir Malcolm Christopher McCarthy	6/6	0/6
Mr. Kenneth Patrick Chung	6/6	0/6
Mr. Xia Yang	3/3	0/3
Mr. Graeme Wheeler	1/1	0/1
Resigned members		
Mr. Murray Horn	4/4	0/4
Mr. Wang Zuji	1/1	0/1
Mr. Chung Shui Ming Timpson	2/3	1/3
Mr. Wu Min	6/6	0/6

In 2020, the risk management committee will continue to conscientiously perform its duties, improve the establishment of a comprehensive and proactive intelligent risk management and control system and policy system. It will also promote the implementation of various regulatory requirements, and strengthen the supervision and inspection to identify and rectify the problems. It will promote the enlarged scope of the implementation of the advanced approach of capital management, and implement the regulatory requirements on global systemically important banks. It will deeply carry out thematic studies on risks in key areas, continuously improve the initiative, scientificity and foresight of risk management. It will enhance compliance risk management of the Group, especially the overseas institutions, to further improve the ability of comprehensive risk management.

Nomination and remuneration committee

As at the end of 2019, the nomination and remuneration committee consists of five directors. Sir Malcolm Christopher McCarthy, independent non-executive director of the Bank, currently serves as chairman of the nomination and remuneration committee. Members include Ms. Feng Bing, Ms. Anita Fung Yuen Mei, Mr. Zhang Qi and Mr. Graeme Wheeler. Two of these members are non-executive directors, and three are independent non-executive directors.

From January 2020, Mr. Michel Madelain commenced his position as member of the nomination and remuneration committee of the Bank.

The primary responsibilities of the nomination and remuneration committee include:

- formulating criteria and procedures for the selection and appointment of directors and senior management;
- proposing candidates for directors, presidents, chief audit officer, secretary to the Board and members of special Committees under the Board to the Board;
- evaluating the structure, number of members and composition of the Board (including aspects on expertise, knowledge and experience), and proposing suggestions on the adjustment of the Board to implement the corporate strategies of the Bank;
- assessing the performance of members of the Board;
- evaluating candidates for senior management nominated by the president;
- formulating development plans for senior management and back-up personnel for key positions;
- evaluating the remuneration management system submitted by the president;
- formulating performance evaluation measures for directors and senior management and submitting to the Board for deliberation;
- organising performance assessment for directors and senior management; and proposing advice on the remuneration plan for directors and senior management in accordance with the performance assessment results and the board of supervisors' performance evaluations, and submitting to the Board for deliberation;
- proposing advice on the remuneration plan for supervisors in accordance with the performance assessment of the supervisors by the board of supervisors and submitting to the Board for deliberation;
- monitoring the implementation of the Bank's performance assessment and remuneration systems; and
- other duties and powers authorised by the Board.

In 2019, the nomination and remuneration committee convened seven meetings in total. Regarding nomination, the committee proposed to the Board on candidates for executive directors, non-executive directors and independent non-executive directors, members to the special committees under the Board and senior management to ensure the nominees are eligible for these positions, observe laws, administrative regulations, rules and the Articles of Association of the Bank, and perform their duties in a diligent manner in the Bank. The nomination and remuneration committee held that during the reporting period, the composition of the Board of the Bank was in conformity with the requirements of the *Diversity Policy for the Board of Directors*. Regarding remuneration and performance assessment, the nomination and remuneration committee studied domestic regulatory policies on remuneration, organised and formulated the proposal of the settlement of the remuneration for directors, supervisors and senior management of the Bank for 2018, optimised and improved the performance assessment plans for executive directors and senior management for 2019. The nomination and remuneration committee attached great importance to the development and training for key talented people for back-up and the promotion of the CCB University, and paid attention to matters such as employee remuneration. It also proposed opinions and suggestions on pushing forward the diversity of the members of the Board, improving the performance assessment plans for the executive directors and senior management, and improving the remuneration incentive system and enhancing the development and training for talents.

Members of nomination and remuneration committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Sir Malcolm Christopher McCarthy	7/7	0/7
Ms. Feng Bing	7/7	0/7
Ms. Anita Fung Yuen Mei	4/7	3/7
Mr. Zhang Qi	6/7	1/7
Mr. Graeme Wheeler	1/1	0/1
Resigned members		
Mr. Chung Shui Ming Timpson	3/5	2/5
Mr. Carl Walter	6/6	0/6
Mr. Murray Horn	5/6	1/6
Mr. Kenneth Patrick Chung	7/7	0/7

In 2020, the nomination and remuneration committee will strengthen self-improvement efforts, continue to accomplish the work in connection with nomination, review the structure, number of members and composition of the Board, supervise the performance of the Board members and will further refine the remuneration and performance assessment measures for the directors and senior management in accordance with the national remuneration policies. It will put forward the proposal of the remuneration settlement for directors, supervisors and senior management in 2019 and pay attention to the remuneration system and the personnel training of the Bank.

Related party transaction, social responsibility and consumer protection committee

As at the end of 2019, the related party transaction, social responsibility and consumer protection committee consists of four directors. Mr. Graeme Wheeler, independent non-executive director of the Bank, currently serves as chairman of the related party transaction, social responsibility and consumer protection committee. Members include Mr. Carl Walter, Mr. Kenneth Patrick Chung and Mr. Zhang Gengsheng. One of the members is an executive director, and the other three are independent non-executive directors.

The primary responsibilities of the related party transaction, social responsibility and consumer protection committee include:

- in accordance with the requirement of the laws, regulations,rules and the Articles of Associations of the Bank, formulating and proposing standards for material related party transactions and the system for management of related party transactions, as well as the internal approval and filing system of the Bank, and submitting the above standards for approval to the Board;
- identifying the related parties of the Bank, and reporting to the Board and the board of supervisors, concurrently announcing to the relevant employees of the Bank;
- receiving filings on general related party transactions, or approving the general related party transactions under necessary circumstances;
- reviewing material related party transactions, and submitting for approval to the Board, and concurrently reporting to the board of supervisors;
- studying and formulating the strategies and policies of social responsibilities of the Bank;
- monitoring, inspecting and assessing the performance of social responsibilities of the Bank;
- studying and formulating the green credit strategy of the Bank, supervising and assessing the implementation of the green credit strategy;
- monitoring and guiding the promotion of relevant work of inclusive finance by the management;
- guiding and supervising the establishment and improvement of the work management system for consumer protection, supervising the implementation of the relevant works of senior management, and guiding the major information disclosure in respect of the consumer protection works; and
- other duties and powers authorised by the Board.

In 2019, the related party transaction, social responsibility and consumer protection committee convened four meetings in total. The committee conducted considerable effective works on aspects including improving the supervision and management of related party transactions, promoting the protection of consumer rights and interests, supervising and guiding the inclusive finance, promoting the green credit, supervising and reviewing the social responsibility report, supervising and guiding the performance of the social responsibilities, etc.

Members of related party transaction, social responsibility and consumer protection committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Graeme Wheeler	0/0	0/0
Mr. Carl Walter	4/4	0/4
Mr. Kenneth Patrick Chung	4/4	0/4
Mr. Zhang Gengsheng	2/4	2/4
Resigned members		
Mr. Chung Shui Ming Timpson	1/3	2/3
Mr. Murray Horn	4/4	0/4

In 2020, the related party transaction, social responsibility and consumer protection committee will continue to strengthen the supervision and management of the related party transactions. It will improve the protection of consumer rights and interests, monitor and promote the implementation of the strategies of the inclusive finance, the green credit and house rental. It will monitor and guide the financing activities for rural revitalization. It will monitor the implementation of charitable donations and review social responsibility report. It will also assist the Board in relevant work under the authorisation of the Board.

BOARD OF SUPERVISORS

Responsibilities of the board of supervisors

The board of supervisors, being the supervisory body of the Bank, is accountable to the shareholders' general meeting and performs the following functions and duties in accordance with relevant laws:

- supervising the performance of the Board, senior management and their members;
- requiring the directors and senior management personnel to correct their acts when their acts infringe the interests of the Bank;
- inspecting and supervising the financial activities of the Bank;
- verifying the financial information, including the financial report, business report and profit distribution proposal that are proposed to the shareholders' general meeting by the Board;
- supervising business decisions, risk management, internal control, etc. of the Bank, and providing guidance to the internal audit work of the Bank; and
- exercising other powers authorised by the shareholders' general meeting and the Articles of Association of the Bank.

Composition of the board of supervisors

At the end of 2019, the board of supervisors of the Bank consisted of seven supervisors, including three shareholder representative supervisors, namely Mr. Wang Yongqing, Mr. Wu Jianhang and Mr. Fang Qiuyue, three employee representative supervisors, namely Mr. Lu Kegui, Mr. Cheng Yuanguo and Mr. Wang Yi, and one external supervisor, namely Mr. Zhao Xijun.

The term of office of the supervisors is three years, and they may be re-elected upon expiration of their term of office. The shareholder representative supervisors and the external supervisors of the Bank are elected by the shareholders' general meeting, and the employee representative supervisors are elected by the employee representative organisation.

Chairman of the board of supervisors

Mr. Wang Yongqing is the chairman of the board of supervisors of the Bank, and is responsible for the organisation of the performance of the duties of the board of supervisors.

Operation of the board of supervisors

The board of supervisors convenes regular meetings no fewer than four times a year, and extraordinary meetings are convened, if and when required. Meetings of the board of supervisors may be convened by on-site conference or written resolutions. Supervisors are generally notified in writing ten days prior to the convening of the board of supervisors' meeting. Matters concerning such meeting are specified in the written notice. During the meeting, the supervisors are free to express their opinions, and decisions on important matters are only made after detailed discussions.

Detailed minutes are prepared for the meetings of the board of supervisors. The board of supervisors may engage external legal advisors or certified public accountants when necessary to discharge its duties, and the Bank will bear all related expenses. The Bank takes necessary measures and methods to ensure supervisors' right to information, and provides relevant information and materials to them in accordance with related regulations.

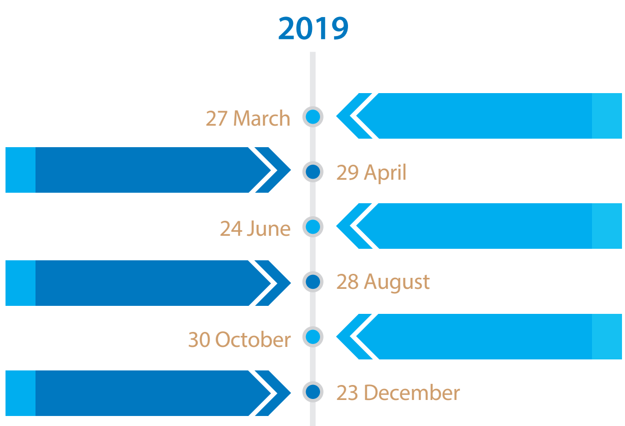
Members of the board of supervisors may attend board meetings as non-voting attendees, and the board of supervisors may, if and when the board of supervisors deems appropriate, assign supervisors to attend as non-voting attendees such meetings of the Bank as meetings of board committees, annual work conference, analytic meetings on operating conditions, and president executive meetings. The board of supervisors of the Bank conducts supervisory work through measures such as inspection and review of information, off-site monitoring and analysis and on-site specific inspection, visits and symposia, and performance and due diligence evaluation.

The Bank effected supervisors' liability insurance policy for all the supervisors in 2019.

Meetings of the board of supervisors

In 2019, the board of supervisors convened six meetings in total on 27 March, 29 April, 24 June, 28 August, 30 October and 23 December respectively, of which one was held by way of circulation of written proposal and five were held on-site. Major resolutions reviewed and approved by the board of supervisors meetings included periodic reports of the Bank, profit distribution plan, report of the board of supervisors, supervisory working plan, assessment report on internal control, etc. Relevant information was disclosed pursuant to the provisions in relevant laws, regulations and listing rules of the listing venues.

The following table sets forth the attendance records of each supervisor in the meetings of the board of supervisors in 2019:



Members of the board of supervisors	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Shareholder representative supervisors		
Mr. Wang Yongqing	2/2	0/2
Mr. Wu Jianhang	6/6	0/6
Employee representative supervisors		
Mr. Lu Kegui	6/6	0/6
Mr. Cheng Yuanguo	6/6	0/6
Mr. Wang Yi	6/6	0/6
External supervisor		
Mr. Zhao Xijun	4/4	0/4
Resigned supervisors		
Mr. Fang Qiuyue	6/6	0/6
Mr. Bai Jianjun	2/2	0/2

Duty performance of external supervisor

In 2019, Mr. Bai Jianjun and Mr. Zhao Xijun, the external supervisors of the Bank, actively attended the meetings of the board of supervisors and special committees thereof, and was involved in the studying and decision-making of major issues of the board of supervisors. He proactively attended the meetings of the Board, the special committees under the Board and the operating management as non-voting delegates, and participated in the specific research organised by the board of supervisors, and provided suggestions and opinions based on his expertise. The external supervisor duly performed his duties and contributed to the effectiveness of supervisory role played by the board of supervisors.

COMMITTEES UNDER THE BOARD OF SUPERVISORS

The performance and due diligence supervision committee and the finance and internal control supervision committee are established under the board of supervisors.

Performance and due diligence supervision committee

At the end of 2019, the performance and due diligence supervision committee consisted of five supervisors. Mr. Wang Yongqing, chairman of the board of supervisors, currently serves as chairman of the performance and due diligence supervision committee. Members include Mr. Wu Jianhang, Mr. Fang Qiuyue, Mr. Cheng Yuanguo and Mr. Zhao Xijun.

The primary responsibilities of the performance and due diligence supervision committee:

- formulating the rules, work plans and proposals and implementation plans for supervision and examination in connection with the supervision of the performance and degree of diligence of the Board, senior management and their members; and implementing and organising the implementation of such rules, plans and proposals after the board of supervisors' approval;
- giving evaluation report on the performance of duties by the Board and senior management as well as their members; and
- formulating performance evaluation measures for the supervisors and organising the implementation of such measures.

In 2019, the performance and due diligence supervision committee convened four on-site meetings in total. The performance and due diligence supervision committee reviewed reports of evaluation on the performance of the Board, senior management and their members by the board of supervisors, and self-evaluation reports on the performance of the board of supervisors and supervisors; studied and formulated the work plan for performance supervision and evaluation for the year of 2019; reviewed the proposals regarding the performance assessment plan for shareholder representative supervisors of the Bank, and listened to special reports on the implementation of the FinTech strategy, the works of the protection of consumer rights and interests, the implementation of the renumeration systems, etc. The performance and due diligence supervision committee organised the implementation of annual supervisory work, assisted the board of supervisors to complete the supervision and evaluation of the Board, senior management and their members and the self-evaluation of the board of supervisors.

Members of the performance and due diligence supervision committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Wang Yongqing	0/0	0/0
Mr. Wu Jianhang	4/4	0/4
Mr. Cheng Yuanguo	4/4	0/4
Mr. Zhao Xijun	2/2	0/2
Resigned supervisors		
Mr. Fang Qiuyue	4/4	0/4

In 2020, the performance and due diligence supervision committee will carry out solid work in supervision of performance of duties and responsibilities. The performance and due diligence supervision committee will continue to solidify the basis of the supervision works, to explore and improve the ways of work, and to assist the board of supervisors to earnestly carry out performance supervision and evaluation of the Board, senior management and their members.

Finance and internal control supervision committee

At the end of 2019, the finance and internal control supervision committee consisted of five supervisors. Mr. Zhao Xijun, external supervisor, currently serves as chairman of the finance and internal control supervision committee. Members include Mr. Wu Jianhang, Mr. Fang Qiuyue, Mr. Lu Kegui, and Mr. Wang Yi.

The primary functions and responsibilities of the finance and internal control supervision committee:

- formulating the rules, work plans and proposals in connection with the finance and internal control; and implementing or organising the implementation of such rules, plans, and proposals upon the approval of the board of supervisors;
- examining the annual financial reports and the profit distribution proposals prepared by the Board, and providing suggestions on such reports to the board of supervisors; and
- assisting the board of supervisors in organising the implementation of supervision and inspections on the finance and internal control of the Bank, as required by circumstances.

In 2019, the finance and internal control supervision committee convened five on-site meetings in total, reviewed proposals including the periodic reports, profit distribution plans and internal control evaluation report; heard work reports on financial report auditing, internal control and compliance work, internal audit findings and rectifications, credit asset quality, and comprehensive risk management on a regular basis; organised the implementation of supervision on the internal control, acquisition and disposal of material assets, connected transactions and use of proceeds, etc.; carried out supervision over different areas including the management of related party transactions, the implementation of new lease accounting standard, the promotion of the debt-for-equity swap, the development of inclusive finance business, the management of the compliance of overseas institutions, etc. via various measures including hearing special reports, conducting interviews and discussions, put forward professional opinions and suggestions, and helped the board of supervisors to perform the supervision of finance, risk and internal control.

Members of the finance and internal control supervision committee	Number of meetings attended in person/ Number of meetings during term of office	Number of meetings attended by proxy/ Number of meetings during term of office
Mr. Wu Jianhang	5/5	0/5
Mr. Lu Kegui	5/5	0/5
Mr. Wang Yi	5/5	0/5
Mr. Zhao Xijun	3/3	0/3
Resigned supervisors		
Mr. Fang Qiuyue	5/5	0/5
Mr. Bai Jianjun	1/2	1/2

In 2020, the finance and internal control supervision committee will continuously perform its duties earnestly, deeply carry out the supervision work on the Bank's finance, risk and internal control, and provide the professional assistance to the board of supervisors for it to perform its duties.

SENIOR MANAGEMENT

Responsibilities of senior management

The senior management, being the executive body of the Bank, is accountable to the Board, and is supervised by the board of supervisors. Authorisation to the senior management by the Board strictly complies with corporate governance documents such as the Articles of Association of the Bank. Pursuant to the Articles of Association of the Bank, president of the Bank exercises the following functions and powers:

- presiding over the operation and management of the Bank, and organising and implementing resolutions of the Board;
- submitting operation and investment plans of the Bank to the Board, and organising and implementing the plans upon approval of the Board;
- drafting basic management systems of the Bank;
- authorising persons in charge of internal functional departments and branches to conduct operation activities;
- establishing president accountability system, and conducting evaluation of business performance over managers of business departments, managers of functional departments and general managers of branches of the Bank;
- proposing the convening of interim Board meetings; and
- exercising other functions and powers that should be exercised by president according to laws, regulations, rules, the Articles of Association of the Bank, and decisions of the shareholders' general meeting and the Board.
- Executive vice presidents and other senior management members of the Bank shall assist president with his/her work.

Operation of senior management

Based on the authorisation of corporate governance documents, such as the Articles of Association of the Bank and the Board, the senior management orderly organises operational and management activities of the Bank. According to the strategic directions and targets determined by the Board, it makes comprehensive operational plans and periodically reports to the Board on implementation of strategies and execution progress of plans. The senior management analyses, researches and judges on internal and external environment, works out operational strategies and management measures and makes timely adjustments in line with market changes. The senior management invites directors and supervisors to participate in important meetings and major events, takes advice and suggestions, and keeps close communication with the Board and the board of supervisors, so as to enhance the operational and management capabilities and operational efficiency of the Bank.

INTERNAL CONTROL

The objectives of the internal control of the Bank are to reasonably ensure its operation and management in compliance with laws and regulations, assets safety, the accuracy and integrity of financial reports and relevant information, to improve operation efficiency and effects, and to facilitate the Bank to achieve its development strategies. According to the requirements regarding the standard system of enterprise internal control, the Board establishes sound and effective internal control, evaluates its effectiveness and supervises the effectiveness of internal control system. The board of supervisors supervises the establishment and implementation of internal control of the Board. The senior management is responsible for organising and leading the daily operation of internal control.

In 2019, the Bank actively explored the establishment and digitisation of the internal control evaluation system, and implemented a normal evaluation work mechanism throughout the Bank, which achieved certain results. Based on the Bank's internal control evaluation work practice and development model, and with reference to the industry's advanced experience, the Bank's independently developed internal control evaluation system was successfully launched, achieving the refined management targets and requirements of internal control evaluation. Based on the typical characteristics of violations, corresponding data analysis and verification methods were designed to form a data analysis model, which improved the relevance and effectiveness of internal control evaluation. The evaluation was in-depth into business processes, urging institutions at all levels to carry out normalised self-evaluations and self-inspections to timely identify and improve internal control deficiencies, and give full play to the role of evaluation.

The Board and the audit committee assess the effectiveness of the internal control and examine the report of internal control annually. As at the end of 2019, there was no material deficiency in the internal control of financial reporting of the Bank, and no material deficiency was detected in the internal control of non-financial report as well. The Board held that the Bank conducted effective internal control of financial reporting covering all the major aspects, in compliance with the requirements regarding the standard system of enterprise internal control and other relevant regulations.

The Bank employed Ernst & Young Hua Ming LLP for the audit of internal control. The audit opinion of internal control was in line with the Bank's assessment conclusion on the effectiveness of internal control of the financial report. The disclosure of material deficiencies of internal control of the non-financial report in the audit report of internal control was in line with the disclosure of the assessment report of internal control of the Bank.

For detailed information of internal control, please refer to the assessment report and audit report of internal control of the Bank on the websites of the Shanghai Stock Exchange, the "HKEXnews" website of Hong Kong Exchanges and Clearing Limited, and the Bank.

AUDITORS' REMUNERATION

Ernst & Young Hua Ming LLP was appointed as the domestic auditor of the Bank and its domestic subsidiaries for the year of 2019 and Ernst & Young was appointed as the international auditor of the Bank and its overseas subsidiaries for the year of 2019. Ernst & Young Hua Ming LLP was appointed as the auditor for the audit of the internal control of the Bank for the year of 2019. This is the first year for Ernst & Young Hua Ming LLP and Ernst & Young to provide auditing service to the Bank.

Auditors' fees for the audit of the financial report (including the audit of the internal control) of the Group and other services paid to Ernst & Young Hua Ming LLP, Ernst & Young and other member firms by the Group for the year ended 31 December 2019 are set out as follows:

(In millions of RMB)	2019	2018[1]	2017[1]
Fees for the audit of the financial statements	140.96	148.00	137.00
Other service fees	5.63	13.14	6.04

1. PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers provided auditing services to the Bank in 2017 and 2018.

SHAREHOLDERS' RIGHTS

Right to convene an extraordinary shareholders' general meeting

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, has the right to request the Board in writing to convene an extraordinary general meeting.

The Board shall reply in writing within ten days after receiving the request. In case the Board approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after the resolution is made. In case the Board refuses to hold the meeting or has no reply, the proposing shareholder may propose to the board of supervisors in writing. In case the board of supervisors approves the holding of the meeting, it shall issue a corresponding meeting notice within five days after receiving the proposal. In case the board of supervisors fails to issue the meeting notice, the shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank for more than 90 consecutive days, may convene and preside over an extraordinary general meeting on his own.

Right to raise proposals to the shareholders' general meeting

Any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to raise proposals to the shareholders' general meeting. Any shareholder, individually or jointly holding more than 1% of the total issued voting shares of the Bank, has the right to raise proposals regarding the nomination of the candidates for independent non-executive directors and external supervisors.

Proposals to the shareholders' general meetings shall be submitted to the convenor of such meeting prior to the issuance of the notice of such meeting; after the issuance of the notice, any shareholder, individually or jointly holding more than 3% of the total issued voting shares of the Bank, has the right to bring up extraordinary proposals. Extraordinary proposals on the nomination shall be submitted to the convenor of the meeting 35 days prior to the meeting and extraordinary proposals on other issues shall be submitted to the convenor of the meeting in writing 20 days prior to the meeting.

Right to raise proposals to the Board

Any shareholder, individually or jointly holding more than 10% of the total issued voting shares of the Bank, may raise proposals to the Board.

Right to raise enquiries to the Bank

In accordance with the provisions of the Articles of Association of the Bank, the shareholders have the right to obtain relevant information, including the Articles of Association, status of the share capital, financial report, report of the board of directors and report of the board of supervisors.

INVESTOR RELATIONS

Effective communication with shareholders and work on investor relations

In 2019, through a combination of methods of "going global" and "bringing in", the Bank continued to strengthen its effective communication with the market. By organising results announcement and road shows, participating in large investor forums, actively visiting investors, organising investors' research and investigation, replying to hotline and emails for investor, etc., the cumulative number of domestic and foreign investors and analysts communicated with the Bank exceeded one thousand. The Bank listened to the voice of the market earnestly and reacted to the concerns of the market timely, announcing the effectiveness results, stable and balanced performance of strategies, as well as the Bank's long-term development and competitive advantages, receiving the full recognition and highly evaluation of the market and investors.

Shareholder enquiries

Any enquiries from shareholders related to shareholding, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following addresses:

A-share:

China Securities Depository and Clearing Corporation Limited
Shanghai Branch 3rd Floor, China Insurance Building
166 East Lujiazui Road, Pudong New District, Shanghai, China
Telephone: (86) 4008-058-058

H-share:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong Telephone: (852) 2862-8555
Facsimile: (852) 2865-0990/(852) 2529-6087

Investor enquiries

Enquiries from investors to the Board may be directed to:
Board of Directors Office
China Construction Bank Corporation
No. 25, Financial Street, Xicheng District, Beijing, China Telephone: (8610) 6621-5533
Facsimile: (8610) 6621-8888
Email: ir@ccb.com

Board of Directors Office – Hong Kong Office
China Construction Bank Corporation
29/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Telephone: (852) 3918-6212
Facsimile: (852) 2523-8185

This annual report is available on the website of the Bank (www.ccb.com), the website of the Shanghai Stock Exchange (www.sse.com.cn) and the "HKEXnews" website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). If you have any queries on this annual report, please call our hotline at (8610) 6621-5533 or (852) 3918-6212. If you have any comment or advice on the annual report, please send email to ir@ccb.com.

The Board of the Bank is pleased to present its report together with the financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Group is engaged in a range of banking services and related financial services.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2019 is set out in the "Management Discussion and Analysis" of this annual report. For the discussion on the Bank's environmental policies and performance and relations with its employees, please refer to the *Corporate Social Responsibility Report 2019* of the Bank.

PROFIT AND DIVIDENDS

The profit of the Group for the year ended 31 December 2019 and the Group's financial position as at that date are set out in the "Financial Statements" of this annual report. The analysis on operating results, financial position as well as related changes during the reporting period are set out in the "Management Discussion and Analysis" of this annual report.

In accordance with the resolutions passed at the 2018 annual general meeting held on 21 June 2019, the Bank paid an annual cash dividend for 2018 of RMB0.306 per share (including tax), totalling approximately RMB76,503 million, to all of its shareholders whose names appeared on the register of members after the closing of the stock market on 9 July 2019.

The Board recommends a cash dividend for 2019 of RMB0.320 per share (including tax), totalling approximately RMB80,004 million, subject to consideration and approval of the 2019 annual general meeting. Subject to approval of the annual general meeting, the dividend will be distributed to the shareholders whose names appeared on the register of members of the Bank after the closing of the stock market on 9 July 2020. The expected payment date of the A-shares annual cash dividend for 2019 is on 10 July 2020, and the expected payment date of the H-shares annual cash dividend is on 30 July 2020.

FORMULATION AND IMPLEMENTATION OF PROFIT DISTRIBUTION POLICY

Pursuant to the current Articles of Association, the Bank may distribute dividends in the form of cash, shares and a combination of cash and shares; unless under special circumstances, the Bank shall distribute dividends in cash if it gains profit and has positive accumulative undistributed profits in the year. The cash dividends distributed by the Bank in a year shall be no less than 10% of the net profit attributable to equity shareholders of the Bank on a consolidated basis in the same year. When adjusting the profit distribution policy, the Board shall conduct a specific discussion to elaborate on and verify the reasons to make the adjustments and prepare a written report. Independent non-executive directors shall express their views, and the matter shall be approved in the form of special resolution by the shareholders' general meeting. The Bank shall provide the shareholders with online voting channels when discussing and approving the adjustments to the profit distribution policy.

The Bank's formulation and implementation of profit distribution policies conform to the provisions in the Articles of Association and the requirements of the resolutions of the general meeting of shareholders. The Bank has sound policies decision-making procedures and mechanisms as well as clear and definite standard and ratio of dividends. The independent non-executive directors conducted due diligence and played their roles diligently in the decision-making process of the profit distribution plan. Minority shareholders may fully express their opinions and appeals and their legitimate rights and interests are fully protected.

The amounts of cash dividends and ratios of cash dividends to net profit of the Bank for the years from 2017 to 2019 are as follows:

(In millions of RMB, except percentages)	2019	2018	2017
Cash dividends	80,004	76,503	72,753
Ratio of cash dividends to net profit[1]	30.0%	30.0%	30.0%

1. Net profit refers to the net profit attributable to equity shareholders of the Bank on a consolidated basis. Please refer to Note "Profit Distributions" in the financial statements of annual reports of the related years for details of cash dividends.

Please refer to "Details of Preference Shares" of this annual report for details of the profit distribution of preference shares.

TAXATION AND TAX REDUCTION AND EXEMPTION

Shareholders of the Bank paid relevant taxes according to the following rules and tax laws and regulations as updated from time to time and enjoyed possible tax reduction and exemption in light of actual situations and should seek advice from their tax professionals and legal consultants for specific payment matters. The following referred tax laws and regulations are published as at the date of 31 December 2019.

Holders of A-share

According to *Notice of Issues Concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies* (CaiShui [2012] No.85) and *Notice of Issues Concerning the Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies* (CaiShui [2015] No.101) issued by the MOF, the State Administration of Taxation and the CSRC, for the stocks held for more than one year, the income from dividends and bonuses shall be temporarily exempted from individual income tax; for the stocks held for more than one month but not more than one year (inclusive), the income from dividends and bonuses shall be temporarily included in the taxable income at the reduced rate of 50%; for stocks held for not more than one month (inclusive), the income from dividends and bonuses shall be included in the taxable income in full amount. Individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%. Individual income taxes on dividends and bonuses from listed companies made by securities investment funds shall be collected according to the rules aforesaid as well.

According to article 26(2) of the *Law on Enterprise Income Tax*, dividends, bonuses and other equity investment proceeds between qualified resident enterprises are tax-free incomes.

According to article 83 of the *Implementation Regulations of the Law on Enterprise Income Tax*, the "dividends, bonuses and other equity investment proceeds between qualified resident enterprises" as prescribed in article 26(2) of the *Law on Enterprise Income Tax* refer to investment income obtained by a resident enterprise from the direct investment in other resident enterprises. The "stock equities, bonuses and other equity investment proceeds" as prescribed in article 26(2) of the *Law on Enterprise Income Tax* exclude investment income from circulating stocks issued publicly by a resident enterprise and traded on stock exchanges that the holding period is less than 12 months.

According to the *Law on Enterprise Income Tax and the Implementation Regulation of the Law on Enterprise Income Tax*, the enterprise income tax shall be levied at the reduced rate of 10% for the dividend incomes obtained by a non-resident enterprise shareholder.

Holders of H-share

According to PRC tax laws and regulations, withholding agents shall withhold and pay individual income tax on income of dividends and bonuses for Hong Kong-listed shares of domestic non- foreign-invested enterprises obtained by a non-resident individual. However, an offshore resident individual shareholder holding Hong Kong-listed shares of domestic non-foreign-invested enterprises may enjoy relevant tax preferences under the tax treaties between China and the state where such shareholder possesses resident status, or the indirect tax arrangements between the mainland of China and Hong Kong or Macau. Generally, as for individual holders of H-shares, individual income tax shall be withheld and paid at the rate of 10%, unless it is otherwise provided by tax laws and regulations and relevant tax treaties.

According to *Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Holders of H-shares Which Are Overseas Non-resident Enterprises* (Guo Shui [2008] No.897) published by the State Administration of Taxation, a Chinese resident enterprise pays dividends for the year of 2008 or any year thereafter to its holders of H-shares which are overseas non-resident enterprises, and it shall withhold the enterprise income tax thereon at the uniform rate of 10%.

According to current custom of the Inland Revenue Department, the Bank bears no tax for distribution of H-share dividends.

Issues about taxation of Shanghai-Hong Kong Stock Connect shall follow the *Notice on Taxation Policies Concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets* (Cai Shui [2014] No.81) issued by the MOF, the State Administration of Taxation and the CSRC.

Issues about taxation of Shenzhen-Hong Kong Stock Connect shall follow the *Notice on Taxation Policies Concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets* (Cai Shui [2016] No.127) issued by the MOF, the State Administration of Taxation and the CSRC.

Domestic preference shareholders

Issues about payment of individual income tax involved in dividends of non-public domestic preference shares obtained by individuals shall follow the relevant PRC tax laws and regulations.

According to the *Law on Enterprise Income Tax* and the *Implementation Regulation of the Law on Enterprise Income Tax*, dividends gain from domestic preference shares between qualified resident enterprises are tax exemption incomes. Enterprise income tax on dividends gain from domestic preference shares obtained by a non-resident enterprise, in general, shall be collected at the preferential rate of 10%.

Offshore preference shareholders

According to PRC tax laws and regulations, when the Bank pays dividends of offshore preference shares to its shareholders which are offshore non-resident enterprises, in general, it shall withhold and pay the enterprise income tax thereon at the uniform rate of 10%.

According to current custom of the Inland Revenue Department, the Bank bears no tax for distribution of dividends of offshore preference shares.

SUMMARY OF FINANCIAL INFORMATION

Please refer to "Financial Highlights" of this annual report for the summary of the operating results, assets and liabilities of the Group for the five years ended 31 December 2019.

RESERVES

Please refer to "Consolidated Statement of Changes in Equity" of this annual report for details of the movements in the reserves of the Group for the year ended 31 December 2019.

DONATIONS

Charitable donations made by the Group for the year ended 31 December 2019 were RMB133.77 million, an increase of RMB44.36 million.

FIXED ASSETS

Please refer to Note "Fixed Assets" in the "Financial Statements" of this annual report for details of movements in fixed assets of the Group for the year ended 31 December 2019.

RETIREMENT BENEFITS

Please refer to Note "Accrued Staff Costs" in the "Financial Statements" of this annual report for details of the retirement benefits provided to employees of the Group.

MAJOR CUSTOMERS

For the year ended 31 December 2019, the aggregate amount of interest income and other business income generated from the five largest customers of the Group represented an amount not exceeding 30% of the total interest income and other business income of the Group.

ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES

Please refer to "Changes in Share Capital and Particulars of Shareholders – Substantial Shareholders of the Bank" and Note "Long-term Equity Investments" in the "Financial Statements" for details of the Bank's ultimate parent company and its subsidiaries respectively as at 31 December 2019.

ISSUANCE OF SHARES

During the reporting period, the Bank had not issued any ordinary shares, convertible bonds or preference shares.

ISSUANCE OF DEBTS SECURITIES

Please refer to "Changes in Share Capital and Particulars of Shareholders – Details of Securities Issuance and Listing" for details of the issuance of tier 2 capital bond of the Bank.

EQUITY-LINKED AGREEMENTS

On 16 December 2015, the Bank made a non-public issuance of offshore preference shares of US$3.05 billion in total, and a non-public issuance of domestic preference shares of RMB60 billion in total in the domestic market on 21 December 2017. During the reporting period, other than above two preference shares, the Bank had not entered into or maintained any other equity- linked agreement.

Pursuant to regulations including the *Capital Rules for Commercial Banks (Provisional)* and the *Administrative Measures for the Pilot Programme for Preference Shares*, a commercial bank shall set up the provisions of coercive conversion of preference shares into ordinary shares, under which the commercial bank shall convert the preference shares into ordinary shares as contractually agreed in case of a trigger event. Such a trigger event would happen when the common equity tier 1 ratio decreases to 5.125% (or below) and when the CBIRC determines that the Bank will not be able to exist if shares of the Bank are not transferred or written down, or when relevant regulators determine that the Bank will not be able to exist if there is no capital injection from public sectors or supports with same effect. The Bank, according to relevant regulations, has formulated provisions of trigger events under which preference shares shall be coercively converted into ordinary shares. If such trigger events happen to the Bank and all preference shares need to be coercively converted into ordinary shares in accordance with their initial conversion price, the total amount of the offshore preference shares which are converted into ordinary H-shares will not exceed 3,953,615,825 ordinary H-shares, the total amount of the domestic preference shares which are converted into ordinary A-shares will not exceed 11,538,461,538 ordinary A-shares. During the reporting period, the Bank did not experience any trigger event in which the preference shares need to be coercively converted into ordinary shares.

SHARE CAPITAL AND PUBLIC FLOAT

As at the end of reporting period, the Bank issued 250,010,977,486 ordinary shares in total (including 240,417,319,880 H-shares and 9,593,657,606 A-shares) and had 338,985 registered ordinary shareholders, which complied with the relevant requirements regarding public float under relevant laws and regulations as well as the listing rules of its listing venues.

PURCHASE, SALE AND REDEMPTION OF SHARES

During the reporting period, there was no purchase, sale or redemption by the Bank or any of its subsidiaries of the shares of the Bank.

PRE-EMPTIVE RIGHTS

During the reporting period, the Articles of Association of the Bank does not contain such provisions under which the Bank's shareholders have pre-emptive rights. The Articles of Association provides that if the Bank wishes to increase its capital, it may issue new shares to investors, may issue new shares to or by way of distribution to existing shareholders, may transfer its capital reserve to share capital, or by other means permitted by laws and regulations.

TOP TEN SHAREHOLDERS AND THEIR SHAREHOLDINGS

Please refer to "Changes in Share Capital and Particulars of Shareholders" of this annual report for details of the top ten shareholders of the Bank and their shareholdings as at the end of reporting period.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to "Profiles of Directors, Supervisors and Senior Management" of this annual report.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received the annual confirmation on independence from each independent non-executive director in compliance with the Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange. The Bank considered that all the independent non-executive directors of the Bank were independent, and their independence was in compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules of Hong Kong Stock Exchange.

MATERIAL INTERESTS AND SHORT POSITIONS

On 31 December 2019, the interests and short positions of substantial shareholders and other persons in the shares of the Bank as recorded in the register required to be kept under section 336 of the *SFO* of Hong Kong were as follows:

Name	Type of shares	Number of shares	Nature	% of issued A- shares or H-shares	% of total ordinary shares issued
Huijin[1]	A-share	692,581,776	Long position	7.22	0.28
Huijin[2]	H-share	133,262,144,534	Long position	59.31	57.03

1. On 29 December 2015, Huijin declared interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 692,581,776 A-shares of the Bank, accounting for 7.22% and 0.28% of the A-shares issued (9,593,657,606 shares) and the ordinary shares issued (250,010,977,486 shares) respectively. In which, 195,941,976 A-shares were directly held by Huijin, and 496,639,800 A-shares were held by Central Huijin Asset Management Ltd., a wholly-owned subsidiary of Huijin. As at 31 December 2019, according to the A-share register of shareholders of the Bank, Huijin directly held 195,941,976 A-shares of the Bank, Central Huijin Asset Management Ltd., a wholly-owned subsidiary of Huijin, directly held 496,639,800 A-shares of the Bank.
2. On 26 May 2009, Huijin declared its interests on the website of Hong Kong Stock Exchange. It disclosed that it held the interests of 133,262,144,534 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (224,689,084,000 shares) and the ordinary shares issued (233,689,084,000 shares) at that time respectively. As at 31 December 2019, according to the H-share register of shareholders of the Bank, Huijin directly held 142,590,494,651 H-shares of the Bank, accounting for 59.31% and 57.03% of the H-shares issued (240,417,319,880 shares) and the ordinary shares issued (250,010,977,486 shares) respectively.

DIRECTORS' AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, some of the Bank's directors and supervisors indirectly held H-shares of the Bank by participating in the employee stock incentive plan of the Bank before they were appointed at the current positions, among which Mr. Zhang Gengsheng held 19,304 H-shares, Mr. Wu Jianhang held 20,966 H-shares, Mr. Fang Qiuyue held 21,927 H-shares, Mr. Lu Kegui held 18,989 H-shares, Mr. Cheng Yuanguo held 15,863 H-shares, Mr. Wang Yi held 13,023 H-shares of the Bank respectively. Save as disclosed above, none of the directors and supervisors of the Bank had any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Bank and Hong Kong Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions therein that they shall be deemed to have pursuant to such provisions of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to *Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 to the Listing Rules of Hong Kong Stock Exchange.

As of 31 December 2019, except for the employee stock incentive plan, the Bank had not granted its directors or supervisors, or their respective spouses or children under the age of 18, any other rights to subscribe for the shares or debentures of the Bank or any of its associated corporations.

DIRECTORS' FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS

There are no relationships among the directors of the Bank, including financial, business, family or other material relationships.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS, SERVICE CONTRACTS AND DIRECTORS' LIABILITY INSURANCE

For the year 2019, no director or supervisor of the Bank or entities connected with the directors or supervisors had any interest, whether directly or indirectly, in any transaction, arrangement or contract of significance in relation to the Group's business with the Bank or any of its holding companies or subsidiaries or subsidiaries of the Bank's holding companies, apart from their respective service contracts.

None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of remuneration (other than statutory remuneration).

The Bank purchased the directors' liability insurance for all directors in 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Save as disclosed in the biographical details of the directors of the Bank, none of the directors of the Bank directly or indirectly has any interest that constitutes or may constitute a competing business of the Bank.

CORPORATE GOVERNANCE

The Bank is committed to maintaining a high level of corporate governance practice. Please refer to the "Corporate Governance Report" of this annual report for details of corporate governance practice adopted by the Bank and its compliance with the *Corporate Governance Code* and *Corporate Governance Report*.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In 2019, the Bank did not revise the Articles of Association.

CONNECTED TRANSACTIONS

In 2019, the Bank engaged in a series of connected transactions with the connected persons of the Bank as defined by the Listing Rules of Hong Kong Stock Exchange in its ordinary course of business. Such transactions complied with the conditions for exemption under Rule 14A.73 of the Listing Rules of Hong Kong Stock Exchange, and they were fully exempted from the shareholders' approval, annual review and all the disclosure requirements.

Please refer to Note "Related Party Relationships and Transactions" in the financial statements of this annual report for details of the related party transactions as defined by domestic laws and regulations and accounting standards.

SIGNIFICANT INVESTMENTS

As of 31 December 2019, the Group did not have the significant investment as required to be disclosed in accordance with Rule 32(4A) under the Appendix 16 to the Listing Rules of Hong Kong Stock Exchange.

REMUNERATION POLICY FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank has established clear standards in relation to the remuneration policy for directors, supervisors and senior management. For enterprise leaders administered by central authorities, the remuneration policy complies with the relevant measures on remuneration of central financial enterprise leaders. The Bank's remuneration policy for other directors, supervisors and senior management is based on the principle of combining incentives and disciplines, short-term incentives and long-term incentives, and governmental regulations and market adjustment, and has defined a structured remuneration system compromising basic annual salary, performance annual salary and welfare income. The Bank participates in the relevant PRC mandatory retirement schemes for its directors, supervisors, senior management and other employees. Other than reviewing and settling the tenure incentive remuneration to enterprise leaders administered by central authorities in accordance with national regulations, the Bank does not implement mid-term and long-term incentive plan for other directors, supervisors and senior management.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Bank will incorporate the principle of building a "low-carbon and environment-friendly bank" into its corporate social responsibility strategy and include "Green Banking" as a goal in its medium- and long-term business planning. The Bank will actively fulfill its environmental responsibilities, vigorously support low-carbon economy and environmental protection industries, increase energy conservation and emission reduction of enterprises, actively promote online financial services, advocate low-carbon operations, and reduce energy consumption.

RELATIONSHIPS WITH EMPLOYEES AND CUSTOMERS

Employees are the valuable resources to the Bank. The Bank ensures the rights of the employees according to the law and is committed to build a broad development platform for the employees. Furthermore, the Bank constantly provides safeguard measures for the career development of employees in terms of their remunerations, benefits, trainings, and promotions. Adhering to the "customer-centric" concept, the Bank attaches great importance to the protection of consumer rights and interests, meets the financial service demands of its customers and is continuously improving customer service experience and customer satisfaction.

INFORMATION DISCLOSURE

In 2019, the Bank strictly abided by relevant laws, regulations and regulatory requirements for information disclosure, timely followed up the changes to the regulatory requirements, improved the working mechanism, continued to conduct the information disclosure trainings, actively fulfilled its information disclosure obligations, ensured the truthfulness, accuracy, completeness and timeliness of the information disclosure, and continuously improved its information disclosure level.

REGISTRATION AND MANAGEMENT OF INSIDERS

The Bank formulated the *Management Measures on Insider of Inside Information*. Pursuant to the Management Measures on Insider of Inside Information, relevant laws and regulations, and other requirements of relevant regulations of the Bank, the Bank strictly conducted the secrecy system regarding inside information, standardised the information transfer process, strengthened inside information management and controlled the scope of insiders of inside information. The Bank was not aware of any insider trading of the shares of the Bank by taking the advantage of inside information during the reporting period.

EVENTS AFTER THE REPORTING PERIOD

Spreading at the beginning of 2020, the COVID-19 has affected the operation of businesses in certain areas and industries to varying degrees, the extent of which will depend on factors including evolvement of the pandemic, macro policies, resumption of work and activities in enterprises. The Group has closely monitored the situation of COVID-19, and has started assessment of its impact. Please refer to Note "Events after the reporting period" to the financial statements for details.

By order of the board of directors
Tian Guoli
Chairman
27 March 2020

REPORT OF THE BOARD OF SUPERVISORS

In 2019, pursuant to the provisions of laws, regulations, regulatory requirements and the Articles of Association of the Bank, the board of supervisors earnestly performed its supervision duties, adhered to the issue-oriented supervision, constantly refined its methods of work, focused on improving the effectiveness of supervision, and played an effective role in terms of its duties and functions.

PARTICULARS OF MAJOR WORK

Convening meetings of the board of supervisors pursuant to laws and regulations. During the year, six meetings of the board of supervisors were convened, in which 21 resolutions were reviewed and considered, including periodic reports of the Bank, assessment reports of the management performance, work plan of the board of supervisors and nomination of supervisors. 12 special reports were debriefed, including but not limited to the implementation of inclusive finance strategic plan, consolidated management, liquidity risk management, model risk management, rectification and implementation of issues notified by regulators. The performance and due diligence supervision committee held four meetings, and the finance and internal control supervision committee held five meetings. The board of supervisors and special committees held in-depth discussions at their meetings on important issues such as strategy implementation, business development, risk management and internal control, and brought forward the supervision opinions and recommendations, which were valued and implemented by the Board and senior management.

Earnestly carrying out performance and due diligence supervision. Members of the board of supervisors attended important meetings such as meetings of the Board and the special committees under the Board, the Group's work conferences, analytic meetings on operating conditions, the presidents' executive meetings, and the Group's profession conferences as non-voting attendees. The board of supervisors continuously strengthened the supervision of the performance of the Board and senior management through methods such as seminars, interviews, review of the information and special studies, etc. The board of supervisors reviewed the materials and agenda arrangements of the shareholders' general meetings and the Board's meetings, supervised the compliance with laws and regulations regarding the proceedings of meetings, decision-making procedures and results, and information disclosure, etc. The board of supervisors learned about the operation and management situation, as well as supervised the implementation of resolutions of the shareholders' general meeting and the Board. The board of supervisors carried out the annual performance assessment work, proposed the assessment reports on the annual performance of the Board and its members, and the senior management and its members, presented the annual self-assessment report of the performance of board of supervisors and its members, and reported to the shareholders' general meeting and regulators pursuant to relevant provisions.

Carefully conducting financial supervision. In periodic reporting and supervision, the board of supervisors strengthened the communication with external auditors and senior management, focusing on the authenticity, accuracy, timeliness and completeness of important financial data such as asset quality, assets and liabilities, and financial revenue and expenditure, as well as changes in accounting policies such as new lease accounting standard and information disclosure. The board of supervisors attached great importance to the transition and transfer of the works of external audits, conducted special communication with the newly appointed external auditors, and put forward requirements for the quality and independence of audit work. The board of supervisors strengthened the supervision of major financial decisions and followed up on the implementation of business plans, etc. The board of supervisors paid close attention to the impact of the new regulations, heard reports on the capital management pressure, countermeasures and suggestions, and provided supervision opinions and suggestions on capital planning. The board of supervisors continued to conduct supervision over consolidated management and related party transactions, organise special research and analysis, and put forward supervision opinions and suggestions on system compliance and system construction. It strengthened the prudential supervision of the quality of accounting information, focused on measures and effectiveness in terms of financial rules standardisation, refined management and informatisation management. It supervised the information disclosure, proceeds, disposal and acquisition of material assets, and registration of insiders of inside information in accordance with laws and regulations.

Continuously deepen risk management supervision. The board of supervisors took credit risk as the focus of supervision, regularly analysed the trend of changes in the quality of credit assets, paid close attention to the risk situation of key regions, industries, and customers, put forward the supervision opinions and suggestions from the aspects of optimising policy systems and unifying risk preference. The board of supervisors focused on regulatory concerns, strengthened the comprehensive risk management supervision, focused on liquidity risk management in a timely manner, objectively evaluated the effectiveness of the liquidity risk management systems, studied and discussed the directions and measures of improvement; carried out the supervision targeted at the market risks and counterparty risks of financial institutions according to changes in the economic and financial situation; held special hearing on the stress testing management reports, provided the supervisory opinions and suggestions on scenario settings and results application. The board of supervisors paid attention to the prospectiveness of risk supervision, held thematic discussion on the model risk management, as well as put forward supervision opinions and suggestions in terms of model definition standards and management processes, optimisation of new online business models, and professional team construction, etc. The board of supervisors firmly push forward the regular monitoring of the implementation of enhanced standards for large banks.

Continuously strengthening the internal control and compliance supervision. The board of supervisors conducted supervision around key areas such as anti-money laundering, and paid attention to suspicious transaction analysis, system optimisation and upgrading, and financial sanctions compliance management, etc. It paid attention to overseas institutions' compliance rating, anti-money laundering assessment and follow-up rectification, etc., and developed the Group's compliance management system. The board of supervisors strengthened supervision of the prevention and control over non-compliance cases and the conduct management of personnel, deeply analysed the case characteristics and causes, and put forward supervision opinions and suggestions on improving the effectiveness of internal control of key positions in root-level and preventing employee ethical risks. It heard the report on data governance, and put forward supervision opinions and suggestions on data standards and security management and control. Taking the issues found in regulation and inspection notification, internal and external audits as the starting point, the board of supervisors promoted systematic and fundamental rectification. It heard periodic reports on issues notified by regulators and rectifications thereof, maintained regular communication with external auditors, internal control management and internal audit departments, and attached importance to the utilisation of internal and external audit results. The board of supervisors proactively adapted to the trend of strict and strong supervision, followed up the Bank's efforts to rectify market chaos and investigated service charges for small and micro businesses. It continued to understand the operation of the internal control compliance system and reviewed the annual internal control evaluation report.

Continuously improving the effectiveness of supervision. The board of supervisors made suitable meeting agendas and deepened the research and discussion on the agenda items combining closely the national policy requirements and the actual conditions of Bank's development strategy in order to raise the quality and efficiency of the meetings of the board of supervisors and special committees. The board of supervisors paid attention to strengthening the communication with the Board and senior management, exchanged ideas thoroughly in relation to important supervision issues, learned fully about actual situations, and proposed reasonable opinions and suggestions. The board of supervisors conducted problem-oriented and target-oriented supervision, continuously improved the supervision work mechanism, explored and created ways of performing duties, as well as strived to enhance effectiveness of the supervision work. It also conducted special studies on private enterprise business, asset management business transformation, and transaction banking business, etc. The board of supervisors completed special research on related party transaction management, credit business exception management, and model risk management, etc. It strengthened the self-development, and completed the election of chairman of the board of supervisors and selection and appointment of certain external supervisors. All supervisors earnestly participated in the work of the board of supervisors and duly performed their supervisory duties.

INDEPENDENT OPINIONS ON RELEVANT MATTERS OF THE BANK

Operations in compliance with laws and regulations

During the reporting period, the Bank carried out its operation pursuant to laws and regulations, and the decision-making procedure was in compliance with the provisions of laws and regulations as well as the Articles of Association of the Bank. The directors and senior executives fulfilled their duties in a diligent manner. The board of supervisors was not aware of any of their acts in performance of their duties that were in breach of applicable laws, regulations or the Articles of Association of the Bank, or were detrimental to the Bank's interest.

Financial reporting

The 2019 financial statements of the Bank truly and fairly reflected the financial position and operating results of the Bank.

Use of proceeds

During the reporting period, the Bank issued RMB40 billion domestic undated additional tier 1 capital bonds. The proceeds were all used to replenish additional tier 1 capital; the Bank issued the Tier 2 capital bonds of US$1.85 billion, the proceeds were all used to replenish the Bank's Tier 2 capital. The use of proceeds was consistent with the Bank's commitments.

Acquisition and sale of assets

During the reporting period, the board of supervisors was not aware of any insider trading or any acts detrimental to the interests of shareholders or leading to a drain on the Bank's assets in acquisition or sale of assets.

Related party transactions

During the reporting period, the board of supervisors was not aware of any related party transactions that were detrimental to the interests of the Bank.

Internal control

During the reporting period, the Bank continuously strengthened and refined its internal control. The board of supervisors had no objection to the 2019 Internal Control Assessment Report.

Performance of social responsibilities

During the reporting period, the Bank performed its social responsibilities in an earnest manner. The board of supervisors had no objection to the 2019 Social Responsibility Report.

Implementation of information disclosure management system

During the reporting period, the Bank earnestly implemented the information disclosure management system, fulfilled its information disclosure obligations, and the board of supervisors was not aware of any violations of laws or regulations in information disclosure.

Assessment of the performance of directors, supervisors and senior executives

All directors, supervisors and senior executives participated in the 2019 performance assessment were evaluated as qualified.

By order of the board of supervisors
Wang Yongqing
Chairman of the board of supervisors
27 March 2020

MAJOR ISSUES

MATERIAL LITIGATIONS AND ARBITRATIONS

During the reporting period, the Bank was not subject to any material litigation or arbitration.

FUND TAKEN BY THE CONTROLLING SHAREHOLDER OR OTHER RELATED PARTIES

During the reporting period, there was no non-operational fund taken by the controlling shareholder or other related parties of the Bank.

PROGRESS OF IMPLEMENTATION OF EMPLOYEE STOCK INCENTIVE PLAN

After the implementation of the first employee stock incentive plan of the Bank in July 2007, the Bank did not implement any new round of stock incentive plan in the reporting period.

MATERIAL RELATED PARTY TRANSACTIONS

During the reporting period, there was no material related party transaction of the Bank. All related party transactions of the Bank were conducted on the basis of commercial principles in a just, fair and open manner and at prices no more favourable than those offered to independent third parties in similar transactions.

MATERIAL CONTRACTS AND THEIR PERFORMANCE

On 24 May 2019, the PBC and the CBIRC jointly announced that Baoshang Bank Co., Ltd. was taken over. The takeover team entrusted the Bank to take the business of Baoshang Bank Co., Ltd. into custody and the takeover would last one year. The Bank carried out the work in accordance with the custody agreement under the guidance of the takeover team. At present, the first phase of the large-scale purchase and transfer of creditor's rights has been successfully completed, and the second phase of the liquidation and verification of capital has been basically completed. Based on this, the third phase of the market-oriented reform and restructuring is proceeding. This matter had no material influence on the Bank's operational management and profitability. Please refer to the announcement published by the Bank on 24 May 2019 for details. Apart from this, during the reporting period, the Bank did not enter into any material arrangement for custody, contracting or lease of other companies' assets, or allow its assets to be subject to such arrangements by other companies.

The guarantee business is an off-balance sheet service in the ordinary course of the Bank's business, and the Bank did not have any material guarantee that should be disclosed except for the financial guarantee services within its business scope as approved by the regulators. During the reporting period, the Bank did not enter into any other material contract that needs to be disclosed.

PERFORMANCE OF UNDERTAKINGS

In September 2004, Huijin made a commitment of "non-competition within the industry", i.e., as long as Huijin continues to hold any shares of the Bank, or is deemed as a controlling shareholder or a related party of a controlling shareholder of the Bank in accordance with related laws of the People's Republic of China or listing rules of the Bank's listing venues, Huijin would not engage in or participate in any competing commercial banking businesses, including but not limited to granting loans, taking deposits, providing settlement, and providing fund custody, bank card and currency exchange services. However, Huijin may still engage in or participate in competing businesses through investing in other commercial banks. Accordingly, Huijin committed that it would: (1) fairly treat its investments in commercial banks, and would not abuse its shareholder position in the Bank or the information it obtained through its shareholder position in the Bank to make decisions detrimental to the Bank but beneficial to other commercial banks; (2) exercise its shareholder's rights for the best interests of the Bank.

On 6 April 2016, in accordance with relevant rules of CSRC, in order to ensure the effective fulfilment of the measures to make up for the immediate return diluted by the issuance of preference shares of the Bank, Huijin undertook not to intervene with the operation and management of the Bank and not to misappropriate the interests of the Bank.

As at 31 December 2019, Huijin had not breached any of the above undertakings.

PENALTIES

During the reporting period, neither the Bank, the directors, the supervisors, the senior management nor the actual controller was subject to investigations by relevant authorities, coercive measures by judicial or disciplinary inspection departments, transfer to judicial authorities or prosecution for criminal liabilities, investigation or administrative penalty, restricted access to market, and identification as unqualified by the CSRC, material administrative punishments by environmental, safety supervision, tax or other administrative authorities, or public reprimand by the stock exchanges.

INTEGRITY

During the reporting period, there was no unperformed judgement of the courts, or significant outstanding debt at maturity of the Bank and its controlling shareholder.

MAJOR EVENTS

Upon consideration and approval by the Board of the Bank in October 2019, the capital contribution to China Construction Bank (Europe) S.A. by the Bank intended to be increased by EUR350 million, and such capital contribution increase is subject to the approval by the regulatory authorities. Please refer to the announcement published by the Bank on 30 October 2019 for details.

In June 2019, the Bank has completed the second capital contribution of RMB750 million to the National Financing Guarantee Fund Co., Ltd. A total capital contribution of RMB3 billion will be made in annual installment for four years. Please refer to the announcement of the Bank published on 31 July 2018 for details.

In May 2019, the Bank received the CBIRC's approval on the commencement of business of CCB Wealth Management. CCB Wealth Management was officially established with a registered capital of RMB15 billion. Please refer to the announcement of the Bank published on 27 May 2019 for details. CCB Wealth Management commenced to operate in June 2019.

In January 2019, the CBIRC approved the Bank's capital injection of RMB3,060 million to CCB Life. The subsequent procedures related to the capital injection are currently in progress. Please refer to the announcement published by the Bank on 29 April 2019 for details.

PERFORMANCE OF POVERTY ALLEVIATION RESPONSIBILITIES

Please refer to "Corporate Social Responsibilities" of this annual report for details of the performance of poverty alleviation responsibilities.

CCB University

10 campuses **10** campuses **37** campuses

CCB University has 10 regional campuses, 10 campuses for professional studies and 37 provincial-level campuses.

4,571 lectures **6,922** courses

CCB University has 4,571 lecturers and 6,922 courses on various subjects.

86,000 person-times

CCB University held on-site training sessions covering 86,000 employees.

320,000 person-times

The Bank held live training via the network platform of CCB University, with a total of over 320,000 employees.

A Dream of Youth for Post Examination Season

The Bank carried out a series of activities of "A Dream of Youth" for post examination season, involving 18 business lines, 32 examination subjects, and more than 160,000 people's participation.

Industry-Education Integration Alliance for New Financial Talents

Summer Practice in Rural Areas for Ten Thousand Students

The Bank organised the "Summer Practice in Rural Areas for Ten Thousand Students". More than 10,000 students from 1,200 colleges and universities domestically and abroad have visited 10,800 villages, 54,000 rural households and more than 3,600 township enterprises across the country, benefiting 110,000 villagers.

Financial Literacy Promotion Project

The Bank launched the "Financial Literacy Promotion" Project and provided external training sessions with a total attendance of 1.35 million.

Chairman of the board of supervisors Wang Yongqing attended the opening ceremony of Qingdao Inclusive and Retail Banking School of CCB University.

INDEPENDENT AUDITOR'S REPORT

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Shareholders of China Construction Bank Corporation
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Construction Bank Corporation (the "Bank") and its subsidiaries (the "Group") set out on pages 150 to 282, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and relevant notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for loans and advances to customers at amortised cost	
The Group determines and measures expected credit losses for loans and advances to customers measured at amortised cost, in accordance with IFRS 9 – Financial Instruments. The Group uses a number of models and assumptions in the measurement of expected credit losses, for example: • Significant increase in credit risk – Criteria for determining whether significant increase in credit risk has occurred are highly judgemental, and may have a significant impact on expected credit losses for loans and advances to customers at amortised cost with longer outstanding maturities; • Models and parameters – Complex models, numerous inputs and parameters are used to measure expected credit losses, involving many management judgements and assumptions; • Forward-looking information – Macroeconomic forecasts are developed, and impact on expected credit losses are considered for probability weighted multiple economic scenarios; • Individual impairment assessment – Identifying loans and advances to customers at amortised cost that have been impaired requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.	We evaluated and tested the design and operating effectiveness of key controls over credit granting, post approval credit management, loan credit rating system, collateral management and loan impairment assessment, including relevant data quality and information systems. We adopted a risk-based sampling approach in our loan review procedures. We assessed the debtors' repayment capacity and evaluated the Group's loan grading, taking into consideration post-lending inspection reports, debtors' financial information, collateral valuation reports and other available information. With the support of our internal credit risk modelling experts, we evaluated and tested the expected credit loss model, key parameters, and management's significant judgements and assumptions, mainly focusing on the following aspects: (1) Expected credit loss model: • Assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, and significant increase in credit risk; • Assessed the forward-looking information used by management to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions of multiple macroeconomic scenarios; • Evaluated the models and related assumptions used in individual impairment assessment, and analysed the amount, timing and probability of management's estimated future cash flows, especially the recoverable cash flows from collateral.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for loans and advances to customers at amortised cost (Continued)	
Due to the fact that impairment assessment for loans and advances to customers at amortised cost involves significant judgements and assumptions, and in view of the materiality of the balances (as at 31 December 2019, gross loans and advances to customers at amortised cost amounted to RMB14,479,931 million, representing 56.93% of total assets, and impairment allowance for loans and advances to customers at amortised cost amounted to RMB482,158 million), we consider impairment of loans and advances to customers at amortised cost a key audit matter. *Relevant disclosures are included in Note 4(3), Note 4(26)b, Note 25 and Note 61(1) to the financial statements.*	(2) Design and operating effectiveness of key controls: • Evaluated and tested the data and processes used to determine expected credit loss, including loan business data, internal credit rating data, macroeconomic data, as well as the computational logic, inputs and system interfaces of the impairment assessment system; • Evaluated and tested key controls over the expected credit loss model, including approval of model changes, ongoing monitoring of model performance, model validation and parameter calibration. We evaluated and tested the design and operating effectiveness of internal controls over the disclosures of credit risk exposures and expected credit losses.
Consolidation assessment of, and disclosure about, structured entities	
The Group holds interests in many different structured entities as a result of its business activities in financial investment, asset management, and credit asset transfer. Such interests in structured entities include wealth management products, funds, asset management plans, trust plans, and asset-backed securities. The Group needs to comprehensively consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation. The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, the Group's ability to direct relevant activities, direct and indirect beneficial interests and returns, performance fee, and benefits received or losses incurred from providing credit enhancement or liquidity support. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates. In view of the materiality and the complexity of management judgements, we consider consolidation assessment of, and disclosure about, the structured entities a key audit matter. *Relevant disclosures are included in Note 4(1), Note 4(26)f, Note 26(1)a and Note 28 to the financial statements.*	We evaluated and tested the design and operating effectiveness of key controls over the Group's assessment of whether it controls a structured entity. We assessed the Group's analysis and conclusions on whether it controls structured entities based on the Group's analysis on its power over these structured entities, and the magnitude and variability of the variable returns from its involvement with structured entities. We assessed whether the Group has legal or constructive obligations to ultimately absorb losses from the structured entities through contract inspection, which included examining, on a sampling basis, whether the Group has provided liquidity support or credit enhancement to structured entities. Furthermore, we evaluated and tested the design and operating effectiveness of internal controls over the disclosures of unconsolidated structured entities.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

In preparing the consolidated financial statements, the directors of the Bank 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 of the Bank either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Bank 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. Our 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 HKSAs 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 HKSAs, 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.
- 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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 *Choi Kam Cheong, Geoffrey*.

Ernst & Young

Certified Public Accountants

Hong Kong

27 March 2020

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FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2019	2018
Interest income		883,499	811,026
Interest expense		(372,819)	(324,748)
Net interest income	6	510,680	486,278
Fee and commission income		155,262	138,017
Fee and commission expense		(17,978)	(14,982)
Net fee and commission income	7	137,284	123,035
Net trading gain	8	9,120	12,614
Dividend income	9	1,184	773
Net gain arising from investment securities	10	9,093	3,444
Net gain/(loss) on derecognition of financial assets measured at amortised cost	11	3,359	(2,241)
Other operating income, net:			
– Other operating income		36,127	35,918
– Other operating expense		(28,846)	(26,049)
Other operating income, net	12	7,281	9,869
Operating income		678,001	633,772
Operating expenses	13	(188,132)	(174,764)
		489,869	459,008
Credit impairment losses	14	(163,000)	(151,109)
Other impairment losses	15	(521)	121
Share of profits of associates and joint ventures		249	140
Profit before tax		326,597	308,160
Income tax expense	18	(57,375)	(52,534)
Net profit		269,222	255,626

The notes on pages 157 to 282 form part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2019	2018
Other comprehensive income:			
(1) Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**199**	(296)
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income		**444**	120
Others		**59**	43
Subtotal		**702**	(133)
(2) Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income		**9,005**	35,887
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income		**1,624**	303
Reclassification adjustments included in profit or loss due to disposals		**(175)**	(149)
Net loss on cash flow hedges		**(292)**	(267)
Exchange difference on translating foreign operations		**2,682**	2,573
Subtotal		**12,844**	38,347
Other comprehensive income for the year, net of tax		**13,546**	38,214
Total comprehensive income for the year		**282,768**	293,840
Net profit attributable to:			
Equity shareholders of the Bank		**266,733**	254,655
Non-controlling interests		**2,489**	971
		269,222	255,626
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**280,268**	292,705
Non-controlling interests		**2,500**	1,135
		282,768	293,840
Basic and diluted earnings per share (in RMB Yuan)	19	**1.05**	1.00

The notes on pages 157 to 282 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	**31 December 2019**	31 December 2018
Assets:			
Cash and deposits with central banks	20	**2,621,010**	2,632,863
Deposits with banks and non-bank financial institutions	21	**419,661**	486,949
Precious metals		**46,169**	33,928
Placements with banks and non-bank financial institutions	22	**531,146**	349,727
Positive fair value of derivatives	23	**34,641**	50,601
Financial assets held under resale agreements	24	**557,809**	201,845
Loans and advances to customers	25	**14,540,667**	13,365,430
Financial investments	26		
Financial assets measured at fair value through profit or loss		**675,361**	731,217
Financial assets measured at amortised cost		**3,740,296**	3,272,514
Financial assets measured at fair value through other comprehensive income		**1,797,584**	1,711,178
Long-term equity investments	27	**11,353**	8,002
Fixed assets	29	**170,740**	169,574
Land use rights	30	**14,738**	14,373
Intangible assets	31	**4,502**	3,622
Goodwill	32	**2,809**	2,766
Deferred tax assets	33	**72,314**	58,730
Other assets	34	**195,461**	129,374
Total assets		**25,436,261**	23,222,693
Liabilities:			
Borrowings from central banks	36	**549,433**	554,392
Deposits from banks and non-bank financial institutions	37	**1,672,698**	1,427,476
Placements from banks and non-bank financial institutions	38	**521,553**	420,221
Financial liabilities measured at fair value through profit or loss	39	**281,597**	431,334
Negative fair value of derivatives	23	**33,782**	48,525
Financial assets sold under repurchase agreements	40	**114,658**	30,765
Deposits from customers	41	**18,366,293**	17,108,678
Accrued staff costs	42	**39,075**	36,213
Taxes payable	43	**86,635**	77,883
Provisions	44	**42,943**	37,928
Debt securities issued	45	**1,076,575**	775,785
Deferred tax liabilities	33	**457**	485
Other liabilities	46	**415,435**	281,414
Total liabilities		**23,201,134**	21,231,099

The notes on pages 157 to 282 form part of these financial statements.

AS AT 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	31 December 2019	31 December 2018
Equity:			
Share capital	47	**250,011**	250,011
Other equity instruments	48		
Preference shares		**79,636**	79,636
Perpetual bonds		**39,991**	–
Capital reserve	49	**134,537**	134,537
Other comprehensive income	50	**31,986**	18,451
Surplus reserve	51	**249,178**	223,231
General reserve	52	**314,389**	279,725
Retained earnings	53	**1,116,529**	990,872
Total equity attributable to equity shareholders of the Bank		**2,216,257**	1,976,463
Non-controlling interests		**18,870**	15,131
Total equity		**2,235,127**	1,991,594
Total liabilities and equity		**25,436,261**	23,222,693

Approved and authorised for issue by the Board of Directors on 27 March 2020.

Liu Guiping
Vice Chairman, executive director and president

Kenneth Patrick Chung
Independent non-executive director

Carl Walter
Independent non-executive director

The notes on pages 157 to 282 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Attributable to equity shareholders of the Bank									
		Other equity instruments								
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2019	250,011	79,636	–	134,537	18,451	223,231	279,725	990,872	15,131	1,991,594
Movements during the year	–	–	39,991	–	13,535	25,947	34,664	125,657	3,739	243,533
(1) Total comprehensive income for the year	–	–	–	–	13,535	–	–	266,733	2,500	282,768
(2) Changes in share capital										
i Capital injection by other share holders	–	–	–	–	–	–	–	–	1,980	1,980
ii Capital injection by other equity instruments holders	–	–	39,991	–	–	–	–	–	–	39,991
iii Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	–	(196)	(196)
(3) Profit distribution										
i Appropriation to surplus reserve	–	–	–	–	–	25,947	–	(25,947)	–	–
ii Appropriation to general reserve	–	–	–	–	–	–	34,664	(34,664)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(76,503)	–	(76,503)
iv Dividends to preference shareholders	–	–	–	–	–	–	–	(3,962)	–	(3,962)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	–	(545)	(545)
As at 31 December 2019	250,011	79,636	39,991	134,537	31,986	249,178	314,389	1,116,529	18,870	2,235,127

	Attributable to equity shareholders of the Bank								
	Share capital	Other equity instruments-Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2018	250,011	79,636	134,537	(19,599)	198,613	259,680	857,569	15,929	1,776,376
Movements during the year	–	–	–	38,050	24,618	20,045	133,303	(798)	215,218
(1) Total comprehensive income for the year	–	–	–	38,050	–	–	254,655	1,135	293,840
(2) Changes in share capital									
i Acquisition of subsidiaries	–	–	–	–	–	–	–	(8)	(8)
ii Change in shareholdings in subsidiaries	–	–	–	–	–	–	–	(138)	(138)
iii Disposal of subsidiaries	–	–	–	–	–	–	–	(1,667)	(1,667)
(3) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	24,618	–	(24,618)	–	–
ii Appropriation to general reserve	–	–	–	–	–	20,045	(20,045)	–	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	(72,753)	–	(72,753)
iv Dividends to preference shareholders	–	–	–	–	–	–	(3,936)	–	(3,936)
v Dividends to non-controlling interests holders	–	–	–	–	–	–	–	(120)	(120)
As at 31 December 2018	250,011	79,636	134,537	18,451	223,231	279,725	990,872	15,131	1,991,594

The notes on pages 157 to 282 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2019	2018
Cash flows from operating activities			
Profit before tax		326,597	308,160
Adjustments for:			
– Credit impairment losses	14	163,000	151,109
– Other impairment losses	15	521	(121)
– Depreciation and amortization	13	23,927	17,874
– Interest income from impaired financial assets		(3,092)	(3,312)
– Revaluation gain on financial instruments at fair value through profit or loss		(2,456)	(144)
– Share of profits of associates and joint ventures		(249)	(140)
– Dividend income	9	(1,184)	(773)
– Unrealised foreign exchange loss/(gain)		2,548	(6,981)
– Interest expense on bonds issued		16,418	12,975
– Interest income from investment securities and net income from disposal		(198,282)	(175,508)
– Net gain on disposal of fixed assets and other long-term assets		(42)	(135)
		327,706	303,004
Changes in operating assets:			
Net decrease in deposits with central banks and with banks and non-bank financial institutions		183,478	367,756
Net increase in placements with banks and non-bank financial institutions		(94,096)	(50,390)
Net increase in loans and advances to customers		(1,297,965)	(852,702)
Net (increase)/decrease in financial assets held under resale agreements		(355,758)	6,778
Net increase in financial assets held for trading purposes		(10,791)	(35,256)
Net (increase)/decrease in other operating assets		(75,045)	47,322
		(1,650,177)	(516,492)
Changes in operating liabilities:			
Net decrease in borrowings from central banks		(2,132)	(3,121)
Net increase in placements from banks and non-bank financial institutions		96,186	16,211
Net increase in deposits from customers and from banks and non-bank financial institutions		1,461,277	602,520
Net increase/(decrease) in financial assets sold under repurchase agreements		83,663	(44,616)
Net increase in certificates of deposit issued		338,170	40,963
Income tax paid		(65,793)	(49,174)
Net (decrease)/increase in financial liabilities measured at fair value through profit or loss		(149,986)	11,922
Net increase in other operating liabilities		142,373	82,550
		1,903,758	657,255
Net cash from operating activities		581,287	443,767

The notes on pages 157 to 282 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019 (EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

	Note	2019	2018
Cash flows from investing activities			
Proceeds from sales of financial investments		**1,504,300**	1,198,833
Cash received from redemption of financial investments		**192,870**	176,475
Proceeds from disposal of fixed assets and other long-term assets		**2,366**	2,612
Purchase of investment securities		**(1,963,872)**	(1,553,492)
Purchase of fixed assets and other long-term assets		**(23,234)**	(20,783)
Acquisition of subsidiaries, associates and joint ventures		**(4,978)**	(1,360)
Net cash used in investing activities		**(292,548)**	(197,715)
Cash flows from financing activities			
Issue of bonds		**42,106**	123,524
Cash received from issuance of perpetual bonds		**39,991**	–
Cash received from subsidiaries' capital injection by non-controlling interests holders		**1,980**	–
Dividends paid		**(81,010)**	(76,811)
Repayment of borrowings		**(79,052)**	(6,319)
Cash paid by subsidiaries for purchase of non-controlling interests holders' equity		**(196)**	(138)
Interest paid on bonds issued		**(18,051)**	(11,335)
Cash payment for other financing activities		**(7,609)**	–
Net cash (used in)/from financing activities		**(101,841)**	28,921
Effect of exchange rate changes on cash and cash equivalents		**4,740**	14,390
Net increase in cash and cash equivalents		**191,638**	289,363
Cash and cash equivalents as at 1 January	54	**860,702**	571,339
Cash and cash equivalents as at 31 December	54	**1,052,340**	860,702
Cash flows from operating activities include:			
Interest received		**695,047**	653,845
Interest paid, excluding interest expense on bonds issued		**(337,478)**	(308,323)

The notes on pages 157 to 282 form part of these financial statements.

1 COMPANY INFORMATION

The history of China Construction Bank Corporation (the "Bank") dates back to 1954, which was previously known as the People's Construction Bank of China when it was established. It administered and disbursed government funds for construction and infrastructure related projects under the state economic plan. The People's Construction Bank of China gradually became a full service commercial bank following the establishment of China Development Bank in 1994 to assume its policy lending functions. In 1996, the People's Construction Bank of China changed its name to China Construction Bank ("CCB"). On 17 September 2004, China Construction Bank Corporation was formed as a joint-stock commercial bank in the People's Republic of China (the "PRC") as a result of a separation procedure undertaken by its predecessor, China Construction Bank. In October 2005 and September 2007, the Bank's H shares and A shares were listed on the Hong Kong Stock Exchange (Stock Code: 939) and the Shanghai Stock Exchange (Stock Code: 601939), respectively. As at 31 December 2019, the Bank issued the total ordinary share capital of RMB250,011 million, with a par value of RMB1.00 per share.

The Bank obtained its finance permit No.B0004H111000001 from the China Banking Regulatory Commission ("CBRC") (In 2018, it was renamed as China Banking and Insurance Regulatory Commission, hereinafter referred to as the "CBIRC") of the PRC. The Bank obtained its unified social credit code No.911100001000044477 from the Beijing Administration for Industry and Commerce. The registered office of the Bank is located at No.25, Finance Street, Xicheng District, Beijing, the PRC.

The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services. The Group mainly operates in Mainland China and also has a number of overseas branches and subsidiaries. For the purpose of these financial statements, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to countries and regions other than Mainland China.

The Bank is under the supervision of the banking regulatory bodies empowered by the State Council of the PRC (the "State Council"). The overseas financial operations of the Bank are under the supervision of their respective local jurisdictions. Central Huijin Investment Ltd. ("Huijin"), a wholly-owned subsidiary of China Investment Corporation ("CIC"), exercises its rights and obligations as an investor on behalf of the PRC government.

These financial statements were authorised for issue by the board of directors of the Bank on 27 March 2020.

2 BASIS OF PREPARATION

The Group uses the calendar year as the accounting year, which is from 1 January to 31 December.

These financial statements comprise the Bank and its subsidiaries and the Group's interests in associates and joint ventures.

(1) Basis of measurement

These financial statements have been prepared on the historical cost basis except that: (i) financial instruments at fair value through profit or loss are measured at fair value; (ii) derivative financial instruments are measured at fair value; (iii) financial assets measured at fair value through other comprehensive income are measured at fair value; and (iv) certain non-financial assets are measured at revalued amount. The measurement basis of major assets and liabilities are further explained in Note 4.

(2) Functional and presentation currency

These financial statements are presented in RMB, unless otherwise stated, rounded to the nearest million, which is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(2)(b).

(3) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4(26).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

3 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622), and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group has adopted the following new or revised IFRSs and Interpretations effective for the current year. There is no early adoption of any new IFRSs and Interpretations not yet effective for the year ended 31 December 2019.

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19	Plan amendment, Curtailment or Settlement
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

IFRIC Interpretation 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have significant impact on the consolidated financial statements of the Group.

Except for IFRS 16, of which the financial impacts are elaborated in note 4(27), the adoption of the above standards, amendments and interpretations does not have a significant impact on the Group's consolidated financial statements.

Except for those described above, the significant accounting policies adopted by the Group for the annual financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Consolidated financial statements

(a) Business combinations

The consideration transferred by the acquirer for the acquisition and the identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill in accordance with the accounting policies set out in Note 4(10). If this is less than the fair value of the identifiable net assets of the acquiree in the case of a bargain purchase, the difference is recognised in profit or loss.

Acquisition date mentioned above is the date that the Group effectively obtains control of the acquiree.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(1) Consolidated financial statements (continued)

(b) Subsidiaries and non-controlling interests

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank has the power over the entity, and is exposed to, or has the rights to the variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

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.

For the separate financial statements of the Bank, investments in subsidiaries are accounted for at cost. At initial recognition, investment in subsidiaries is measured at the cost of acquisition determined at the acquisition date when the subsidiaries are acquired through business combination or the capital injected into the subsidiaries set up by the Group. Impairment losses on investments in subsidiaries are accounted for in accordance with the accounting policies as set out in Note 4(12).

The financial results and performance of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. When preparing the consolidated financial statements, the Bank makes necessary adjustments on the accounting period and accounting policies of subsidiaries to comply with those of the Bank.

Intragroup balances and transactions, and any profits or losses arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements.

The portion of a subsidiary's net assets that is attributable to equity interests that are not owned by the Bank, whether directly or indirectly through subsidiaries, is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated statement of financial position within total equity. The portion of net profit or loss and other comprehensive income of subsidiaries for the year attributable to non-controlling interests is separately presented in the consolidated statement of comprehensive income as a component of the Group's net profit and other comprehensive income.

(c) Associates and joint arrangements

An associate is an enterprise in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policy decisions.

Joint arrangement is an arrangement of which two or more parties have joint control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Investments in associates or joint ventures are accounted for using the equity method in the consolidated financial statements and are initially recorded at acquisition cost, and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates or joint ventures. The Group's share of the post-acquisition, post-tax results of the associates or joint ventures for the year is recognised in the consolidated statement of comprehensive income. The Group's interest in associates or joint ventures is included from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

Profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures.

The Group discontinues recognising its share of net losses of the associates or joint ventures after the carrying amount of investments in associates and joint ventures together with any long-term interests that in substance form part of the Group's net investment in the associates or joint ventures are reduced to zero, except to the extent that the Group has incurred legal or constructive obligations to assume additional losses. Where the associates or joint ventures make net profits subsequently, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(2) Translation of foreign currencies

(a) Translation of foreign currency transactions

Foreign currency transactions are, on initial recognition, translated into the functional currency at the spot exchange rates at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the spot exchange rates at the dates the fair values are determined; exchange differences are recognised in profit or loss, except for the differences arising from the translation of equity instruments designated at fair value through other comprehensive income, which are recognised in other comprehensive income.

(b) Translation of financial statements denominated in foreign currencies

Foreign currency financial statements of overseas branches and subsidiaries are translated into RMB for the preparation of consolidated financial statements. At the end of each reporting period, the assets and liabilities in the financial statements denominated in foreign currencies are translated into RMB at the spot exchange rates ruling at that date. All items within equity except for retained earnings are translated at the exchange rates ruling at the dates of the initial transactions. Income and expenses in the statement of comprehensive income are translated at the weighted average exchange rates for the year. Foreign exchange differences arising from foreign operations are recognised in "other comprehensive income" in the shareholders' equity in the statement of financial position. The effect of exchange rate changes on cash is presented separately in the statement of cash flows.

(3) Financial instruments

(a) Classification

The Group classifies financial instruments into different categories based on the business model used to manage financial assets and contractual cash flow characteristics or the purposes for which the liabilities were incurred. The categories are: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income ("FVOCI"), financial assets and liabilities measured at fair value through profit or loss ("FVPL"), and other financial liabilities.

The business model of the Group's management of financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the cash flow of financial assets managed by the Group is derived from contractual cash flows, sales of financial assets or both. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

The characteristics of the contractual cash flow of financial assets refer to the cash flow attributes agreed in the contract of financial instruments that reflect the economic characteristics of the relevant financial assets, that is, the contractual cash flows generated by the relevant financial assets on a specific date are only for payment of the principal and the interest based on the amount of principal outstanding. Of which, principal refers to the fair value of financial assets at initial recognition. The payment of the underlying interest, where the principal is the fair value of the financial asset at the time of initial recognition, and its amount may change during the lifetime of the financial asset due to prepayment and other reasons; interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits.

Financial assets measured at amortised cost

Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met: (i) the assets are managed within a business model whose objective is to hold assets in order to collect contractual cash flows; (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(a) Classification (continued)

Financial assets measured at fair value through other comprehensive income (FVOCI)

Financial assets measured at FVOCI include debt instruments measured at FVOCI and equity instrument designated as measured at FVOCI.

Financial assets are classified as financial assets measured at FVOCI if both of the following conditions are met: (i) the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets; (ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At inception, the Group may designate non-trading equity instruments as financial assets measured at FVOCI, and recognise dividend income in accordance with the relevant policies specified in Note 4(20)(c). Once the designation is made, it cannot be revoked.

Financial assets and liabilities measured at fair value through profit or loss (FVPL)

The Group classifies the financial assets other than financial assets measured at amortised cost and FVOCI as financial assets measured at FVPL.

Financial assets measured at FVPL include those held for trading purposes, those designated as measured at FVPL, those could not pass the solely payment of principal and interests ("SPPI") testing and the remaining equity investments which are not designated as measured at FVOCI.

Financial liabilities measured at FVPL include negative fair value of derivatives, and those designated as measured at FVPL.

Financial assets or financial liabilities are classified as held for trading if they are: (i) acquired or incurred principally for the purpose of selling or repurchasing it in the near term; (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) a derivative (except for a derivative that is a designated and effective hedging instruments or a financial guarantee contract).

At initial inception, the Group may designate financial assets as financial assets measured at FVPL if the designation can eliminate or significantly reduce accounting mismatch. Once the designation is made, it cannot be revoked.

Financial liabilities are designated as measured at FVPL upon initial recognition when: (i) the designation can eliminate or significantly reduce accounting mismatch; or (ii) the formal written file of the Group's risk management or investment strategy have clearly stated that the financial liability portfolio, or the portfolio of financial assets and financial liabilities, are managed, evaluated and reported to key management personnel on the basis of fair value. Once the designation is made, it cannot be revoked.

Other financial liabilities

Other financial liabilities are financial liabilities other than those measured at FVPL and mainly comprise borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

(b) Derivatives and hedge accounting

The Group uses derivatives to hedge its exposure to foreign exchange and interest rate risks. Derivatives are recognised at fair value at the trade date upon initial recognition, and subsequently measured at fair value. The positive fair value is recognised as an asset while the negative fair value is recognised as a liability.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. For derivatives not designated or qualified as hedging instruments, including those that are intended to provide effective economic hedges of specific interest rate and foreign exchange risks, but not qualified for hedge accounting, changes in the fair value of these derivatives are recognised in the consolidated statement of comprehensive income.

The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group assess the hedge effectiveness both at hedge inception and on an ongoing basis.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(b) Derivatives and hedge accounting (continued)

(i) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

(ii) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the "other comprehensive income". The ineffective portion is recognised immediately in the profit or loss.

Amounts accumulated in other comprehensive income are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in other comprehensive income at that time remains in other comprehensive income and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in other comprehensive income is immediately transferred to the profit or loss.

(c) Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host. If a hybrid contract contains a host that is an financial asset, the embedded derivative shall not be separated from the host and shall be classified and measured as a whole.

If a hybrid contract contains a host that is not an financial asset, an embedded derivative shall be separated from the host and accounted for as a derivative if, and only if: (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.The Group could choose to measure the separated derivative at FVPL, or designate the entire hybrid contract as at FVPL.

(d) Recognition and derecognition

All financial assets and financial liabilities are recognised in the statement of financial position, when and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; (ii) the contractual rights to receive the cash flows of the financial asset have been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred credit asset, but has given up control of the credit asset;or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of transfer of cash flows and transfers substantially all the risks and rewards of ownership of the financial asset or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the transferred credit assets, but has given up control of the credit asset.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(d) Recognition and derecognition (continued)

When a financial asset is derecognized, the difference between the carrying amount of the financial asset derecognised and the consideration received, as well as the cumulative changes in fair value previously recognised in equity, is recognised in other comprehensive income.

When a financial asset is transferred, and if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but retains control, the Group continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The financial liability is derecognised only when: (i) the underlying present obligation specified in the contracts is discharged, cancelled or expired, or (ii) an agreement between the Group and an existing lender to replace the original financial liability with a new financial liability with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(e) Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial instrument not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the instrument. Transaction costs for financial instruments measured at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, the Group measures different categories of financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss respectively. Financial liabilities other than those measured at fair value through profit or loss are measured at amortised cost using the effective interest method.

Financial assets measured at fair value through profit or loss

Gains and losses from changes in the fair value of financial assets measured at fair value through profit or loss are recognised in profit or loss.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at FVPL are measured at fair value, where the gain or loss arose are recognised in profit or loss. For the financial liabilities designated as measured at FVPL, they 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 or loss. When the financial liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from other comprehensive income to retained earnings.

Financial assets measured at FVOCI

The impairment losses, foreign exchange gains and losses and interest income calculated using effective interest method of financial assets measured at FVOCI are recognised in profit or loss. Besides, other changes of carrying amount are recognised in other comprehensive income.

When the debt instruments measured at FVOCI are sold, gains or losses on disposal are recognised in profit or loss. Gains or losses on disposal include those previously recognised in other comprehensive income being transferred to the profit or loss. For equity instrument investments designated as measured at FVOCI, once the designation is made, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss (the changes in fair value are recognised in retained earnings on disposal). Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(e) Measurement (continued)

Financial assets measured at amortised cost

The amortised cost of a financial asset should be measured with the initial recognition after the following adjustments: (i) deducting the repaid principal; (ii) adding or subtracting the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount; (iii) the loss provision for the accumulated accrual.

For financial assets measured at amortised cost, a gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired, and through the amortization process.

Effective interest rate

The effective interest rate is the rate that exactly discount estimated future cash payments or receipts through the expected lifetime of the financial asset to the carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses but includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate.

The Group determines interest income based on the gross carrying amount of financial assets multiplied by the effective interest rate, except (i) for purchased or sourced financial assets that have suffered credit impairment, from the initial recognition, interest income is calculated using the financial assets' amortised cost and credit-adjusted effective interest rate; (ii) for a purchased or sourced financial asset that has not suffered credit impairment but has become credit impaired in subsequent periods, interest income is determined using the financial asset's amortised cost and the effective interest rate. If the financial instrument no longer has credit impairment due to the improvement of its credit risk in the subsequent period, and this improvement can be objectively related to an event that occurs after the application of the above provisions, interest income should be recalculated using the effective interest rate multiplied by the gross carrying amount of the financial assets.

Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset. When calculating the credit-adjusted effective interest rate, an entity shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and initial expected credit losses.

(f) Impairment

At the end of the reporting period, the Group performs impairment assessment based on expected credit loss on financial assets measured at amortised cost and FVOCI, as well as loan commitments and financial guarantee contracts.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received discounted at the original real interest rate by the Group, that is, the present value of all cash shortages. Among them, financial assets that have been purchased or sourced by the Group and have suffered credit impairment shall be discounted according to the effective interest rate of the financial assets after credit adjustments.

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.

At the end of each reporting period, the Group measures the expected credit losses ("ECL") of financial instruments at different stages and recognises its loss provision and its changes in the following cases: the financial instrument is in Stage 1 if the credit risk of the financial instrument has not increased significantly since the initial recognition and the Group measures its loss provision based on the amount of expected credit loss of the financial instrument in the next 12 months; the financial instrument is in Stage 2 if the credit risk of the financial instrument has increased significantly since the initial recognition and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument; the financial instrument is in Stage 3 if the financial instrument has credit impaired and the Group measures its loss provision based on the amount of lifetime expected credit loss of the financial instrument. Regardless of whether the Group's assessment of credit losses is based on a single financial instrument or a combination of financial instruments, the increase or reversal of the loss provision resulting therefrom should be included in the current profit or loss as an impairment loss or gain.

For debt instruments measured at FVOCI, the Group recognises the allowance of impairment in other comprehensive income and impairment losses or gains in profit and loss, which should not change the book value of the financial assets set out in the statement of financial position.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(f) Impairment (continued)

For loss provision measured at the amount equivalent to the lifetime expected credit loss of the financial instrument previously, if, at the end of the current reporting period, the financial instrument is no longer having significant increase in credit risk since the initial recognition, the Group measures its loss provision based on the amount of its expected credit losses for the next 12 months, and the reversal of the loss provision arising from it is recognised in profit or loss for the current reporting period.

For financial assets that have been purchased or sourced for credit impairment, the Group only recognises cumulative changes in lifetime expected credit losses after initial recognition at the end of the reporting period as loss provision. At the end of each reporting period, the Group recognises the amount of the change in lifetime expected credit losses as an impairment loss or gain in current profit or loss.

(g) Write off

When the Group determines that a loan has no reasonable prospect of recovery after the Group has completed all the necessary legal or other proceedings, the loan is written off against its allowance for impairment losses. If in a subsequent period the loan written off is recovered, the amount recovered will be recognised in profit or loss through impairment losses.

(h) Modification of contracts

If the renegotiation or modification of a contract between the Group and a counterparty does not result in derecognition of the financial assets, 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. The gross carrying amount of the financial asset is recalculated and the related gain or loss is recognised in profit and loss. The gross carrying amount of the financial asset is determined based on the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate.

(i) Fair value measurement

If there is an active market for financial instruments, the fair value of financial instruments is based on the prices within the bid-ask spread that is most representative of fair value in the circumstances, and without any deduction for transaction costs that may occur on sales or disposals. A quoted price is from an active market where price information is readily and regularly available from an exchange, dealer, industry group or pricing service agency and that price information represents actual and regularly occurring orderly transactions.

If a quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include the price used by market participants in an orderly transaction, reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The Group selects valuation techniques that are commonly accepted by market participants for pricing the instruments and these techniques have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. Periodically, the Group reviews the valuation techniques and tests them for validity.

(j) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis, or by realising the asset and settling the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(k) Securitisations

The Group securitises certain loans, which generally involves the sale of these assets to structured entities, which in turn issue securities to investors. Interests in the securitised financial assets may be retained in the form of credit enhancement or subordinated tranches, or other residual interests ("retained interests"). Gains or losses on securitisation are the difference between the carrying amount of the transferred financial assets and the consideration received (including retained interest) which is recognised in profit or loss.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(3) Financial instruments (continued)

(l) Financial assets held under resale agreements and financial assets sold under repurchase agreements

Financial assets held under resale agreements are transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements. Financial assets sold under repurchase agreements are transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under repurchase agreements.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

(4) Precious metals

Precious metals comprise gold and other precious metals. Precious metals that are acquired by the Group principally for trading purpose are initially recognised at fair value and re-measured at fair value less cost to sell. The changes in fair value less cost to sell are recognised in profit or loss. Precious metals that are not acquired by the Group principally for trading purpose are carried at lower of cost and net realisable value.

(5) Fixed assets

Fixed assets are assets held by the Group for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to fixed assets when ready for its intended use.

(a) Cost

Fixed assets are initially recognised at cost, except for the fixed assets and construction in progress obtained from CCB by the Bank which were recognised at the revalued amount as cost on the date of restructuring. The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of a self-constructed fixed asset comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Where the individual components of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as separate fixed assets.

Subsequent costs, including the cost of replacing part of an item of fixed assets, are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. Expenditures relating to ordinary maintenance of fixed assets are recognised in profit or loss.

(b) Depreciation and impairment

Depreciation is calculated to write off to the profit or loss the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Impaired fixed assets are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual value rates and annual depreciation rates of respective fixed assets are as follows:

Types of assets	Estimated useful lives	Estimated net residual value rates	Annual depreciation rates
Bank premises	30-35 years	3%	2.8%-3.2%
Equipment	3-8 years	3%	12.1%-32.3%
Others	4-11 years	3%	8.8%-24.3%

Aircraft and vessels are used for the Group's operating lease business, depreciated using straight-line method over the expected useful life of 20 to 30 years (less the years in service at the time of purchase) with the estimated residual value rate varying from 2.9% to 4.8%.

The Group reviews the estimated useful life and estimated residual value rates of a fixed asset and the depreciation method applied at least once a financial year.

Impairment losses on fixed assets are accounted for in accordance with the accounting policies as set out in Note 4(12).

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(5) Fixed assets (continued)

(c) Disposal

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the fixed asset and are recognised in profit or loss on the date of retirement or disposal.

(6) Lease

Identification of leases

At inception of a contract, the Group assesses whether the 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 for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Assessment of the lease term

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. If the Group has an option to extend the lease, that is, the Group has the right to extend the lease, and is reasonably certain to exercise that option, the lease term also includes periods covered by an option to extend the lease. If the Group has an option to terminate the lease, that is, the Group has the right to terminate the lease, but is reasonably certain not to exercise that option, the lease term includes periods covered by an option to terminate the lease. The Group reassesses whether it is reasonably certain to exercise an extension option, purchase option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in the circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term.

As lessee

For the accounting treatment of the Group as a lessee, see Note 4(7) and(14).

Lease modifications

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

(a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope or term of the lease, and recognising the gain or loss relating to the partial or full termination of the lease in profit or loss; or

(b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(6) Lease (continued)

As lessee (continued)

Short-term leases and leases of low-value assets

If the Group subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

As lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date. The Group, as an intermediate lessor, classifies the sublease by reference to the right-of-use asset arising from the head lease.

As lessor of a finance lease

At the commencement date of the lease, the Group recognises finance lease receivable and derecognises finance lease assets. The Group presents lease receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the sum of any unguaranteed residual value accruing to the lessor and at the commencement date of the lease the lease payments receivable by a lessor under a finance lease discounted at 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 on the its net investment in the lease. Variable lease payments received by the Group that are not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred.

The Group accounts for a modification to a finance lease as a separate lease if both:

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a modification to a finance lease that is not accounted for as a separate lease, the Group accounts for the modification as follows:

(a) if the lease would have been classified as an operating lease had the modification been in effect at the inception date, the Group accounts for the lease modification as a new lease from the effective date of the modification, and measures the carrying amount of the underlying asset as the net investment in the lease immediately before the effective date of the lease modification; or

(b) if the lease would have been classified as a finance lease had the modification been in effect at the inception date, the Group accounts for the lease modification in accordance with the requirements in Note 4(3) on the contract modifications or re-negotiation.

As lessor of an operating lease

Rent income under an operating lease is recognised on a straight-line basis over the lease term, through profit or loss. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

The Group applies the requirements in Note 4(20) to assess and determine whether the transfer of an asset is accounted for as a sale of that asset.

As lessor

If the transfer of an asset satisfies the requirements to be accounted for as a sale of the asset, the Group, as a lessee, measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Group. Accordingly, the Group recognises only the amount of any gain or loss that relates to the rights transferred to the lessor; and if the transfer of an asset does not satisfy the requirements to be accounted for as a sale of the asset, the Group, as a lessee, continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The Group accounts for the financial liability applying Note 4(3).

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Right-of-use assets

The right-of-use assets of the Group mainly include right to use buildings and other equipment.

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

(8) Land use rights

Land use rights are initially recognised at cost. The land use rights obtained from CCB by the Bank on the date of restructuring were recorded at the revalued amount. The cost of the land use rights is amortised on a straight-line basis over their authorised useful lives, and charged to the profit or loss. Impaired land use rights are amortised net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 4(12).

(9) Intangible assets

Software and other intangible assets are initially recognised at cost. The cost less estimated residual values, if any, of the intangible assets is amortised on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortised net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 4(12).

(10) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets. Goodwill is not amortised. Goodwill arising from a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination. The Group performs an impairment test on goodwill semi-annually.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable net assets over the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree is recognised immediately in profit or loss.

On disposal of the related CGU or group of CGUs, any attributable amount of goodwill net of allowances for impairment losses, if any, is included in the calculation of the profit or loss on disposal.

Impairment loss on goodwill is accounted for in accordance with the accounting policies as set out in Note 4(12).

(11) Repossessed assets

In the recovery of impaired loans and advances, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. Repossessed assets in the form of financial assets are recognised and presented as the appropriate class of financial assets based on the business models and contractual cash flow characteristics, and repossessed assets that are not financial assets are recognised and reported in "other assets" in the balance sheet when the Group intends to achieve an orderly realisation of the impaired assets and the Group is no longer seeking repayment from the borrower.

When using repossessed assets as compensation for losses on loans and advances to customers and interest receivable, the Group recognizes repossessed assets in the form of financial assets at fair value, and records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain repossessed assets in profit or loss or into the initial book value, respectively, depending on the type of financial assets. Repossessed assets that are not financial assets are initially recognized at the fair value of the rights given up by creditors, and the Group records any taxes payable, advance payment for litigation fees, tax arrears and other transaction costs incurred to obtain the repossessed assets into the book value of repossessed assets.

Repossessed assets that are not financial assets are recognized at book value less allowances for impairment losses measured in accordance with the accounting policies as set out in Note 4(12).

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(12) Allowances for impairment losses on assets

The Group determines the impairment of assets, other than the impairment of deferred tax assets and financial assets, using the following methods:

The Group assesses at the balance sheet date whether there is any indication that assets may be impaired. If any indication exists that an asset may be impaired, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired and it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the CGU to which the asset belongs.

CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or groups of assets.

The recoverable amount of an asset (or CGU, group of CGUs) is the higher of its fair value less costs to sell and the present value of the expected future cash flows. The Group considers all relevant factors in estimating the present value of future cash flows, such as the expected future cash flows, the useful life and the discount rate.

(a) Testing CGU with goodwill for impairment

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the CGU or group of CGUs that is expected to benefit from the synergies of the combination.

A CGU or group of CGUs to which goodwill has been allocated is tested for impairment by the Group semi-annually, or whenever there is an indication that the CGU or group of CGUs are impaired, by comparing the carrying amount of the CGU or group of CGUs, including the goodwill, with the recoverable amount of the CGU or group of CGUs. The recoverable amount of the CGU or group of CGUs are the estimated future cash flows, which are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU or group of CGUs with allocated goodwill.

At the time of impairment testing of a CGU or group of CGUs to which goodwill has been allocated, there may be an indication of an impairment of an asset within the CGU containing the goodwill. In such circumstances, the Group tests the asset for impairment first, and recognises any impairment loss for that asset before testing for impairment on the CGU or group of CGUs containing the goodwill. Similarly, there may be an indication of an impairment of a CGU within a group of CGUs containing the goodwill. In such circumstances, the entity tests the CGU for impairment first, and recognises any impairment loss for that CGU, before testing for impairment the group of CGUs to which the goodwill is allocated.

(b) Impairment loss

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to the profit or loss.

For a CGU or a group of CGUs, the amount of impairment loss firstly reduces the carrying amount of any goodwill allocated to the CGU or group of CGUs, and then reduces the carrying amount of other assets (other than goodwill) within the CGU or group of CGUs, pro rata on the basis of the carrying amount of each asset.

(c) Reversing an impairment loss

If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

An impairment loss in respect of goodwill is not reversed.

(13) Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss. Where payment or settlement is deferred and the effect of discount would be material, these amounts are stated at their present values in the statement of financial position.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(13) Employee benefits (continued)

(a) Post-employment benefits

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution retirement schemes

Pursuant to the relevant laws and regulations in the PRC, employees in Mainland China have joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the local government organizations. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity contributions

In addition to the statutory provision contributions, the Bank's employees have joined the annuity scheme set up by the Bank under "CCBC Annuity Scheme" (the "scheme") in accordance with state enterprise annuity regulations. The Bank has made annuity contributions in proportion to its employees' gross wages, which are expensed in profit or loss when the contributions are made.

Supplementary retirement benefits

The Group pays supplementary retirement benefits for its employees in Mainland China who retired on or before 31 December 2003 in addition to the contributions made to statutory insurance schemes. Such supplementary retirement benefits are defined benefit plans.

The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income.

The liability recognised in the statement of financial position in respect of supplementary retirement benefits is the present value of supplementary retirement benefit obligations at the end of the reporting period less the fair value of plan assets.

(b) Termination benefits

Where the Group terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision is recognised for the compensation arising from termination of employment relationship, with a corresponding charge to the profit or loss for the current period. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

(c) Early retirement expenses

The Group recognises the present value of all its liabilities to employees who voluntarily agreed to retire early. The early retirement benefit payments are made by the Group from the date of early retirement to the regulated retirement date. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

(d) Staff incentive plan

As approved by the board of directors, for the purposes of providing incentives and rewards to eligible employees for their past services, the Group awards a specified amount of staff compensation to the staff incentive plan independently managed by a designated staff committee for those eligible participating employees. The Group recognises its contribution to the plan when it has a present legal or constructive obligation to make such payment and a reliable estimate of the obligation can be made.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(14) Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the in-substance fixed lease payments; (ii) there is a change in the amounts expected to be payable under a residual value guarantee; (iii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; (iv) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

(15) Insurance contracts

Insurance contracts classification

Under the contract the insurer signed with the policyholder, the insurer may undertake insurance risk or other risks, or both insurance risk and other risks.

Where the Group undertakes both the insurance risk and other risks, and the insurance risk and other risks can be distinguished and separately measured, the insurance risk shall be separately accounted for as insurance contracts while the other risks shall be accounted for as either investment contracts or service contracts. Where the insurance risk and other risks cannot be distinguished from each other, or can be distinguished but cannot be separately measured, significant insurance risk test shall be performed at the contract's initial recognition date. If the insurance risk is significant, the contract is classified as an insurance contract; otherwise, it is classified as an investment contract or service contract.

Insurance income recognition

Insurance premium income is recognised when all of the following criteria are met:

(a) The insurance contract is issued, and related insurance risk is undertaken by the Group;

(b) The related economic benefits are likely to flow to the Group; and

(c) Related income can be reliably measured.

Insurance contract liabilities

When measuring insurance contract liabilities, the Group identifies insurance contracts where insurance risks are of similar nature as a measurement unit. Insurance contract liabilities are measured based on a reasonably estimated amount of payments that the Group is obliged to pay in order to fulfil relevant obligations under the insurance contract. Structured product that cannot be sold separately is classified as one measurement unit.

The Group performs liability adequacy test at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial method exceed their carrying amounts on the date of the liability adequacy test, an additional provision shall be made for the respective insurance contract liabilities based on the differences. Otherwise, no adjustment is made to the respective insurance contract liabilities.

(16) Provisions and contingent liabilities

A provision is recognised in the statement of financial position if, as the result of a past event, the Group has a present legal or constructive obligation that can be reliably estimated and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

A potential obligation arising from a past transaction or event whose existence can only be confirmed by the occurrence or non-occurrence of future uncertain events; or a present obligation that arises from past transactions or events where it is not probable that an outflow of economic benefits is required to settle the obligation or the amount of the obligation cannot be measured reliably, is disclosed as a contingent liability unless the probability of outflow of economic benefit is remote.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(17) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument issued is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

(18) Financial guarantees and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of guarantee fees, and the best estimate of the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated statement of profit and loss.

The impairment allowance of loan commitments provided by the Group is measured by ECL. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group can not separately identify the ECL on the undrawn commitment component from those on the loan component, the ECL on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined ECL exceed the gross carrying amount of the loan, the ECL are recognised as a provision.

(19) Fiduciary activities

The Group's fiduciary business refers to the management of assets for customers in accordance with custody agreements signed by the Group and securities investment funds, insurance companies, annuity plans and other organisations. The Group fulfils its fiduciary duty and receives relevant fees in accordance with these agreements, and does not take up any risks and rewards related to the assets under custody, which are recorded as off-balance sheet items.

The Group conducts entrusted lending business, whereby it enters into entrusted loan agreements with customers. Under the terms of these agreements, the customers provide funding (the "entrusted funds") to the Group, and the Group grants loans to third parties (the "entrusted loans") according to the instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, entrusted loans and funds are recorded as off-balance sheet items at their principal amounts and no impairment assessments are made for these entrusted loans.

(20) Income recognition

Provided the control of goods or services have been transferred to customers in an amount reflects the consideration to which the Group expects to be entitled, revenue is recognised in the income statement as follows:

(a) Interest income

Interest income for interest bearing debt instruments measured at amortized cost and fair value through other comprehensive income is recognised in profit or loss based on effective interest method. Interest income includes the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest basis. The effective interest method is a method of calculating the amortised cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period.

(b) Fee and commission income

Fee and commission income is recognised when the performance obligation is satisfied. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the terms and conditions of the service agreement. For other services, fee and commission income is recognised when the transactions are completed.

(c) Dividend income

Dividend income from equity investments is recognised in profit or loss on the date when the Group's right to receive payment is established.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(21) Income tax

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax losses and unused tax credits can be utilised.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

At the end of each reporting period, deferred tax assets and deferred 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 according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

(22) Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(23) Profit distribution

Proposed dividends which are declared and approved after the end of each reporting period are not recognised as a liability in the statement of financial position and are instead disclosed as a subsequent event after the end of each reporting period in the note to the financial statements. Dividends payable are recognised as liabilities in the period in which they are approved.

(24) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. The Group's related parties include but are not limited to the following:

(a) the Bank's parents;

(b) the Bank's subsidiaries;

(c) other entities which are controlled by the Bank's parents;

(d) an investor who has joint control over the Group;

(e) an investor who can exercise significant influence over the Group;

(f) an associate of the Group;

(g) a joint venture entity of the Group;

(h) principal individual investors of the Group, and close family members of such individuals (principal individual investors are the individual investors who have the power, directly or indirectly, to control, jointly control or exercise significant influence over another party);

(i) key management personnel of the Group and close family members of such individuals (key management personnel represent those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity);

(j) key management personnel of the Bank's parents and close family members of such individuals;

(k) other entities that are controlled or jointly controlled by the Group's principal individual investors, key management personnel, or close family members of such individuals; and

(l) a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(25) Operating segments

The identification of operating segments of the Group is on the basis of internal reports that are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance. On the basis of the operating segments, the Group identifies the reportable segments, using a combination of factors including products and services, geographical areas, regulatory environments etc., which the management has chosen for organization. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

The amount reported for each operating segment item is the measure reported to the chief operating decision makers for the purposes of allocating resources to the segment and assessing its performance. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

(26) Significant accounting estimates and judgements

(a) Classification of financial assets

The Group's significant judgments in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

The Group determines the business model for the management of financial assets at the level of portfolios and considers the factors such as how the asset's performance is evaluated and reported to key management personnel, the risks affecting the performance of financial assets and the way in which financial assets are managed, and how managers are compensated.

In assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group uses the following key judgments: whether the principals may change because of the changes of time distribution or amount during the life period due to the reasons such as prepayment; whether the interests includes only the time value of money, credit risk, other basic borrowing risks and the consideration of costs and profits. For example, whether the amount prepaid reflects only the principal that has not yet been paid and the interest based on the outstanding principal, as well as reasonable compensation paid for the early termination of the contract.

(b) Expected credit losses

The measurement of the expected credit loss allowance for the investment in financial assets measured at amortised cost and debt instruments measured at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note 61(1).

A number of significant judgements are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses; and
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 61(1) credit risk.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(26) Significant accounting estimates and judgements (continued)

(c) Fair value of financial instruments

The fair value of financial instruments that are traded in an active market is based on their quoted market prices in an active market at the valuation date. A quoted market price is a price from an active market where price information is readily and regularly available from an exchange or from a dealer quotation and where this price information represents actual and recurring orderly transactions.

For all other financial instruments, the Group determines fair values using valuation techniques which include discounted cash flow models, as well as other types of valuation model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, foreign currency exchange rates credit spreads and the liquidity premium. Where discounted cash flow techniques are used, estimated cash flows are based on management's best estimates and the discount rate used is a market rate at the end of each reporting period applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on the maximising observable market data at the end of each reporting period. However, where market data is not available, the Group needs to make the best estimates on such unobservable market inputs.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants in an orderly transaction.

(d) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(e) Employee retirement benefit obligations

The Group has established liabilities in connection with benefits paid to certain retired employees. The amounts of employee benefit expense and liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, pension benefit inflation rates, medical benefit inflation rates, and other factors. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's other comprehensive income and liability related to its employee retirement benefit obligations.

(f) Scope of consolidation

The Group has taken into consideration all facts and circumstances in the assessment of whether the Group, as an investor, controls the investee. The principle of control includes three elements: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(27) Changes in significant accounting policies

The Group has adopted IFRS 16 "Leases" ("IFRS 16") as issued by the International Accounting Standards Board ("IASB") in January 2016 with a date of initial application on 1 January 2019, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. As permitted by the transitional provisions of IFRS 16, the Group elected not to restate comparative figures.

The Group has not reassessed existing contracts before the date of initial application and adopted several specified practical expedients, including (a) applying a single discount rate to a portfolio of leases with reasonably similar characteristics; (b) accounting for leases for which the lease term ends within 12 months from the date of initial application in the same way as short-term leases; (c) excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application; and (d) using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The Group chose to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of prepaid lease payments, etc. Total assets and total liabilities at the group level as at 1 January 2019 both increased by RMB19,944 million as compared to the end of 2018. In addition to land use rights, the Group recognised other right-of-use assets and lease liabilities of RMB21,752 million and RMB19,914 million at the date of initial application, respectively. The reconciliation between the operating lease commitments disclosed in the Group's financial statements for the year ended 31 December 2018, and the lease liabilities recognised in the statement of financial position at the date of initial application is as follows:

Operating lease commitments as at 31 December 2018	22,351
Less: minimum lease payments with recognition exemption	(790)
Add: minimum lease payments arising from reasonably exercising an option to extend the lease	467
Less: impact of discounting at the incremental borrowing rate as at 1 January 2019	(2,114)
Lease liabilities as at 1 January 2019	19,914

5 TAXATION

The Group's main applicable taxes and tax rates are as follows:

Value added tax ("VAT")

Pursuant to the 'Circular on the Comprehensive Plan for Levying VAT in place of Business Tax' (Cai Shui [2016] No.36) jointly issued by the Ministry of Finance ("MOF") and the State Administration of Taxation, business tax that used to be levied on taxable income of the Bank and its subsidiaries in Mainland China was replaced by VAT from 1 May 2016, and the main VAT taxation rate is 6%.

City construction tax

City construction tax is calculated as 1% to 7% of VAT.

Education surcharge

Education surcharge is calculated as 3% of VAT.

Local education surcharge

Local education surcharge is calculated as 2% of VAT.

Income tax

The income tax rate that is applicable to the Bank and its subsidiaries in Mainland China is 25%. Taxation on overseas operations is charged at the relevant local rates.Tax paid on overseas operations is set off to the extent allowed under the relevant income tax laws of the PRC.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

6 NET INTEREST INCOME

	2019	2018
Interest income arising from:		
Deposits with central banks	34,769	38,892
Deposits with banks and non-bank financial institutions	9,027	12,231
Placements with banks and non-bank financial institutions	11,052	11,765
Financial assets held under resale agreements	8,657	9,049
Investment securities	189,465	172,147
Loans and advances to customers		
– Corporate loans and advances	341,616	322,082
– Personal loans and advances	274,965	239,888
– Discounted bills	13,948	4,972
Total	883,499	811,026
Interest expense arising from:		
Borrowings from central banks	(14,326)	(15,671)
Deposits from banks and non-bank financial institutions	(32,248)	(36,441)
Placements from banks and non-bank financial institutions	(14,344)	(13,684)
Financial assets sold under repurchase agreements	(1,296)	(1,340)
Debt securities issued	(29,671)	(24,735)
Deposits from customers		
– Corporate deposits	(130,879)	(118,392)
– Personal deposits	(150,055)	(114,485)
Total	(372,819)	(324,748)
Net interest income	510,680	486,278

(1) Interest income from impaired financial assets is listed as follows:

	2019	2018
Impaired loans and advances	2,816	3,229
Other impaired financial assets	276	83
Total	3,092	3,312

(2) Interest expense on financial liabilities with maturity over five years mainly represented the interest expense on debt securities issued.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

7 NET FEE AND COMMISSION INCOME

	2019	2018
Fee and commission income		
Bank card fees	52,620	46,192
Electronic banking service fees	25,666	18,585
Agency service fees	16,894	16,044
Commission on trust and fiduciary activities	14,194	12,748
Wealth management service fees	12,899	11,113
Settlement and clearing fees	12,267	12,101
Consultancy and advisory fees	10,331	10,441
Guarantee fees	3,633	3,414
Credit commitment fees	1,449	1,573
Others	5,309	5,806
Total	155,262	138,017
Fee and commission expense		
Bank card transaction fees	(8,859)	(8,000)
Inter-bank transaction fees	(1,277)	(1,360)
Others	(7,842)	(5,622)
Total	(17,978)	(14,982)
Net fee and commission income	137,284	123,035

8 NET TRADING GAIN

	2019	2018
Debt securities	8,384	11,496
Derivatives	250	(66)
Equity investments	5	(450)
Others	481	1,634
Total	9,120	12,614

9 DIVIDEND INCOME

	2019	2018
Dividend income from equity investments measured at fair value through profit or loss	1,148	676
Dividend income from equity investments measured at fair value through other comprehensive income	36	97
Total	1,184	773

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

10 NET GAIN ARISING FROM INVESTMENT SECURITIES

	2019	2018
Net gain related to financial assets designated as measured at fair value through profit or loss	8,699	15,567
Net loss related to financial liabilities designated as measured at fair value through profit or loss	(9,399)	(14,761)
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	8,687	1,938
Net gain related to financial assets measured at fair value through other comprehensive income	711	499
Net revaluation gain reclassified from other comprehensive income on disposal	234	204
Others	161	(3)
Total	9,093	3,444

11 NET GAIN/(LOSS) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

For the year ended 31 December 2019, a net gain on derecognition of financial assets measured at amortised cost mainly attributes to the Group's issuance of asset-backed securities, which led to RMB2,820 million net gains arising from derecognition of loans and advances to customers (for the year ended 31 December 2018: net losses RMB2,507 million).

12 OTHER OPERATING INCOME, NET

Other operating income

	2019	2018
Insurance related income	22,914	21,495
Foreign exchange gains	4,617	6,153
Rental income	2,981	2,790
Others	5,615	5,480
Total	36,127	35,918

Foreign exchange gains or losses includes gains and losses in connection with the translation of foreign currency denominated monetary assets and liabilities, and net realised and unrealised gains and losses on foreign exchange derivatives (including those foreign exchange swaps, foreign exchange options and cross currency swaps entered into in order to economically hedge positions in foreign currency assets).

Other operating expense

	2019	2018
Insurance related costs	22,354	20,714
Others	6,492	5,335
Total	28,846	26,049

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

13 OPERATING EXPENSES

	2019	2018
Staff costs		
– Salaries, bonuses, allowances and subsidies	70,342	66,788
– Other social insurance and welfare	11,673	11,187
– Housing funds	6,521	6,390
– Union running costs and employee education costs	2,948	2,820
– Defined contribution plans	14,275	14,850
– Early retirement expenses	19	20
– Compensation to employees for termination of employment relationship	6	2
	105,784	102,057
Premises and equipment expenses		
– Depreciation charges	21,304	15,447
– Rent and property management expenses	4,952	9,926
– Maintenance	3,394	3,000
– Utilities	1,851	1,953
– Others	2,174	2,064
	33,675	32,390
Taxes and surcharges	6,777	6,132
Amortisation expenses	2,623	2,427
Audit fees	163	162
Other general and administrative expenses	39,110	31,596
Total	188,132	174,764

14 CREDIT IMPAIRMENT LOSSES

	2019	2018
Loans and advances to customers	148,942	143,045
Financial investments		
– Financial assets measured at amortised cost	5,789	1,072
– Financial assets measured at fair value through other comprehensive income	1,497	16
Off-balance sheet business	4,343	5,435
Others	2,429	1,541
Total	163,000	151,109

15 OTHER IMPAIRMENT LOSSES

	2019	2018
Other impairment losses	521	(121)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

	2019				
	Fees RMB'000	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (Note (v)) RMB'000	Total (Note (i)) RMB'000
Executive directors					
Tian Guoli (Note (vi))	–	579	50	119	748
Liu Guiping (Note (ii) & (vi))	–	386	31	77	494
Zhang Gengsheng (Note (vi))	–	521	50	115	686
Non-executive directors					
Feng Bing (Note (iii))	–	–	–	–	–
Zhu Hailin (Note (iii))	–	–	–	–	–
Zhang Qi (Note (iii))	–	–	–	–	–
Tian Bo (Note (ii) & (iii))	–	–	–	–	–
Xia Yang (Note (ii) & (iii))	–	–	–	–	–
Independent non-executive directors					
Anita Fung Yuen Mei	415	–	–	–	415
Malcolm Christopher McCarthy	410	–	–	–	410
Carl Walter	442	–	–	–	442
Kenneth Patrick Chung	430	–	–	–	430
Graeme Wheeler (Note (ii))	110	–	–	–	110
Supervisors					
Wang Yongqing (Note (ii) & (vi))	–	241	19	47	307
Wu Jianhang (Note (vi))	–	660	50	146	856
Fang Qiuyue (Note (vi))	–	660	46	154	860
Lu Kegui (Note (iv))	50	–	–	–	50
Cheng Yuanguo (Note (iv))	50	–	–	–	50
Wang Yi (Note (iv))	50	–	–	–	50
Zhao Xijun (Note (ii))	138	–	–	–	138
Former executive director					
Wang Zuji (Note (ii) & (vi))	–	137	14	31	182
Former non-executive directors					
Li Jun (Note (ii) & (iii))	–	–	–	–	–
Wu Min (Note (ii) & (iii))	–	–	–	–	–
Former independent non-executive directors					
Chung Shui Ming Timpson (Note(ii))	220	–	–	–	220
Murray Horn (Note (ii))	353	–	–	–	353
Former supervisor					
Bai Jianjun (Note (ii))	125	–	–	–	125
	2,793	3,184	260	689	6,926

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows: (continued)

	2018			
	Accrued cost (Allowances) RMB' 000	Social insurance, corporate annuity, supplementary medical insurance and housing fund paid by the Bank RMB' 000	Other monetary income RMB' 000	Total RMB' 000
Executive directors				
Tian Guoli	793	165	–	958
Wang Zuji	793	165	–	958
Zhang Gengsheng	713	162	–	875
Non-executive directors				
Feng Bing (Note (iii))	–	–	–	–
Zhu Hailin (Note (iii))	–	–	–	–
Li Jun (Note (ii) & (iii))	–	–	–	–
Wu Min (Note (ii) & (iii))	–	–	–	–
Zhang Qi (Note (iii))	–	–	–	–
Independent non-executive directors				
Anita Fung Yuen Mei	413	–	–	413
Malcolm Christopher McCarthy	410	–	–	410
Carl Walter	440	–	–	440
Chung Shui Ming Timpson (Note (ii))	440	–	–	440
Kenneth Patrick Chung	70	–	–	70
Murray Horn (Note (ii))	470	–	–	470
Supervisors				
Wu Jianhang	936	98	–	1,034
Fang Qiuyue	936	103	–	1,039
Lu Kegui	29	–	–	29
Cheng Yuanguo	29	–	–	29
Wang Yi	29	–	–	29
Bai Jianjun (Note (ii))	250	–	–	250
Former executive director				
Pang Xiusheng	535	117	–	652
Former non-executive director				
Hao Aiqun	–	–	–	–
Former supervisors				
Guo You	264	49	–	313
Liu Jin	936	91	–	1,027
Li Xiaoling	936	49	–	985
Li Xiukun	21	–	–	21
Jin Yanmin	21	–	–	21
Li Zhenyu	21	–	–	21
	9,485	999	–	10,484

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

16 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

(i) The amounts of emoluments for the year ended 31 December 2019 in respect of the services rendered by the directors and supervisors are subject to the approval of the Annual General Meeting.

(ii) Upon election at the 2018 annual general meeting of the Bank and approval of the CBIRC, Mr. Graeme Wheeler commenced his position as independent non-executive director of the Bank from October 2019. Upon election at the 2018 annual general meeting of the Bank and approval of the CBIRC, Mr. Tian Bo and Mr. Xia Yang commenced their positions as non-executive directors of the Bank from August 2019. Upon election at the 2018 annual general meeting of the Bank and approval of the CBIRC, Mr. Liu Guiping commenced his position as executive director and vice chairman of the Bank from July 2019; upon appointment of the Board of the Bank and approval of the CBIRC, Mr. Liu Guiping commenced his position as president of the Bank from May 2019.

Due to change of job, Mr. Wu Min ceased to serve as non-executive director of the Bank from December 2019. Due to change of job, Mr. Murray Horn ceased to serve as independent non-executive director of the Bank from September 2019. Due to expiration of his term of office, Mr. Chung Shui Ming Timpson ceased to serve as independent non-executive director of the Bank from June 2019. Due to retirement, Mr. Li Jun ceased to serve as non-executive director of the Bank from May 2019. By reason of his age, Mr. Wang Zuji ceased to serve as vice chairman of the Board, executive director and president of the Bank from March 2019.

Upon election at the 2019 first extraordinary general meeting of the Bank and the 2019 fifth meeting of the board of supervisors, Mr. Wang Yongqing commenced his position as chairman of the board of supervisors and the shareholder representative supervisor of the Bank from October 2019. Upon election at the 2018 annual general meeting of the Bank, Mr. Zhao Xijun commenced his position as external supervisor of the Bank from June 2019.

Due to expiration of his term of office, Mr. Bai Jianjun ceased to serve as external supervisor of the Bank from June 2019.

(iii) The Bank does not need to pay the emoluments of non-executive directors appointed by Huijin for the services rendered in 2019 and 2018.

(iv) The amounts only included fees for their services as supervisors.

(v) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(vi) The total compensation package for these directors and supervisors for the year ended 31 December 2019 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation not provided for is not expected to have a significant impact on the Group's financial statements for the year ended 31 December 2019. The final compensation will be disclosed in a separate announcement when determined.

(vii) The total compensation package for certain directors and supervisors for the year ended 31 December 2018 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2018 financial statements were announced. The aforesaid total compensation package for the directors and supervisors for the year ended 31 December 2018 was the final amount.

(viii) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities are paid in accordance with relevant policies relating to the central remuneration reform.

None of the directors and supervisors received any inducements or compensation for loss of office, or waived any emoluments during the years ended 31 December 2019 and 2018.

17 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in Note 16. The aggregate of the emoluments before individual income tax in respect of the five highest paid individuals during the year is as follows:

	2019 RMB' 000	2018 RMB' 000
Salaries and allowance	15,644	15,861
Variable compensation	32,370	34,352
Contributions to defined contribution retirement schemes	792	1,144
Other benefit in kind	706	627
	49,512	51,984

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

17 INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The number of these individuals whose emoluments before individual income tax are within the following bands is set out below.

	2019	2018
RMB8,000,001 – RMB8,500,000	–	–
RMB8,500,001 – RMB9,000,000	1	–
RMB9,000,001 – RMB9,500,000	1	–
RMB9,500,001 – RMB10,000,000	–	1
RMB10,000,001 – RMB10,500,000	2	3
RMB10,500,001 – RMB11,000,000	–	–
RMB11,000,001 – RMB11,500,000	1	1
RMB11,500,001 – RMB12,000,000	–	–

None of these individuals received any inducements or compensation for loss of office, or waived any emoluments during the year ended 31 December 2019 and 2018.

18 INCOME TAX EXPENSE

(1) Income tax expense

	2019	2018
Current tax	74,013	72,531
– Mainland China	71,045	69,949
– Hong Kong	1,340	1,444
– Other countries and regions	1,628	1,138
Adjustments for prior years	498	(1,928)
Deferred tax	(17,136)	(18,069)
Total	57,375	52,534

The provisions for income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the reporting period, respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

(2) Reconciliation between income tax expense and accounting profit

	Note	2019	2018
Profit before tax		326,597	308,160
Income tax calculated at the 25% statutory tax rate		81,649	77,040
Effects of different applicable rates of tax prevailing in other countries/regions		(234)	(740)
Non-deductible expenses	(i)	11,891	9,212
Non-taxable income	(ii)	(36,429)	(31,050)
Adjustments on income tax for prior years which affect profit or loss		498	(1,928)
Income tax expense		57,375	52,534

(i) Non-deductible expenses primarily include non-deductible losses resulting from write-off of loans, and items that are in excess of deductible amount under the relevant PRC tax regulations such as staff costs and entertainment expenses.

(ii) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

19 EARNINGS PER SHARE

Basic earnings per share for the year ended 31 December 2019 and 2018 has been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period should be deducted from the amounts attributable to equity shareholders of the Bank.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2019 and 2018, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	2019	2018
Net profit attributable to equity shareholders of the Bank	**266,733**	254,655
Less: profit for the year attributable to preference shareholders of the Bank	**(3,962)**	(3,936)
Net profit attributable to ordinary shareholders of the Bank	**262,771**	250,719
Weighted average number of ordinary shares (in millions of shares)	**250,011**	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**1.05**	1.00
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	**1.05**	1.00

20 CASH AND DEPOSITS WITH CENTRAL BANKS

	Note	**31 December 2019**	31 December 2018
Cash		**60,791**	65,215
Deposits with central banks			
– Statutory deposit reserves	(1)	**2,094,800**	2,130,958
– Surplus deposit reserves	(2)	**398,676**	389,425
– Fiscal deposits and others		**65,825**	46,095
Accrued interest		**918**	1,170
Total		**2,621,010**	2,632,863

(1) The Group places statutory deposit reserves with the People's Bank of China ("PBOC") and overseas central banks where it has operations. The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the reporting period, the Bank's statutory deposit reserve rates in Mainland China were as follows:

	31 December 2019	31 December 2018
Reserve rate for RMB deposits	**11.50%**	13.00%
Reserve rate for foreign currency deposits	**5.00%**	5.00%

The statutory RMB deposit reserve rates applicable to domestic subsidiaries of the Group are determined by the PBOC.

The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(2) The surplus deposit reserve maintained with the PBOC is mainly for the purpose of clearing.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

21 DEPOSITS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2019	31 December 2018
Banks	406,202	468,564
Non-bank financial institutions	12,605	15,703
Accrued interest	1,072	2,912
Gross balances	419,879	487,179
Allowances for impairment losses (Note 35)	(218)	(230)
Net balances	419,661	486,949

(2) Analysed by geographical sectors

	31 December 2019	31 December 2018
Mainland China	371,963	451,606
Overseas	46,844	32,661
Accrued interest	1,072	2,912
Gross balances	419,879	487,179
Allowances for impairment losses (Note 35)	(218)	(230)
Net balances	419,661	486,949

For the year ended 31 December 2019 and 2018, the book value of deposits with banks and non-bank financial institutions was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

22 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2019	31 December 2018
Banks	387,211	240,418
Non-bank financial institutions	141,822	107,285
Accrued interest	2,338	2,138
Gross balances	531,371	349,841
Allowances for impairment losses (Note 35)	(225)	(114)
Net balances	531,146	349,727

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

22 PLACEMENTS WITH BANKS AND NON-BANK FINANCIAL INSTITUTIONS (CONTINUED)

(2) Analysed by geographical sectors

	31 December 2019	31 December 2018
Mainland China	**339,185**	187,065
Overseas	**189,848**	160,638
Accrued interest	**2,338**	2,138
Gross balances	**531,371**	349,841
Allowances for impairment losses (Note 35)	**(225)**	(114)
Net balances	**531,146**	349,727

For the year ended 31 December 2019 and 2018, the book value of placements with banks and non-bank financial institutions was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

23 DERIVATIVES AND HEDGE ACCOUNTING

(1) Analysed by type of contract

		31 December 2019			31 December 2018		
	Note	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts		**535,745**	**1,187**	**2,088**	302,322	1,998	1,902
Exchange rate contracts		**3,727,006**	**31,681**	**29,726**	4,947,440	47,749	44,772
Other contracts	(a)	**85,784**	**1,773**	**1,968**	89,325	854	1,851
Total		**4,348,535**	**34,641**	**33,782**	5,339,087	50,601	48,525

(2) Analysed by counterparty credit risk-weighted assets

	Note	31 December 2019	31 December 2018
Counterparty credit default risk-weighted assets			
– Interest rate contracts		**2,670**	1,365
– Exchange rate contracts		**37,124**	21,402
– Other contracts	(a)	**1,500**	2,276
Subtotal		**41,294**	25,043
Risk-weighted assets for credit valuation adjustment		**14,194**	12,493
Total		**55,488**	37,536

The notional amounts of derivatives only represent the unsettled transaction volumes as at the end of the reporting period, instead of the amounts of risk assets. Since 1 January 2013, the Group has adopted Capital Rules for Commercial Banks (Provisional) and other related policies. According to the rules set out by the CBIRC, the counterparty credit risk-weighted assets include risk-weighted assets for credit valuation adjustments with the considerations of counterparty status and maturity characteristics, and include back-to-back client-driven transactions. The risk-weighted assets for counterparty credit risk of derivatives of the Group were calculated in accordance with the Rules on Measuring Derivative Counterparty Default Risk Assets since 1 January 2019.

(a) Other contracts mainly consist of precious metals and commodity contracts.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

23 DERIVATIVES AND HEDGE ACCOUNTING (CONTINUED)

(3) Hedge accounting

The following designated hedging instruments are included in the derivative financial instruments disclosed above.

	31 December 2019			31 December 2018		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	39,801	83	(344)	46,452	559	(88)
Cross currency swaps	35	–	–	344	17	–
Cash flow hedges						
Foreign exchange swaps	39,146	640	(193)	45,146	324	(330)
Cross currency swaps	–	–	–	4,007	238	(6)
Interest rate swaps	13,608	25	(78)	17,156	37	(79)
Total	92,590	748	(615)	113,105	1,175	(503)

(a) *Fair value hedge*

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of financial assets measured at FVOCI, debt securities issued, deposits from customers, and loans and advances to customers arising from changes in interest rates and exchange rates.

Net (losses)/gains on fair value hedges are as follows:

	2019	2018
Net (losses)/gains on		
– hedging instruments	(664)	72
– hedged items	661	(69)

The gain and loss arising from the ineffective portion of fair value hedges were immaterial for the year ended 31 December 2019 and 2018.

(b) *Cash flow hedge*

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate and foreign exchange risks of deposits from customers, loans and advances to customers, debt security issued, placement from banks and non-bank financial institutions, placements with banks and non-bank financial institutions, financial assets measured at FVPL and financial assets measured at FVOCI. The maturities of hedging instruments and hedged items are both within five years.

For the year ended 31 December 2019, the Group's net loss from the cash flow hedge of RMB292 million was recognised in other comprehensive income (for the year ended 31 December 2018: net loss of RMB267 million) and the gain and loss arising from the ineffective portion of cash flow hedge were immaterial.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

24 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

Financial assets held under resale agreements by underlying assets are shown as follows:

	31 December 2019	31 December 2018
Debt securities		
– Government bonds	**189,501**	62,775
– Debt securities issued by policy banks, banks and non-bank financial institutions	**299,738**	77,639
– Corporate bonds	**25**	28
Subtotal	**489,264**	140,442
Discounted bills	**68,345**	61,302
Accrued interest	**263**	145
Gross balance	**557,872**	201,889
Allowances for impairment losses (Note 35)	**(63)**	(44)
Net balances	**557,809**	201,845

For the year ended 31 December 2019 and 2018, the book value of financial assets held under resale agreements was in Stage 1. The book value and the impairment loss allowances do not involve the transfers between stages.

25 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by measurement

	Note	31 December 2019	31 December 2018
Loans and advances to customers measured at amortised cost		**14,479,931**	13,405,030
Less: allowances for impairment losses		**(482,158)**	(417,623)
The carrying amount of loans and advances to customers measured at amortised cost	(a)	**13,997,773**	12,987,407
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	(b)	**492,693**	308,368
The carrying amount of loans and advances to customers measured at fair value through profit or loss	(c)	**15,282**	32,857
Accrued interest		**34,919**	36,798
The carrying amount of loans and advances to customers		**14,540,667**	13,365,430

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(1) Analysed by measurement (continued)

(a) Loans and advances to customers measured at amortised cost

	31 December 2019	31 December 2018
Corporate loans and advances		
– Loans	7,789,682	7,309,538
– Finance leases	137,769	136,071
	7,927,451	7,445,609
Personal loans and advances		
– Residential mortgages	5,355,724	4,844,440
– Personal consumer loans	199,007	214,783
– Personal business loans	44,918	37,287
– Credit cards	745,137	655,190
– Others	207,694	205,845
	6,552,480	5,957,545
Discounted bills	–	1,876
Gross loans and advances to customers measured at amortised cost	14,479,931	13,405,030
Stage 1	(240,027)	(183,615)
Stage 2	(92,880)	(93,624)
Stage 3	(149,251)	(140,384)
Allowances for impairment losses (Note 35)	(482,158)	(417,623)
Net loans and advances to customers measured at amortised cost	13,997,773	12,987,407

(b) Loans and advances to customers measured at fair value through other comprehensive income

	31 December 2019	31 December 2018
Discounted bills	492,693	308,368

(c) Loans and advances to customers measured at fair value through profit or loss

	31 December 2019	31 December 2018
Corporate loans and advances	15,282	32,857

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(2) Analysed by assessment method of expected credit losses

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers measured at amortised cost	13,804,206	463,976	211,749	14,479,931
Less: allowances for impairment losses	(240,027)	(92,880)	(149,251)	(482,158)
The carrying amount of loans and advances to customers measured at amortised cost	13,564,179	371,096	62,498	13,997,773
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	490,545	1,424	724	492,693
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(958)	(94)	(570)	(1,622)

	31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers measured at amortised cost	12,808,032	396,117	200,881	13,405,030
Less: allowances for impairment losses	(183,615)	(93,624)	(140,384)	(417,623)
The carrying amount of loans and advances to customers measured at amortised cost	12,624,417	302,493	60,497	12,987,407
The carrying amount of loans and advances to customers measured at fair value through other comprehensive income	308,346	22	–	308,368
Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(944)	(2)	–	(946)

For loans and advances to customers at Stages 1 and 2 and personal loans and advances at Stage 3, the expected credit loss ("ECL") model is used to calculate the ECL amount, while for corporate loans and advances and discounted bills at Stage 3, the discounted cash flow model is used.

The segmentation of the loans mentioned above is defined in Note 61(1).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(3) Movements of allowances for impairment losses

		2019			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019		**183,615**	**93,624**	**140,384**	**417,623**
Transfers:					
Transfers in/(out) to Stage 1		**6,416**	**(6,061)**	**(355)**	**–**
Transfers in/(out) to Stage 2		**(7,197)**	**8,537**	**(1,340)**	**–**
Transfers in/(out) to Stage 3		**(2,163)**	**(18,815)**	**20,978**	**–**
Newly originated or purchased financial assets		**116,460**	**–**	**–**	**116,460**
Transfer out/repayment	(i)	**(76,030)**	**(12,040)**	**(50,416)**	**(138,486)**
Remeasurements	(ii)	**18,926**	**27,635**	**81,082**	**127,643**
Write-off		**–**	**–**	**(49,078)**	**(49,078)**
Recoveries of loans and advances written off		**–**	**–**	**7,996**	**7,996**
As at 31 December 2019		**240,027**	**92,880**	**149,251**	**482,158**

		2018			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018		149,249	65,887	128,666	343,802
Transfers:					
Transfers in/(out) to Stage 1		3,153	(2,578)	(575)	–
Transfers in/(out) to Stage 2		(4,241)	5,041	(800)	–
Transfers in/(out) to Stage 3		(1,476)	(16,077)	17,553	–
Newly originated or purchased financial assets		88,574	–	–	88,574
Transfer out/repayment	(i)	(60,428)	(9,578)	(40,718)	(110,724)
Remeasurements	(ii)	8,784	50,929	73,514	133,227
Write-off		–	–	(43,879)	(43,879)
Recoveries of loans and advances written off		–	–	6,623	6,623
As at 31 December 2018		183,615	93,624	140,384	417,623

(i) Transfer out/repayment refers to transfer of creditor's rights, securitisation of assets, debt-to-equity swap and as a result of foreclosures, as well as repayment of the loans.

(ii) Remeasurements comprise the impact of changes in Probability of Default ("PD"), Loss Given Default ("LGD") or Exposure at Default ("EAD"); changes in model assumptions and methodology; credit loss changes due to stage-transfer; unwinding of discount; and the impact of exchange rate changes.

The allowances for impairment losses disclosed above are for loans and advances to customers measured at amortised cost.

For the year ended 31 December 2019, the changes of gross carrying amounts of loans and advances to customers with a significant impact on the Group's impairment allowance mainly resulted from credit business in Mainland China, including:

For the year ended 31 December 2019, the gross carrying amount of domestic branches corporate loans and advances to customers transferred from Stage 1 to Stage 2 were RMB162,163 million. The gross carrying amount of loans transferred from Stage 2 to Stage 3 were RMB53,519 million. The gross carrying amount of the loans transferred from Stage 2 to Stage 1 were RMB27,999 million. The changes of impairment allowances resulting from loans transferred from Stage 1 to Stage 3, and Stage 3 to Stage 1 and Stage 2 were not significant. For the year ended 31 December 2019, the changes of impairment allowances resulting from stage-transfer of domestic branches personal loans and advances to customers were not significant.

For the year ended 31 December 2019, the gross carrying amount of the loans of which impairment allowances were transferred from Stage 3 to Stage 2, and from Stage 3 or Stage 2 to Stage 1, due to the modification of contractual cash flows of domestic branches which did not result in derecognition were not significant.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

25 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(4) Overdue loans analysed by overdue period

	31 December 2019				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	17,134	14,363	4,829	757	37,083
Guaranteed loans	8,490	24,773	17,813	5,593	56,669
Loans secured by property and other immovable assets	20,387	25,982	17,080	5,507	68,956
Other pledged loans	2,556	4,304	3,121	194	10,175
Total	48,567	69,422	42,843	12,051	172,883
As a percentage of gross loans and advances to customers	0.32%	0.46%	0.29%	0.08%	1.15%

	31 December 2018				
	Overdue within three months	Overdue between three months and one year	Overdue between one year and three years	Overdue over three years	Total
Unsecured loans	13,719	12,734	4,547	825	31,825
Guaranteed loans	13,461	27,875	21,495	3,206	66,037
Loans secured by property and other immovable assets	25,407	22,671	19,243	5,188	72,509
Other pledged loans	2,458	1,983	685	224	5,350
Total	55,045	65,263	45,970	9,443	175,721
As a percentage of gross loans and advances to customers	0.40%	0.47%	0.33%	0.07%	1.27%

Overdue loans represent loans of which the whole or part of the principal or interest is overdue for 1 day or more.

(5) Packaged disposal of non-performing loans

For the year ended 31 December 2019, the total amount of non-performing loans sold through packaged disposal to external asset management companies was RMB28,902 million (for the year ended 31 December 2018: RMB36,136 million).

(6) Write-off

According to the Group's write-off policy, it is required to continue to recover the bad debts that are written off. For the year ended 31 December 2019, the amount of the loans and advances to customers that the Group has written off but still under enforcement was RMB29,128 million (for the year ended 31 December 2018: RMB16,910 million).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS

(1) Analysed by measurement

	Note	31 December 2019	31 December 2018
Financial assets measured at fair value through profit or loss	(a)	**675,361**	731,217
Financial assets measured at amortised cost	(b)	**3,740,296**	3,272,514
Financial assets measured at fair value through other comprehensive income	(c)	**1,797,584**	1,711,178
Total		**6,213,241**	5,714,909

(a) Financial assets measured at fair value through profit or loss

Analysed by nature

	Note	31 December 2019	31 December 2018
Held-for-trading purposes			
– Debt securities	(i)	**229,946**	218,757
– Equity instruments and funds	(ii)	**940**	1,706
		230,886	220,463
Financial assets designated as measured at fair value through profit or loss			
– Debt securities	(iii)	**9,256**	14,909
– Other debt instruments	(iv)	**182,369**	350,578
		191,625	365,487

	Note	31 December 2019	31 December 2018
Others			
– Credit investments	(v)	**6,161**	14,257
– Debt securities	(vi)	**68,921**	31,740
– Funds and others	(vii)	**177,768**	99,270
		252,850	145,267
Total		**675,361**	731,217

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(a) *Financial assets measured at fair value through profit or loss (continued)*

Analysed by type of issuers

Held-for-trading purposes

(i) Debt securities

	31 December 2019	31 December 2018
Government	**8,392**	8,361
Central banks	**443**	–
Policy banks	**44,466**	41,068
Banks and non-bank financial institutions	**59,224**	52,288
Enterprises	**117,421**	117,040
Total	**229,946**	218,757
Listed (Note)	**229,503**	218,757
– of which in Hong Kong	**953**	1,091
Unlisted	**443**	–
Total	**229,946**	218,757

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(ii) Equity instruments and funds

	31 December 2019	31 December 2018
Banks and non-bank financial institutions	**61**	453
Enterprises	**879**	1,253
Total	**940**	1,706
Listed	**940**	1,677
– of which in Hong Kong	**772**	1,150
Unlisted	**–**	29
Total	**940**	1,706

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(a) *Financial assets measured at fair value through profit or loss (continued)*

Analysed by type of issuers (continued)

Financial assets designated as measured at fair value through profit or loss

(iii) Debt securities

	31 December 2019	31 December 2018
Government	**470**	–
Enterprises	**8,786**	14,909
Total	**9,256**	14,909
Listed	**1,111**	–
– of which in Hong Kong	**355**	–
Unlisted	**8,145**	14,909
Total	**9,256**	14,909

(iv) Other debt instruments

	31 December 2019	31 December 2018
Banks and non-bank financial institutions	**122,285**	257,813
Enterprises	**60,084**	92,765
Total	**182,369**	350,578

Other debt instruments were mainly the deposits with banks and non-bank financial institutions, debt securities and credit assets invested by principal guaranteed wealth management products (Note 28(2)).

The amounts of changes in the fair value of these financial assets that are attributable to changes in credit risk are considered not significant during the year presented and cumulatively as at 31 December 2019 and 2018.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(a) Financial assets measured at fair value through profit or loss (continued)

Analysed by type of issuers (continued)

Others

(v) Credit investments

	31 December 2019	31 December 2018
Banks and non-bank financial institutions	**1,706**	14,257
Enterprises	**4,455**	–
Total	**6,161**	14,257
Unlisted	**6,161**	14,257
Total	**6,161**	14,257

(vi) Debt securities

	31 December 2019	31 December 2018
Policy banks	**4,381**	4,094
Banks and non-bank financial institutions	**64,538**	27,646
Enterprises	**2**	–
Total	**68,921**	31,740
L Listed (Note)	**68,801**	31,279
Unlisted	**120**	461
Total	**68,921**	31,740

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(vii) Funds and others

	31 December 2019	31 December 2018
Banks and non-bank financial institutions	**83,946**	62,156
Enterprises	**93,822**	37,114
Total	**177,768**	99,270
Listed	**67,357**	44,027
–of which in Hong Kong	**1,957**	1,143
Unlisted	**110,411**	55,243
Total	**177,768**	99,270

There was no significant limitation on the ability of the Group to dispose of financial assets measured at FVPL.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(b) Financial assets measured at amortised cost

Analysed by type of issuers

	31 December 2019	31 December 2018
Government	**3,024,534**	2,623,081
Central banks	**463**	447
Policy banks	**361,084**	372,422
Banks and non-bank financial institutions	**107,407**	33,972
Enterprises	**157,683**	152,404
Special government bond	**49,200**	49,200
Subtotal	**3,700,371**	3,231,526
Accrued interest	**52,627**	47,823
Gross balances	**3,752,998**	3,279,349
Allowances for impairment losses		
–Stage 1	**(8,932)**	(5,171)
–Stage 2	**(134)**	(509)
–Stage 3	**(3,636)**	(1,155)
Subtotal	**(12,702)**	(6,835)
Net balances	**3,740,296**	3,272,514
Listed (Note)	**3,553,837**	3,121,678
–of which in Hong Kong	**7,836**	5,903
Unlisted	**186,459**	150,836
Total	**3,740,296**	3,272,514
Market value of listed bonds	**3,629,398**	3,124,407

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(1) Analysed by measurement (continued)

(c) Financial assets measured at fair value through other comprehensive income

Analysed by nature

	Note	31 December 2019	31 December 2018
Debt securities	(i)	1,791,553	1,707,884
Equity instruments	(ii)	6,031	3,294
Total		1,797,584	1,711,178

Analysed by type of issuers

(i) Debt securities

	31 December 2019	31 December 2018
Government	1,103,764	1,015,579
Central banks	39,844	38,483
Policy banks	346,478	351,329
Banks and non-bank financial institutions	107,524	112,860
Enterprises	135,769	145,290
Accumulated change of fair value charged in other comprehensive income	33,000	19,900
Subtotal	1,766,379	1,683,441
Accrued interest	25,174	24,443
Total	1,791,553	1,707,884
Listed (Note)	1,741,972	1,681,048
–of which in Hong Kong	56,100	65,938
Unlisted	49,581	26,836
Total	1,791,553	1,707,884

Note: Debt securities traded on the China Domestic Interbank Bond Market are classified as "Listed".

(ii) Equity instruments

	31 December 2019		31 December 2018	
	Fair value	Dividend income during the year	Fair value	Dividend income during the year
Equity instruments	6,031	36	3,294	97

For the year ended 31 December 2019 and 2018, the Group neither sold any investments above nor transferred any cumulative profit or loss in the equity.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(2) Movements of allowances for impairment losses

(a) Financial assets measured at amortised cost

	Note	2019 Stage 1	2019 Stage 2	2019 Stage 3	2019 Total
As at 1 January 2019		**5,171**	**509**	**1,155**	**6,835**
Transfers:					
Transfers in/(out) to Stage 1		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 2		**(15)**	**15**	**–**	**–**
Transfers in/(out) to Stage 3		**(7)**	**(407)**	**414**	**–**
Newly originated or purchased financial assets		**5,299**	**3**	**–**	**5,302**
Financial assets derecognised during the year		**(1,440)**	**(20)**	**–**	**(1,460)**
Remeasurements	(i)	**(125)**	**20**	**2,052**	**1,947**
Foreign exchange and other movements		**49**	**14**	**15**	**78**
As at 31 December 2019		**8,932**	**134**	**3,636**	**12,702**

	Note	2018 Stage 1	2018 Stage 2	2018 Stage 3	2018 Total
As at 1 January 2018		4,049	83	523	4,655
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		(342)	342	–	–
Transfers in/(out) to Stage 3		(345)	–	345	–
Newly originated or purchased financial assets		1,166	–	–	1,166
Financial assets derecognised during the year		(691)	(64)	(27)	(782)
Remeasurements	(i)	359	77	252	688
Foreign exchange and other movements		975	71	62	1,108
As at 31 December 2018		5,171	509	1,155	6,835

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

26 FINANCIAL INVESTMENTS (CONTINUED)

(2) Movements of allowances for impairment losses (continued)

(b) Financial assets measured at fair value through other comprehensive income

		2019			
	Note	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2019		**2,090**	**–**	**–**	**2,090**
Transfers:					
Transfers in/(out) to Stage 1		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 2		**–**	**–**	**–**	**–**
Transfers in/(out) to Stage 3		**–**	**–**	**–**	**–**
Newly originated or purchased financial assets		**2,117**	**–**	**–**	**2,117**
Financial assets derecognised during the year		**(562)**	**–**	**–**	**(562)**
Remeasurements	(i)	**(58)**	**–**	**–**	**(58)**
Foreign exchange and other movements		**(7)**	**–**	**–**	**(7)**
As at 31 December 2019		**3,580**	**–**	**–**	**3,580**

		2018			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018		2,139	–	–	2,139
Transfers:					
Transfers in/(out) to Stage 1		–	–	–	–
Transfers in/(out) to Stage 2		–	–	–	–
Transfers in/(out) to Stage 3		–	–	–	–
Newly originated or purchased financial assets		501	–	–	501
Financial assets derecognised during the year		(182)	–	–	(182)
Remeasurements	(i)	(303)	–	–	(303)
Foreign exchange and other movements		(65)	–	–	(65)
As at 31 December 2018		2,090	–	–	2,090

(i) Remeasurements mainly comprise the impact of changes in probability of default, loss given default and exposure at default, credit loss changes due to stage-transfer.

As at 31 December 2019, the Group's financial investments measured at amortised cost with carrying amount of RMB7,774 million were impaired and classified as Stage 3, financial investments measured at amortised cost with carrying amount of RMB1,271 million were classified as Stage 2, and all financial investments measured at fair value through other comprehensive income and the remaining financial investments measured at amortised cost were classified as Stage 1.

For the year ended 31 December 2019, the increase in the Group's Stage 1 financial investments due to newly originated or purchased financial assets amounted to RMB1,402,711 million, the decrease in Stage 1 financial investments due to derecognition were amounted to RMB860,406 million, and there were no significant changes in the balances of financial investments classified as Stage 2 and 3. Both the amounts of financial investments transferred between stages and the amounts of financial investments with modifications of contractual cash flows that do not result in a derecognition were not significant.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS

(1) Investments in subsidiaries

(a) Investment cost

	Note	31 December 2019	31 December 2018
CCB Wealth Management Co., Ltd. ("CCB Wealth Management")	(i)	15,000	–
CCB Financial Asset Investment Co., Ltd. ("CCB Investment")		12,000	12,000
CCB Brasil Financial Holding – Investimentos e Participações Ltda		9,542	9,542
CCB Financial Leasing Co., Ltd. ("CCB Financial Leasing")		8,163	8,163
CCB Trust Co., Ltd. ("CCB Trust")	(ii)	7,429	3,409
CCB Life Insurance Co., Ltd. ("CCB Life")		3,902	3,902
China Construction Bank (London) Limited ("CCB London")		2,861	2,861
CCB Pension Management Co., Ltd. ("CCB Pension")		1,955	1,955
China Construction Bank (Europe) S.A. ("CCB Europe")		1,629	1,629
Sino-German Bausparkasse Co., Ltd. ("Sino-German Bausparkasse")		1,502	1,502
PT Bank China Construction Bank Indonesia Tbk ("CCB Indonesia")		1,340	1,340
China Construction Bank (Malaysia) Berhad ("CCB Malaysia")		1,334	1,334
China Construction Bank (New Zealand) Limited ("CCB New Zealand")		976	976
China Construction Bank (Russia) Limited Liability Company ("CCB Russia")		851	851
Golden Fountain Finance Limited ("Golden Fountain")		676	676
CCB Principal Asset Management Co., Ltd. ("CCB Principal Asset Management")		130	130
CCB International Group Holdings Limited ("CCBIG")		–	–
Total		69,290	50,270

(i) In May 2019, the Bank set up a wholly-owned subsidiary, CCB Wealth Management. As at 31 December 2019, the Bank held 100% of the total capital of CCB Wealth Management.

(ii) In December 2019, the Bank increased capital of CCB Trust by RMB4.02 billion based on shareholding percentage for the company to increase registered capital step by step. At present, part of the procedures are still in progress.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(1) Investments in subsidiaries (continued)

(b) Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows:

Name of company	Principal place of business	Particulars of issued and paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCB Wealth Management	Shenzhen, the PRC	RMB15,000 million	Company with Limited Liability	Wealth Management	100%	–	100%	Establishment
CCB Investment	Beijing, the PRC	RMB12,000 million	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB Brasil Financial Holding – Investimentos e Participações Ltda.	Sao Paulo, Brasil	R$4,281 million	Company with Limited Liability	Investment	99.99%	0.01%	100%	Acquisition
CCB Financial Leasing	Beijing, the PRC	RMB8,000 million	Company with Limited Liability	Financial Leasing	100%	–	100%	Establishment
CCB Life	Shanghai, the PRC	RMB4,496 million	Company Limited by Shares	Insurance	51%	–	51%	Acquisition
CCB Trust	Anhui, the PRC	RMB2,467 million	Company with Limited Liability	Trust business	67%	–	67%	Acquisition
CCB London	London, United Kingdom	US$200 million RMB 1,500 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Pension	Beijing, the PRC	RMB2,300 million	Company with Limited Liability	Pension Management	85%	–	85%	Establishment
CCB Europe	Luxembourg	EUR200 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
Sino-German Bausparkasse	Tianjin, the PRC	RMB2,000 million	Company with Limited Liability	House savings	75.10%	–	75.10%	Establishment

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(1) Investments in subsidiaries (continued)

(b) Except for CCB Indonesia, the major subsidiaries of the Group are unlisted enterprises, details of the investments in subsidiaries are as follows: *(continued)*

Name of company	Principal place of business	Particulars of issued and paid-up capital	Kind of legal entity	Principal activities	% of ownership directly held by the Bank	% of ownership indirectly held by the Bank	% of voting rights held by the Bank	Method of investment
CCB Indonesia	Jakarta, Indonesia	IDR1,663,146 million	Company Limited by Shares	Commercial Banking	60%	–	60%	Acquisition
CCB Malaysia	Kuala Lumpur, Malaysia	MYR823 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB New Zealand	Auckland, New Zealand	NZD199 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
CCB Russia	Moscow, Russia	RUB4,200 million	Company with Limited Liability	Commercial Banking	100%	–	100%	Establishment
Golden Fountain	British Virgin Islands	US$50,000	Company with Limited Liability	Investment	100%	–	100%	Acquisition
CCB Principal Asset Management	Beijing, the PRC	RMB200 million	Company with Limited Liability	Fund management services services	65%	–	65%	Establishment
CCBIG	Hong Kong, the PRC	HK$1	Company with Limited Liability	Investment	100%	–	100%	Establishment
CCB International (Holdings) Limited ("CCB International")	Hong Kong, the PRC	US$601 million	Company with Limited Liability	Investment	–	100%	100%	Acquisition
China Construction Bank (Asia) Corporation Limited ("CCB Asia")	Hong Kong, the PRC	HK$6,511 million RMB17,600 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition
China Construction Bank (Brasil) Banco Múltiplo S/A. ("CCB Brasil")	Sao Paulo, Brasil	R$2,957 million	Company Limited by Shares	Commercial Banking	–	100%	100%	Acquisition

(c) As at 31 December 2019, the amount of the non-controlling interests of the subsidiaries was immaterial to the Group.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

27 LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(2) Interests in associates and joint ventures

(a) The movements of the Group's interests in associates and joint ventures are as follows:

	2019	2018
As at 1 January	**8,002**	7,067
Acquisition during the year	**4,978**	1,352
Disposal during the year	**(1,812)**	(252)
Share of profits	**249**	140
Cash dividend receivable	**(149)**	(202)
Effect of exchange difference and others	**85**	(103)
As at 31 December	**11,353**	8,002

(b) Details of the interests in major associates and joint ventures are as follows:

Name of Company	Principal place of business	Particulars of issued and paid-up capital	Principal activities	% of ownership held	% of voting held	Total assets at year end	Total liabilities at year end	Revenue for the year	Net profit for the year
Guoxin Jianxin Equity Investment Fund (Chengdu) Partnership (Limited Partnership)	Chengdu, the PRC	RMB4,114 million	Equity investment	50.00%	50.00%	4,102	–	47	(13)
CCB Gold Investment Infrastructure Equity Investment Fund (Tianjin) Partnership (Limited Partnership)	Tianjin, the PRC	RMB3,500 million	Equity investment	48.57%	40.00%	3,563	–	63	63
Diamond String Limited	Hong Kong, the PRC	HK $10,000	Property investment	50.00%	50.00%	1,740	1,615	247	101
Guangdong SOE Reorganization Development Fund (Limited Partnership)	Zhuhai, the PRC	RMB720 million	Investment management and consultancy	49.67%	33.00%	731	–	20	14
Shaanxi Yanchang Petroleum Finance Limited	Xi 'an, the PRC	RMB3,500 million	Settlement, loans and financial leasing	8.00%	20.00%	17,669	12,930	626	358

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

28 STRUCTURED ENTITIES

(1) Unconsolidated structured entities

Unconsolidated structured entities of the Group include trust plans, asset management plans, funds, asset-backed securities and wealth management products held for investment purposes, and non-principal guaranteed wealth management products, trust plans and funds, etc. which are issued or established by the Group for providing wealth management services to customers and earning management fees, commission and custodian fees in return.

As at 31 December 2019 and 2018, the assets recognised for the Group's interests in the unconsolidated structured entities above included related investment and management fee, commission and custodian fee receivables accrued. The related carrying amount and the maximum exposure were as follows:

	31 December 2019	31 December 2018
Financial investments		
Financial assets measured at fair value through profit or loss	85,564	68,499
Financial assets measured at amortised cost	65,178	54,884
Financial assets measured at fair value through other comprehensive income	729	896
Interests in associates and joint ventures	6,906	4,196
Other assets	3,185	3,510
Total	161,562	131,985

For the year ended 31 December 2019 and 2018, the income from these unconsolidated structured entities held by the Group was as follows:

	2019	2018
Interest income	3,735	3,356
Fee and commission income	14,871	12,326
Net trading loss	138	–
Dividend income	669	309
Net gain arising from investment securities	2,773	1,932
Share of profits of associates and joint ventures	163	21
Total	22,349	17,944

As at 31 December 2019, the balance of the non-principal guaranteed wealth management products set up by the Group amounted to RMB1,968,483 million (as at 31 December 2018: RMB1,841,018 million) and the balance of trust plans, funds and asset management plans issued or established by the Group amounted to RMB2,989,536 million (as at 31 December 2018: RMB3,334,455 million). For the year ended 31 December 2019, there were financial assets held under resale agreements between the Group and non-principal guaranteed wealth management products mentioned above. These transactions were based on market prices or general commercial terms. The profit and loss from these transactions was not material to the Group.

(2) Consolidated structured entities

The consolidated structured entities of the Group are primarily the principal guaranteed wealth management products (Note 26(1)(a)(iv)) and certain asset management plans and trust plans, etc.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

29 FIXED ASSETS

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2019	**133,478**	**19,714**	**55,118**	**25,561**	**45,851**	**279,722**
Additions	**1,850**	**7,425**	**5,882**	**914**	**3,262**	**19,333**
Transfer in/(out)	**2,599**	**(8,938)**	**42**	**4,617**	**1,680**	**–**
Other movements	**(286)**	**(1,475)**	**(3,149)**	**(282)**	**(2,652)**	**(7,844)**
As at 31 December 2019	**137,641**	**16,726**	**57,893**	**30,810**	**48,141**	**291,211**
Accumulated depreciation						
As at 1 January 2019	**(38,948)**	**–**	**(37,362)**	**(3,408)**	**(30,006)**	**(109,724)**
Charge for the year	**(4,563)**	**–**	**(5,670)**	**(1,337)**	**(4,454)**	**(16,024)**
Other movements	**106**	**–**	**2,997**	**220**	**2,375**	**5,698**
As at 31 December 2019	**(43,405)**	**–**	**(40,035)**	**(4,525)**	**(32,085)**	**(120,050)**
Allowances for impairment losses (Note 35)						
As at 1 January 2019	**(406)**	**(1)**	**–**	**(14)**	**(3)**	**(424)**
Charge for the year	**–**	**–**	**–**	**(24)**	**(1)**	**(25)**
Other movements	**13**	**–**	**–**	**14**	**1**	**28**
As at 31 December 2019	**(393)**	**(1)**	**–**	**(24)**	**(3)**	**(421)**
Net carrying value						
As at 1 January 2019	**94,124**	**19,713**	**17,756**	**22,139**	**15,842**	**169,574**
As at 31 December 2019	**93,843**	**16,725**	**17,858**	**26,261**	**16,053**	**170,740**

	Bank premises	Construction in progress	Equipment	Aircraft and vessels	Others	Total
Cost/Deemed cost						
As at 1 January 2018	122,870	26,646	54,989	22,855	43,636	270,996
Additions	1,205	6,651	5,104	2,502	2,476	17,938
Transfer in/(out)	9,745	(12,386)	82	–	2,559	–
Other movements	(342)	(1,197)	(5,057)	204	(2,820)	(9,212)
As at 31 December 2018	133,478	19,714	55,118	25,561	45,851	279,722
Accumulated depreciation						
As at 1 January 2018	(34,156)	–	(36,351)	(2,250)	(28,141)	(100,898)
Charge for the year	(4,964)	–	(5,904)	(1,271)	(4,579)	(16,718)
Other movements	172	–	4,893	113	2,714	7,892
As at 31 December 2018	(38,948)	–	(37,362)	(3,408)	(30,006)	(109,724)
Allowances for impairment losses (Note 35)						
As at 1 January 2018	(415)	–	–	(1)	(3)	(419)
Charge for the year	–	(1)	–	(13)	–	(14)
Other movements	9	–	–	–	–	9
As at 31 December 2018	(406)	(1)	–	(14)	(3)	(424)
Net carrying value						
As at 1 January 2018	88,299	26,646	18,638	20,604	15,492	169,679
As at 31 December 2018	94,124	19,713	17,756	22,139	15,842	169,574

Notes:

(1) Other movements include disposals of, retirements of and exchange differences on fixed assets.

(2) As at 31 December 2019, the ownership documentation for the Group's bank premises with a net carrying value of RMB15,688 million (as at 31 December 2018: RMB18,645 million) was being finalised. However, management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

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30 LAND USE RIGHTS

	2019	2018
Cost/Deemed cost		
As at 1 January	21,860	21,495
Additions	989	444
Disposals	(56)	(79)
As at 31 December	22,793	21,860
Amortisation		
As at 1 January	(7,349)	(6,810)
Charge for the year	(594)	(565)
Disposals	24	26
As at 31 December	(7,919)	(7,349)
Allowances for impairment losses (Note 35)		
As at 1 January	(138)	(140)
Disposals	2	2
As at 31 December	(136)	(138)
Net carrying value		
As at 1 January	14,373	14,545
As at 31 December	14,738	14,373

The Group's right-of-use assets include the above fully prepaid land use rights and other right-of-use assets disclosed in note 34(2).

31 INTANGIBLE ASSETS

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2019	9,914	1,272	11,186
Additions	1,829	317	2,146
Disposals	(45)	(166)	(211)
As at 31 December 2019	11,698	1,423	13,121
Amortisation			
As at 1 January 2019	(7,154)	(402)	(7,556)
Charge for the year	(943)	(146)	(1,089)
Disposals	26	7	33
As at 31 December 2019	(8,071)	(541)	(8,612)
Allowances for impairment losses (Note 35)			
As at 1 January 2019	–	(8)	(8)
Additions	–	(1)	(1)
Disposals	–	2	2
As at 31 December 2019	–	(7)	(7)
Net carrying value			
As at 1 January 2019	2,760	862	3,622
As at 31 December 2019	3,627	875	4,502

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

31 INTANGIBLE ASSETS (CONTINUED)

	Software	Others	Total
Cost/Deemed cost			
As at 1 January 2018	8,424	1,211	9,635
Additions	1,519	214	1,733
Disposals	(29)	(153)	(182)
As at 31 December 2018	9,914	1,272	11,186
Amortisation			
As at 1 January 2018	(6,429)	(446)	(6,875)
Charge for the year	(754)	(57)	(811)
Disposals	29	101	130
As at 31 December 2018	(7,154)	(402)	(7,556)
Allowances for impairment losses (Note 35)			
As at 1 January 2018	–	(8)	(8)
Additions	–	–	–
Disposals	–	–	–
As at 31 December 2018	–	(8)	(8)
Net carrying value			
As at 1 January 2018	1,995	757	2,752
As at 31 December 2018	2,760	862	3,622

32 GOODWILL

(1) The goodwill is mainly attributable to the expected synergies arising from the acquisition of CCB Asia, CCB Brasil and CCB Indonesia. The movement of the goodwill is as follows:

	2019	2018
As at 1 January	**2,766**	2,751
Effect of exchange difference	**43**	15
As at 31 December	**2,809**	2,766

(2) Impairment test for CGU containing goodwill

The Group calculated the recoverable amount of CGU using cash flow projections based on financial forecasts approved by management. The average growth rate used by the Group is consistent with the forecasts included in industry reports. The discount rate used reflects specific risks relating to the relevant segments.

No impairment losses on goodwill of the Group were recognised as at 31 December 2019 (as at 31 December 2018: nil).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

33 DEFERRED TAX

	31 December 2019	31 December 2018
Deferred tax assets	72,314	58,730
Deferred tax liabilities	(457)	(485)
Total	71,857	58,245

(1) Analysed by nature

	31 December 2019		31 December 2018	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets				
– Fair value adjustments	(35,948)	(9,167)	(25,347)	(6,464)
– Allowances for impairment losses	331,279	82,330	260,308	64,823
– Employee benefits	17,513	4,348	21,265	5,276
– Others	(21,871)	(5,197)	(20,363)	(4,905)
Total	290,973	72,314	235,863	58,730
Deferred tax liabilities				
– Fair value adjustments	(1,717)	(336)	(1,271)	(193)
– Others	(885)	(121)	(1,751)	(292)
Deferred tax assets	(2,602)	(457)	(3,022)	(485)

(2) Movements of deferred tax

	Fair value adjustments	Allowances for impairment losses	Employee benefits	Others	Total
As at 1 January 2019	(6,657)	64,823	5,276	(5,197)	58,245
Recognised in profit or loss	678	17,507	(928)	(121)	17,136
Recognised in other comprehensive income	(3,524)	–	–	–	(3,524)
As at 31 December 2019	(9,503)	82,330	4,348	(5,318)	71,857
As at 1 January 2018	5,332	46,906	5,814	(5,856)	52,196
Recognised in profit or loss	31	17,917	(538)	659	18,069
Recognised in other comprehensive income	(12,020)	–	–	–	(12,020)
As at 31 December 2018	(6,657)	64,823	5,276	(5,197)	58,245

The Group did not have significant unrecognised deferred tax as at the end of the reporting period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

34 OTHER ASSETS

	Note	31 December 2019	31 December 2018
Repossessed assets	(1)		
– Buildings		1,705	1,721
– Land use rights		156	624
– Others		719	765
		2,580	3,110
Clearing and settlement accounts		26,889	18,517
Right-of-use assets	(2)	24,460	N/A
Fee and commission receivables		19,963	11,305
Policyholder account assets and accounts receivable of insurance business		7,581	6,318
Leasehold improvements		2,992	3,196
Deferred expenses		1,336	3,232
Others		114,453	87,633
Gross balance		200,254	133,311
Allowances for impairment losses (Note 35)			
– Repossessed assets		(1,353)	(1,165)
– Others		(3,440)	(2,772)
Net balance		195,461	129,374

(1) For the year ended 31 December 2019, the original cost of repossessed assets disposed of by the Group amounted to RMB649 million (for the year ended 31 December 2018: RMB550 million). The Group intends to dispose of repossessed assets through various methods including auction, competitive bidding and transfer.

(2) Right-of-use assets

	Bank premises	Others	Total
Cost			
As at 1 January 2019	21,686	66	21,752
Additions	10,598	44	10,642
Other movements	(1,674)	(6)	(1,680)
As at 31 December 2019	30,610	104	30,714
Accumulated depreciation			
As at 1 January 2019	–	–	–
Charge for the year	(6,584)	(33)	(6,617)
Other movements	363	–	363
As at 31 December 2019	(6,221)	(33)	(6,254)
Net carrying value			
As at 1 January 2019	21,686	66	21,752
As at 31 December 2019	24,389	71	24,460

The Group's right-of-use assets include the above assets and land use rights disclosed in note 30.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

35 MOVEMENTS OF ALLOWANCES FOR IMPAIRMENT LOSSES

		2019				
	Note	As at 1 January	(Reversal)/ charge for the year	Transfer (out)/in	Write-off	As at 31 December
Deposits with banks and non-bank financial institutions	21	**230**	**(12)**	**–**	**–**	**218**
Precious metals		**72**	**(34)**	**–**	**–**	**38**
Placements with banks and non-bank financial institutions	22	**114**	**114**	**(3)**	**–**	**225**
Financial assets held under resale agreements	24	**44**	**19**	**–**	**–**	**63**
Loans and advances to customers	25	**417,623**	**148,266**	**(34,653)**	**(49,078)**	**482,158**
Financial assets measured at amortised cost	26(2) (a)	**6,835**	**5,789**	**78**	**–**	**12,702**
Long-term equity investments	27	**41**	**–**	**(41)**	**–**	**–**
Fixed assets	29	**424**	**25**	**–**	**(28)**	**421**
Land use rights	30	**138**	**–**	**–**	**(2)**	**136**
Intangible assets	31	**8**	**1**	**–**	**(2)**	**7**
Other assets	34	**3,937**	**2,588**	**–**	**(1,732)**	**4,793**
Total		**429,466**	**156,756**	**(34,619)**	**(50,842)**	**500,761**

		2018				
	Note	As at 1 January	Charge for the year	Transfer (out)/in	Write-off	As at 31 December
Deposits with banks and non-bank financial institutions	21	129	107	–	(6)	230
Precious metals		41	31	–	–	72
Placements with banks and non-bank financial institutions	22	115	13	(14)	–	114
Financial assets held under resale agreements	24	15	29	–	–	44
Loans and advances to customers	25	343,802	142,595	(24,895)	(43,879)	417,623
Financial assets measured at amortised cost	26(2) (a)	4,655	1,072	1,108	–	6,835
Long-term equity investments	27	–	41	–	–	41
Fixed assets	29	419	14	–	(9)	424
Land use rights	30	140	–	–	(2)	138
Intangible assets	31	8	–	–	–	8
Other assets	34	4,022	1,509	–	(1,594)	3,937
Total		353,346	145,411	(23,801)	(45,490)	429,466

Transfer (out)/in includes exchange differences.

36 BORROWINGS FROM CENTRAL BANKS

	31 December 2019	31 December 2018
Mainland China	**487,204**	495,004
Overseas	**56,447**	50,441
Accrued interest	**5,782**	8,947
Total	**549,433**	554,392

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

37 DEPOSITS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2019	31 December 2018
Banks	**167,383**	161,393
Non-bank financial institutions	**1,498,901**	1,257,303
Accrued interest	**6,414**	8,780
Total	**1,672,698**	1,427,476

(2) Analysed by geographical sectors

	31 December 2019	31 December 2018
Mainland China	**1,508,483**	1,277,120
Overseas	**157,801**	141,576
Accrued interest	**6,414**	8,780
Total	**1,672,698**	1,427,476

38 PLACEMENTS FROM BANKS AND NON-BANK FINANCIAL INSTITUTIONS

(1) Analysed by type of counterparties

	31 December 2019	31 December 2018
Banks	**476,574**	379,785
Non-bank financial institutions	**42,576**	38,259
Accrued interest	**2,403**	2,177
Total	**521,553**	420,221

(2) Analysed by geographical sectors

	31 December 2019	31 December 2018
Mainland China	**261,632**	130,596
Overseas	**257,518**	287,448
Accrued interest	**2,403**	2,177
Total	**521,553**	420,221

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

39 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019	31 December 2018
Principal guaranteed wealth management products	178,770	351,369
Financial liabilities related to precious metals	31,065	37,832
Structured financial instruments	71,762	42,133
Total	281,597	431,334

The Group's financial liabilities measured at FVPL are those designated as measured at FVPL. As at the end of the reporting period, the difference between the fair value of these financial liabilities and the contractual payables at maturity is not material. The amounts of changes in the fair value of these financial liabilities that are attributable to changes in credit risk are considered not significant during the year presented and cumulatively as at 31 December 2019 and 2018.

40 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	31 December 2019	31 December 2018
Debt securities		
– Government bonds	103,380	20,473
– Debt securities issued by policy banks, banks and non-bank financial institutions	7,754	3,569
– Corporate bonds	40	29
Subtotal	111,174	24,071
Discounted bills	418	765
Others	2,920	5,774
Accrued interest	146	155
Total	114,658	30,765

41 DEPOSITS FROM CUSTOMERS

	31 December 2019	31 December 2018
Demand deposits		
– Corporate customers	6,001,053	5,922,676
– Personal customers	4,136,591	3,313,664
Subtotal	10,137,644	9,236,340
Time deposits (including call deposits)		
– Corporate customers	3,239,657	3,037,130
– Personal customers	4,781,485	4,657,959
Subtotal	8,021,142	7,695,089
Accrued interest	207,507	177,249
Total	18,366,293	17,108,678

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

41 DEPOSITS FROM CUSTOMERS (CONTINUED)

Deposits from customers include:

		31 December 2019	31 December 2018
(1)	Pledged deposits		
	– Deposits for acceptance	57,367	63,385
	– Deposits for guarantee	52,351	76,609
	– Deposits for letter of credit	11,593	19,260
	– Others	180,387	170,860
	Total	301,698	330,114
(2)	Outward remittance and remittance payables	19,805	15,341

42 ACCRUED STAFF COSTS

	Note	2019 As at 1 January	2019 Increased	2019 Decreased	2019 As at 31 December
Salaries, bonuses, allowances and subsidies		23,773	70,382	(69,918)	24,237
Other social insurance and welfare		4,682	11,674	(12,224)	4,132
Housing funds		182	6,524	(6,351)	355
Union running costs and employee education costs		3,531	2,948	(1,496)	4,983
Post-employment benefits	(1)				
– Defined contribution plans		2,681	14,280	(12,628)	4,333
– Defined benefit plans		(158)	28	(233)	(363)
Early retirement benefits		1,520	40	(164)	1,396
Compensation to employees for termination of employment relationship		2	6	(6)	2
Total		36,213	105,882	(103,020)	39,075

	Note	2018 As at 1 January	2018 Increased	2018 Decreased	2018 As at 31 December
Salaries, bonuses, allowances and subsidies		23,628	66,788	(66,643)	23,773
Other social insurance and welfare		3,973	11,187	(10,478)	4,682
Housing funds		163	6,390	(6,371)	182
Union running costs and employee education costs		2,738	2,820	(2,027)	3,531
Post-employment benefits	(1)				
– Defined contribution plans		893	14,850	(13,062)	2,681
– Defined benefit plans		(440)	326	(44)	(158)
Early retirement benefits		1,674	52	(206)	1,520
Compensation to employees for termination of employment relationship		3	2	(3)	2
Total		32,632	102,415	(98,834)	36,213

The Group had no overdue balance of accrued staff costs as at the end of the reporting period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

42 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits

(a) *Defined contribution plans*

	2019			
	As at 1 January	**Increased**	**Decreased**	**As at 31 December**
Basic pension insurance	**761**	**8,994**	**(9,147)**	**608**
Unemployment insurance	**39**	**299**	**(296)**	**42**
Annuity contribution	**1,881**	**4,987**	**(3,185)**	**3,683**
Total	**2,681**	**14,280**	**(12,628)**	**4,333**

	2018			
	As at 1 January	Increased	Decreased	As at 31 December
Basic pension insurance	589	9,896	(9,724)	761
Unemployment insurance	37	298	(296)	39
Annuity contribution	267	4,656	(3,042)	1,881
Total	893	14,850	(13,062)	2,681

(b) *Defined benefit plans – Supplementary retirement benefits*

The Group's obligations in respect of the supplementary retirement benefits as at the end of the reporting period were calculated using the projected unit credit method and reviewed by an external independent actuary, Towers Watson Management Consulting (Shenzhen) Co., Ltd.

	Present value of defined benefit plan obligations		Fair value of plan assets		Net liabilities/(assets) of defined benefit plans	
	2019	2018	**2019**	2018	**2019**	2018
As at 1 January	**6,139**	6,197	**6,297**	6,637	**(158)**	(440)
Cost of the net defined benefit liability in profit or loss						
– Interest costs	**188**	221	**194**	235	**(6)**	(14)
Remeasurements of the defined benefit liability in other comprehensive income						
– Actuarial losses	**28**	326	**–**	–	**28**	326
– Returns on plan assets	**–**	–	**227**	30	**(227)**	(30)
Other changes						
– Benefits paid	**(579)**	(605)	**(579)**	(605)	**–**	–
As at 31 December	**5,776**	6,139	**6,139**	6,297	**(363)**	(158)

Interest cost was recognised in operating expenses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

42 ACCRUED STAFF COSTS (CONTINUED)

(1) Post-employment benefits (continued)

(b) Defined benefit plans – Supplementary retirement benefits (continued)

(i) Principal actuarial assumptions of the Group as at the end of the reporting period were as follows:

	31 December 2019	31 December 2018
Discount rate	**3.25%**	3.25%
Health care cost increase rate	**7.00%**	7.00%
Average expected future lifetime of eligible employees	**11.0 years**	12.0 years

Mortality assumptions are based on China Life Insurance Mortality Table (2010-2013). The Table published historical statistics in China.

(ii) The sensitivity of the present value of supplementary retirement benefit obligations to changes in the weighted principal assumption is:

	Impact on present value of supplementary retirement benefit obligations	
	Increase in assumption by 0.25%	Decrease in assumption by 0.25%
Discount rate	**(113)**	**117**
Health care cost increase rate	**44**	**(43)**

(iii) As at 31 December 2019, the weighted average duration of supplementary retirement benefit obligations of the Group was 8.0 years (as at 31 December 2018: 8.2 years).

(iv) Plan assets of the Group are as follows:

	31 December 2019	31 December 2018
Cash and cash equivalents	**198**	232
Equity instruments	**595**	261
Debt instruments	**5,239**	5,675
Others	**107**	129
Total	**6,139**	6,297

43 TAXES PAYABLE

	31 December 2019	31 December 2018
Income tax	**75,388**	66,670
Value added tax	**8,783**	8,986
Others	**2,464**	2,227
Total	**86,635**	77,883

44 PROVISIONS

	31 December 2019	31 December 2018
Expected credit losses on off-balance sheet business	**35,479**	31,224
Litigation provisions and others	**7,464**	6,704
Total	**42,943**	37,928

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

44 PROVISIONS (CONTINUED)

Movements of the provision – expected credit losses on off-balance sheet business

		2019			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2019		**22,344**	**5,971**	**2,909**	**31,224**
Transfers:					
Transfers in/(out) to Stage 1		**675**	**(675)**	**–**	**–**
Transfers in/(out) to Stage 2		**(199)**	**206**	**(7)**	**–**
Transfers in/(out) to Stage 3		**(172)**	**(21)**	**193**	**–**
Newly originated		**18,072**	**–**	**–**	**18,072**
Matured		**(14,106)**	**(3,373)**	**(1,891)**	**(19,370)**
Remeasurements	(1)	**(1,841)**	**2,293**	**5,101**	**5,553**
As at 31 December 2019		**24,773**	**4,401**	**6,305**	**35,479**

		2018			
	Note	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2018		19,523	4,228	1,984	25,735
Transfers:					
Transfers in/(out) to Stage 1		260	(260)	–	–
Transfers in/(out) to Stage 2		(147)	147	–	–
Transfers in/(out) to Stage 3		(3)	(215)	218	–
Newly originated		18,361	–	–	18,361
Matured		(11,770)	(2,009)	(215)	(13,994)
Remeasurements	(1)	(3,880)	4,080	922	1,122
As at 31 December 2018		22,344	5,971	2,909	31,224

(1) Remeasurements comprise the impact of changes in PD, LGD or EAD; changes in model assumptions and methodology; credit loss changes due to stage-transfer; and the impact of exchange rate changes.

45 DEBT SECURITIES ISSUED

	Note	31 December 2019	31 December 2018
Certificates of deposit issued	(1)	**709,383**	371,583
Bonds issued	(2)	**127,863**	111,447
Subordinated bonds issued	(3)	**81,694**	145,169
Eligible Tier 2 capital bonds issued	(4)	**153,703**	142,681
Accrued interest		**3,932**	4,905
Total		**1,076,575**	775,785

(1) Certificates of deposit issued were mainly issued by head office, overseas branches, CCB New Zealand, and Sino-German Bausparkasse.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 DEBT SECURITIES ISSUED (CONTINUED)

(2) Bonds issued

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	31 December 2019	31 December 2018
28/05/2014	28/05/2019	1.375%	Switzerland	CHF	–	2,093
02/07/2014	02/07/2019	3.25%	Hong Kong	USD	–	4,123
05/09/2014	05/09/2019	3.75%	Taiwan	RMB	–	600
05/09/2014	05/09/2021	4.00%	Taiwan	RMB	600	600
18/11/2014	18/11/2019	3.75%	Taiwan	RMB	–	1,000
18/11/2014	18/11/2021	3.95%	Taiwan	RMB	1,000	1,000
18/11/2014	18/11/2024	4.08%	Taiwan	RMB	600	600
20/01/2015	20/01/2020	3.125%	Hong Kong	USD	4,873	4,810
11/02/2015	11/02/2020	1.50%	Luxembourg	EUR	3,901	3,929
18/06/2015	18/06/2019	4.30%	Auckland	NZD	–	7
18/06/2015	18/06/2020	3-month New Zealand benchmark interest rate+1.2%	Auckland	NZD	117	115
28/07/2015	28/07/2020	3.25%	Hong Kong	USD	3,481	3,437
10/09/2015	10/09/2019	3.945%	Auckland	NZD	–	57
29/12/2015	27/01/2020	3.80%	Auckland	NZD	94	92
30/03/2016	30/03/2026	4.08%	Mainland China	RMB	3,500	3,500
16/05/2016	16/05/2019	3.10%	Auckland	NZD	–	46
31/05/2016	31/05/2019	2.38%	Hong Kong	USD	–	1,513
31/05/2016	31/05/2021	2.75%	Hong Kong	USD	2,088	2,075
18/08/2016	18/09/2020	2.95%	Auckland	NZD	482	476
18/10/2016	18/10/2020	3.05%	Auckland	NZD	7	7
21/10/2016	21/10/2021	2.25%	Hong Kong	USD	4,331	4,483
09/11/2016	09/11/2019	3.05%	Mainland China	RMB	–	3,200
09/11/2016	09/11/2021	3.05%	Mainland China	RMB	800	800
22/12/2016	22/12/2019	3.35%	Auckland	NZD	–	46
17/02/2017	17/02/2020	0.63%	Luxembourg	EUR	3,903	3,928
31/05/2017	29/05/2020	3M LIBOR+0.77%	Hong Kong	USD	8,353	8,246
13/06/2017	13/06/2022	2.75%	Hong Kong	USD	4,177	4,123
27/09/2017	27/09/2019	2.37%	Hong Kong	USD	–	515
25/10/2017	25/10/2022	3.15%	Hong Kong	USD	696	687
25/10/2017	27/10/2020	2.20%	Hong Kong	USD	84	82
26/10/2017	26/10/2020	2.08%	Singapore	SGD	2,586	2,522
09/11/2017	09/11/2022	3.93%	Auckland	NZD	702	693
04/12/2017	04/12/2020	2.29%	Hong Kong	USD	5,569	5,497
04/12/2017	04/12/2020	2.75%	Hong Kong	USD	3,481	3,436
04/12/2017	04/12/2022	3.00%	Hong Kong	USD	2,784	2,749
13/03/2018	13/03/2021	3.20%	Auckland	NZD	47	46
17/04/2018	17/04/2019	2.97%	Hong Kong	USD	–	69
17/04/2018	26/03/2021	3M LIBOR+0.75%	Hong Kong	USD	557	550
18/04/2018	18/04/2021	4.88%	Mainland China	RMB	6,000	6,000
19/04/2018	26/04/2019	3M LIBOR+0.45%	Hong Kong	USD	–	275
30/04/2018	30/04/2021	3M LIBOR+0.75%	Hong Kong	USD	139	137
04/05/2018	04/05/2021	3M LIBOR+0.80%	Hong Kong	USD	174	172
08/06/2018	08/06/2021	3M LIBOR+0.73%	Hong Kong	USD	6,265	6,184
08/06/2018	08/06/2023	3M LIBOR+0.83%	Hong Kong	USD	4,177	4,123
19/06/2018	19/06/2023	4.01%	Auckland	NZD	468	462
12/07/2018	12/07/2023	3M LIBOR+1.25%	Hong Kong	USD	2,785	2,749
20/07/2018	20/07/2021	4.48%	Mainland China	RMB	3,000	3,000
21/08/2018	19/06/2023	4.005%	Auckland	NZD	164	162
23/08/2018	23/08/2021	4.25%	Mainland China	RMB	2,500	2,500
21/09/2018	21/09/2020	2.643%	Singapore	SGD	1,552	1,513
24/09/2018	24/09/2021	3M LIBOR+0.75%	Hong Kong	USD	6,961	6,871
24/09/2018	24/09/2021	3M EURIBOR+0.60%	Luxembourg	EUR	3,903	3,924
20/12/2018	20/12/2021	3M LIBOR+0.75%	Auckland	USD	696	688
24/12/2018	24/12/2020	3M LIBOR+0.70%	Hong Kong	USD	1,114	1,099

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 DEBT SECURITIES ISSUED (CONTINUED)

(2) Bonds issued (continued)

Issue date	Maturity date	Interest rate per annum	Issue place	Currency	31 December 2019	31 December 2018
16/05/2019	16/05/2024	3.50%	Hong Kong	USD	**2,788**	–
16/05/2019	16/05/2029	3.88%	Hong Kong	USD	**1,392**	–
26/06/2019	24/06/2022	0.21%	Japan	JPY	**1,281**	–
26/08/2019	26/08/2022	3.30%	Mainland China	RMB	**6,300**	–
26/08/2019	26/08/2024	3.40%	Mainland China	RMB	**3,000**	–
11/09/2019	16/05/2024	3.50%	Hong Kong	USD	**2,088**	–
12/09/2019	12/08/2022	3M LIBOR+0.68%	Auckland	USD	**696**	–
22/10/2019	22/10/2022	0.05%	Luxembourg	EUR	**3,903**	–
24/10/2019	24/10/2024	3M LIBOR+0.77%	Hong Kong	USD	**4,873**	–
22/11/2019	22/11/2024	2.393%	Auckland	NZD	**398**	–
10/12/2019	10/11/2022	3-month New Zealand benchmark interest rate +0.88%	Auckland	NZD	**421**	–
20/12/2019	20/06/2022	3M LIBOR +0.63%	Luxembourg	USD	**2,087**	–
Total nominal value					**127,938**	111,611
Less: unamortised issuance costs					**(75)**	(164)
Carrying value					**127,863**	111,447

(3) Subordinated bonds issued

The carrying value of the Group's subordinated bonds issued upon the approval of the PBOC, the CBIRC, the HKMA and Brasil Central Bank is as follows:

Issue date	Maturity date	Interest rate per annum	Currency	Note	31 December 2019	31 December 2018
24/02/2009	26/02/2024	4.00%	RMB	(a)	**–**	28,000
07/08/2009	11/08/2024	4.04%	RMB	(b)	**–**	10,000
03/11/2009	04/11/2019	Benchmark rate released by Brasil Central Bank	BRL	(c)	**–**	354
18/12/2009	22/12/2024	4.80%	RMB	(d)	**–**	20,000
27/04/2010	27/04/2020	8.50%	USD	(c)	**1,720**	1,728
03/11/2011	07/11/2026	5.70%	RMB	(e)	**40,000**	40,000
20/11/2012	22/11/2027	4.99%	RMB	(f)	**40,000**	40,000
20/08/2014	20/08/2024	4.25%	USD	(g)	**–**	5,154
Total nominal value					**81,720**	145,236
Less: Unamortised issuance cost					**(26)**	(67)
Carrying value					**81,694**	145,169

(a) The Group has chosen to exercise the option to redeem all the bonds on 26 February 2019.

(b) The Group has chosen to exercise the option to redeem all the bonds on 11 August 2019.

(c) The subordinated bonds were issued by CCB Brasil.

(d) The Group has chosen to exercise the option to redeem all the bonds on 22 December 2019.

(e) The Group has an option to redeem the bonds on 7 November 2021, subject to approval from the relevant authority.

(f) The Group has an option to redeem the bonds on 22 November 2022, subject to approval from the relevant authority.

(g) The Group has chosen to exercise the option to redeem all the bonds on 20 August 2019.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

45 DEBT SECURITIES ISSUED (CONTINUED)

(4) Eligible Tier 2 capital bonds issued

Issue date	Maturity date	Interest rate per annum	Currency	Note	31 December 2019	31 December 2018
15/08/2014	18/08/2029	5.98%	RMB	(a)	20,000	20,000
12/11/2014	12/11/2024	4.90%	RMB	(b)	–	2,000
13/05/2015	13/05/2025	3.88%	USD	(c)	13,923	13,746
18/12/2015	21/12/2025	4.00%	RMB	(d)	24,000	24,000
25/09/2018	24/09/2028	4.86%	RMB	(e)	43,000	43,000
29/10/2018	28/10/2028	4.70%	RMB	(f)	40,000	40,000
27/02/2019	27/02/2029	4.25%	USD	(g)	12,879	–
Total nominal value					153,802	142,746
Less: Unamortised issuance cost					(99)	(65)
Carrying value as at year end					153,703	142,681

(a) The Group has an option to redeem the bonds on 18 August 2024, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(b) The Group has chosen to exercise the option to redeem all the bonds on 12 November 2019.

(c) The Group has an option to redeem the bonds on 13 May 2020, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 13 May 2020 and increase by 2.425% on the basis of five years USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(d) The Group has an option to redeem the bonds on 21 December 2020, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(e) The Group has an option to redeem the bonds on 25 September 2023, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(f) The Group has an option to redeem the bonds on 29 October 2023, subject to approval from the relevant authority. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

(g) The Group has an option to redeem the bonds on 27 February 2024, subject to approval from the relevant authority. If they are not redeemed by the Group, the interest rate will be reset on 27 February 2024 and increase by 1.88% on the basis of five years USD treasury benchmark applicable on the interest reset date. These eligible Tier 2 capital bonds have the write-down feature of a Tier 2 capital instrument, which allows the Bank to write down the entire principal of the bonds when a regulatory triggering event occurs. Any accumulated unpaid interest will not be paid either.

46 OTHER LIABILITIES

	Note	31 December 2019	31 December 2018
Insurance related liabilities		147,121	116,463
Payment and collection clearance accounts		41,265	21,696
Clearing and settlement accounts		34,275	7,630
Lease liabilities	(1)	22,123	N/A
Deferred income		20,408	14,548
Capital expenditure payable		9,717	9,248
Cash pledged and rental income received in advance		9,007	9,486
Dormant accounts		6,871	6,973
Accrued expenses		4,921	3,728
Others		119,727	91,642
Total		415,435	281,414

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

46 OTHER LIABILITIES (CONTINUED)

(1) Lease liabilities

Maturity analysis – undiscounted contractual cash flows

	31 December 2019	31 December 2018
Within one year	6,559	N/A
Between one year and five years	15,339	N/A
More than five years	3,722	N/A
Total undiscounted cash flows	25,620	N/A
Lease liabilities	22,123	N/A

47 SHARE CAPITAL

	31 December 2019	31 December 2018
Listed in Hong Kong (H shares)	240,417	240,417
Listed in Mainland China (A shares)	9,594	9,594
Total	250,011	250,011

All H and A shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

48 OTHER EQUITY INSTRUMENTS

(1) Preference shares

(a) Preference shares outstanding as at the end of the reporting period

Financial instrument outstanding	Issuance date	Classification	Initial interest rate	Issuance price	Quantity (million shares)	Total amount Currency	Total amount Original currency	Total amount (RMB)	Maturity date	Redemption/ conversion conditions
2015 Offshore Preference Shares	16 December 2015	Equity instruments	4.65%	$20 per share	152.5	USD	3,050	19,711	No maturity date	None
2017 Domestic Preference Shares	21 December 2017	Equity instruments	4.75%	RMB100 per share	600	RMB	60,000	60,000	No maturity date	None
Less: Issuance fee								(75)		
Carrying amount								79,636		

(b) The key terms

(i) Offshore Preference Shares

Dividend

The initial annual dividend rate is 4.65% and is subsequently subject to reset per agreement, but in no case shall exceed 20.4850%. The dividend is measured and paid in dollars. After such dividend being paid at the agreed dividend payout ratio, the holders of the above offshore preference shares shall not be entitled to share in the distribution of the remaining profits of the Bank together with the holders of the ordinary shares. The dividends for offshore preference shares are non-cumulative. The Bank shall be entitled to cancel any dividend for the offshore preference shares, and such cancellation shall not be deemed a default. However, until the Bank fully pays the dividends for the current dividend period, the Bank shall not make any dividend distribution to ordinary shareholders.

Redemption

Subject to receiving the prior approval of CBIRC and satisfaction of the redemption conditions precedent, all or only some of the Offshore Preference Shares may be redeemed at the discretion of the Bank on 16 December 2020 or on any dividend payment date thereafter at the redemption price which is equal to the issue price plus dividends payable but not yet distributed in the current period.

48 OTHER EQUITY INSTRUMENTS (CONTINUED)

(1) Preference shares (continued)

(b) The key terms (continued)

(i) Offshore Preference Shares (continued)

Compulsory conversion of preference shares

When an Additional Tier 1 Capital Instrument Trigger Event occurs, that is when Core Tier 1 Capital Adequacy Ratio of the Bank falls to 5.125% (or below), the Bank shall (without the need for the consent of offshore preference shareholders) convert all or only some of the preference shares in issue into such number of H shares which will be sufficient to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above 5.125% according to the contract; when a Tier 2 Capital Instrument Trigger Event occurs, the Bank shall (without the need for the consent of offshore preference shareholders) convert all of the offshore preference shares in issue into such number of H shares according to contract. Tier 2 Capital Instrument Trigger Event is defined as the earlier of: (i) the CBIRC having decided that without a conversion or write-off the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Once a preference share has been converted, it will not be restored in any circumstances. When the compulsory conversion of offshore preference shares occurs, the Bank shall report to the CBIRC for approval and decision.

(ii) Domestic Preference Shares

Dividend

The nominal dividend rate of the Domestic Preference Shares is adjusted on a phase-by-phase basis. It is the sum of the benchmark rate plus the fixed interest spread, and is adjusted every five years. The fixed interest spread is determined as the nominal dividend rate set for issuance less the benchmark rate at the time of issuance, and will not be subject to future adjustments. The dividends for domestic preference shares are non-cumulative. The Bank has the right to cancel dividend distribution on Domestic Preference Shares, and the cancellation does not constitute a default event. The Bank may, at its discretion, use the cancelled dividends to repay other indebtedness due and payable. If the Bank cancels all or part of the dividends on the Domestic Preference Shares, the Bank shall make no profit distribution to shareholders holding ordinary shares from the day after the cancellation proposal is adopted by the General Shareholders' Meeting to the day when full distribution of dividends is resumed. The cancellation of dividends on Domestic Preference Shares will not constitute other restrictions to the Bank except for the distribution of dividends to ordinary shareholders.

The dividends on the Domestic Preference Shares are distributed annually.

Redemption

The Bank may, subject to CBIRC approval and compliance with the redemption preconditions, redeem in whole or in part of the Domestic Preference Shares after at least five years from the completion date of the issuance (i.e., 27 December 2017). The redemption period begins from the first day of the redemption and ends on the day when all Domestic Preference Shares are redeemed or converted. The redemption price of the Domestic Preference Shares shall be their issue price plus any dividends accrued but unpaid in the current period.

Compulsory conversion of preference shares

If an Additional Tier 1 Capital Instrument Trigger Event occurs, i.e., the Core Tier 1 Capital Adequacy Ratio of the Bank has fallen to 5.125% or below, the Bank has the right to, without prior consent from the shareholders of the Domestic Preference Shares and as agreed, convert all or part of the Domestic Preference Shares issued and outstanding to ordinary A shares, to restore the Bank's Core Tier 1 Capital Adequacy Ratio to above the trigger point (i.e., 5.125%). In the case of partial conversion, the Domestic Preference Shares shall be subject to the same proportion and conditions of conversion. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances.

When a Tier 2 Capital Instrument Trigger Event occurs, the Bank has the right to, without prior consent of the shareholders of the Domestic Preference Shares and as agreed, convert all the Domestic Preference Shares issued and outstanding to ordinary A shares. Once Domestic Preference Shares are converted to ordinary A shares, they shall not be converted back to preference shares under any circumstances. A Tier 2 Capital Instrument Trigger Event is the earlier of the following two scenarios: (i) the CBIRC having decided that without a conversion or write-off of the Bank's capital, the Bank would become non-viable; and (ii) the relevant authorities having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. When the compulsory conversion of preference shares occurs, the Bank shall report to the CBIRC for approval and decision, and perform the announcement obligation according to the regulations of the Securities Law and China Securities Regulatory Commission ("CSRC").

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

48 OTHER EQUITY INSTRUMENTS (CONTINUED)

(1) Preference shares (continued)

(b) The key terms (continued)

(ii) Domestic Preference Shares (continued)

Compulsory conversion of preference shares (continued)

The Bank classifies preference shares issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the above preference shares, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(c) Changes in preference shares outstanding

Financial instrument outstanding	1 January 2019 Amount (million shares)	1 January 2019 Carrying value	Increase/(Decrease) Amount (million shares)	Increase/(Decrease) Carrying value	31 December 2019 Amount (million shares)	31 December 2019 Carrying value
2015 Offshore Preference Shares	152.5	19,659	–	–	152.5	19,659
2017 Domestic Preference Shares	600	59,977	–	–	600	59,977
Total	752.5	79,636	–	–	752.5	79,636

(2) Perpetual bonds

(a) Perpetual bonds outstanding at the end of the year

Financial instrument outstanding	Issuance date	Classification	Initial interest rate	Issuance price	Quantity (million pieces)	Currency	Total Amount	Maturity date	Redemption/ write-down conditions
Undated Additional Tier 1 Capital Bonds	13 November 2019	Equity instruments	4.22%	100 per unit	400	RMB	40,000	No maturity date	None
Less: Issuance fee							(9)		
Carrying amount							39,991		

(b) The key terms

Distribution rate and distribution payment

The distribution rate of the Undated Additional Tier 1 Capital Bonds (or "the Bonds") will be adjusted at defined intervals, with a distribution rate adjustment period every 5 years since the payment settlement date. In any distribution rate adjusted period, the distribution payments on the Bonds will be made at a prescribed fixed distribution rate. The distribution rate is determined by a benchmark rate plus a fixed spread.

The Bank shall have the right to cancel, in whole or in part, distributions on the Bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the holders of the Bonds. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. In the case of cancelling any distributions on the Bonds, no matter in whole or in part, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the distribution payments in whole to the holders of the Bonds. The distributions on the Bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the holders of the Bonds in the applicable period will not accumulate or compound to the subsequent distribution period thereafter.

The distributions of the Bonds will be payable annually.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

48 OTHER EQUITY INSTRUMENTS (CONTINUED)

(2) Perpetual bonds (continued)

(b) The key terms (continued)

Conditional redemption rights of the Bank

From the fifth anniversary since the issuance of the Bonds, the Bank may redeem whole or part of the Bonds on each distribution payment date (including the fifth distribution payment date since the issuance). If, after the issuance, the Bonds no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Bank may redeem the whole but not part of the Bonds.

The exercise of the Bank's redemption right shall be subject to the consent of the CBIRC and the satisfaction of the following preconditions: (i)the Bank shall use capital instruments of the same or better quality to replace the instruments to be redeemed, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (ii)or the capital position of the Bank after the redemption right is exercised will remain well above the regulatory capital requirements stipulated by the CBIRC.

Write-down/write-off clauses

Upon the occurrence of an Additional Tier 1 Capital Trigger Event, namely, the Bank's Core Tier 1 Capital Adequacy Ratio having fallen to 5.125% (or below), the Bank has the right, subject to the approval of the CBIRC but without the need for the consent of the holders of the Bonds, to write down whole or part of the aggregate amount of the Bonds then issued and outstanding, in order to restore the Core Tier 1 Capital Adequacy Ratio to above 5.125%. In the case of a partial write-down, all of the Bonds then issued and outstanding shall be written down on a pro rata basis, according to the outstanding amount, with all other Additional Tier 1 Capital instruments with equivalent write-down clauses of the Bank.

Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank has the right to write off in whole, without the need for the consent of the holders of the Bonds, the aggregate amount of the Bonds then issued and outstanding. A Tier 2 Capital Trigger Event refers to the earlier of the following events: (i)the CBIRC having decided that the Bank would become non-viable without a write-off; (ii)any relevant authority having decided that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable. Upon write-off of the bonds, such bonds are to be permanently cancelled and will not be restored under any circumstances.

Subordination

The claims in respect of the Bonds will be subordinated to the claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Bonds; 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 Bonds.

The Bank classifies the Bonds issued as an equity instrument and presented as an equity item on the statement of financial position. Capital raised from the issuance of the Bonds, after deduction of the expenses relating to the issuance, was wholly used to replenish the Bank's additional tier 1 capital and to increase its capital adequacy ratios.

(c) Changes in perpetual bonds outstanding

Financial instrument outstanding	1 January 2019 Amount (million pieces)	1 January 2019 Carrying value	Increase/(Decrease) Amount (million pieces)	Increase/(Decrease) Carrying value	31 December 2019 Amount (million pieces)	31 December 2019 Carrying value
Undated Additional Tier 1 Capital Bonds	–	–	400	39,991	400	39,991
Total	–	–	400	39,991	400	39,991

(3) Interests attributable to the holders of equity instruments

Items		31 December 2019	31 December 2018
1.	Total equity attributable to equity holders of the Bank	2,216,257	1,976,463
	(1) Equity attributable to ordinary equity holders of the Bank	2,096,630	1,896,827
	(2) Equity attributable to other equity holders of the Bank	119,627	79,636
	Of which: net profit	3,962	3,936
	dividends received	3,962	3,936
2.	Total equity attributable to non-controlling interests	18,870	15,131
	(1) Equity attributable to non-controlling interests of ordinary shares	15,417	11,678
	(2) Equity attributable to non-controlling interests of other equity instruments	3,453	3,453

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

49 CAPITAL RESERVE

	31 December 2019	31 December 2018
Share premium	134,537	134,537

50 OTHER COMPREHENSIVE INCOME

	Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
				2019				
	1 January 2019	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2019	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1) Other comprehensive income that will not be reclassified to profit or loss								
Remeasurements of post-employment benefit obligations	(406)	199	(207)	199	–	–	199	–
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	599	444	1,043	592	–	(148)	444	–
Others	521	59	580	59	–	–	59	–
(2) Other comprehensive income that may be reclassified subsequently to profit or loss								
Fair value changes of debt instruments measured at fair value through other comprehensive income	17,165	8,809	25,974	11,893	(234)	(2,829)	8,809	21
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	2,277	1,624	3,901	2,171	–	(547)	1,624	–
Net gains/(losses) on cash flow hedges	53	(292)	(239)	(292)	–	–	(292)	–
Exchange difference on translating foreign operations	(1,758)	2,692	934	2,682	–	–	2,692	(10)
Total	18,451	13,535	31,986	17,304	(234)	(3,524)	13,535	11

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

50 OTHER COMPREHENSIVE INCOME (CONTINUED)

		Other comprehensive income of the statement of financial position			Other comprehensive income of the statement of comprehensive income				
					2018				
		1 January 2018	Net-of-tax amount attributable to equity shareholders of the Bank	31 December 2018	The amount before income taxes	Less: Reclassification adjustments included in profit or loss due to disposals	Less: Income taxes	Net-of-tax amount attributable to equity shareholders of the Bank	Net-of-tax amount attributable to non-controlling interests
(1)	Other comprehensive income that will not be reclassified to profit or loss								
	Remeasurements of post-employment benefit obligations	(110)	(296)	(406)	(296)	–	–	(296)	–
	Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	479	120	599	160	–	(40)	120	–
	Others	478	43	521	43	–	–	43	–
(2)	Other comprehensive income that may be reclassified subsequently to profit or loss								
	Fair value changes of debt instruments measured at fair value through other comprehensive income	(18,420)	35,585	17,165	47,816	(199)	(11,879)	35,585	153
	Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	1,976	301	2,277	404	–	(101)	301	2
	Net gains/(losses) on cash flow hedges	320	(267)	53	(267)	–	–	(267)	–
	Exchange difference on translating foreign operations	(4,322)	2,564	(1,758)	2,573	–	–	2,564	9
	Total	(19,599)	38,050	18,451	50,433	(199)	(12,020)	38,050	164

51 SURPLUS RESERVE

Surplus reserves consist of statutory surplus reserve fund and discretionary surplus reserve fund.

The Bank is required to allocate 10% of its net profit, as determined under the Accounting Standards for Business Enterprises and other relevant requirements issued by the MOF on 15 February 2006. After making appropriations to the statutory surplus reserve fund, the Bank may also allocate its net profit to the discretionary surplus reserve fund upon approval by shareholders in Annual General Meetings.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

52 GENERAL RESERVE

The general reserve of the Group is set up based upon the requirements of:

	Note	31 December 2019	31 December 2018
MOF	(1)	305,825	272,001
Hong Kong Banking Ordinance	(2)	2,124	2,124
Other regulatory bodies in Mainland China	(3)	5,753	4,908
Other overseas regulatory bodies		687	692
Total		314,389	279,725

(1) Pursuant to relevant regulations issued by the MOF, the Bank has to appropriate a certain amount of its net profit as general reserve to cover potential losses against its assets. In accordance with the "Regulation on Management of Financial Institutions for Reserves" (Cai Jin [2012] No. 20) issued by the MOF on 30 March 2012, the general reserve balance for financial institutions should not be lower than 1.5% of the ending balance of gross risk-bearing assets.

(2) Pursuant to the requirements of the Hong Kong Banking Ordinance, the Group's banking operations in Hong Kong are required to set aside amounts in a regulatory reserve in respect of losses which it will, or may, incur on loans and advances to customers, in addition to impairment losses recognised in accordance with the accounting policies of the Group. Transfers to and from the regulatory reserve are made through retained earnings.

(3) Pursuant to the relevant regulatory requirements in Mainland China, the Bank's subsidiaries are required to appropriate a certain amount of its net profit as general reserve.

53 PROFIT DISTRIBUTION

In the Annual General Meeting held on 21 June 2019, the shareholders approved the profit distribution for the year ended 31 December 2018. The Bank appropriated cash dividend for the year ended 31 December 2018 in an aggregate amount of RMB76,503 million.

In the Board of Directors' Meeting, held on 30 October 2019, the directors approved the payment of dividends to offshore preference shareholders and domestic preference shareholders. The dividends for the offshore preference shares distributed were US$157,583,333.33 (including taxes), calculated using the initial dividend rate of 4.65% (after taxes) as set in the terms and conditions, including US$141,825,000 actually paid to offshore preference shareholders after the deduction of US$15,758,333.33 of withholding income tax and the dividends equaled RMB1,112 million. The dividends for domestic preference shares distributed were RMB2,850 million, calculated using the nominal dividend rate of 4.75% (including taxes) as set in the terms and conditions.

On 27 March 2020, Board of Directors proposed the following profit distribution scheme for the year ended 31 December 2019:

(1) Appropriate statutory surplus reserve amounted to RMB25,947 million, based on 10% of the net profit of the Bank amounted to RMB259,466 million for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB24,618 million). It has been recorded in "Surplus reserve" as at the balance sheet date.

(2) Appropriate general reserve amounted to RMB33,824 million, pursuant to relevant regulations issued by MOF (for the year ended 31 December 2018: RMB17,897 million).

(3) Declare cash dividend RMB0.320 per share before tax and in aggregation amount of RMB80,004 million to all shareholders (for the year ended 31 December 2018: RMB0.306 per share and RMB76,503 million in aggregation). Proposed dividends as at the balance sheet date are not recognised as a liability.

Above proposed profit distribution scheme is subject to the approval of the shareholders in the Annual General Meeting. Cash dividends will be distributed to all shareholders registered at the relevant date upon approval.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

54 NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents

	31 December 2019	31 December 2018
Cash	**60,791**	65,215
Surplus deposit reserves with central banks	**398,676**	389,425
Demand deposits with banks and non-bank financial institutions	**91,819**	60,531
Time deposits with banks and non-bank financial institutions with original maturity with or within three months	**281,348**	211,186
Placements with banks and non-bank financial institutions with original maturity with or within three months	**219,706**	134,345
Total	**1,052,340**	860,702

55 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.

Securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2019, the carrying value of debt securities lent to counterparties was RMB5,291 million (as at 31 December 2018: nil).

Credit asset securitisation transactions

The Group enters into securitisation transactions in its normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors. The Group may retain interests in the form of holding subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement.

As at 31 December 2019, loans with an original carrying amount of RMB608,956 million (as at 31 December 2018: RMB447,278 million) have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets. As at 31 December 2019, the carrying amount of assets that the Group continued to recognise was RMB66,306 million (as at 31 December 2018: RMB49,017 million). As at 31 December 2019, the carrying amount of continuing involvement assets and liabilities that the Group continued to recognise was RMB66,507 million (as at 31 December 2018: RMB47,515 million).

As at 31 December 2019, the carrying amount of asset-backed securities held in the securitisation transaction derecognised by the Group was RMB292 million (as at 31 December 2018: RMB187 million), and its maximum loss exposure approximates to the carrying amount.

56 OPERATING SEGMENTS

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

56 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc. and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

– "Yangtze River Delta" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;

– "Pearl River Delta" refers to the following areas where the tier-1 branches of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;

– "Bohai Rim" refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;

– the "Central" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;

– the "Western" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and

– the "Northeastern" region refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	Twelve months ended 31 December 2019								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	58,955	56,235	41,545	64,405	56,390	10,442	210,156	12,552	510,680
Internal net interest income/(expense)	19,231	16,158	36,168	26,827	25,367	13,445	(136,338)	(858)	–
Net interest income	78,186	72,393	77,713	91,232	81,757	23,887	73,818	11,694	510,680
Net fee and commission income	15,962	23,057	18,340	16,666	11,305	4,180	45,079	2,695	137,284
Net trading gain	97	202	180	188	111	6	8,319	17	9,120
Dividend income	77	5	138	30	11	–	74	849	1,184
Net gain/(loss) arising from investment securities	4,022	(255)	(26)	331	(416)	326	4,294	817	9,093
Net gain/(loss) on derecognition of financial assets measured at amortised cost	2	–	205	(1)	–	–	2,785	368	3,359
Other operating (expense)/income, net	(1,177)	545	1,199	423	1,179	301	209	4,602	7,281
Operating income	97,169	95,947	97,749	108,869	93,947	28,700	134,578	21,042	678,001
Operating expenses	(28,961)	(24,439)	(29,414)	(34,827)	(30,911)	(12,046)	(14,972)	(12,562)	(188,132)
Credit impairment losses	(15,250)	(17,040)	(34,529)	(34,405)	(28,665)	(8,122)	(22,166)	(2,823)	(163,000)
Other impairment losses	(31)	(29)	(250)	(28)	49	(27)	(169)	(36)	(521)
Share of profits of associates and joint ventures	–	–	8	225	–	–	–	16	249
Profit before tax	52,927	54,439	33,564	39,834	34,420	8,505	97,271	5,637	326,597
Capital expenditure	2,345	1,665	2,970	3,375	2,670	1,026	3,065	4,767	21,883
Depreciation and amortisation	3,516	3,066	3,802	4,489	3,756	1,739	2,044	1,515	23,927
	31 December 2019								
Segment assets	4,749,944	3,767,856	5,570,438	4,480,717	3,670,832	1,286,929	9,745,744	1,722,267	34,994,727
Long-term equity investments	1	–	3,764	6,971	–	–	–	617	11,353
	4,749,945	3,767,856	5,574,202	4,487,688	3,670,832	1,286,929	9,745,744	1,722,884	35,006,080
Deferred tax assets									72,314
Elimination									(9,642,133)
Total assets									25,436,261
Segment liabilities	4,738,703	3,754,627	5,473,747	4,488,214	3,678,278	1,290,772	7,817,032	1,601,437	32,842,810
Deferred tax liabilities									457
Elimination									(9,642,133)
Total liabilities									23,201,134
Off-balance sheet credit commitments	546,411	506,947	640,521	557,471	407,151	149,396	–	277,910	3,085,807

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(1) Geographical segments (continued)

	Twelve months ended 31 December 2018								
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	Total
External net interest income	56,645	52,140	41,781	59,244	56,944	14,066	188,612	16,846	486,278
Internal net interest income/(expense)	19,917	15,545	32,295	26,350	24,542	10,289	(123,248)	(5,690)	–
Net interest income	76,562	67,685	74,076	85,594	81,486	24,355	65,364	11,156	486,278
Net fee and commission income	16,983	17,338	17,995	15,775	10,535	4,178	36,987	3,244	123,035
Net trading gain/(loss)	369	608	408	336	257	58	11,250	(672)	12,614
Dividend income	112	7	1	52	10	–	60	531	773
Net (loss)/gain arising from investment securities	(1,367)	(571)	(504)	29	(103)	(37)	4,157	1,840	3,444
Net gain/(loss) on derecognition of financial assets measured at amortised cost	13	–	–	1	–	–	(2,391)	136	(2,241)
Other operating (expense)/income, net	(410)	574	2,138	516	2,245	107	(17)	4,716	9,869
Operating income	92,262	85,641	94,114	102,303	94,430	28,661	115,410	20,951	633,772
Operating expenses	(27,709)	(22,399)	(26,989)	(30,949)	(29,138)	(11,302)	(18,254)	(8,024)	(174,764)
Credit impairment losses	(14,827)	(14,405)	(33,748)	(30,532)	(22,652)	(16,569)	(16,110)	(2,266)	(151,109)
Other impairment losses	28	41	(232)	(118)	(9)	(8)	526	(107)	121
Share of profits/(losses) of associates and joint ventures	–	–	1	427	–	–	–	(288)	140
Profit before tax	49,754	48,878	33,146	41,131	42,631	782	81,572	10,266	308,160
Capital expenditure	1,530	1,874	3,917	2,987	2,240	1,261	2,112	2,944	18,865
Depreciation and amortisation	2,594	1,819	2,583	3,536	2,837	1,495	2,522	488	17,874
	31 December 2018								
Segment assets	4,552,907	3,568,920	5,294,858	4,200,214	3,448,750	1,179,534	9,090,812	1,693,490	33,029,485
Long-term equity investments	1	–	6	6,966	–	–	–	1,029	8,002
	4,552,908	3,568,920	5,294,864	4,207,180	3,448,750	1,179,534	9,090,812	1,694,519	33,037,487
Deferred tax assets									58,730
Elimination									(9,873,524)
Total assets									23,222,693
Segment liabilities	4,545,367	3,572,390	5,280,416	4,208,014	3,453,631	1,189,598	7,280,378	1,574,344	31,104,138
Deferred tax liabilities									485
Elimination									(9,873,524)
Total liabilities									21,231,099
Off-balance sheet credit commitments	512,137	461,552	653,558	495,996	378,075	143,531	100	203,775	2,848,724

56 OPERATING SEGMENTS (CONTINUED)

(2) Business segments

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	Twelve months ended 31 December 2019				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	183,972	121,597	183,827	21,284	510,680
Internal net interest income/(expense)	51,169	63,416	(107,464)	(7,121)	–
Net interest income	235,141	185,013	76,363	14,163	510,680
Net fee and commission income	32,376	82,698	14,628	7,582	137,284
Net trading (loss)/gain	(398)	(42)	3,712	5,848	9,120
Dividend income	–	–	2	1,182	1,184
Net (loss)/gain arising from investment securities	(2,835)	(2,921)	12,119	2,730	9,093
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(13)	2,665	132	575	3,359
Other operating income, net	36	594	2,365	4,286	7,281
Operating income	264,307	268,007	109,321	36,366	678,001
Operating expenses	(68,178)	(91,230)	(12,045)	(16,679)	(188,132)
Credit impairment losses	(123,164)	(28,135)	(5,506)	(6,195)	(163,000)
Other impairment losses	(271)	–	(77)	(173)	(521)
Share of profits of associates and joint ventures	–	–	–	249	249
Profit before tax	72,694	148,642	91,693	13,568	326,597
Capital expenditure	5,888	8,890	945	6,160	21,883
Depreciation and amortisation	8,097	12,225	1,300	2,305	23,927
	31 December 2019				
Segment assets	8,132,225	6,658,229	9,070,449	1,739,892	25,600,795
Long-term equity investments	–	–	–	11,353	11,353
	8,132,225	6,658,229	9,070,449	1,751,245	25,612,148
Deferred tax assets					72,314
Elimination					(248,201)
Total assets					25,436,261
Segment liabilities	10,629,081	9,174,974	1,414,808	2,230,015	23,448,878
Deferred tax liabilities					457
Elimination					(248,201)
Total liabilities					23,201,134
Off-balance sheet credit commitments	1,789,423	1,018,474	–	277,910	3,085,807

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

56 OPERATING SEGMENTS (CONTINUED)

(2) Business segments (continued)

	Twelve months ended 31 December 2018				
	Corporate banking	Personal banking	Treasury business	Others	Total
External net interest income	171,838	123,046	170,952	20,442	486,278
Internal net interest income/(expense)	65,135	59,385	(116,334)	(8,186)	–
Net interest income	236,973	182,431	54,618	12,256	486,278
Net fee and commission income	28,713	72,303	12,251	9,768	123,035
Net trading (loss)/gain	(285)	(91)	4,652	8,338	12,614
Dividend income	–	–	–	773	773
Net (loss)/gain arising from investment securities	(3,929)	(4,373)	15,220	(3,474)	3,444
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(2,691)	184	116	150	(2,241)
Other operating income, net	13	619	8,511	726	9,869
Operating income	258,794	251,073	95,368	28,537	633,772
Operating expenses	(64,005)	(85,083)	(11,014)	(14,662)	(174,764)
Credit impairment losses	(120,448)	(26,256)	(269)	(4,136)	(151,109)
Other impairment losses	(173)	–	650	(356)	121
Share of profits of associates and joint ventures	–	–	–	140	140
Profit before tax	74,168	139,734	84,735	9,523	308,160
Capital expenditure	5,616	8,076	955	4,218	18,865
Depreciation and amortisation	6,535	9,399	1,111	829	17,874
	31 December 2018				
Segment assets	7,555,369	6,043,043	8,252,601	1,526,264	23,377,277
Long-term equity investments	–	–	–	8,002	8,002
	7,555,369	6,043,043	8,252,601	1,534,266	23,385,279
Deferred tax assets					58,730
Elimination					(221,316)
Total assets					23,222,693
Segment liabilities	10,098,929	8,256,278	1,058,771	2,037,952	21,451,930
Deferred tax liabilities					485
Elimination					(221,316)
Total liabilities					21,231,099
Off-balance sheet credit commitments	1,771,513	873,436	–	203,775	2,848,724

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

57 ENTRUSTED LENDING BUSINESS

As at the end of the reporting period, the entrusted loans and funds were as follows:

	31 December 2019	31 December 2018
Entrusted loans	3,219,935	2,922,226
Entrusted funds	3,219,935	2,922,226

58 PLEDGED ASSETS

(1) Assets pledged as security

The Group's collaterals for liabilities or contingent liabilities include financial assets such as securities and bills, which mainly serve as collaterals for repurchase agreements, derivative contracts and local statutory requirements. As at 31 December 2019, the carrying values of the Group's and the Bank's financial assets pledged as collaterals amounted to around RMB923,623 million.

(2) Collateral accepted as security for assets

As part of the resale 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 RMB8,589 million on such terms (31 December 2018: Nil).

59 COMMITMENTS AND CONTINGENT LIABILITIES

(1) Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loan commitments and credit card overdraft commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the contractual amounts set out in the following table do not represent the expected future cash outflows.

	31 December 2019	31 December 2018
Loan commitments		
– with an original maturity within one year	94,491	150,257
– with an original maturity of one year or over	373,227	306,838
Credit card commitments	1,063,718	923,508
	1,531,436	1,380,603
Bank acceptances	207,578	230,756
Financing guarantees	61,876	51,422
Non-financing guarantees	1,125,462	1,006,748
Sight letters of credit	36,629	34,159
Usance letters of credit	119,211	130,195
Others	3,615	14,841
Total	3,085,807	2,848,724

(2) Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBIRC and depends on the status of the counterparty and the maturity characteristics.

	31 December 2019	31 December 2018
Credit risk-weighted amount of contingent liabilities and commitments	1,050,190	985,503

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

59 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(3) Capital commitments

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

	31 December 2019	31 December 2018
Contracted for	20,077	11,792

(4) Underwriting obligations

As at 31 December 2019, the unexpired underwriting commitment of the Group were RMB60 million (as at 31 December 2018: nil).

(5) Government bond redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2019, were RMB86,794 million (as at 31 December 2018: RMB81,331 million).

(6) Outstanding litigations and disputes

As at 31 December 2019, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB9,593 million (as at 31 December 2018: RMB9,070 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels (Note 44). The Group considers that the provisions made are reasonable and adequate.

(7) Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies.

(8) Impact of the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions*

The Group is currently making arrangements for implementing remediation in accordance with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* which was jointly issued by the PBOC and three other ministries. The Group will duly implement relevant policies and regulatory requirements, assess and disclose relevant impact on a timely basis.

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Transactions with parent companies and their affiliates

The parent companies of the Group are CIC and Huijin.

As approved by the State Council, CIC was established on 29 September 2007 with registered capital of RMB1,550,000 million. As a wholly-owned subsidiary of CIC, Huijin exercises its rights and obligations as an investor on behalf of the PRC government.

Huijin was incorporated on 16 December 2003 as a wholly-state-owned investment company. It was registered in Beijing with registered capital of RMB828,209 million. Its principal activities are equity investments as authorised by the State Council, without engaging in other commercial operations. As at 31 December 2019, Huijin directly held 57.11% of shares of the Bank.

The related companies under parent companies include the subsidiaries under parent companies and other associates and joint ventures.

The Group's transactions with parent companies and their affiliates mainly include deposit taking, entrusted asset management, operating leases, lending, purchase and sale of debt securities, money market transactions and inter-bank clearing. These transactions are priced based on market prices and conducted under normal commercial terms.

The Group has issued subordinated debts with a nominal value of RMB81,720 million (as at 31 December 2018: RMB145,236 million). These are bearer bonds and tradable in the secondary market. The Group has no information in respect of the amount of the bonds held by the affiliates of parent companies as at the end of the reporting period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(a) Transactions with parent companies

In the ordinary course of the business, material transactions that the Group entered into with parent companies are as follows:

Amounts

	2019		2018	
	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income	1,887	0.21%	1,980	0.24%
Interest expense	209	0.06%	95	0.03%
Net trading gain	11	0.12%	–	–

Balances outstanding as at the end of the reporting period

	31 December 2019		31 December 2018	
	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Loans and advances to customers	22,000	0.15%	28,000	0.21%
Financial investments				
Financial assets measured at fair value through profit or loss	426	0.06%	–	–
Financial assets measured at amortised cost	13,090	0.35%	8,097	0.25%
Financial assets measured at fair value through other comprehensive income	17,278	0.96%	11,563	0.68%
Deposits from banks and non-bank financial institutions	25	0.00%	1,627	0.11%
Deposits from customers	1,379	0.01%	3,675	0.02%
Credit commitments	288	0.01%	288	0.01%

(b) Transactions with the affiliates of parent companies

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

In the ordinary course of the business, material transactions that the Group entered into with the affiliates of parent companies are as follows:

Amounts

		2019		2018	
	Note	Amount	Ratio to similar transactions	Amount	Ratio to similar transactions
Interest income		20,659	2.34%	22,526	2.78%
Interest expense		4,099	1.10%	4,748	1.46%
Fee and commission income		196	0.13%	171	0.12%
Fee and commission expense		276	1.54%	208	1.39%
Net trading gain		857	9.40%	–	–
Net gain arising from investment securities		1,770	19.47%	–	–
Operating expenses	(i)	847	0.47%	884	0.53%

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(1) Transactions with parent companies and their affiliates (continued)

(b) Transactions with the affiliates of parent companies (continued)

Balances outstanding as at the end of the reporting period

		31 December 2019		31 December 2018	
	Note	Balance	Ratio to similar transactions	Balance	Ratio to similar transactions
Deposits with banks and non-bank financial institutions		47,017	11.20%	40,591	8.34%
Placements with banks and non-bank financial institutions		172,472	32.47%	96,352	27.55%
Positive fair value of derivatives		4,387	12.66%	4,811	9.51%
Financial assets held under resale agreements		34,246	6.14%	10,110	5.01%
Loans and advances to customers		86,960	0.60%	68,382	0.51%
Financial investments					
Financial assets measured at fair value through profit or loss		70,184	10.39%	17,067	2.33%
Financial assets measured at amortised cost		262,925	7.03%	294,975	9.01%
Financial assets measured at fair value through other comprehensive income		198,140	11.02%	229,510	13.41%
Other assets	(ii)	204	0.10%	211	0.16%
Deposits from banks and non-bank financial institutions	(iii)	94,204	5.63%	60,518	4.24%
Placements from banks and non-bank financial institutions		141,708	27.17%	117,661	28.00%
Financial liabilities measured at fair value through profit or loss		81	0.03%	–	–
Negative fair value of derivatives		4,666	13.81%	6,961	14.35%
Financial assets sold under repurchase agreements		5,172	4.51%	1,486	4.83%
Deposits from customers		46,787	0.25%	18,633	0.11%
Other liabilities		9,135	2.20%	4,467	1.59%
Credit commitments		27,156	0.88%	8,443	0.29%

(i) Operating expenses mainly represent fees for related services provided by parent companies and its affiliates.

(ii) Other assets mainly represent other receivables from the affiliates of parent companies.

(iii) Deposits from the affiliates of parent companies are unsecured and are repayable under normal commercial terms.

(2) Transactions with associates and joint ventures of the Group

Transactions between the Group and its associates and joint ventures are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions conducted between the Group and non-related companies outside the Group. In the ordinary course of the business, material transactions that the Group entered into with associates and joint ventures are as follows:

Amounts

	2019	2018
Interest income	101	399
Interest expense	13	322
Fee and commission income	366	197
Fee and commission expense	4	–
Net gain/(loss) arising from investment securities	(168)	–
Operating expenses	100	239

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(2) Transactions with associates and joint ventures of the Group (continued)

Balances outstanding as at the end of the reporting period

	31 December 2019	31 December 2018
Loans and advances to customers	3,474	8,634
Other assets	20	16
Financial liabilities measured at fair value through profit or loss	67	–
Negative fair value of derivatives	–	35
Deposits from customers	2,895	1,669
Other liabilities	743	419
Credit commitments	260	10

(3) Transactions between the Bank and its subsidiaries

Transactions between the Bank and its subsidiaries are conducted in the normal and ordinary course of the business and under normal commercial terms as those transactions are conducted between the Group and non-related companies outside the Group. All the inter-group transactions and inter-group balances are eliminated when preparing the consolidated financial statements as mentioned in Note 4(1)(b).

In the ordinary course of the business, material transactions that the Bank entered into with its subsidiaries are as follows:

Amounts

	2019	2018
Interest income	1,578	1,002
Interest expense	1,138	739
Fee and commission income	2,197	1,769
Fee and commission expense	1,155	575
Dividend income	323	311
Other operating expense, net	(209)	(192)
Operating expenses	4,807	990

Balances outstanding as at the end of the reporting period

	31 December 2019	31 December 2018
Deposits with banks and non-bank financial institutions	785	3,640
Placements with banks and non-bank financial institutions	109,493	77,992
Positive fair value of derivatives	137	327
Financial assets held under resale agreements	–	2,130
Loans and advances to customers	3,490	10,918
Financial investments		
Financial assets measured at fair value through profit or loss	697	–
Financial assets measured at amortised cost	1,062	2,127
Financial assets measured at fair value through other comprehensive income	13,210	10,336
Other assets	39,227	39,105

	31 December 2019	31 December 2018
Deposits from banks and non-bank financial institutions	22,675	6,688
Placements from banks and non-bank financial institutions	27,685	38,999
Financial liabilities measured at fair value through profit or loss	71	45
Negative fair value of derivatives	383	344
Financial assets sold under repurchase agreements	700	1,334
Deposits from customers	12,652	7,233
Debt securities issued	–	824
Other liabilities	2,328	281

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(3) Transactions between the Bank and its subsidiaries (continued)

As at 31 December 2019, the total maximum guarantee limit of guarantee letters issued by the Bank with its subsidiaries as beneficiary was RMB23,552 million (as at 31 December 2018: RMB38,733 million).

As at 31 December 2019, the transactions between subsidiaries of the Group were mainly debt securities issued and deposits with banks and non-bank financial institutions, and the balances of the above transactions were RMB1,702 million and RMB1,691 million respectively (as at 31 December 2018, the transactions between subsidiaries of the Group were deposits with banks and non-bank financial institutions and deposits from banks and non-bank financial institutions, and the balances of the above transactions were RMB2,509 million and RMB2,509 million respectively).

(4) Transactions with other PRC state-owned entities

State-owned entities refer to those entities directly or indirectly owned by the PRC government through its government authorities, agencies, affiliations and other organisations. Transactions with other state-owned entities include but are not limited to: lending and deposit taking; taking and placing of inter-bank balances; entrusted lending and other custody services; insurance and securities agency, and other intermediary services; purchase, sale, underwriting and redemption of bonds issued by other state-owned entities; purchase, sale and leases of property and other assets; and rendering and receiving of utilities and other services.

These transactions are conducted in the ordinary course of the Group's banking business on terms similar to those that would have been entered into with non-state-owned entities. The Group's pricing strategy and approval processes for major products and services, such as loans, deposits and commission income, do not depend on whether the customers are state-owned entities or not. Having due regard to the substance of the relationships, the Group is of the opinion that none of these transactions are material related party transactions that require separate disclosure.

(5) Transactions with the Annuity Scheme and Plan Assets

Apart from the obligations for defined contributions to the Annuity Scheme and regular banking transactions, there were no other transactions between the Group and the Annuity Scheme in 2019 and 2018.

As at 31 December 2019, the Group's supplementary retirement benefit plan assets of RMB3,670 million (as at 31 December 2018: RMB3,760 million) were managed by CCB Principal and management fees payable to CCB Principal were RMB19.52 million (as at 31 December 2018: RMB15.63 million).

(6) Key management personnel

Key management personnel are those persons having authorities and responsibilities for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and senior executives. The Group enters into banking transactions with key management personnel in the normal course of business. For the year ended 31 December 2019 and 2018, there were no material transactions and balances with key management personnel.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel (continued)

The compensation of directors and supervisors is disclosed in Note 16. The senior executives' annual compensation before individual income tax during the year is as follows:

	2019			
	Remuneration paid RMB'000	Contributions to defined contribution retirement schemes RMB'000	Other benefits in kind (Note (i)) RMB'000	Total (Note (ii)) RMB'000
Executive Vice President				
Huang Yi	521	50	115	686
Ji Zhihong	304	27	64	395
Chief Financial Officer				
Xu Yiming	788	46	159	993
Chief Risk Officer				
Jin Yanmin	460	27	91	578
Secretary to the Board				
Hu Changmiao	460	27	89	576
Former Executive Vice President				
Zhang Lilin	333	33	72	438
Liao Lin	463	46	138	647
Former Secretary to the Board				
Huang Zhiling	329	23	62	414
	3,658	279	790	4,727

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

60 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(6) Key management personnel (continued)

	2018			
	Accrued cost (Allowances) RMB'000	Social insurance, corporate annuity, supplementary medical insurance and housing fund paid by the Bank RMB'000	Other monetary income RMB'000	Total RMB'000
Executive Vice President				
Huang Yi	713	162	-	875
Zhang Lilin	713	145	-	858
Executive Vice President and Chief Risk Officer				
Liao Lin	1,608	204	-	1,812
Chief Financial Officer				
Xu Yiming	2,246	204	-	2,450
Secretary to the Board				
Huang Zhiling	1,872	169	-	2,041
Former Executive Vice President				
Yu Jingbo	297	60	-	357
Former Secretary to the Board				
Chen Caihong	374	18	-	392
	7,823	962	-	8,785

(i) Other benefits in kind included the Bank's contributions to medical fund, housing fund and other social insurances, which are payable to labour and security authorities based on the lower of certain percentage of the salaries and allowance or the prescribed upper limits as required by the relevant regulations issued by the government authorities. Other benefits also included the Bank's contribution to its own corporate annuity plan (which was set up in accordance with the relevant policies issued by the government authorities) and supplementary medical insurance.

(ii) The total compensation package for these key management personnel for the year ended 31 December 2019 has not yet been finalised in accordance with regulations of the PRC relevant authorities. The amount of the compensation to be adjusted for is not expected to have significant impact on the Group's financial statements for the year ended 31 December 2019. The final compensation will be disclosed in a separate announcement when determined.

(iii) The total compensation package for certain key management personnel for the year ended 31 December 2018 had not been finalised in accordance with regulations of the PRC relevant authorities till the date that the 2018 financial statements were announced. The aforesaid total compensation package for the key management personnel for the year ended 31 December 2018 has been reviewed and approved by the Board meeting of the Bank and the shareholders' general meeting of the Bank.

(iv) From 2015 onwards, remuneration of the Bank's leaders administered by central authorities has been paid in accordance with relevant policies relating to the central remuneration reform.

(7) Loans, quasi-loans and other credit transactions to directors, supervisors and senior executives

The Group had no material balance of loans, quasi-loans and other credit transactions to directors, supervisors and senior executives as at the end of reporting period. Those loans, quasi-loans and other credit transactions to directors, supervisors and senior executives were conducted in the normal and ordinary course of the business and under normal commercial terms or on the same terms and conditions with those which are available to other employees, based on terms and conditions granted to third parties adjusted for risk reduction.

61 RISK MANAGEMENT

The Group has exposure to the following risks:

- credit risk
- market risk
- liquidity risk
- operational risk
- insurance risk

This note presents information about the Group's exposures to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management.

Risk management framework

The Board carries out the risk management responsibility pursuant to the Articles of Association of the Bank and other related regulatory requirements. The risk management committee under the Board is responsible for making risk management strategies, monitoring their implementation, and evaluating the overall risk profile on a regular basis. The Board reviews the statements of risk appetite regularly and communicates risk appetite through relevant policies. The board of supervisors oversees the building of the comprehensive risk management system, as well as the performance of the Board and the senior management in fulfilling their comprehensive risk management responsibilities. The senior management is responsible for carrying out the risk strategies adopted by the Board and organising the implementation of the comprehensive risk management activities across the Group.

Chief Risk Officer of the Bank assists the President with the corresponding risk management work within designated responsibilities. Risk management department is the leading management department responsible for the Group's comprehensive risk management, and the market risk management department, its subordinate department, is in charge of the management of market risks. Credit management department is the leading management department responsible for the overall credit risk management and country risk management. Asset & liability management department is the leading management department responsible for the management of liquidity risk and interest rate risk of the banking book. Internal control & compliance department is the leading management department responsible for operational risk and information technology risk management. Public relations & corporate culture department is in charge of reputational risk management. Strategy and policy coordination department is the leading management department responsible for strategic risk management. Other specialised departments are responsible for other respective risks.

The Bank places high priority on the risk management of subsidiaries, monitors their adherence to the risk appetite and conducts the overall risk assessment of subsidiaries on a regular basis. It established a centralised reporting mechanism for the risk management of subsidiaries, pushing subsidiaries to continuously improve their corporate governance. The subsidiaries implemented the risk management requirements of the parent bank through their corporate governance mechanisms, and established and improved their comprehensive risk management systems to enhance their compliance and risk management capabilities.

(1) Credit risk

Credit risk management

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group.

Credit business

The Risk Management Department takes the lead in the development and implementation of the credit risk measurement tools including customers rating and facilities grading. The Credit Management Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. The Special Assets Resolution Center is responsible for the special assets resolutions. The Credit Approval Department is responsible for the Group's comprehensive credit limits and credit approval of various credit businesses. While the Credit Management Department takes the lead, both the Credit Management Department and the Credit Approval Department will coordinate with the Corporate Banking Department, the Inclusive Finance Department, the Institutional Banking Department, the International Business Department, the Strategic Clients Department, the Housing Finance & Personal Lending Department, the Credit Card Center, and the Legal Affairs Department to implement the credit risk management policies and procedures.

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Credit risk management (continued)

Credit business (continued)

With respect to the credit risk management of corporate and institutional business, the Group has accelerated the adjustment of its credit portfolio structure, enhanced post-lending monitoring, and refined the industry-specific guideline and policy baseline for credit approval. Management also fine-tuned the credit acceptance and exit policies, and optimised its economic capital and credit risk limit management. All these policies have been implemented to improve the overall asset quality. The Group manages credit risk throughout the entire credit process including pre-lending evaluations, credit approval and post-lending monitoring. The Group performs pre-lending evaluations by assessing the entity's credit ratings based on internal rating criteria and assessing the risk and rewards with respect to the proposed project. Credit approvals are granted by designated Credit Approval Officers. The Group continually carries out post-lending monitoring, particularly those related to targeted industries, geographical segments, products and clients. Any adverse events that may significantly affect a borrower's repayment ability are reported timely and measures are implemented to prevent and control risks.

With respect to the personal credit business, the Group relies on credit assessment of applicants as the basis for loan approval. Customer relationship managers are required to assess the income, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and recommendations to the loan-approval departments for consent. The Group monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the recovery process according to standard recovery procedures.

To mitigate risks, the Group requests the customers to provide collateral and guarantees where appropriate. A refined management system and operating procedure for collateral have been developed, and there is a guideline to specify the suitability of accepting specific types of collateral. Collateral values, structures and legal covenants are regularly reviewed to ensure that they still serve their intended purposes and conform to market practices.

Treasury business

For risk management purposes, credit risk arising from debt securities and derivatives exposures is managed independently and information thereon is disclosed in Notes (1)(i) and (1)(j) below. The Group sets credit limits for treasury activities and monitors them regularly with reference to the fair values of the relevant financial instruments.

Measurement of expected credit losses (ECLs)

(A) Segmentation of financial instruments

The Group adopts a "three-stage" model for impairment based on changes in credit risk since initial recognition, to estimate the expected credit losses.

The key definition of the three stages are summarised below:

Stage 1: For financial instruments with no significant increase in credit risk after initial recognition, expected credit losses in the next 12 months are recognised.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, but with no objective evidence of impairment, lifetime expected credit losses are recognised.

Stage 3: For financial assets with objective evidence of impairment at the end of the reporting period, lifetime expected credit losses are recognised.

(B) Significant increase in credit risk (SICR)

The Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition on a quarterly basis. The Group sufficiently considers all reasonable and supportable information, including forward-looking information, which reflects the significant increase in credit risk. The major factors considered include regulatory and business environment, internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, asset price, market interest rate, repayment behaviours, etc. The Group compares the risk of defaulted financial instruments as at the reporting date with that as at the date of initial recognition of an individual financial instrument or a group of financial instruments that shares the similar credit risk characteristics. The key factors are as follows: (1) The significant increase in probability of default (PD), for example, in principle, the internal credit rating of corporate loans and advances is 15 or below, and the internal credit rating of debt securities has dropped by 2 or more notches. (2) Other factors which cause significant increase in credit risk. Usually, it should be regarded as a significant increase in credit risk if the overdue days exceed 30 days.

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Measurement of expected credit losses (ECLs) (continued)

(C) Definition of default and credit-impaired assets

The Group considers a financial instrument as default, when it is credit-impaired. Generally, overdue for more than 90 days on contractual payment terms is considered default.

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- Significant financial difficulty of the borrower or issuer;
- Breach of contract terms, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties;
- Purchase or originate a financial asset by a large margin discount which reflects the fact of credit-impairment's occurrence;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including adverse changes in the payment status of borrowers in the Group, an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the Group;
- Other objective evidence indicating there is an impairment of the financial asset.

The Group's definition of default has been consistently applied to the modelling process of PD, LGD and EAD during the ECL calculation.

(D) Measuring ECL – explanation of parameters, assumptions and estimation techniques

The ECL is recognised on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether a financial instrument is considered to be credit-impaired. Expected credit losses are the discounted product of the weighted average of PD, LGD, and EAD under the three scenarios of positive, neutral and negative, defined as follows:

PD represents after consideration of forward-looking information, the likelihood of a borrower defaulting on its financial obligation in the future. Please refer to the disclosure above in this note for the definition of default.

LGD represents after consideration of forward-looking information, the Group's expectation on the ratio of extent of loss resulting from the default exposure.

EAD is the total amount of risk exposure on and off-balance sheet at the time of default. The exposure is determined by the repayment plan according to different types of products.

The discount rate used in the ECL calculation is the effective interest rate.

Please refer to further disclosure in this note for forward-looking information which is incorporated in the calculation of expected credit losses.

The assumptions underlying the ECL calculation, such as how the maturity profile of the PDs and how the collateral values change, are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

Measurement of expected credit losses (ECLs) (continued)

(E) Forward-looking information incorporated in the ECL

The assessment of SICR and the calculation of ECLs both incorporate forward-looking information. The Group has performed historical data analysis and identified the key economic variables related to expected credit losses and made forward-looking adjustments, such as GDP, CPI, M2, PPI, RMB deposit reserve rate, London spot gold price, average exchange rate of US Dollar to RMB and so on. Taking GDP as an example, the predicted value in neutral scenario accords with the development goals issued by the Central People's Government, the predicted value in positive and negative scenarios will fluctuate up and down on the basis of the predicted value in neutral scenario. The forecasts of macroeconomic variables in the variable pool are provided periodically by the Group. The Group constructs empirical models to obtain the relationship between historical macroeconomic variables and PD and LGD, and the PD and LGD in a given future horizon are projected based on the forecasted macroeconomic variables.

The Group constructs empirical models to determine the weightings in positive, neutral and negative. For the years ended 31 December 2019 and 2018, the positive, neutral and negative scenarios are of comparable weighting. Following this assessment, the Group measures ECLs as a weighted average probability of ECLs in the next 12-month under the three scenarios for Stage 1 financial instruments; and a weighted average probability of lifetime ECLs for Stage 2 and 3 financial instruments.

(F) Grouping of financial instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. The Group uses credit rating, product types and client types, etc. for grouping to calculate the losses measured on a collective basis.

(a) Maximum credit risk exposure

The following table presents the maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement. In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting any impairment allowance.

	31 December 2019	31 December 2018
Deposits with central banks	**2,560,219**	2,567,648
Deposits with banks and non-bank financial institutions	**419,661**	486,949
Placements with banks and non-bank financial institutions	**531,146**	349,727
Positive fair value of derivatives	**34,641**	50,601
Financial assets held under resale agreements	**557,809**	201,845
Loans and advances to customers	**14,540,667**	13,365,430
Financial investments		
Financial assets measured at fair value through profit or loss	**496,653**	630,241
Financial assets measured at amortised cost	**3,740,296**	3,272,514
Financial assets measured at fair value through other comprehensive income	**1,791,553**	1,707,884
Other financial assets	**164,565**	123,629
Total	**24,837,210**	22,756,468
Off-balance sheet credit commitments	**3,085,807**	2,848,724
Maximum credit risk exposure	**27,923,017**	25,605,192

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(b) *Loans and advances to customers analysed by credit quality*

Within overdue but not credit impaired loans and advances and credit impaired loans and advances, the portions covered and not covered by collateral held are as follows:

	31 December 2019		
	Overdue but not credit impaired loans and advances		Credit impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	**1,305**	**14,249**	**66,611**
Portion not covered	**2,218**	**9,330**	**118,504**
Total	**3,523**	**23,579**	**185,115**

	31 December 2018		
	Overdue but not credit impaired loans and advances		Credit impaired loans and advances
	Corporate	Personal	Corporate
Portion covered	1,737	15,239	22,581
Portion not covered	1,482	10,757	150,459
Total	3,219	25,996	173,040

The above collateral includes land use rights, buildings and equipment, etc. The fair value of collateral was estimated by the Group with reference to the latest available external valuations adjusted after taking into account the current realisation experience as well as the market situation.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(c) Loans and advances to customers analysed by economic sector concentrations

	31 December 2019			31 December 2018		
	Gross loan balance	Percentage	Balance secured by collateral	Gross loan balance	Percentage	Balance secured by collateral
Corporate loans and advances						
– Transportation, storage and postal services	1,532,989	10.20%	520,042	1,435,520	10.42%	497,172
– Manufacturing	1,266,240	8.43%	319,672	1,260,179	9.14%	338,453
– Leasing and commercial services	1,137,429	7.57%	419,247	1,048,235	7.61%	367,530
– Production and supply of electric power, heat, gas and water	837,974	5.58%	198,857	840,381	6.10%	201,091
– Real estate	658,957	4.39%	345,101	630,192	4.57%	312,305
– Wholesale and retail trade	521,670	3.47%	245,607	426,948	3.10%	188,993
– Water, environment and public utility management	438,817	2.92%	215,848	409,137	2.97%	203,576
– Construction	337,375	2.25%	86,217	311,157	2.26%	75,368
– Mining	232,837	1.55%	18,925	254,241	1.84%	21,878
– Agriculture, forestry, farming, fishing	72,200	0.48%	16,092	67,256	0.49%	21,355
– Education	66,651	0.44%	14,397	66,476	0.48%	15,071
– Public management, social securities and social organisation	59,969	0.40%	4,770	70,578	0.51%	9,406
– Others	779,625	5.19%	186,851	658,166	4.77%	163,219
Total corporate loans and advances	7,942,733	52.87%	2,591,626	7,478,466	54.26%	2,415,417
Personal loans and advances	6,552,480	43.62%	5,515,937	5,957,545	43.22%	5,004,794
Discounted bills	492,693	3.28%	–	310,244	2.25%	–
Accrued interest	34,919	0.23%	–	36,798	0.27%	–
Total loans and advances to customers	15,022,825	100.00%	8,107,563	13,783,053	100.00%	7,420,211

Details of impaired loans, impairment allowances, charges, and amounts written off in respect of economic sectors which constitute 10% or more of the total gross loans and advances to customers are as follows:

	31 December 2019				2019	
		Allowances for expected credit losses				
	Stage 3 Gross loans	Stage 1	Stage 2	Stage 3	Charge for the year	Written off during the year
Transportation, storage and postal services	28,663	(28,436)	(11,075)	(20,105)	(25,268)	440

	31 December 2018				2018	
		Allowances for expected credit losses				
	Stage 3 Gross loans	Stage 1	Stage 2	Stage 3	Charge for the year	Written off during the year
Transportation,storage and postal services	16,500	(17,555)	(8,509)	(10,339)	(13,930)	545

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(d) Loans and advances to customers analysed by geographical sector concentrations

	31 December 2019			31 December 2018		
	Gross loan balance	**Percentage**	**Balance secured by collateral**	Gross loan balance	Percentage	Balance secured by collateral
Central	**2,684,077**	**17.87%**	**1,681,971**	2,418,013	17.54%	1,505,629
Yangtze River Delta	**2,584,684**	**17.21%**	**1,593,754**	2,386,931	17.31%	1,491,555
Bohai Rim	**2,527,254**	**16.82%**	**1,226,117**	2,292,606	16.63%	1,109,429
Western	**2,480,840**	**16.51%**	**1,430,658**	2,277,666	16.53%	1,299,688
Pearl River Delta	**2,320,984**	**15.45%**	**1,626,994**	2,085,684	15.13%	1,454,487
Northeastern	**738,388**	**4.92%**	**361,023**	712,310	5.17%	357,228
Head office	**747,741**	**4.98%**	**–**	685,733	4.98%	–
Overseas	**903,938**	**6.01%**	**187,046**	887,312	6.44%	202,195
Accrued interest	**34,919**	**0.23%**	**–**	36,798	0.27%	–
Gross loans and advances to customers	**15,022,825**	**100.00%**	**8,107,563**	13,783,053	100.00%	7,420,211

Details of Stage 3 loans and expected credit losses in respect of geographical sectors are as follows:

	31 December 2019			
	Stage 3 Gross	**Allowances for expected credit losses**		
	loan balance	**Stage 1**	**Stage 2**	**Stage 3**
Bohai Rim	**43,954**	**(40,048)**	**(19,612)**	**(29,160)**
Western	**40,008**	**(45,034)**	**(14,822)**	**(30,225)**
Central	**46,289**	**(45,490)**	**(15,072)**	**(31,019)**
Yangtze River Delta	**25,796**	**(43,980)**	**(18,604)**	**(17,829)**
Pearl River Delta	**24,914**	**(38,381)**	**(11,878)**	**(16,651)**
Northeastern	**20,384**	**(12,623)**	**(8,916)**	**(15,074)**
Head office	**8,185**	**(11,010)**	**(2,216)**	**(7,227)**
Overseas	**2,943**	**(3,461)**	**(1,760)**	**(2,066)**
Total	**212,473**	**(240,027)**	**(92,880)**	**(149,251)**

	31 December 2018			
	Stage 3 Gross	Allowances for expected credit losses		
	loans balance	Stage 1	Stage 2	Stage 3
Bohai Rim	42,331	(28,558)	(19,930)	(29,548)
Western	36,092	(31,323)	(15,091)	(24,688)
Central	34,087	(33,900)	(14,904)	(25,313)
Yangtze River Delta	26,234	(34,526)	(18,960)	(18,543)
Pearl River Delta	24,077	(29,859)	(10,630)	(14,627)
Northeastern	25,850	(9,996)	(11,195)	(19,095)
Head office	8,123	(11,317)	(2,112)	(6,395)
Overseas	4,087	(4,136)	(802)	(2,175)
Total	200,881	(183,615)	(93,624)	(140,384)

The definitions of geographical segments are set out in Note 56(1). The above allowances for ECL do not include allowances for ECL of loans and advances measured at FVOCI.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(e) Loans and advances to customers analysed by type of collateral

	31 December 2019	31 December 2018
Unsecured loans	**4,959,932**	4,301,972
Guaranteed loans	**1,920,411**	2,024,072
Loans secured by property and other immovable assets	**6,875,286**	6,218,435
Other pledged loans	**1,232,277**	1,201,776
Accrued interest	**34,919**	36,798
Gross loans and advances to customers	**15,022,825**	13,783,053

(f) Restructured loans and advances to customers

Restructured loans and advances to customers are those loans and advances to customers for which the Group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. The gross carrying amount of the Group's restructured loans and advances to customers were not significant for the years ended 31 December 2019 and 2018.

(g) Credit exposure

Loans and advances to customers

	31 December 2019			
	Stage 1 12 months ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**14,294,751**	**26,214**	**–**	**14,320,965**
Medium risk	**–**	**439,186**	**–**	**439,186**
High risk	**–**	**–**	**212,473**	**212,473**
Gross loans and advances	**14,294,751**	**465,400**	**212,473**	**14,972,624**
Allowances for impairment losses on loans and advances measured at amortised cost	**(240,027)**	**(92,880)**	**(149,251)**	**(482,158)**
Allowances for impairment losses on loans and advances measured at fair value through other comprehensive income	**(958)**	**(94)**	**(570)**	**(1,622)**

	31 December 2018			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	13,112,857	12,230	–	13,125,087
Medium risk	3,521	383,909	–	387,430
High risk	–	–	200,881	200,881
Gross loans and advances	13,116,378	396,139	200,881	13,713,398
Allowances for impairment losses on loans and advances measured at amortised cost	(183,615)	(93,624)	(140,384)	(417,623)

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Credit exposure (continued)

Off-balance sheet business

	31 December 2019			
	Stage 1 12 months ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**3,019,124**	**–**	**–**	**3,019,124**
Medium risk	**–**	**56,814**	**–**	**56,814**
High risk	**–**	**–**	**9,869**	**9,869**
Total carrying amount	**3,019,124**	**56,814**	**9,869**	**3,085,807**
Allowance for impairment losses	**(24,773)**	**(4,401)**	**(6,305)**	**(35,479)**

	31 December 2018			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	2,759,992	–	–	2,759,992
Medium risk	–	84,082	–	84,082
High risk	–	–	4,650	4,650
Total carrying amount	2,759,992	84,082	4,650	2,848,724
Allowance for impairment losses	(22,344)	(5,971)	(2,909)	(31,224)

The Group classifies asset risk characteristics according to the quality of assets. "Low risk" means that the borrower can fulfil the contract, and there are not enough reasons to suspect that the principal and interest of the loan cannot be repaid in full on time; "Medium risk" means that the borrower is currently able to repay the principal and interest of the loan, but there are some factors that may adversely affect the repayment; "High risk" means that the borrower has obvious problems in its repayment ability and loan principal and interest cannot be repaid in full by relying on normal business income. Even if the guarantee is enforced, losses may be incurred.

Financial investments

	31 December 2019			
	Stage 1 12 months ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Low risk	**5,435,395**	**–**	**–**	**5,435,395**
Medium risk	**22,310**	**634**	**–**	**22,944**
High risk	**–**	**637**	**7,774**	**8,411**
Total carrying amount excluding accrued interest	**5,457,705**	**1,271**	**7,774**	**5,466,750**
Allowance for impairment losses on financial investments measured at amortised cost	**(8,932)**	**(134)**	**(3,636)**	**(12,702)**
Allowance for impairment losses on financial investments measured at fair value through other comprehensive income	**(3,580)**	**–**	**–**	**(3,580)**

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(g) Credit exposure (continued)

Financial investments (continued)

	31 December 2018			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	4,915,168	–	–	4,915,168
Medium risk	65,689	222	–	65,911
High risk	–	3,564	2,590	6,154
Total carrying amount	4,980,857	3,786	2,590	4,987,233
Allowance for impairment losses	(7,261)	(509)	(1,155)	(8,925)

The Group classifies financial investment risk characteristics based on asset entry and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the entry level, there are no reasons to suspect that the financial investment is expected to be defaulted; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the financial investment is expected to be defaulted; "High risk" means that there are obvious problems may cause a default, or the financial investment indeed is defaulted.

Amounts due from banks and non-bank financial institutions

Amounts due from banks and non-bank financial institutions include deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions.

	31 December 2019			
	Stage 1 12 months ECL	**Stage 2 lifetime ECL**	**Stage 3 lifetime ECL**	**Total**
Low risk	**1,505,449**	**–**	**–**	**1,505,449**
Medium risk	**–**	**–**	**–**	**–**
High risk	**–**	**–**	**–**	**–**
Total carrying amount excluding accrued interest	**1,505,449**	**–**	**–**	**1,505,449**
Allowance for impairment losses	**(506)**	**–**	**–**	**(506)**

	31 December 2018			
	Stage 1 12 months ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Low risk	1,038,909	–	–	1,038,909
Medium risk	–	–	–	–
High risk	–	–	–	–
Total carrying amount	1,038,909	–	–	1,038,909
Allowance for impairment losses	(388)	–	–	(388)

The Group classifies risk characteristics of amounts due from banks and non-bank financial institutions based on asset entry and internal rating changes. "Low risk" means that the issuer's initial internal rating is above the entry level, there are no reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "Medium risk" means that although the issuer's internal rating is reduced to a certain extent, but there are not enough reasons to suspect that the amount due from banks and non-bank financial institutions is expected to be defaulted; "High risk" means that there are obvious problems may cause a default, or the amount due from banks and non-bank financial institutions indeed is defaulted.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(h) Distribution of amounts due from banks and non-bank financial institutions in terms of credit quality is as follows:

	31 December 2019	31 December 2018
Credit impaired	–	1
Allowances for impairment losses	–	(1)
Subtotal	–	–
Neither overdue nor impaired		
– grades A to AAA	1,254,603	958,266
– grades B to BBB	20,384	14,103
– unrated	230,462	61,345
Accrued interest	3,673	5,195
Total	1,509,122	1,038,909
Allowances for impairment losses	(506)	(388)
Subtotal	1,508,616	1,038,521
Total	1,508,616	1,038,521

Amounts neither overdue nor impaired are analysed above according to the Group's internal credit ratings. Unrated amounts due from banks and non-bank financial institutions include amounts due from a number of banks and non-bank financial institutions for which the Group has not assigned internal credit ratings.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(i) Distribution of debt investments analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt investment portfolio held. The ratings are obtained from Bloomberg Composite, or major rating agencies where the issuers of the debt investments are located. The carrying amounts of the debt investments analysed by the rating agency designations as at the end of the reporting period are as follows:

	31 December 2019					
	Unrated	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions	350	–	–	–	–	350
– Enterprises	6,010	–	–	–	1,901	7,911
Total	6,360	–	–	–	1,901	8,261
Allowances for impairment losses						(3,636)
Subtotal						4,625
Neither overdue nor impaired						
– Government	1,480,381	2,743,166	6,183	17,255	16,633	4,263,618
– Central banks	24,117	3,643	11,496	1,555	–	40,811
– Policy banks	746,166	5,301	2,217	26,873	–	780,557
– Banks and non-bank financial institutions	220,609	183,944	13,147	37,359	9,833	464,892
– Enterprises	96,967	299,767	55,165	26,402	4,764	483,065
Total	2,568,240	3,235,821	88,208	109,444	31,230	6,032,943
Allowances for impairment losses						(9,066)
Subtotal						6,023,877
Total						6,028,502

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(i) Distribution of debt investments analysed by rating (continued)

	31 December 2018					
	Unrated	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions	344	–	–	–	–	344
– Enterprises	2,246	–	–	–	–	2,246
Total	2,590	–	–	–	–	2,590
Allowances for impairment losses						(1,155)
Subtotal						1,435
Neither overdue nor impaired						
– Government	1,512,484	2,186,322	13,049	20,556	25,719	3,758,130
– Central banks	16,362	4,549	16,735	853	400	38,899
– Policy banks	764,358	3,160	2,901	21,313	–	791,732
– Banks and non-bank financial institutions	291,519	135,189	10,795	40,327	7,729	485,559
– Enterprises	238,441	262,728	14,652	19,278	5,465	540,564
Total	2,823,164	2,591,948	58,132	102,327	39,313	5,614,884
Allowances for impairment losses						(5,680)
Subtotal						5,609,204
Total						5,610,639

(j) Credit risk arising from the Group's derivative exposures

The majority of the Group's derivative transactions with domestic customers are hedged back-to-back with overseas banks and non-bank financial institutions. The Group is exposed to credit risk both in respect of the domestic customers and the overseas banks and non-bank financial institutions. The Group manages this risk by monitoring this exposure on a regular basis.

(k) Settlement risk

The Group's activities may give rise to settlement risk at the time of the settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(l) Sensitivity analysis

The allowance for impairment losses is sensitive to the inputs used in internally developed models, macroeconomic variables in the forward-looking forecasts, and other factors considered when applying expert credit judgement. Changes in these inputs, assumptions, models, and judgements would have an impact on the recognition of significant increase in credit risk and the measurement of ECLs.

(i) Sensitivity analysis of segmentation

The allowance for credit losses of performing financial assets consists of an aggregate amount of Stage 1 and Stage 2 probability-weighted ECLs which are twelve-month ECLs and lifetime ECLs, respectively. A significant increase in credit risk since initial recognition will result in financial assets transferring from Stage 1 to Stage 2. The following table presents the impact of ECLs from the second year to the end of the lifetime for financial assets in Stage 2.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(1) Credit risk (continued)

(l) Sensitivity analysis (continued)

(i) Sensitivity analysis of segmentation (continued)

	31 December 2019		
	12 months credit loss of all performing financial assets	**Impact of lifetime**	**Current ECL**
Performing loans	**320,003**	**12,904**	**332,907**
Performing financial investments	**12,515**	**131**	**12,646**

	31 December 2018		
	12 months credit loss of all performing financial assets	Impact of lifetime	Current ECL
Performing loans	267,782	9,457	277,239
Performing financial investments	7,266	504	7,770

(ii) Sensitivity analysis of macroeconomic variables

The Group has carried out sensitivity analysis of benchmark core economic factors such as GDP. As at 31 December 2019, when the core economic factors in the neutral scenario are up or down by 10%, the ECLs of financial assets will not change by more than 5% (As at 31 December 2018: not change by more than 5%).

(2) 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. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book. Non-trading book records those financial instruments and commodities which are not included in the trading book.

The Group continues to improve market risk management system. The Market Risk Management Department is responsible for leading the establishment of market risk management policies and rules, developing the market risk measurement tools, monitoring and reporting the trading market risk and related daily work. The Asset and Liability Management Department (the "ALM") is responsible for managing non-trading interest rate risk, exchange rate risk and the size and structure of the assets and liabilities in response to structural market risk. The Financial Market Department and Financial Market Trading Center manage the Bank's RMB and foreign currency investment portfolios, conducts proprietary and customer-driven transactions, as well as implementing market risk management policies and rules. The Audit Department is responsible for regularly performing independent audits of the reliability and effectiveness of the processes constituting the risk management system.

The Group's interest rate risk mainly comprises repricing risk and basis risk arising from mismatch of term structure and pricing basis of assets and liabilities. The Group uses multiple tools such as repricing gap analysis, sensitivity analysis on net interest income, scenario analysis and stress testing, etc. to monitor the interest rate risk periodically.

The Group's foreign exchange exposures mainly comprise exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The Group manages its foreign exchange exposures by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group is also exposed to market risk in respect of its customer driven derivative portfolio and manages this risk by entering into back-to-back hedging transactions with overseas banks and non-bank financial institutions.

The Group considers that the market risk arising from stock prices in respect of its investment portfolios is minimal.

The Group monitors market risk separately in respect of trading portfolios and non-trading portfolios. Trading portfolios include exchange rate and interest rate derivatives as well as trading securities. The historical simulation model for the Value-at-Risk ("VaR") analysis is a major tool used by the Bank to measure and monitor the market risk of its trading portfolio. Net interest income sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major tools used by the Group to monitor the market risk of its overall businesses.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(a) *VaR analysis*

VaR is a technique which estimates the potential losses that could occur on risk positions taken, due to movements in market interest rates, foreign exchange rates and other market prices over a specified time horizon and at a given level of confidence. The Risk Management Department calculates interest rates, foreign exchange rates and commodity prices VaR for the Bank's trading portfolio. By reference to historical movements in interest rates, foreign exchange rates and commodity prices, the Risk Management Department calculates VaR on a daily basis for the trading portfolio and monitors it regularly. VaR is calculated at a confidence level of 99% and with a holding period of one day.

A summary of the VaR of the Bank's trading portfolio as at the end of the reporting period and during the respective years is as follows:

		2019			
	Note	As at 31 December	Average	Maximum	Minimum
VaR of trading portfolio		**253**	**302**	**341**	**227**
Of which:					
– Interest rate risk		**59**	**85**	**117**	**57**
– Foreign exchange risk	(i)	**262**	**298**	**361**	**234**
– Commodity risk		**4**	**12**	**31**	**–**

		2018			
		As at 31 December	Average	Maximum	Minimum
VaR of trading portfolio		327	179	336	92
Of which:					
– Interest rate risk		85	59	104	32
– Foreign exchange risk	(i)	323	176	332	77
– Commodity risk		–	6	39	–

(i) The VaR in relation to bullion is included in foreign exchange risk above.

VaR for each risk factor is the independently derived largest potential loss in a specific holding period and at a certain confidence level due to fluctuations solely in that risk factor. The individual VaRs are not added up to the total VaR as there is diversification effect due to correlation amongst the risk factors.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations, including the following:

– A 1-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

– A 99 percent confidence level does not reflect losses that may occur beyond this level. Within the model used, there is 1 percent probability that losses could exceed the VaR;

– VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

– The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and

– The VaR measure is dependent upon the Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice versa.

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(b) Net interest income sensitivity analysis

In monitoring interest rate risk on its overall non-derivative financial assets and liabilities, the Bank regularly measures its future net interest income sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant financial position). An incremental 100 basis points parallel fall or rise in all yield curves, other than that applicable to balances with central banks, would increase or decrease annualised net interest income of the Group by RMB35,183 million (as at 31 December 2018: RMB32,453 million). Had the impact of yield curves movement for demand deposits from customers been excluded, the annualised net interest income of the Group would decrease or increase by RMB77,716 million (as at 31 December 2018: RMB69,138 million).

The above interest rate sensitivity is for illustration purposes only and is assessed based on simplified assumptions. The figures here indicate estimated net interest income movements under various predicted yield curve scenarios and are subject to the Bank's current interest rate exposures. However, the possible risk management measures that can be undertaken by the interest risk management department or related business departments to mitigate interest rate risk have not been taken into account. In practice, the departments that manage the interest rate risk strive to reduce loss arising from the risk while increasing the net income. These figures are estimated on the assumption that the interest rates on various maturities will move within similar ranges, and therefore do not reflect the potential net interest income changes in the event that interest rates on some maturities may change and others remain unchanged. Moreover, the above estimations are based on other simplified assumptions, including that all positions will be held to maturity and rolled over upon maturity.

(c) Interest rate repricing gap analysis

Interest rate risk refers to the risk where the market interest rates, term structure and other factors may experience unfavourable fluctuations which impact the overall profitability and fair value resulting in losses to the Bank. The key determinants of the Group's interest rate risk arises from the mismatch between the maturity periods of the assets and liabilities, and inconsistent pricing basis, resulting in re-pricing risk and basis risk.

The ALM is responsible for regularly monitoring the interest rate risk positions and measuring the interest rate re-pricing gap. The main reason for measuring the interest rate re-pricing gap is to assist in analysing the impact of interest rate changes on net interest income.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

The following tables indicate the average interest rate ("AIR") for the respective periods, and the expected next repricing dates (or maturity dates whichever are earlier) for the assets and liabilities of the Group as at the end of the reporting period.

		31 December 2019						
	Note	Average interest rate (i)	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.48%	140,579	2,480,431	–	–	–	2,621,010
Deposits and placements with banks and non-bank financial institutions		2.53%	–	786,464	156,770	7,566	7	950,807
Financial assets held under resale agreements		2.46%	–	557,809	–	–	–	557,809
Loans and advances to customers	(ii)	4.49%	32,032	9,064,628	5,236,907	133,635	73,465	14,540,667
Investments	(iii)	3.62%	198,917	446,844	741,615	2,706,502	2,130,716	6,224,594
Others			541,374	–	–	–	–	541,374
Total assets		3.88%	912,902	13,336,176	6,135,292	2,847,703	2,204,188	25,436,261
Liabilities								
Borrowings from central banks		3.27%	–	98,793	450,026	614	–	549,433
Deposits and placements from banks and non-bank financial institutions		2.42%	–	1,732,057	433,752	20,269	8,173	2,194,251
Financial liabilities measured at fair value through profit or loss		2.96%	16,750	174,019	90,828	–	–	281,597
Financial assets sold under repurchase agreements		2.89%	–	111,111	1,480	2,067	–	114,658
Deposits from customers		1.57%	104,332	12,540,537	2,438,017	3,274,102	9,305	18,366,293
Debt securities issued		3.46%	–	375,884	435,756	263,561	1,374	1,076,575
Others			618,327	–	–	–	–	618,327
Total liabilities		1.76%	739,409	15,032,401	3,849,859	3,560,613	18,852	23,201,134
Asset-liability gap		2.12%	173,493	(1,696,225)	2,285,433	(712,910)	2,185,336	2,235,127

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(c) Interest rate repricing gap analysis (continued)

		31 December 2018						
	Note	Average interest rate (i)	Non-interest-bearing	Within three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks		1.53%	119,043	2,513,820	–	–	–	2,632,863
Deposits and placements with banks and non-bank financial institutions		3.34%	5,050	664,234	159,581	7,811	–	836,676
Financial assets held under resale agreements		2.85%	126	201,719	–	–	–	201,845
Loans and advances to customers	(ii)	4.34%	36,798	8,324,410	4,827,130	118,889	58,203	13,365,430
Investments	(iii)	3.75%	193,041	644,118	815,599	2,428,596	1,641,557	5,722,911
Others			462,968	–	–	–	–	462,968
Total assets		3.82%	817,026	12,348,301	5,802,310	2,555,296	1,699,760	23,222,693
Liabilities								
Borrowings from central banks		3.21%	8,947	205,692	338,978	775	–	554,392
Deposits and placements from banks and non-bank financial institutions		2.72%	10,970	1,325,178	424,822	80,644	6,083	1,847,697
Financial liabilities measured at fair value through profit or loss		3.42%	22,977	233,450	165,395	9,512	–	431,334
Financial assets sold under repurchase agreements		2.87%	154	24,045	1,268	4,611	687	30,765
Deposits from customers		1.39%	233,879	11,289,878	3,365,791	2,210,178	8,952	17,108,678
Debt securities issued		3.62%	4,905	289,858	197,857	259,087	24,078	775,785
Others			482,448	–	–	–	–	482,448
Total liabilities		1.64%	764,280	13,368,101	4,494,111	2,564,807	39,800	21,231,099
Asset-liability gap		2.18%	52,746	(1,019,800)	1,308,199	(9,511)	1,659,960	1,991,594

(i) Average interest rate represents the ratio of interest income/expense to average interest bearing assets/liabilities.

(ii) For loans and advances to customers, the "within three months" category includes overdue amounts (net of allowances for impairment losses) of RMB22,430 million as at 31 December 2019 (as at 31 December 2018: RMB59,455 million).

(iii) Investments include financial assets measured at financial assets measured at fair value through profit or loss, financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and long-term equity investments, etc.

(d) Currency risk

The Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the Group's overseas businesses.

The Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions.

The Group actively manages foreign currency exposures by minimising foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact to the pre-tax profits and other comprehensive income of the Group is not material.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

		31 December 2019			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,387,072	98,576	135,362	2,621,010
Deposits and placements with banks and non-bank financial institutions	(i)	1,100,346	291,044	117,226	1,508,616
Loans and advances to customers		13,569,939	544,790	425,938	14,540,667
Investments	(ii)	5,937,817	187,177	99,600	6,224,594
Others		447,504	60,323	33,547	541,374
Total assets		23,442,678	1,181,910	811,673	25,436,261
Liabilities					
Borrowings from central banks		494,047	27,704	27,682	549,433
Deposits and placements from banks and non-bank financial institutions	(iii)	1,713,236	436,808	158,865	2,308,909
Financial liabilities measured at fair value through profit or loss		263,310	16,339	1,948	281,597
Deposits from customers		17,550,909	504,298	311,086	18,366,293
Debt securities issued		640,246	307,218	129,111	1,076,575
Others		594,429	13,183	10,715	618,327
Total liabilities		21,256,177	1,305,550	639,407	23,201,134
Long position		2,186,501	(123,640)	172,266	2,235,127
Net notional amount of derivatives		(241,245)	272,552	(26,584)	4,723
Credit commitments		2,578,126	340,934	166,747	3,085,807

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(2) Market risk (continued)

(d) Currency risk (continued)

		31 December 2018			
	Note	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total
Assets					
Cash and deposits with central banks		2,412,254	116,273	104,336	2,632,863
Deposits and placements with banks and non-bank financial institutions	(i)	800,852	198,616	39,053	1,038,521
Loans and advances to customers		12,390,275	545,594	429,561	13,365,430
Investments	(ii)	5,452,573	174,263	96,075	5,722,911
Others		395,762	48,020	19,186	462,968
Total assets		21,451,716	1,082,766	688,211	23,222,693
Liabilities					
Borrowings from central banks		503,669	33,184	17,539	554,392
Deposits and placements from banks and non-bank financial institutions	(iii)	1,433,725	309,123	135,614	1,878,462
Financial liabilities measured at fair value through profit or loss		408,623	20,972	1,739	431,334
Deposits from customers		16,347,860	442,304	318,514	17,108,678
Debt securities issued		438,158	230,548	107,079	775,785
Others		463,483	14,590	4,375	482,448
Total liabilities		19,595,518	1,050,721	584,860	21,231,099
Long position		1,856,198	32,045	103,351	1,991,594
Net notional amount of derivatives		(244,071)	270,379	(14,750)	11,558
Credit commitments		2,538,090	188,121	122,513	2,848,724

(i) Including financial assets held under resale agreements.

(ii) Please refer to Note 61(2)(c)(iii) for the scope of investments.

(iii) Including financial assets sold under repurchase agreements.

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk

The Board assumes the ultimate responsibility for liquidity risk management, authorises its special committees to discharge relevant duties, and reviews and approves the liquidity risk strategy and risk appetite. The senior management carries out the liquidity risk strategy set by the Board, and organises the implementation of the liquidity risk management activities. The board of supervisors supervises and evaluates the performance of the Board and the senior management in the liquidity risk management. The asset & liability management department leads in the Bank's daily liquidity risk management, and forms an executive system together with the business management departments and branches to perform specific duties in liquidity risk management. The subsidiaries assume the primary responsibility for their own liquidity risk management.

The Group's objective for liquidity risk management is to ensure the security of its payment and settlement, and the overall strategy features prudence, decentralisation, coordination and diversification. Liquidity risk arises from such major factors and events as a significant drop in liquidation of current assets, a massive outflow of wholesale and retail deposits, falling availability of wholesale and retail financing, shorter financing periods, increasing financing costs, significant adverse changes in market liquidity and a sudden breakdown of the Bank's payment and settlement system. In light of the regulatory requirements, external macro environment and the Bank's business development, the head office formulates approaches to liquidity risk identification, measurement and monitoring, sets out risk limit management criteria, carries out intra-day liquidity management, conducts stress testing at the group level regularly, and reviews and assesses contingency plans.

The Group conducted quarterly stress testing on its liquidity risk in order to gauge its risk tolerance in unlikely extreme scenarios and other adverse scenarios. It improved its liquidity risk stress testing methods in accordance with regulatory and internal management requirements. The results of stress testing show that under different stress scenarios, the Group's liquidity risk is under control.

The Group adopts liquidity indicator analysis, remaining maturity analysis and undiscounted cash flow analysis to measure the liquidity risk.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) *Maturity analysis*

The following tables provide an analysis of the assets and liabilities of the Group based on the remaining periods to repayment as at the end of the reporting period:

	31 December 2019							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,160,625	459,467	–	918	–	–	–	2,621,010
Deposits and placements with banks and non-bank financial institutions	–	107,976	494,082	178,400	158,868	11,474	7	950,807
Financial assets held under resale agreements	–	–	556,268	1,541	–	–	–	557,809
Loans and advances to customers	65,019	736,746	465,482	671,619	2,960,503	3,450,610	6,190,688	14,540,667
Investments								
– Financial assets measured at fair value through profit or loss	171,984	43,619	48,539	57,976	160,471	98,657	94,115	675,361
– Financial assets measured at amortised cost	–	–	41,285	83,481	395,356	1,703,305	1,516,869	3,740,296
– Financial assets measured at fair value through other comprehensive income	6,031	–	43,664	75,244	199,948	949,217	523,480	1,797,584
– Long-term equity investments	11,353	–	–	–	–	–	–	11,353
Others	292,931	84,349	10,194	35,032	33,431	18,635	66,802	541,374
Total assets	2,707,943	1,432,157	1,659,514	1,104,211	3,908,577	6,231,898	8,391,961	25,436,261
Liabilities								
Borrowings from central banks	–	–	77,689	21,104	450,026	614	–	549,433
Deposits and placements from banks and non-bank financial institutions	–	1,152,774	335,362	205,743	441,916	45,373	13,083	2,194,251
Financial liabilities measured at fair value through profit or loss	–	16,750	110,908	63,111	90,828	–	–	281,597
Financial assets sold under repurchase agreements	–	–	106,571	4,540	1,480	2,067	–	114,658
Deposits from customers	–	10,607,372	839,045	1,026,419	2,467,053	3,414,049	12,355	18,366,293
Debt securities issued								
– Certificates of deposit issued	–	–	93,813	210,838	387,447	18,072	–	710,170
– Bonds issued	–	–	5,130	8,070	26,217	88,021	1,374	128,812
– Subordinated bonds issued	–	–	–	–	2,310	79,975	–	82,285
– Eligible Tier 2 capital bonds issued	–	–	–	1,174	38,343	115,791	–	155,308
Others	7,921	224,194	53,369	46,777	186,296	21,952	77,818	618,327
Total liabilities	7,921	12,001,090	1,621,887	1,587,776	4,091,916	3,785,914	104,630	23,201,134
Net gaps	2,700,022	(10,568,933)	37,627	(483,565)	(183,339)	2,445,984	8,287,331	2,235,127
Notional amount of derivatives								
– Interest rate contracts	–	–	45,899	68,259	212,359	191,131	18,097	535,745
– Exchange rate contracts	–	–	876,973	724,591	2,014,465	108,229	2,748	3,727,006
– Other contracts	–	–	51,898	19,239	14,012	635	–	85,784
Total	–	–	974,770	812,089	2,240,836	299,995	20,845	4,348,535

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

	31 December 2018							
	Indefinite	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years	Total
Assets								
Cash and deposits with central banks	2,177,053	454,640	–	1,170	–	–	–	2,632,863
Deposits and placements with banks and non-bank financial institutions	–	82,941	492,206	93,405	160,187	7,937	–	836,676
Financial assets held under resale agreements	–	–	201,103	742	–	–	–	201,845
Loans and advances to customers	70,252	717,226	475,109	567,815	2,799,488	3,203,135	5,532,405	13,365,430
Investments								
– Financial assets measured at fair value through profit or loss	85,036	31,322	76,537	104,992	227,632	144,658	61,040	731,217
– Financial assets measured at amortised cost	–	–	82,489	57,223	274,510	1,704,067	1,154,225	3,272,514
– Financial assets measured at fair value through other comprehensive income	3,294	–	18,383	48,472	246,776	888,772	505,481	1,711,178
– Long-term equity investments	8,002	–	–	–	–	–	–	8,002
Others	252,935	50,974	14,966	27,156	52,093	16,831	48,013	462,968
Total assets	2,596,572	1,337,103	1,360,793	900,975	3,760,686	5,965,400	7,301,164	23,222,693
Liabilities								
Borrowings from central banks	–	–	99,813	109,258	344,546	775	–	554,392
Deposits and placements from banks and non-bank financial institutions	–	929,855	246,048	152,645	427,102	83,943	8,104	1,847,697
Financial liabilities measured at fair value through profit or loss	–	18,839	148,784	87,018	167,065	9,628	–	431,334
Financial assets sold under repurchase agreements	–	–	23,189	918	1,274	4,694	690	30,765
Deposits from customers	–	10,372,640	873,288	926,854	2,545,389	2,368,005	22,502	17,108,678
Debt securities issued								
– Certificates of deposit issued	–	–	66,392	133,875	155,634	16,458	–	372,359
– Bonds issued	–	–	–	16	13,669	94,526	4,095	112,306
– Subordinated bonds issued	–	–	–	28,952	35,742	82,278	–	146,972
– Eligible Tier 2 capital bonds issued	–	–	–	–	2,011	121,709	20,428	144,148
Others	485	162,924	47,670	47,416	174,763	1,389	47,801	482,448
Total liabilities	485	11,484,258	1,505,184	1,486,952	3,867,195	2,783,405	103,620	21,231,099
Net gaps	2,596,087	(10,147,155)	(144,391)	(585,977)	(106,509)	3,181,995	7,197,544	1,991,594
Notional amount of derivatives								
– Interest rate contracts	–	–	64,199	47,984	96,775	82,458	10,906	302,322
– Exchange rate contracts	–	–	1,203,631	872,879	2,738,985	127,182	4,763	4,947,440
– Other contracts	–	–	33,130	31,688	22,014	2,493	–	89,325
Total	–	–	1,300,960	952,551	2,857,774	212,133	15,669	5,339,087

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) *Contractual undiscounted cash flow*

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments of the Group as at the end of the reporting period. The Group's expected cash flows on these instruments may vary significantly from this analysis.

	31 December 2019							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	549,433	560,382	–	77,946	21,243	460,579	614	–
Deposits and placements from banks and non-bank financial institutions	2,194,251	2,210,456	1,152,774	335,747	207,065	450,499	49,939	14,432
Financial liabilities measured at fair value through profit or loss	281,597	295,086	16,750	117,134	68,828	92,374	–	–
Financial assets sold under repurchase agreements	114,658	114,988	–	106,595	4,558	1,612	2,223	–
Deposits from customers	18,366,293	18,892,932	10,608,196	854,625	1,057,288	2,573,077	3,785,830	13,916
Debt securities issued								
– Certificates of deposit issued	710,170	712,285	–	94,028	211,272	388,251	18,734	–
– Bonds issued	128,812	136,205	–	5,254	8,313	28,335	92,686	1,617
– Subordinated bonds issued	82,285	92,315	–	–	–	6,068	86,247	–
– Eligible Tier 2 capital bonds issued	155,308	179,255	–	–	1,917	42,938	134,400	–
Other non-derivative financial liabilities	371,367	374,864	73,448	40,290	31,445	144,112	15,339	70,230
Total	22,954,174	23,568,768	11,851,168	1,631,619	1,611,929	4,187,845	4,186,012	100,195
Off-balance sheet loan commitments and credit card commitments (Note)		1,531,436	1,071,444	17,382	18,278	116,854	133,533	173,945
Guarantees, acceptances and other credit commitments (Note)		1,554,371	–	266,135	199,086	624,246	433,275	31,629

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(3) Liquidity risk (continued)

(b) Contractual undiscounted cash flow (continued)

	31 December 2018							
	Carrying amount	Gross cash outflow	Repayable on demand	Within one month	Between one and three months	Between three months and one year	Between one and five years	More than five years
Non-derivative financial liabilities								
Borrowings from central banks	554,392	562,405	–	100,667	110,809	350,154	775	–
Deposits and placements from banks and non-bank financial institutions	1,847,697	1,878,423	930,363	246,832	155,573	441,916	93,123	10,616
Financial liabilities measured at fair value through profit or loss	431,334	438,124	18,839	151,389	87,702	169,994	10,200	–
Financial assets sold under repurchase agreements	30,765	32,323	–	23,209	926	1,405	5,782	1,001
Deposits from customers	17,108,678	17,367,636	10,373,070	883,249	941,884	2,615,420	2,529,230	24,783
Debt securities issued								
– Certificates of deposit issued	372,359	378,674	–	66,811	135,146	159,820	16,897	–
– Bonds issued	112,306	121,149	–	258	433	16,153	100,205	4,100
– Subordinated bonds issued	146,972	163,059	–	–	29,230	41,479	92,350	–
– Eligible Tier 2 capital bonds issued	144,148	172,588	–	–	–	8,756	142,636	21,196
Other non-derivative financial liabilities	317,810	317,810	84,604	34,266	28,583	122,706	–	47,651
Total	21,066,461	21,432,191	11,406,876	1,506,681	1,490,286	3,927,803	2,991,198	109,347
Off-balance sheet loan commitments and credit card commitments (Note)		1,380,603	1,126,654	93,138	27,583	24,320	79,865	29,043
Guarantees, acceptances and other credit commitments (Note)		1,468,121	–	226,985	176,721	442,485	591,866	30,064

Note: The off-balance sheet loan commitments and credit card commitments may expire without being drawn upon. Guarantees, acceptances and other credit commitments do not represent the amounts to be paid.

61 RISK MANAGEMENT (CONTINUED)

(4) Operational risk

Operational risk refers to the risks that resulted from flawed or erroneous internal processes, people and systems, or external events.

In 2019, the Group continuously promoted the application of management tools and system optimisation, strengthened the prevention and control of operational risk in key areas, and took multiple measures to reduce operational risk events and losses.

- Revised operational risk management policies, and enhanced the operational risk assessment of new products.
- Continuously promoted the application of management tools, such as operational loss data, self-assessment, and key risk indicators.
- Developed the system function for recording losses from non-compliance, and focused on the recording, analysis, monitoring and reporting of regulatory penalties.
- Revised the policies for incompatible positions and re-examined the manuals.
- Made arrangements for job rotations and mandatory leave for key positions. Periodically reviewed the status of implementation.
- Enhanced the code of conduct for employees, advocated integrity, accountability and diligence to strengthen operational risk prevention capabilities.
- Carried out a new round of business analysis, revised business continuity management policies and launched business continuity system.

(5) Fair value of financial instruments

(a) Valuation process, technique and input

The Board is responsible for establishing a robust internal control policy of valuation, and takes the ultimate responsibility for the adequacy and effectiveness of internal control system. The Board of Supervisors takes charge of supervising the performance of the Board and senior management. According to the requirements of the Board and the Board of Supervisors, senior management is responsible for organising and implementing the internal control system over the valuation process to ensure the effectiveness of the internal control system of valuation.

The Group has established an independent valuation process for financial assets and financial liabilities. The relevant departments are responsible for performing valuation, verifying valuation model and accounting of valuation results.

For the year ended 31 December 2019, there was no significant change in the valuation techniques or inputs used to determine fair value as compared to those used for the year ended 31 December 2018.

(b) Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Fair value based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value

(i) Fair value hierarchy

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	34,583	58	34,641
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	15,282	–	15,282
– Loans and advances to customers measured at fair value through other comprehensive income	–	492,693	–	492,693
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	2,059	227,887	–	229,946
– Equity instruments and funds	940	–	–	940
Financial assets designated as measured at fair value through profit or loss				
– Debt securities	774	33	8,449	9,256
– Other debt instruments	–	131,814	50,555	182,369
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	1,519	4,642	6,161
– Debt securities	–	68,811	110	68,921
– Funds and others	30,695	45,027	102,046	177,768
Financial assets measured at fair value through other comprehensive income				
– Debt securities	182,323	1,609,230	–	1,791,553
– Equity instruments designated as measured at fair value through other comprehensive income	2,446	–	3,585	6,031
Total	219,237	2,626,879	169,445	3,015,561
Liabilities				
Financial liabilities measured at fair value through profit or loss				
– Financial liabilities designated as measured at fair value through profit or loss	–	279,749	1,848	281,597
Negative fair value of derivatives	–	33,724	58	33,782
Total	–	313,473	1,906	315,379

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Positive fair value of derivatives	–	50,566	35	50,601
Loans and advances to customers				
– Loans and advances to customers measured at fair value through profit or loss	–	32,857	–	32,857
– Loans and advances to customers measured at fair value through other comprehensive income	–	308,368	–	308,368
Financial assets measured at fair value through profit or loss				
Financial assets held for trading purposes				
– Debt securities	1,711	217,046	–	218,757
– Equity instruments and funds	1,706	–	–	1,706
Financial assets designated as measured at fair value through profit or loss				
– Debt securities	595	–	14,314	14,909
– Other debt instruments	–	265,938	84,640	350,578
Other financial assets measured at fair value through profit or loss				
– Credit investments	–	13,004	1,253	14,257
– Debt securities	–	31,553	187	31,740
– Funds and others	28,300	27,009	43,961	99,270
Financial assets measured at fair value through other comprehensive income				
– Debt securities	187,632	1,520,252	–	1,707,884
– Equity instruments designated as measured at fair value through other comprehensive income	1,819	73	1,402	3,294
Total	221,763	2,466,666	145,792	2,834,221
Liabilities				
Financial liabilities measured at fair value through profit or loss				
– Financial liabilities designated as measured at fair value through profit or loss	–	429,706	1,628	431,334
Negative fair value of derivatives	–	48,490	35	48,525
Total	–	478,196	1,663	479,859

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(i) Fair value hierarchy (continued)

A majority of the financial assets classified as level 2 is RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd. A majority of the financial liabilities designated as at fair value through profit or loss classified as level 2 is the fund raised from principal guaranteed wealth management products, the fair value of which is determined based on the income approach. The majority of derivatives is classified as level 2 and valued using income approach. For the valuation of financial instruments classified as level 2, all significant inputs are observable market data.

The financial asset at fair value through profit or loss classified as level 3 includes the underlying assets of principal guaranteed wealth management products, unlisted equity investments and private fund investments. These financial assets are valued using income approach and market approach, which incorporate the non-observable assumptions including discount rate, Price-to-Book ratio, etc.

For the year ended 31 December 2019 and 2018, there were no significant transfers within the fair value hierarchy of the Group.

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy

The following table shows a reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy:

	2019										
		Financial assets designated as measured at fair value through profit or loss		Other financial assets measured at fair value through profit or loss							
	Positive fair value of derivatives	Debt securities	Other debt instruments	Credit investments	Debt securities	Funds and others	Equity instruments designated as measured at fair value through other comprehensive income	Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2019	35	14,314	84,640	1,253	187	43,961	1,402	145,792	(1,628)	(35)	(1,663)
Total gains or losses:											
In profit or loss	23	(1,821)	(119)	53	(27)	261	–	(1,630)	(44)	(23)	(67)
In other comprehensive income	–	–	–	–	–	–	144	144	–	–	–
Purchases	–	60	313	3,929	67	65,393	2,042	71,804	(359)	–	(359)
Sales and settlements	–	(4,104)	(34,279)	(593)	(117)	(7,569)	(3)	(46,665)	183	–	183
As at 31 December 2019	58	8,449	50,555	4,642	110	102,046	3,585	169,445	(1,848)	(58)	(1,906)

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(c) Financial instruments measured at fair value (continued)

(ii) Movements of fair value of financial instruments in level 3 of the fair value hierarchy (continued)

	2018										
		Financial assets designated as measured at fair value through profit or loss		Other financial assets measured at fair value through profit or loss							
	Positive fair value of derivatives	Debt securities	Other debt instruments	Credit investments	Debt securities	Funds and others	Equity instruments designated as measured at fair value through other comprehensive income	Total assets	Financial liabilities designated as measured at fair value through profit or loss	Negative fair value of derivatives	Total liabilities
As at 1 January 2018	99	10,164	125,395	267	1,098	19,462	623	157,108	(472)	(98)	(570)
Total gains or losses:											
In profit or loss	(17)	(135)	235	(85)	(194)	(1,106)	–	(1,302)	146	17	163
In other comprehensive income	–	–	–	–	–	–	18	18	–	–	–
Purchases	–	7,263	487,445	1,073	–	34,688	761	531,230	(1,414)	–	(1,414)
Sales and settlements	(47)	(2,978)	(528,435)	(2)	(717)	(9,083)	–	(541,262)	112	46	158
As at 31 December 2018	35	14,314	84,640	1,253	187	43,961	1,402	145,792	(1,628)	(35)	(1,663)

In level 3 of the fair value hierarchy, total gains or losses included in profit or loss for the year in the above table are presented in net trading gain and net gain arising from investment securities.

Gains or losses on level 3 financial assets and liabilities included in the statement of comprehensive income comprise:

	2019			2018		
	Realised	**Unrealised**	**Total**	Realised	Unrealised	Total
Total gains	**17**	**(1,714)**	**(1,697)**	(741)	(398)	(1,139)

(d) Financial instruments not measured at fair value

(i) Financial assets

The Group's financial assets not measured at fair value mainly include cash and deposits with central banks, deposits and placements with banks and non-bank financial institutions, financial assets held under resale agreements, loans and advances to customers and financial assets measured at amortised cost.

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements

Deposits with central banks, deposits and placements with banks and non-bank financial institutions and financial assets held under resale agreements are mainly priced at market interest rates and mature within one year. Accordingly, the carrying values approximate to the fair values.

Loans and advances to customers

Majority of the loans and advances to customers measured at amortised cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate to the fair values.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(5) Fair value of financial instruments (continued)

(d) Financial instruments not measured at fair value (continued)

(i) Financial assets (continued)

Financial assets measured at amortised cost

The following table shows the carrying values and the fair values of financial assets measured at amortised cost as at 31 December 2019 and 2018 which are not presented in the statement of financial position at their fair values.

	31 December 2019					31 December 2018				
	Carrying value	**Fair value**	**Level 1**	**Level 2**	**Level 3**	Carrying value	Fair value	Level 1	Level 2	Level 3
Financial assets measured at amortised cost	**3,740,296**	**3,815,857**	**51,585**	**3,619,569**	**144,703**	3,272,514	3,272,774	47,794	3,156,789	68,191
Total	**3,740,296**	**3,815,857**	**51,585**	**3,619,569**	**144,703**	3,272,514	3,272,774	47,794	3,156,789	68,191

(ii) Financial liabilities

The Group's financial liabilities not measured at fair value mainly include borrowings from central banks, deposits and placements from banks and non-bank financial institutions, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued. The fair value of subordinated bonds and the eligible Tier 2 capital bonds issued as at 31 December 2019 was RMB246,083 million (as at 31 December 2018: RMB293,466 million) and the carrying value was RMB237,593 million (as at 31 December 2018: RMB291,104 million), and the carrying values of other financial liabilities approximated to their fair values as at the end of the reporting period. The Group uses observable inputs to measure the fair values of subordinated bonds and eligible Tier 2 capital bonds issued, and classified them as the Level 2 of the fair value hierarchy.

(6) Offsetting financial assets and financial liabilities

Certain financial assets and financial liabilities of the Group are subject to enforceable master netting arrangements or similar agreements. The agreement between the Group and the counterparty generally allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis. However, each party to the master netting arrangements or similar agreements will have the option to settle all such amounts on a net basis in the event of default of the other party. These financial assets and financial liabilities of the Group are not offset in accordance with IFRS.

As at 31 December 2019, the amounts of the financial assets and financial liabilities subject to enforceable master netting arrangements or similar agreements are not material to the Group.

(7) Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty in the resulting claim amount. The characteristic of an insurance contract inherently decides randomness and unpredictability of the underlying insurance risk. For insurance contracts where the theory of probability is applied to pricing and provisioning of insurance contract liabilities, the principal risk that the Group faces is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities.

The Group manages the uncertainty of insurance risk through its underwriting strategy and policies to diversify the underwriting risks, adequate reinsurance arrangements, and enhanced underwriting control and claim control.

The Group makes related assumptions for the insurance risks and recognises insurance contract liabilities accordingly. For long-term personal insurance contracts and short-term personal insurance contracts, insurance risk may be elevated by the uncertainty of insurance risk assumptions including assumptions on death events, relevant expenses, and interest rates. For property and casualty insurance contracts, claims are often affected by natural disasters, catastrophes, terrorist attacks and other factors. In addition, the insurance risk will be affected by the policy termination, premium reduction or policyholders' refusal of payment, that is, the insurance risk will be affected by the policyholders' behaviour and decision.

61 RISK MANAGEMENT (CONTINUED)

(8) Capital management

The Bank has implemented comprehensive capital management, covering capital management policy design, capital projecting and planning, capital calculation, internal capital assessment, capital allocation, capital motivation, restriction and conduction, capital raising, monitoring and reporting, and applications of advanced approach of capital calculation on the management of the ordinary course of the business. General principles of capital management of the Bank is to continuously retain an adequate capital level, retain a certain margin of safety and a certain level of buffer based on that all regulatory requirements have been complied, and ensure that the capital can cover all kinds of risks adequately; exercise reasonable and effective capital allocation and strengthen capital restraint and incentive mechanism to support the strategic planning effectively and to restrict and conduct the business so as to increase the capital efficiency and return level continuously; tamp capital strength, and retain relatively high capital quality by achieving capital supplement with priority to the internal accumulation and utilising various capital instruments reasonably to optimise capital structure; continuously develop the advanced approach of capital management on the applications in the business management such as credit policies, credit approval and pricing.

Capital adequacy ratio is a reflection of the Group's ability to maintain a stable operation and resist adverse risks. In accordance with the CBRC's "Capital Rules for Commercial Banks (Provisional)" and relevant regulations, commercial banks should meet the minimum capital requirements from 1 January 2013. The Common Equity Tier 1 ratio should be at or above a minimum of 5%, Tier 1 ratio at or above a minimum of 6% and the total capital ratio at or above a minimum of 8%. Besides, capital conservation buffer requirements and additional buffer requirements of Global Systemically Important Banks should also be met. If a countercyclical buffer is required or the Pillar 2 capital requirement is raised by the regulator to a specific commercial bank, the minimum requirements should be met within the transitional period.

The Group timely monitors, analyses and reports capital adequacy ratios, assesses if the capital management objectives have been met and exercises effective management of capital adequacy ratio. The Group adopts various measures such as controlling asset growth, adjusting the structure of risk assets, increasing internal capital supply and raising capital through external channels, to ensure that the Common Equity Tier 1 ratio, Tier 1 ratio and total capital ratio of the Group are in full compliance with regulatory requirements and meet internal management requirements. This helps to insulate against potential risks as well as support healthy business developments. The Group now fully complies with all regulatory requirements in this respect.

The Group's capital planning has taken the regulatory requirements, the Group's development strategy and risk appetite into consideration, and based on those factors the Group projects the capital usage and need.

The capital raising management of the Group involves reasonable utilisation of various capital instruments to ensure that both external regulatory and internal capital management objectives are met, taking into account capital planning and operating environment. This helps to optimise the Group's capital structure.

In April 2014, the CBRC has officially approved the implementation of the advanced approach of capital management by the Bank. In this approach, the Bank has elected to use foundation internal rating based ("IRB") approach for corporate risk exposure which is compliant with regulatory requirements, IRB approach for retail risk exposure, internal model approach for market risk and standardised approach for operational risk exposure.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

The Group's capital adequacy ratio calculated in accordance with the "Capital Rules for Commercial Banks (Provisional)" issued by the CBRC as at the end of the reporting period are as follows:

	Note	31 December 2019	31 December 2018
Common Equity Tier 1 ratio	(a)(b)(c)	**13.88%**	13.83%
Tier 1 ratio	(a)(b)(c)	**14.68%**	14.42%
Total capital ratio	(a)(b)(c)	**17.52%**	17.19%
Common Equity Tier 1 capital			
– Qualifying common share capital		**250,011**	250,011
– Capital reserve		**134,511**	134,511
– Surplus reserve		**249,178**	223,231
– General reserve		**314,152**	279,627
– Retained earnings		**1,116,273**	989,113
– Non-controlling interest given recognition in Common Equity Tier 1 capital		**3,535**	2,744
– Others	(d)	**32,573**	19,836
Regulatory adjustments for Common Equity Tier 1 capital			
– Goodwill	(e)	**2,615**	2,572
– Other intangible assets (excluding land use rights)	(e)	**3,971**	3,156
– Cash flow hedge reserve		**(239)**	53
– Investments in common equity of financial institutions being controlled but outside the scope of consolidation		**3,910**	3,902
Additional Tier 1 capital			
– Directly issued qualifying additional Tier 1 instruments including related premium		**119,627**	79,636
– Non-controlling interest given recognition in Additional Tier 1 capital		**89**	84
Tier 2 capital			
– Directly issued qualifying Tier 2 instruments including related premium		**201,653**	206,615
– Provisions in Tier 2	(f)	**226,102**	172,788
– Non-controlling interest given recognition in Tier 2 capital		**141**	133
Common Equity Tier 1 capital after regulatory adjustments	(g)	**2,089,976**	1,889,390
Tier 1 capital after regulatory adjustments	(g)	**2,209,692**	1,969,110
Total capital after regulatory adjustments	(g)	**2,637,588**	2,348,646
Risk-weighted assets	(h)	**15,053,291**	13,659,497

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

61 RISK MANAGEMENT (CONTINUED)

(8) Capital management (continued)

Notes:

(a) From the first half year of 2014, the Group has elected the advanced approach to calculate capital adequacy ratio and implemented the parallel period rules.

(b) The Common Equity Tier 1 ratio is calculated by dividing the Common Equity Tier 1 Capital after deduction by risk-weighted assets. Tier 1 ratio is calculated by dividing the Tier 1 Capital after deduction by risk-weighted assets. Total capital ratio is calculated by dividing the total capital after deduction by risk-weighted assets.

(c) The scope for calculating capital adequacy ratio of the Group includes all the domestic branches and subsidiaries in the financial sector (excluding CCB Life).

(d) As at 31 December 2019 and 2018, others include other comprehensive income (including foreign exchange reserve).

(e) Both balances of goodwill and other intangible assets (excluding land use right) are the net amounts after deducting relevant deferred tax liabilities.

(f) From the first half year of 2014, eligible excessive loan provisions were measured based on the advanced approach and implemented parallel period rules.

(g) Common Equity Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Common Equity Tier 1 capital. Tier 1 capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the Tier 1 capital. Total capital after regulatory adjustments is calculated by netting off the corresponding deduction items from the total capital.

(h) According to the rules of advanced approach, risk-weighted assets include credit risk-weighted assets, market risk-weighted assets, operational risk-weighted assets and excess risk-weighted assets due to the application of capital floor.

62 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

	31 December 2019	31 December 2018
Assets:		
Cash and deposits with central banks	2,609,597	2,619,762
Deposits with banks and non-bank financial institutions	368,495	463,059
Precious metals	46,169	33,928
Placements with banks and non-bank financial institutions	586,245	354,876
Positive fair value of derivatives	32,091	47,470
Financial assets held under resale agreements	551,985	183,161
Loans and advances to customers	14,052,500	12,869,443
Financial investments		
Financial assets measured at fair value through profit or loss	388,350	529,223
Financial assets measured at amortised cost	3,646,480	3,206,630
Financial assets measured at fair value through other comprehensive income	1,710,424	1,614,375
Long-term equity investments	69,290	50,270
Investments in consolidated structured entities	111,113	161,638
Fixed assets	138,898	140,865
Land use rights	13,400	13,443
Intangible assets	3,504	2,690
Deferred tax assets	68,597	55,217
Other assets	202,191	147,305
Total assets	24,599,329	22,493,355

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

	31 December 2019	31 December 2018
Liabilities:		
Borrowings from central banks	**549,339**	554,392
Deposits from banks and non-bank financial institutions	**1,658,501**	1,410,847
Placements from banks and non-bank financial institutions	**417,963**	323,535
Financial liabilities measured at fair value through profit or loss	**279,700**	429,595
Negative fair value of derivatives	**32,710**	47,024
Financial assets sold under repurchase agreements	**93,194**	8,407
Deposits from customers	**18,024,561**	16,795,736
Accrued staff costs	**34,584**	32,860
Taxes payable	**82,164**	74,110
Provisions	**40,334**	36,130
Debt securities issued	**1,001,304**	702,038
Deferred tax liabilities	**42**	6
Other liabilities	**217,263**	141,985
Total liabilities	**22,431,659**	20,556,665

	31 December 2019	31 December 2018
Equity:		
Share capital	**250,011**	250,011
Other equity instruments		
Preference Shares	**79,636**	79,636
Perpetual Bonds	**39,991**	–
Capital reserve	**135,109**	135,109
Other comprehensive income	**33,527**	21,539
Surplus reserve	**249,178**	223,231
General reserve	**306,686**	272,867
Retained earnings	**1,073,532**	954,297
Total equity	**2,167,670**	1,936,690
Total liabilities and equity	**24,599,329**	22,493,355

Approved and authorised for issue by the Board of Directors on 27 March 2020.

Liu Guiping	**Kenneth Patrick Chung**	**Carl Walter**
Vice chairman, executive director and president	*Independent non-executive director*	*Independent non-executive director*

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

62 STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (CONTINUED)

		Other equity instruments							
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2019	250,011	79,636	–	135,109	21,539	223,231	272,867	954,297	1,936,690
Movements during the year	–	–	39,991	–	11,988	25,947	33,819	119,235	230,980
(1) Total comprehensive income for the year	–	–	–	–	11,988	–	–	259,466	271,454
(2) Changes in share capital									
i Capital injection by other equity instruments holders	–	–	39,991	–	–	–	–	–	39,991
(3) Profit distribution									
i Appropriation to surplus reserve	–	–	–	–	–	25,947	–	(25,947)	–
ii Appropriation to general reserve	–	–	–	–	–	–	33,819	(33,819)	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	–	(76,503)	(76,503)
iv Dividends to preference shareholders	–	–	–	–	–	–	–	(3,962)	(3,962)
As at 31 December 2019	250,011	79,636	39,991	135,109	33,527	249,178	306,686	1,073,532	2,167,670

	Share capital	Other equity instruments-Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
As at 1 January 2018	250,011	79,636	135,109	(14,120)	198,613	254,864	827,423	1,731,536
Movements during the year	–	–	–	35,659	24,618	18,003	126,874	205,154
(1) Total comprehensive income for the year	–	–	–	35,659	–	–	246,184	281,843
(2) Profit distribution								
i Appropriation to surplus reserve	–	–	–	–	24,618	–	(24,618)	–
Ii Appropriation to general reserve	–	–	–	–	–	18,003	(18,003)	–
iii Dividends to ordinary shareholders	–	–	–	–	–	–	(72,753)	(72,753)
iv Dividends to preference shareholders	–	–	–	–	–	–	(3,936)	(3,936)
As at 31 December 2018	250,011	79,636	135,109	21,539	223,231	272,867	954,297	1,936,690

63 EVENTS AFTER THE REPORTING PERIOD

Impact assessment of the Coronavirus Disease

Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020, mainland China, other countries and regions have adopted prevention and control measures against the pandemic. The Group has duly implemented various policies issued by the Central Government, as well as requirements of the Notice on Further Enhancing Financial Support for the Prevention and Control of the Novel Coronavirus Pneumonia Outbreak, which was jointly published by the PBOC, the MOF, the CBIRC, the CSRC and the State Administration of Foreign Exchange, and strengthened financial support for the prevention and control of the pandemic. The COVID-19 has affected the operation of businesses in certain areas and industries to varying degrees. This in turn may affect the quality or the yields of the Group's credit assets and other financial assets, the extent of which will depend on factors including evolvement of the pandemic, macro policies, resumption of work and activities in enterprises. The ECL at 31 December 2019 had been estimated based on a range of forecast economic conditions as at that date. The impact of this pandemic on macroeconomic forecasts and other key indicators will be reflected in the Group's estimation of ECL in 2020. The Group has closely monitored the evolvement of COVID-19, and has started assessment of its impact on the Group's future financial position and performance. As at the date of this report, the assessment is still in progress.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

64 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to confirm with the presentation and disclosures in the current period.

65 ULTIMATE PARENT

As stated in Note 1, the immediate and ultimate parents of the Group are Huijin and CIC, respectively.

66 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are relevant to the Group. These amendments, new standards and interpretations are not yet effective for the year ended 31 December 2019 and have not been adopted in the financial statements.

Standards		**Effective for annual periods beginning on or after**
(1)	Amendments to IAS 1 and IAS 8	1 January 2020
(2)	Amendments to IFRS 3	1 January 2020
(3)	Amendments to IFRS 9,IAS 39 and IFRS 7	1 January 2020
(4)	IFRS 17 "Insurance Contracts"	1 January 2021
(5)	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Effective date has been deferred indefinitely

Except for IFRS 17, the Group anticipates that the adoption of the new standards and amendments will not have a significant impact on the Group's consolidated financial statements.

(1) Amendments to IAS 1 and IAS 8 "Definition of Material"

Amendments to IAS 1 and IAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of general purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

(2) Amendments to IFRS 3 "Definition of A Business"

IFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

(3) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate ("RFR"), the entities that apply these hedge accounting requirements can assume that the interest-rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest-rate benchmark reform. The amendments must be applied retrospectively.

66 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

(4) IFRS 17 "Insurance Contracts"

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured during each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the "variable fee approach" for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The Group is currently assessing the impact of IFRS 17 upon initial application.

(5) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

The narrow-scope amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business" (as defined in IFRS 3 "Business Combinations").

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments apply prospectively.

The following information of the Group does not form part of the audited financial statements, and is included herein for information purposes only.

1 DIFFERENCE BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER IFRS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

China Construction Bank Corporation (the "Bank") prepares consolidated financial statements, which include the financial statements of the Bank and its subsidiaries (collectively the "Group"), in accordance with International Financial Reporting Standards and its interpretations ("IFRS") promulgated by the International Accounting Standards Board and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

As a financial institution incorporated in the People's Republic of China (the "PRC") and listed on the Shanghai Stock Exchange, the Group also prepares its consolidated financial statements for the year ended 31 December 2019 in accordance with the Accounting Standards for Business Enterprises and other relevant regulations issued by the regulatory bodies of the PRC (collectively "PRC GAAP and regulations").

There is no difference in the net profit for the year ended 31 December 2019 or total equity as at 31 December 2019 between the Group's consolidated financial statements prepared under IFRS and those prepared under PRC GAAP and regulations.

2 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO

The liquidity coverage ratio equals to the qualified and high-quality liquid assets divided by net cash outflows in the future 30 days. Net stable funding ratio equals to the available stable funding divided by required stable funding. According to the regulatory requirements, definitions and accounting standards applicable in the current period, the average daily liquidity coverage ratio of the Group in the fourth quarter of 2019 was 154.83% and the net stable funding ratio was 129.12% as at the end of December 2019.

The following tables set the Group's liquidity coverage indicators for the fourth quarter of 2019.

S/N	(In millions of RMB, except percentages)	Total Unweighted Value	Total Weighted Value
High-Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)		4,323,267
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	8,537,645	724,842
3	Stable deposits	2,578,173	128,895
4	Less stable deposits	5,959,472	595,947
5	Unsecured wholesale funding, of which:	9,094,863	2,981,329
6	Operational deposits (excluding those generated from correspondent banking activates)	6,231,758	1,547,682
7	Non-operational deposits (all counterparties)	2,743,768	1,314,310
8	Unsecured debt	119,337	119,337
9	Secured funding		5
10	Additional requirements, of which:	1,707,122	196,553
11	Outflows related to derivative exposures and other collateral requirements	45,361	45,361
12	Outflows related to loss of funding on secured debt products	11,056	11,056
13	Credit and liquidity facilities	1,650,705	140,136
14	Other contractual funding obligations	18	–
15	Other contingent funding obligations	3,608,051	390,794
16	**Total Cash Outflows**		4,293,523
Cash Inflows			
17	Secured lending (including reverse repos and securities borrowing)	398,465	383,169
18	Inflow from fully performing exposures	1,606,751	1,050,183
19	Other cash inflows	60,949	53,704
20	**Total Cash Inflows**	2,066,165	1,487,056
Total Adjusted Value			
21	**Total HQLA**		4,323,267
22	**Total Net Cash Outflows**		2,806,467
23	**Liquidity coverage ratio (%)**[1]		154.83

1. The above quarterly daily means represent simple arithmetic means of the values for 92 calendar days in the latest quarter, calculated in accordance with the current applicable regulatory requirements, definitions and accounting standards.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

2 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

The following tables set the quantitative information on the net stable funding ratio at the end of the last two quarters.

		The Fourth Quarter of 2019					The Third Quarter of 2019				
		Unweighted value by residual maturity					Unweighted value by residual maturity				
No.	(In RMB millions, except percentages)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
ASF Item											
1	Capital:	–	–	–	2,421,744	2,421,744	–	–	–	2,343,077	2,343,077
2	Regulatory capital	–	–	–	2,421,744	2,421,744	–	–	–	2,343,077	2,343,077
3	Other capital instruments	–	–	–	–	–	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	6,215,956	2,925,113	146,728	783,796	9,282,581	6,177,076	2,848,114	160,495	786,244	9,190,502
5	Stable deposits	2,783,297	9,354	2,702	4,109	2,659,694	2,730,985	9,531	2,283	3,846	2,609,505
6	Less stable deposits	3,432,659	2,915,759	144,026	779,687	6,622,887	3,446,091	2,838,583	158,212	782,398	6,580,997
7	Wholesale funding:	6,311,732	4,416,797	1,049,867	532,453	5,716,171	6,362,284	3,987,300	794,976	477,473	5,549,397
8	Operational deposits	6,103,932	100,382	6,687	2,184	3,107,684	6,112,612	122,740	6,796	3,711	3,124,785
9	Other wholesale funding	207,800	4,316,415	1,043,180	530,269	2,608,487	249,672	3,864,560	788,180	473,762	2,424,612
10	Liabilities with matching interdependent assets	–	–	–	–	–	–	–	–	–	–
11	Other liabilities:	–	282,897	25,151	324,027	299,874	–	248,046	36,347	296,296	246,577
12	NSFR derivative liabilities				36,729					67,893	
13	All other liabilities and equity not included in the above categories	–	282,897	25,151	287,298	299,874	–	248,046	36,347	228,403	246,577
14	**Total ASF**					17,720,370					17,329,553
RSF Item											
15	Total NSFR high-quality liquid assets (HQLA)					1,279,953					1,179,379
16	Deposits held at other financial institutions for operational purposes	45,638	10,976	1,810	1,479	30,771	53,981	11,266	656	1,456	34,518
17	Performing loans and securities:	842,899	3,985,200	1,931,987	10,289,718	11,621,022	808,644	3,473,244	2,143,099	10,083,571	11,462,295
18	Performing loans to financial institutions secured by Level 1 HQLA	–	474,853	1,490	–	71,973	–	149,463	–	–	22,420
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	1,233,953	235,920	189,565	507,663	–	1,010,895	308,755	139,509	460,522
20	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	758,665	1,914,874	1,498,866	4,934,681	6,287,669	724,830	1,896,797	1,532,239	4,888,611	6,238,934
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–	–	–	–	–	–
22	Performing residential mortgages, of which:	–	154,553	155,874	5,020,492	4,422,632	–	154,474	156,819	4,913,364	4,332,006
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	84,234	206,967	39,837	144,980	331,085	83,814	261,615	145,286	142,087	408,413
25	Assets with matching Interdependent liabilities	–	–	–	–	–	–	–	–	–	–
26	Other assets:	46,207	164,167	125,466	309,232	616,135	43,196	88,258	81,232	270,517	424,184
27	Physical traded commodities, including gold	46,207				39,276	43,196				36,717
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	–			1,520	1,292	–			1,143	971
29	NSFR derivative assets	–			29,148	–	–			65,814	–

2 LIQUIDITY COVERAGE RATIO AND NET STABLE FUNDING RATIO (CONTINUED)

The following tables set the quantitative information on the net stable funding ratio at the end of the last two quarters. (continued)

		The Fourth Quarter of 2019					The Third Quarter of 2019				
		Unweighted value by residual maturity					Unweighted value by residual maturity				
No.	(In RMB millions, except percentages)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
30	NSFR derivative liabilities before deduction of variation margin posted[1]	–			7,370	7,370	–			13,593	13,593
31	All other assets not included in the above categories	–	164,167	125,466	278,564	568,197	–	88,258	81,232	203,561	372,903
32	Off-balance sheet items	–			4,910,260	175,730	–			4,669,191	168,769
33	Total RSF					13,723,611					13,269,145
34	Net stable funding ratio (%)					129.12					130.60

1. The amount filled out in this account refers to derivative liabilities, i.e., the amount of NSFR derivative liabilities before deduction of variable reserves. This amount makes no distinction between durations, nor does it count towards the total in "26 Other Assets".

According to the regulatory requirements, definitions and accounting standards applicable in the fourth quarter of 2019, the Group's net stable funding ratio was 129.12%, from which the available stable funding was RMB17,720,370 million against the required stable funding of RMB13,723,611 million.

3 LEVERAGE RATIO

From the first quarter of 2015, the Group measures the leverage ratio in accordance with the "Measures for the Management of Commercial Banks' Leverage Ratio (Revision)" promulgated by the CBRC in January 2015. The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on-balance sheet and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As of December 31, 2019, the Group's leverage ratio was 8.28%, which met regulatory requirements.

The following table sets forth the information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	As at 31 December 2019	As at 30 September 2019	As at 30 June 2019	As at 31 March 2019
Leverage ratio	**8.28%**	8.27%	7.98%	8.05%
Tier 1 capital after regulatory adjustments	**2,209,692**	2,126,153	2,045,186	2,042,655
On and off-balance sheet assets after adjustments	**26,694,733**	25,720,002	25,616,737	25,383,975

The following table sets forth the detailed items that constitute the on and off-balance sheet assets after adjustments used in the calculation of the Group's leverage ratio, and the reconciliation with the accounting items.

(In millions of RMB)	As at 31 December 2019	As at 31 December 2018
Total on-balance sheet assets[1]	**25,436,261**	23,222,693
Consolidated adjustment[2]	**(171,735)**	(125,786)
Derivatives adjustment	**58,591**	64,440
Securities financing transactions adjustment	**899**	678
Off-balance sheet items adjustment[3]	**1,380,975**	1,307,807
Other adjustments[4]	**(10,258)**	(9,683)
On and off-balance sheet assets after adjustments	**26,694,733**	24,460,149

1. Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.

2. Consolidated adjustment refers to the difference between regulatory consolidated total assets and accounting consolidated total assets.

3. Off-balance sheet items adjustment refers to the balance of off-balance sheet items after being multiplied by credit conversion factors in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*.

4. Other adjustments mainly comprise regulatory adjustments to Tier 1 capital.

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

3 LEVERAGE RATIO (CONTINUED)

The following table sets forth the information related to the Group's leverage ratio, Tier 1 capital after regulatory adjustments, and on and off-balance sheet assets after adjustments and their relevant detailed items.

(In millions of RMB, except percentages)	As at 31 December 2019	As at 31 December 2018
On-balance sheet assets (excluding derivatives and securities financing transactions)[1]	24,675,900	22,847,332
Less: Regulatory adjustments to Tier 1 capital	(10,258)	(9,683)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	24,665,642	22,837,649
Replacement costs of various derivatives (excluding eligible margin)	40,064	53,984
Potential risk exposures of various derivatives	52,930	60,899
Nominal principals arising from sales of credit derivatives	–	80
Derivative assets	92,994	114,963
Accounting assets arising from securities financing transactions	554,223	199,052
Counterparty credit risk exposure arising from securities financing transactions	899	678
Securities financing transactions assets	555,122	199,730
Off-balance sheet assets	3,735,906	2,848,724
Less: Decrease in off-balance sheet assets due to credit conversion	(2,354,931)	(1,540,917)
Off-balance sheet assets after adjustments	1,380,975	1,307,807
Tier 1 capital after regulatory adjustments	2,209,692	1,969,110
On and off-balance sheet assets after adjustments	26,694,733	24,460,149
Leverage Ratio[2]	8.28%	8.05%

1. These refer to on-balance sheet assets excluding derivatives and securities financing transactions on a regulatory consolidated basis.

2. Leverage ratio is calculated through dividing Tier 1 capital after deduction by on and off-balance sheet assets after adjustments.

4 CURRENCY CONCENTRATIONS

	31 December 2019			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,177,322	336,136	473,907	1,987,365
Spot liabilities	(1,280,135)	(388,492)	(324,861)	(1,993,488)
Forward purchases	2,126,358	174,874	185,347	2,486,579
Forward sales	(1,988,021)	(79,784)	(309,671)	(2,377,476)
Net option position	(14,714)	–	(10)	(14,724)
Net long position	20,810	42,734	24,712	88,256
Net structural position	41,583	1,487	(15,465)	27,605

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

4 CURRENCY CONCENTRATIONS (CONTINUED)

	31 December 2018			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	1,053,925	336,580	402,370	1,792,875
Spot liabilities	(1,029,400)	(371,917)	(291,300)	(1,692,617)
Forward purchases	2,765,210	181,417	205,064	3,151,691
Forward sales	(2,760,568)	(106,381)	(296,062)	(3,163,011)
Net option position	(13,216)	16	–	(13,200)
Net long position	15,951	39,715	20,072	75,738
Net structural position	37,835	2,131	(15,523)	24,443

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). 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 the foreign exchange. Structural assets and liabilities include:

– investments in property and equipment, net of accumulated depreciation;

– capital and statutory reserves of overseas branches; and

– investments in overseas subsidiaries and related companies.

5 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China. The international claims of the Group are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country or geographical area. 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 Group reduces its exposure to a particular country/region by an effective transfer of credit risk to a different country/region with the use of credit risk mitigation which include guarantees, collateral and credit derivatives.

	31 December 2019				
	Banks	**Public sector entities**	**Non-bank private institutions**	**Others**	**Total**
Asia Pacific	**428,976**	**65,572**	**703,741**	**28,957**	**1,227,246**
– of which attributed to Hong Kong	**41,970**	**8,987**	**337,889**	**–**	**388,846**
Europe	**32,647**	**63,025**	**67,410**	**101**	**163,183**
North and South America	**37,786**	**118,407**	**142,693**	**–**	**298,886**
Total	**499,409**	**247,004**	**913,844**	**29,058**	**1,689,315**

	31 December 2018				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	414,821	88,488	849,512	7,726	1,360,547
– of which attributed to Hong Kong	76,294	34,337	142,935	1,791	255,357
Europe	28,634	30,677	48,577	764	108,652
North and South America	23,568	129,100	77,530	16,593	246,791
Total	467,023	248,265	975,619	25,083	1,715,990

(EXPRESSED IN MILLIONS OF RMB, UNLESS OTHERWISE STATED)

6 OVERDUE LOANS AND ADVANCES TO CUSTOMERS BY GEOGRAPHICAL SECTOR

	31 December 2019	31 December 2018
Central	33,505	21,981
Western	26,066	22,512
Bohai Rim	14,309	22,079
Yangtze River Delta	16,404	17,528
Pearl River Delta	13,071	14,564
Northeastern	11,669	13,512
Head office	7,505	6,730
Overseas	1,787	1,770
Total	124,316	120,676

According to regulation requirements, the above analysis represents the gross amount of loans and advances overdue for more than three months.

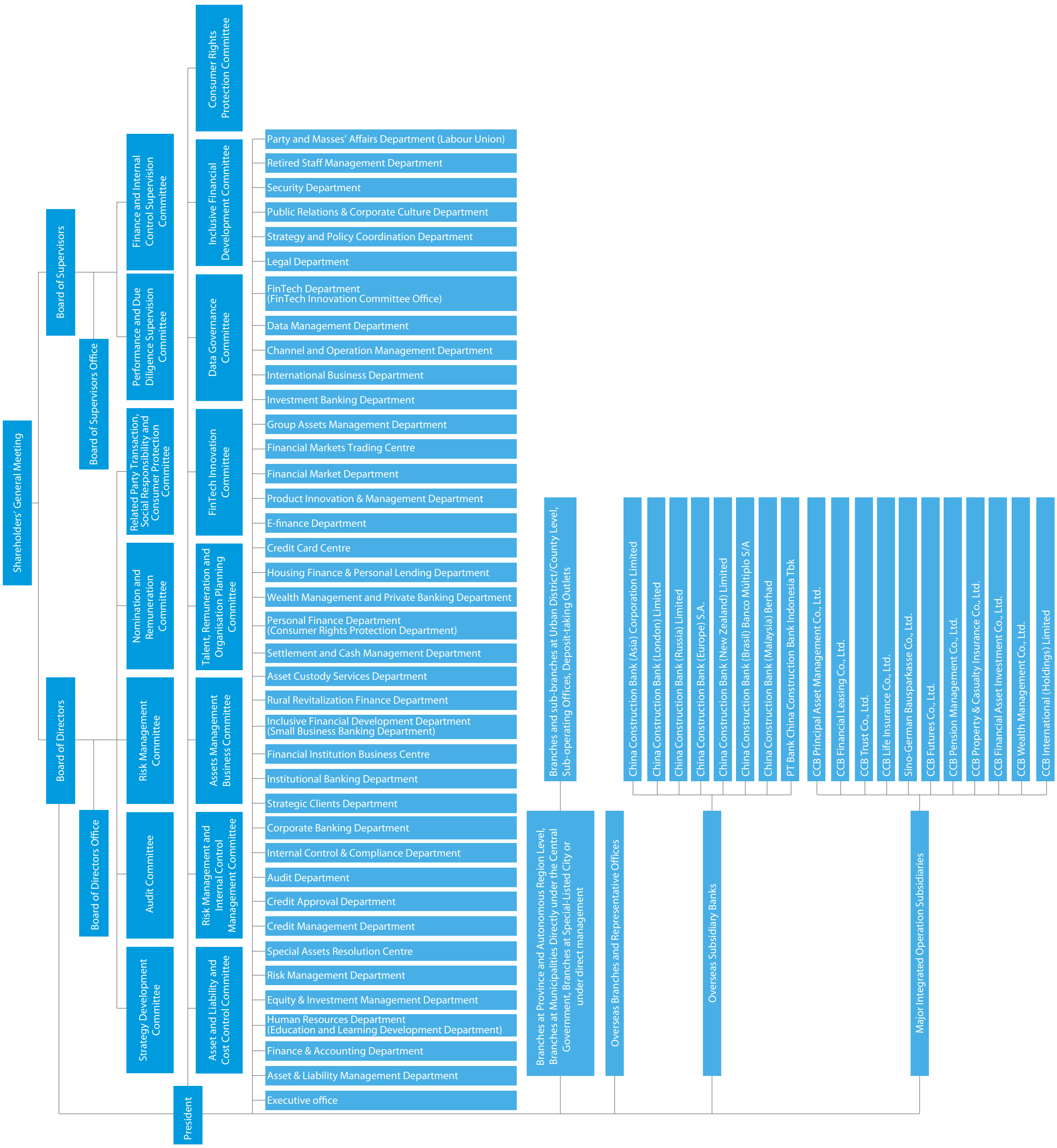
Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they are also considered to be overdue.

7 EXPOSURES TO NON-BANKS IN MAINLAND CHINA

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.

ORGANISATIONAL STRUCTURE



BRANCHES AND SUBSIDIARIES

TIER-ONE BRANCHES IN THE MAINLAND OF CHINA

Branches	Address	Telephone	Facsimile
Anhui Branch	No. 2358, Yungu Road, Hefei Postcode: 230001	(0551) 62874100	(0551) 62872014
Beijing Branch	Entry.4, Building 28, Xuanwumen West Street, Beijing Postcode: 100053	(010) 63603682	(010) 63603656
Chongqing Branch	No. 123, Minzu Road, Yuzhong District, Chongqing Postcode: 400010	(023) 63771855	(023) 63771835
Dalian Branch	No. 1, Jiefang Street, Zhongshan District, Dalian Postcode: 116001	(0411) 88066666	(0411) 82804560
Fujian Branch	No.298, Jiangbin middle Avenue, Taijiang District, Fuzhou Postcode: 350009	(0591) 87838467	(0591) 87856865
Gansu Branch	No. 77, Qin'an Road, Lanzhou Postcode: 730030	(0931) 4891555	(0931) 4891862
Guangdong Branch	21-46/F, No. 509, Dongfengzhong Road, Guangzhou Postcode: 510045	(020) 83018888	(020) 83013950
Guangxi Branch	No. 90, Minzu Avenue, Nanning Postcode: 530022	(0771) 5513110	(0771) 5513012
Guizhou Branch	No. 148, North Zhonghua Road, Guiyang Postcode: 550001	(0851) 86696000	(0851) 86696371
Hainan Branch	CCB Plaza, No. 8, Guomao Road, Haikou Postcode: 570125	(0898) 68587268	(0898) 68587569
Hebei Branch	No. 40, Ziqiang Road, Shijiazhuang Postcode: 050000	(0311) 88601010	(0311) 88601001
Henan Branch	No. 80, Huayuan Road, Zhengzhou Postcode: 450003	(0371) 65556677	(0371) 65556688
Heilongjiang Branch	No. 67, Hongjun Street, Nan'gang District, Harbin Postcode: 150001	(0451) 58683565	(0451) 53625552
Hubei Branch	No. 709, Jianshe Street, Wuhan Postcode: 430015	(027) 65775888	(027) 65775881
Hunan Branch	No. 2, Baisha Road, Changsha Postcode: 410005	(0731) 84419910	(0731)84419141
Jilin Branch	No. 810, Xi'an Road, Changchun Postcode: 130061	(0431) 80835310	(0431) 88988748
Jiangsu Branch	No. 188, Hongwu Road, Nanjing Postcode: 210002	(025) 84200545	(025) 84209316
Jiangxi Branch	No. 366, Bayi Street, Nanchang Postcode: 330006	(0791) 86848200	(0791) 86848318

Branches	Address	Telephone	Facsimile
Liaoning Branch	No. 176, Zhongshan Road, Heping District, Shenyang Postcode: 110002	(024) 22787600	(024) 22857427
Inner Mongolia Branch	No. 6, Daxue East Street, Saihan District, Huhhot Postcode: 010010	(0471) 4593751	(0471) 4593890
Ningbo Branch	No. 255, Baohua Street, Ningbo Postcode: 315040	(0574) 87328212	(0574) 87325019
Ningxia Branch	No. 98, Nanxun West Street, Yinchuan Postcode: 750001	(0951) 4126111	(0951) 4106165
Qingdao Branch	No. 222, Shenzhen Road, Laoshan District, Qingdao Postcode: 266061	(0532) 68670056	(0532) 82670157
Qinghai Branch	No. 59, West Street, Xining Postcode: 810000	(0971) 8261743	(0971) 8261287
Shandong Branch	No. 168, North Long'ao Road, Jinan Postcode: 250099	(0531) 82088007	(0531) 86169108
Shaanxi Branch	No. 38, South Guangji Street, Xi'an Postcode: 710002	(029) 87617515	(029) 87606014
Shanxi Branch	No. 126, Yingze Street, Taiyuan Postcode: 030001	(0351) 4957800	(0351) 4957871
Shanghai Branch	No. 900, Lujiazui Ring Road, Shanghai Postcode: 200120	(021) 58880000	(021) 58781818
Shenzhen Branch	Block A, Rongchao Business Centre, No.6003 Yitian Road, Futian District, Shenzhen Postcode: 518026	(0755) 23828888	(0755) 23828111
Sichuan Branch	Sichuan CCB Building, No. 86, Tidu Street, Chengdu Postcode: 610016	(028) 86767161	(028) 86767187
Suzhou Branch	No. 18, Suzhou Road West, Suzhou Postcode: 215021	(0512) 62788786	(0512) 62788783
Tianjin Branch	Plus 1 No.19, Nanjing Road, Hexi District, Tianjin Postcode: 300203	(022) 58751166	(022) 58751811
Tibet Branch	No. 21, Beijing West Road, Lhasa Postcode: 850008	(0891) 6838792	(0891) 6836818
Xiamen Branch	No. 98, Lujiang Road, Xiamen Postcode: 361001	(0592) 2158668	(0592) 2158862
Xinjiang Branch	No. 99, Minzhu Road, Urumqi Postcode: 830002	(0991) 2848666	(0991) 2819160
Yunnan Branch	CCB Plaza, Jinbi Road, Kunming Postcode: 650021	(0871) 63060858	(0871) 63060333
Zhejiang Branch	No. 33, Jiefang East Road, Hangzhou Postcode: 310016	(0571) 85313263	(0571) 85313001

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Facsimile: (1) 647-7777739

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Facsimile: (41) 43-5558898

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CCB Financial Asset Investment Co., Ltd.	Unit 1601-01, 16/F, No.9A, Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: (010) 67590600 Facsimile: (010) 67590601
CCB Financial Leasing Co., Ltd.	6/F, Building 4, ChangAnXingRong Centre, No. 1, Naoshikou Street, Xicheng District, Beijing Postcode: 100031 Telephone: (010) 67594013 Facsimile: (010) 66275808 Website: www.ccbleasing.com
CCB Futures Co., Ltd.	5/F, No. 99 (CCB Shanghai Tower), Yincheng Road, Pudong New District, Shanghai Postcode: 200120 Telephone: (021) 60635551 Facsimile: (021) 60635520 Website:www.ccbfutures.com
CCB International (Holdings) Limited	12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong Telephone: (852) 39118000 Facsimile: (852) 25301496 Website: www.ccbintl.com.hk
CCB Life Insurance Co., Ltd.	29/F-33/F, CCB Tower, No. 99, Yincheng Road, Pudong New District, Shanghai Postcode:200120 Telephone: (021) 60638288 Facsimile: (021) 60638204 Website: www.ccb-life.com.cn
CCB Pension Management Co., Ltd.	11/F, A Section, Zhizhen Building, 7 Zhichun Road, Haidian District, Beijing Postcode:100191 Telephone: (010) 56731294 Facsimile: (010) 56731201 Website: www.ccbpension.com
CCB Principal Asset Management Co., Ltd.	16/F, Winland International Finance Centre, No. 7, Financial Street, Xicheng District, Beijing Postcode: 100033 Telephone: (010) 66228888 Facsimile: (010) 66228889 Website: www.ccbfund.cn
CCB Property & Casualty Insurance Co., Ltd.	20/F, Borui Building, Jia 26, Dongsanhuanbei Road, Chaoyang District, Beijing Postcode: 100026 Telephone: 010-85098000 Facisimile: (010) 85098100 Website: www.ccbpi.com.cn
CCB Trust Co., Ltd.	10/F, Chang'an Xingrong Centre, Block 4, No. 1, Naoshikou Street, Xicheng District, Beijing Postcode: 100031 Telephone: (010) 67596584 Facsimile: (010) 67596590 Website: www.ccbtrust.com.cn
CCB Wealth Management Co., Ltd.	Unit 5701, 5801, Tower No.2, Huanggang Business Center, 2028 Jintian Road Futian District, Shenzhen Postcode: 518000 Telephone：0755-88338101 Facsimile：0755-88338085
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China Construction Bank (Brasil) Banco Múltiplo S/A	Avenida Brigadeiro Faria Lima, 4440, 2 and 5F, Itaim Bibi – São Paulo – SP – 04538 – 132 Telephone: (55) 11 2173 9000 Facsimile: (55) 11 2173 9101 Website: www.br.ccb.com

China Construction Bank (Europe) S.A.	1 Boulevard Royal, L-2449 Luxembourg, Luxembourg Telephone: (352) 28668800 Facsimile: (352) 28668801
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Warsaw Branch	*Warsaw Financial Center, ul. Emilii Plater 53, 00-113 Warsaw, Poland* *Telephone: (48) 22-1666666* *Facsimile: (48) 22-1666600*
PT Bank China Construction Bank Indonesia Tbk	Sahid Sudirman Center 15th Floor, Jl. Jend. Sudirman Kav. 86, Jakarta Postcode: 10220 Telephone: (62) 2150821000 Facsimile: (62) 2150821010 Website:www.idn.ccb.com
China Construction Bank (London) Limited	111 Old Broad Street, London, EC2N 1AP, UK Telephone: (44) 20-70386000 Facsimile: (44) 20-70386001
China Construction Bank (Malaysia) Berhad	Ground Floor, South Block, Wisma Golden Eagle Realty, 142A Jalan Ampang, Kuala Lumpur, Malaysia Postcode: 50450 Telephone: (60) 3-21601888 Facsimile: (60) 3-27121819
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APPENDIX: INDICATORS FOR ASSESSING GLOBAL SYSTEMIC IMPORTANCE OF COMMERCIAL BANKS

The Group calculated the indicators for assessing global systemic importance of the Bank in accordance with the *Guidelines for the Disclosure of the Indicators for Assessing Global Systemic Importance of Commercial Banks* issued by the CBRC and the *Instructions for G-SIB assessment exercise* by the Basel Committee on Banking Supervision. The following table sets forth the Group's indicators as at 31 December 2019.

(In billions of RMB)		31 December 2019	31 December 2018
Number	**Indicators**	**Amount[3]**	Amount[3]
1	Total on- and off- balance sheet assets after adjustments[1]	**26,705.0**	24,469.8
2	Intra-financial system assets	**1,266.5**	1,339.3
3	Intra-financial system liabilities	**2,205.9**	1,837.9
4	Securities outstanding and other financing tools	**2,689.5**	2,263.2
5	Total payments through payment system and as a correspondent for other banks	**443,983.6**	409,069.6
6	Assets under custody	**13,218.8**	10,067.7
7	Securities underwriting activity	**1,578.3**	1,301.0
8	Notional amount of over-the-counter (OTC) derivatives	**4,348.5**	5,339.1
9	Securities at fair value through profit or loss and securities at fair value through other comprehensive income[2]	**885.6**	600.0
10	Level 3 assets	**139.9**	104.9
11	Cross-jurisdictional claims	**943.5**	760.9
12	Cross-jurisdictional liabilities	**1,342.2**	1,268.1

1. In accordance with the Instructions for G-SIB assessment exercise by the Basel Committee on Banking Supervision, capital regulatory adjustments will not be deducted from on- and off- balance sheet assets after adjustments.
2. Securities at fair value through profit or loss and securities at fair value through other comprehensive income are calculated by netting off the level 1 and level 2 assets, in accordance with the CBIRC requirements. Level 1 and Level 2 assets are defined in the *Measures for Liquidity Risk Management of Commercial Banks* issued by the CBIRC.
3. As per the regulatory requirements, the indicators for assessing global systemic importance are calculated under regulatory scope of consolidation, which are different from the data under accounting scope of consolidation. Meanwhile, data related to intra-group transactions are eliminated. Therefore, the indicators are not comparable to other business statistics.

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

Stock Code :
939 (Ordinary H-Share) 4606 (Offshore Preference Share)
601939 (Ordinary A-Share) 360030 (Domestic Preference Share)

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