

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.*



**中国建设银行**  
China Construction Bank

**中國建設銀行股份有限公司**  
**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)**

## **ANNOUNCEMENT OF ANNUAL RESULTS 2019**

The board of directors of China Construction Bank Corporation (the “Bank”) is pleased to announce the audited results, which have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules of Hong Kong Stock Exchange”) and International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board, of the Bank and its subsidiaries (the “Group”) for the year ended 31 December 2019. The annual results for the year of 2019 have been reviewed by the audit committee of the Bank’s board of directors, and the external auditors of the Bank have provided audit report with unqualified audit opinion.

# 1 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
<b>For the year</b>						
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
<b>As at 31 December</b>						
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 <sup>1</sup>	2,089,976	1,889,390	10.62	1,691,332	1,549,834	1,408,127
Tier 1 capital after regulatory adjustments <sup>1</sup>	119,716	79,720	50.17	79,788	19,741	19,720
Tier 2 capital after regulatory adjustments <sup>1</sup>	427,896	379,536	12.74	231,952	214,340	222,326
Total capital after regulatory adjustments <sup>1</sup>	2,637,588	2,348,646	12.30	2,003,072	1,783,915	1,650,173
Risk-weighted assets <sup>1</sup>	15,053,291	13,659,497	10.20	12,919,980	11,937,774	10,722,082
<b>Per share (In RMB)</b>						
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
<b>Profitability indicators</b>						
Return on average assets <sup>1</sup>	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 <sup>2</sup>	26.75	26.61	0.14	27.15	27.51	27.02
<b>Capital adequacy indicators</b>						
Common Equity Tier 1 ratio <sup>3</sup>	13.88	13.83	0.05	13.09	12.98	13.13
Tier 1 ratio <sup>3</sup>	14.68	14.42	0.26	13.71	13.15	13.32
Total capital ratio <sup>3</sup>	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
<b>Asset quality indicators</b>						
Non-performing loan (NPL) ratio	1.42	1.46	(0.04)	1.49	1.52	1.58
Allowances to NPLs <sup>4</sup>	227.69	208.37	19.32	171.08	150.36	150.99
Allowances to total loans <sup>5</sup>	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.

(In millions of RMB)	2019				2018			
	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

## 2 Financial Statements

### Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	<u>2019</u>	<u>2018</u>	<u>Change(%)</u>
Interest income	<b>883,499</b>	811,026	8.94
Interest expense	<b>(372,819)</b>	(324,748)	14.80
<b>Net interest income</b>	<b>510,680</b>	486,278	5.02
Fee and commission income	<b>155,262</b>	138,017	12.49
Fee and commission expense	<b>(17,978)</b>	(14,982)	20.00
<b>Net fee and commission income</b>	<b>137,284</b>	123,035	11.58
Net trading gain	<b>9,120</b>	12,614	(27.70)
Dividend income	<b>1,184</b>	773	53.17
Net gain arising from investment securities	<b>9,093</b>	3,444	164.02
Net gain/(loss) on derecognition of financial assets measured at amortised cost	<b>3,359</b>	(2,241)	N/A
Other operating income, net:			
- Other operating income	<b>36,127</b>	35,918	0.58
- Other operating expense	<b>(28,846)</b>	(26,049)	10.74
<b>Other operating income, net</b>	<b>7,281</b>	9,869	(26.22)
<b>Operating income</b>	<b>678,001</b>	633,772	6.98
<b>Operating expenses</b>	<b>(188,132)</b>	(174,764)	7.65
	<b>489,869</b>	459,008	6.72
Credit impairment losses	<b>(163,000)</b>	(151,109)	7.87
Other impairment losses	<b>(521)</b>	121	N/A
<b>Share of profits of associates and joint ventures</b>	<b>249</b>	140	77.86
<b>Profit before tax</b>	<b>326,597</b>	308,160	5.98
Income tax expense	<b>(57,375)</b>	(52,534)	9.21
<b>Net profit</b>	<b>269,222</b>	255,626	5.32

**Consolidated statement of comprehensive income (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	<u>2019</u>	<u>2018</u>	<u>Change(%)</u>
<b>Other comprehensive income:</b>			
(1)Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	<b>199</b>	(296)	N/A
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	<b>444</b>	120	270.00
Others	<b>59</b>	43	37.21
Subtotal	<u><b>702</b></u>	<u>(133)</u>	<u>N/A</u>
(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	<b>9,005</b>	35,887	(74.91)
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	<b>1,624</b>	303	435.97
Reclassification adjustments included in profit or loss due to disposals	<b>(175)</b>	(149)	17.45
Net loss on cash flow hedges	<b>(292)</b>	(267)	9.36
Exchange difference on translating foreign operations	<b>2,682</b>	2,573	4.24
Subtotal	<u><b>12,844</b></u>	<u>38,347</u>	<u>(66.51)</u>
<b>Other comprehensive income for the year, net of tax</b>	<u><b>13,546</b></u>	<u>38,214</u>	<u>(64.55)</u>

**Consolidated statement of comprehensive income (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	<u>2019</u>	<u>2018</u>	<u>Change(%)</u>
<b>Total comprehensive income for the year</b>	<b><u>282,768</u></b>	<u>293,840</u>	<u>(3.77)</u>
Net profit attributable to:			
Equity shareholders of the Bank	<b>266,733</b>	254,655	4.74
Non-controlling interests	<b><u>2,489</u></b>	<u>971</u>	<u>156.33</u>
	<b><u>269,222</u></b>	<u>255,626</u>	<u>5.32</u>
Total comprehensive income attributable to:			
Equity shareholders of the Bank	<b>280,268</b>	292,705	(4.25)
Non-controlling interests	<b><u>2,500</u></b>	<u>1,135</u>	<u>120.26</u>
	<b><u>282,768</u></b>	<u>293,840</u>	<u>(3.77)</u>
<b>Basic and diluted earnings per share (in RMB Yuan)</b>	<b><u>1.05</u></b>	<u>1.00</u>	<u>5.00</u>

## Consolidated statement of financial position

(Expressed in millions of RMB, unless otherwise stated)

	<b>31 December</b>	31 December	<b>Change(%)</b>
	<b>2019</b>	2018	
<b>Assets:</b>			
Cash and deposits with central banks	<b>2,621,010</b>	2,632,863	(0.45)
Deposits with banks and non-bank financial institutions	<b>419,661</b>	486,949	(13.82)
Precious metals	<b>46,169</b>	33,928	36.08
Placements with banks and non-bank financial institutions	<b>531,146</b>	349,727	51.87
Positive fair value of derivatives	<b>34,641</b>	50,601	(31.54)
Financial assets held under resale agreements	<b>557,809</b>	201,845	176.36
Loans and advances to customers	<b>14,540,667</b>	13,365,430	8.79
Financial investments			
Financial assets measured at fair value through profit or loss	<b>675,361</b>	731,217	(7.64)
Financial assets measured at amortised cost	<b>3,740,296</b>	3,272,514	14.29
Financial assets measured at fair value through other comprehensive income	<b>1,797,584</b>	1,711,178	5.05
Long-term equity investments	<b>11,353</b>	8,002	41.88
Fixed assets	<b>170,740</b>	169,574	0.69
Land use rights	<b>14,738</b>	14,373	2.54
Intangible assets	<b>4,502</b>	3,622	24.30
Goodwill	<b>2,809</b>	2,766	1.55
Deferred tax assets	<b>72,314</b>	58,730	23.13
Other assets	<b>195,461</b>	129,374	51.08
<b>Total assets</b>	<b>25,436,261</b>	23,222,693	9.53

**Consolidated statement of financial position (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	<b>31 December</b>	31 December	<u>Change(%)</u>
	<b>2019</b>	2018	
<b>Liabilities:</b>			
Borrowings from central banks	<b>549,433</b>	554,392	(0.89)
Deposits from banks and non-bank financial institutions	<b>1,672,698</b>	1,427,476	17.18
Placements from banks and non-bank financial institutions	<b>521,553</b>	420,221	24.11
Financial liabilities measured at fair value through profit or loss	<b>281,597</b>	431,334	(34.71)
Negative fair value of derivatives	<b>33,782</b>	48,525	(30.38)
Financial assets sold under repurchase agreements	<b>114,658</b>	30,765	272.69
Deposits from customers	<b>18,366,293</b>	17,108,678	7.35
Accrued staff costs	<b>39,075</b>	36,213	7.90
Taxes payable	<b>86,635</b>	77,883	11.24
Provisions	<b>42,943</b>	37,928	13.22
Debt securities issued	<b>1,076,575</b>	775,785	38.77
Deferred tax liabilities	<b>457</b>	485	(5.77)
Other liabilities	<b>415,435</b>	281,414	47.62
<b>Total liabilities</b>	<b>23,201,134</b>	21,231,099	9.28



**Consolidated statement of financial position (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	<b>31 December</b>	31 December	<u>Change(%)</u>
	<b>2019</b>	2018	
<b>Equity:</b>			
Share capital	<b>250,011</b>	250,011	-
Other equity instruments			
Preference shares	<b>79,636</b>	79,636	-
Perpetual bonds	<b>39,991</b>	-	N/A
Capital reserve	<b>134,537</b>	134,537	-
Other comprehensive income	<b>31,986</b>	18,451	73.36
Surplus reserve	<b>249,178</b>	223,231	11.62
General reserve	<b>314,389</b>	279,725	12.39
Retained earnings	<b>1,116,529</b>	990,872	12.68
	<hr/>	<hr/>	
Total equity attributable to equity shareholders of the Bank	<b>2,216,257</b>	1,976,463	12.13
Non-controlling interests	<b>18,870</b>	15,131	24.71
	<hr/>	<hr/>	
<b>Total equity</b>	<b>2,235,127</b>	1,991,594	12.23
	<hr/>	<hr/>	
<b>Total liabilities and equity</b>	<b>25,436,261</b>	23,222,693	9.53
	<hr/>	<hr/>	

## Consolidated statement of changes in equity

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank									Total equity
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	
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

## Consolidated statement of changes in equity (continued)

(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank							Non-controlling interests	Total equity
	Share capital	Other equity instruments-Preference shares	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings		
<b>As at 1 January 2018</b>	250,011	79,636	134,537	(19,599)	198,613	259,680	857,569	15,929	1,776,376
<b>Movements during the year</b>	-	-	-	38,050	24,618	20,045	133,303	(798)	215,218
<b>(1) Total comprehensive income for the year</b>	-	-	-	38,050	-	-	254,655	1,135	293,840
<b>(2) Changes in share capital</b>									
i Acquisition of subsidiaries	-	-	-	-	-	-	-	(8)	(8)
ii Change in shareholdings in subsidiaries	-	-	-	-	-	-	-	(138)	(138)
iii Disposal of subsidiaries	-	-	-	-	-	-	-	(1,667)	(1,667)
<b>(3) Profit distribution</b>									
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)
<b>As at 31 December 2018</b>	250,011	79,636	134,537	18,451	223,231	279,725	990,872	15,131	1,991,594

## Consolidated statement of cash flows

(Expressed in millions of RMB, unless otherwise stated)

	<u>2019</u>	<u>2018</u>
<b><i>Cash flows from operating activities</i></b>		
Profit before tax	<b>326,597</b>	308,160
<i>Adjustments for:</i>		
-Credit impairment losses	<b>163,000</b>	151,109
-Other impairment losses	<b>521</b>	(121)
-Depreciation and amortization	<b>23,927</b>	17,874
-Interest income from impaired financial assets	<b>(3,092)</b>	(3,312)
-Revaluation gain on financial instruments at fair value through profit or loss	<b>(2,456)</b>	(144)
-Share of profits of associates and joint ventures	<b>(249)</b>	(140)
-Dividend income	<b>(1,184)</b>	(773)
-Unrealised foreign exchange loss/(gain)	<b>2,548</b>	(6,981)
-Interest expense on bonds issued	<b>16,418</b>	12,975
-Interest income from investment securities and net income from disposal	<b>(198,282)</b>	(175,508)
-Net gain on disposal of fixed assets and other long-term assets	<b>(42)</b>	(135)
	<u><b>327,706</b></u>	<u>303,004</u>

**Consolidated statement of cash flows (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	<u>2019</u>	<u>2018</u>
<b><i>Cash flows from operating activities (continued)</i></b>		
<i>Changes in operating assets:</i>		
Net decrease in deposits with central banks and with banks and non-bank financial institutions	<b>183,478</b>	367,756
Net increase in placements with banks and non- bank financial institutions	<b>(94,096)</b>	(50,390)
Net increase in loans and advances to customers	<b>(1,297,965)</b>	(852,702)
Net (increase)/decrease in financial assets held under resale agreements	<b>(355,758)</b>	6,778
Net increase in financial assets held for trading purposes	<b>(10,791)</b>	(35,256)
Net (increase)/decrease in other operating assets	<b>(75,045)</b>	47,322
	<b><u>(1,650,177)</u></b>	<b><u>(516,492)</u></b>
<i>Changes in operating liabilities:</i>		
Net decrease in borrowings from central banks	<b>(2,132)</b>	(3,121)
Net increase in placements from banks and non-bank financial institutions	<b>96,186</b>	16,211
Net increase in deposits from customers and from banks and non-bank financial institutions	<b>1,461,277</b>	602,520
Net increase/(decrease) in financial assets sold under repurchase agreements	<b>83,663</b>	(44,616)
Net increase in certificates of deposit issued	<b>338,170</b>	40,963
Income tax paid	<b>(65,793)</b>	(49,174)
Net (decrease) /increase in financial liabilities measured at fair value through profit or loss	<b>(149,986)</b>	11,922
Net increase in other operating liabilities	<b>142,373</b>	82,550
	<b><u>1,903,758</u></b>	<b><u>657,255</u></b>
<b>Net cash from operating activities</b>	<b><u>581,287</u></b>	<b><u>443,767</u></b>

**Consolidated statement of cash flows (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	<u>2019</u>	<u>2018</u>
<b><i>Cash flows from investing activities</i></b>		
Proceeds from sales of financial investments	<b>1,504,300</b>	1,198,833
Cash received from redemption of financial investments	<b>192,870</b>	176,475
Proceeds from disposal of fixed assets and other long-term assets	<b>2,366</b>	2,612
Purchase of investment securities	<b>(1,963,872)</b>	(1,553,492)
Purchase of fixed assets and other long-term assets	<b>(23,234)</b>	(20,783)
Acquisition of subsidiaries, associates and joint ventures	<b>(4,978)</b>	(1,360)
<b>Net cash used in investing activities</b>	<b><u>(292,548)</u></b>	<b><u>(197,715)</u></b>
<b><i>Cash flows from financing activities</i></b>		
Issue of bonds	<b>42,106</b>	123,524
Cash received from issuance of perpetual bonds	<b>39,991</b>	-
Cash received from subsidiaries' capital injection by non-controlling interests holders	<b>1,980</b>	-
Dividends paid	<b>(81,010)</b>	(76,811)
Repayment of borrowings	<b>(79,052)</b>	(6,319)
Cash paid by subsidiaries for purchase of non-controlling interests holders' equity	<b>(196)</b>	(138)
Interest paid on bonds issued	<b>(18,051)</b>	(11,335)
Cash payment for other financing activities	<b>(7,609)</b>	-
<b>Net cash (used in)/from financing activities</b>	<b><u>(101,841)</u></b>	<b><u>28,921</u></b>

**Consolidated statement of cash flows (continued)***(Expressed in millions of RMB, unless otherwise stated)*

	<u>2019</u>	<u>2018</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>4,740</u>	<u>14,390</u>
<b>Net increase in cash and cash equivalents</b>	<b>191,638</b>	289,363
<b>Cash and cash equivalents as at 1 January</b>	<u>860,702</u>	<u>571,339</u>
<b>Cash and cash equivalents as at 31 December</b>	<u>1,052,340</u>	<u>860,702</u>
<b>Cash flows from operating activities include:</b>		
Interest received	<u>695,047</u>	<u>653,845</u>
Interest paid, excluding interest expense on bonds issued	<u>(337,478)</u>	<u>(308,323)</u>

**Notes:**

(1) The financial statements of the Group for the year ended 31 December 2019 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. These financial statements also comply with the disclosure requirements of the new Hong Kong Companies Ordinance (Cap. 622), and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Except for the new or revised IFRS and Interpretations effective for the year ended 31 December 2019 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2018.

(3) Unless otherwise stated, the financial figures are expressed in millions of RMB.

(4) For the purpose of this results announcement, 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 and Taiwan.

(5) **Net gain arising from investment securities**

	<u>2019</u>	<u>2018</u>
Net gain related to financial assets designated as measured at fair value through profit or loss	<b>8,699</b>	15,567
Net loss related to financial liabilities designated as measured at fair value through profit or loss	<b>(9,399)</b>	(14,761)
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	<b>8,687</b>	1,938
Net gain related to financial assets measured at fair value through other comprehensive income	<b>711</b>	499
Net revaluation gain reclassified from other comprehensive income on disposal	<b>234</b>	204
Others	<b>161</b>	(3)
Total	<b><u>9,093</u></b>	<b><u>3,444</u></b>



(6) **Operating expenses**

	<u>2019</u>	<u>2018</u>
Staff costs		
- Salaries, bonuses, allowances and subsidies	<b>70,342</b>	66,788
- Other social insurance and welfare	<b>11,673</b>	11,187
- Housing funds	<b>6,521</b>	6,390
- Union running costs and employee education costs	<b>2,948</b>	2,820
- Defined contribution plans	<b>14,275</b>	14,850
- Early retirement expenses	<b>19</b>	20
- Compensation to employees for termination of employment relationship	<b>6</b>	2
	<u><b>105,784</b></u>	<u>102,057</u>
Premises and equipment expenses		
- Depreciation charges	<b>21,304</b>	15,447
- Rent and property management expenses	<b>4,952</b>	9,926
- Maintenance	<b>3,394</b>	3,000
- Utilities	<b>1,851</b>	1,953
- Others	<b>2,174</b>	2,064
	<u><b>33,675</b></u>	<u>32,390</u>
Taxes and surcharges	<b>6,777</b>	6,132
Amortisation expenses	<b>2,623</b>	2,427
Audit fees	<b>163</b>	162
Other general and administrative expenses	<b>39,110</b>	31,596
	<u><b>188,132</b></u>	<u>174,764</u>
Total	<u><b>188,132</b></u>	<u>174,764</u>

(7) **Income tax expense**

① Income tax expense

	<u>2019</u>	<u>2018</u>
Current tax	<b>74,013</b>	72,531
- Mainland China	<b>71,045</b>	69,949
- Hong Kong	<b>1,340</b>	1,444
- Other countries and regions	<b>1,628</b>	1,138
Adjustments for prior years	<b>498</b>	(1,928)
Deferred tax	<b>(17,136)</b>	(18,069)
Total	<b><u>57,375</u></b>	<u>52,534</u>

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	<u>2019</u>	<u>2018</u>
Profit before tax		<b><u>326,597</u></b>	<u>308,160</u>
Income tax calculated at the 25% statutory tax rate		<b><u>81,649</u></b>	<u>77,040</u>
Effects of different applicable rates of tax prevailing in other countries/regions		<b>(234)</b>	(740)
Non-deductible expenses	(i)	<b>11,891</b>	9,212
Non-taxable income	(ii)	<b>(36,429)</b>	(31,050)
Adjustments on income tax for prior years which affect profit or loss		<b><u>498</u></b>	<u>(1,928)</u>
Income tax expense		<b><u>57,375</u></b>	<u>52,534</u>

- (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.

**(8) 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.

	<u>2019</u>	<u>2018</u>
Net profit attributable to equity shareholders of the Bank	<b>266,733</b>	254,655
Less: profit for the year attributable to preference shareholders of the Bank	<b>(3,962)</b>	(3,936)
Net profit attributable to ordinary shareholders of the Bank	<b>262,771</b>	250,719
Weighted average number of ordinary shares (in millions of shares)	<b>250,011</b>	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	<b>1.05</b>	1.00
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	<b>1.05</b>	1.00

(9) Derivatives and hedge accounting

① Analysed by type of contract

	Note	<u>31 December 2019</u>			<u>31 December 2018</u>		
		<u>Notional amounts</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Notional amounts</u>	<u>Assets</u>	<u>Liabilities</u>
Interest rate contracts		<b>535,745</b>	<b>1,187</b>	<b>2,088</b>	302,322	1,998	1,902
Exchange rate contracts		<b>3,727,006</b>	<b>31,681</b>	<b>29,726</b>	4,947,440	47,749	44,772
Other contracts	(a)	<b>85,784</b>	<b>1,773</b>	<b>1,968</b>	89,325	854	1,851
Total		<b><u>4,348,535</u></b>	<b><u>34,641</u></b>	<b><u>33,782</u></b>	<b><u>5,339,087</u></b>	<b><u>50,601</u></b>	<b><u>48,525</u></b>

② Analysed by counterparty credit risk-weighted assets

	Note	<u>31 December 2019</u>	<u>31 December 2018</u>
Counterparty credit default risk-weighted assets			
- Interest rate contracts		<b>2,670</b>	1,365
- Exchange rate contracts		<b>37,124</b>	21,402
- Other contracts	(a)	<b>1,500</b>	2,276
Subtotal		<b>41,294</b>	25,043
Risk-weighted assets for credit Valuation adjustment		<b>14,194</b>	12,493
Total		<b><u>55,488</u></b>	<b><u>37,536</u></b>

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 China Banking and Insurance Regulatory Commission (“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.

**(9) Derivatives and hedge accounting (continued)**

**③ Hedge accounting**

The following designated hedging instruments are included in the derivative financial instruments disclosed above.

	<u>31 December 2019</u>			<u>31 December 2018</u>		
	<u>Notional amounts</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Notional amounts</u>	<u>Assets</u>	<u>Liabilities</u>
Fair value hedges						
Interest rate swaps	<b>39,801</b>	<b>83</b>	<b>(344)</b>	46,452	559	(88)
Cross currency swaps	<b>35</b>	-	-	344	17	-
Cash flow hedges						
Foreign exchange swaps	<b>39,146</b>	<b>640</b>	<b>(193)</b>	45,146	324	(330)
Cross currency swaps	-	-	-	4,007	238	(6)
Interest rate swaps	<b>13,608</b>	<b>25</b>	<b>(78)</b>	17,156	37	(79)
Total	<b>92,590</b>	<b>748</b>	<b>(615)</b>	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:

	<u>2019</u>	<u>2018</u>
Net (losses)/gains on		
- hedging instruments	<b>(664)</b>	72
- hedged items	<b>661</b>	(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.

**(9) Derivatives and hedge accounting (continued)**

③ Hedge accounting (continued)

*(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.

**(10) Deposits from customers**

	<u><b>31 December 2019</b></u>	<u>31 December 2018</u>
Demand deposits		
- Corporate customers	<b>6,001,053</b>	5,922,676
- Personal customers	<b>4,136,591</b>	3,313,664
Subtotal	<u><b>10,137,644</b></u>	<u>9,236,340</u>
Time deposits (including call deposits)		
- Corporate customers	<b>3,239,657</b>	3,037,130
- Personal customers	<b>4,781,485</b>	4,657,959
Subtotal	<u><b>8,021,142</b></u>	<u>7,695,089</u>
Accrued interest	<u><b>207,507</b></u>	<u>177,249</u>
Total	<u><b>18,366,293</b></u>	<u>17,108,678</u>

Deposits from customers include:

	<u><b>31 December 2019</b></u>	<u>31 December 2018</u>
① Pledged deposits		
- Deposits for acceptance	<b>57,367</b>	63,385
- Deposits for guarantee	<b>52,351</b>	76,609
- Deposits for letter of credit	<b>11,593</b>	19,260
- Others	<b>180,387</b>	170,860
Total	<u><b>301,698</b></u>	<u>330,114</u>
② Outward remittance and remittance payables	<u><b>19,805</b></u>	<u>15,341</u>

## (11) 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.

	<b>31 December 2019</b>	31 December 2018
Loan commitments		
- with an original maturity within one year	<b>94,491</b>	150,257
- with an original maturity of one year or over	<b>373,227</b>	306,838
Credit card commitments	<b>1,063,718</b>	923,508
	<b>1,531,436</b>	1,380,603
Bank acceptances	<b>207,578</b>	230,756
Financing guarantees	<b>61,876</b>	51,422
Non-financing guarantees	<b>1,125,462</b>	1,006,748
Sight letters of credit	<b>36,629</b>	34,159
Usance letters of credit	<b>119,211</b>	130,195
Others	<b>3,615</b>	14,841
Total	<b>3,085,807</b>	2,848,724



**(11) Commitments and contingent liabilities (continued)**

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.

	<u>31 December 2019</u>	<u>31 December 2018</u>
Credit risk-weighted amount of contingent liabilities and commitments	<u>1,050,190</u>	<u>985,503</u>

③ Capital commitments

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

	<u>31 December 2019</u>	<u>31 December 2018</u>
Contracted for	<u>20,077</u>	<u>11,792</u>

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 Ministry of Finance (“MOF”) and the People’s Bank of China (“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).

**(11) Commitments and contingent liabilities (continued)**

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. 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.

## (12) 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.

### 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.

## **(12) Operating segments (continued)**

### **① Geographical segments (continued)**

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.

**(12) 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)	-
<b>Net interest income</b>	<b>78,186</b>	<b>72,393</b>	<b>77,713</b>	<b>91,232</b>	<b>81,757</b>	<b>23,887</b>	<b>73,818</b>	<b>11,694</b>	<b>510,680</b>
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
<b>Operating income</b>	<b>97,169</b>	<b>95,947</b>	<b>97,749</b>	<b>108,869</b>	<b>93,947</b>	<b>28,700</b>	<b>134,578</b>	<b>21,042</b>	<b>678,001</b>
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
<b>Profit before tax</b>	<b>52,927</b>	<b>54,439</b>	<b>33,564</b>	<b>39,834</b>	<b>34,420</b>	<b>8,505</b>	<b>97,271</b>	<b>5,637</b>	<b>326,597</b>
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
	<b>31 December 2019</b>								
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
	<b>4,749,945</b>	<b>3,767,856</b>	<b>5,574,202</b>	<b>4,487,688</b>	<b>3,670,832</b>	<b>1,286,929</b>	<b>9,745,744</b>	<b>1,722,884</b>	<b>35,006,080</b>
Deferred tax assets									72,314
Elimination									(9,642,133)
Total assets									<b>25,436,261</b>
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									<b>23,201,134</b>
Off-balance sheet credit commitments	546,411	506,947	640,521	557,471	407,151	149,396	-	277,910	3,085,807

**(12) Operating segments (continued)**

## ① Geographical segments (continued)

	Twelve months ended 31 December 2018								Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	
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)	-
<b>Net interest income</b>	<b>76,562</b>	<b>67,685</b>	<b>74,076</b>	<b>85,594</b>	<b>81,486</b>	<b>24,355</b>	<b>65,364</b>	<b>11,156</b>	<b>486,278</b>
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
<b>Operating income</b>	<b>92,262</b>	<b>85,641</b>	<b>94,114</b>	<b>102,303</b>	<b>94,430</b>	<b>28,661</b>	<b>115,410</b>	<b>20,951</b>	<b>633,772</b>
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
<b>Profit before tax</b>	<b>49,754</b>	<b>48,878</b>	<b>33,146</b>	<b>41,131</b>	<b>42,631</b>	<b>782</b>	<b>81,572</b>	<b>10,266</b>	<b>308,160</b>
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
	<b>4,552,908</b>	<b>3,568,920</b>	<b>5,294,864</b>	<b>4,207,180</b>	<b>3,448,750</b>	<b>1,179,534</b>	<b>9,090,812</b>	<b>1,694,519</b>	<b>33,037,487</b>
Deferred tax assets									58,730
Elimination									(9,873,524)
Total assets									<b>23,222,693</b>
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									<b>21,231,099</b>
Off-balance sheet credit commitments	512,137	461,552	653,558	495,996	378,075	143,531	100	203,775	2,848,724

## (12) 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.

**(12) 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)	-
<b>Net interest income</b>	<b>235,141</b>	<b>185,013</b>	<b>76,363</b>	<b>14,163</b>	<b>510,680</b>
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
<b>Operating income</b>	<b>264,307</b>	<b>268,007</b>	<b>109,321</b>	<b>36,366</b>	<b>678,001</b>
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
<b>Profit before tax</b>	<b>72,694</b>	<b>148,642</b>	<b>91,693</b>	<b>13,568</b>	<b>326,597</b>
Capital expenditure	5,888	8,890	945	6,160	21,883
Depreciation and amortisation	8,097	12,225	1,300	2,305	23,927
	<b>31 December 2019</b>				
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
	<b>8,132,225</b>	<b>6,658,229</b>	<b>9,070,449</b>	<b>1,751,245</b>	<b>25,612,148</b>
Deferred tax assets					72,314
Elimination					(248,201)
Total assets					<b>25,436,261</b>
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					<b>23,201,134</b>
Off-balance sheet credit commitments	1,789,423	1,018,474	-	277,910	3,085,807



**(12) 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)	-
<b>Net interest income</b>	<b>236,973</b>	<b>182,431</b>	<b>54,618</b>	<b>12,256</b>	<b>486,278</b>
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
<b>Operating income</b>	<b>258,794</b>	<b>251,073</b>	<b>95,368</b>	<b>28,537</b>	<b>633,772</b>
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
<b>Profit before tax</b>	<b>74,168</b>	<b>139,734</b>	<b>84,735</b>	<b>9,523</b>	<b>308,160</b>
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
	<u>7,555,369</u>	<u>6,043,043</u>	<u>8,252,601</u>	<u>1,534,266</u>	<u>23,385,279</u>
Deferred tax assets					58,730
Elimination					(221,316)
Total assets					<u>23,222,693</u>
Segment liabilities	<u>10,098,929</u>	<u>8,256,278</u>	<u>1,058,771</u>	<u>2,037,952</u>	21,451,930
Deferred tax liabilities					485
Elimination					(221,316)
Total liabilities					<u>21,231,099</u>
Off-balance sheet credit commitments	<u>1,771,513</u>	<u>873,436</u>	<u>-</u>	<u>203,775</u>	<u>2,848,724</u>

## 3 Unaudited supplementary financial information

### 3.1 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
<b>High-Quality Liquid Assets</b>			
1	Total High-Quality Liquid Assets (HQLA)		4,323,267
<b>Cash Outflows</b>			
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	<b>Total Cash Outflows</b>		4,293,523
<b>Cash Inflows</b>			
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	<b>Total Cash Inflows</b>	2,066,165	1,487,056
			Total Adjusted Value
21	<b>Total HQLA</b>		4,323,267
22	<b>Total Net Cash Outflows</b>		2,806,467
23	<b>Liquidity coverage ratio (%)<sup>1</sup></b>		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.

### 3.1 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				Weighted value	Unweighted value by residual maturity				Weighted value
No.	(In RMB millions, except percentages)	No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>ASF Item</b>											
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:										
5	Stable deposits	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
6	Less 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
7	Wholesale funding:	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
8	Operational deposits	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
9	Other wholesale funding	6,103,932	100,382	6,687	2,184	3,107,684	6,112,612	122,740	6,796	3,711	3,124,785
10	Liabilities with matching interdependent assets	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
11	Other liabilities:	-	-	-	-	-	-	-	-	-	-
12	NSFR derivative liabilities	-	282,897	25,151	324,027	299,874	-	248,046	36,347	296,296	246,577
					36,729					67,893	

### 3.1 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)

No.	(In RMB millions, except percentages)	The Fourth Quarter of 2019					The Third Quarter of 2019				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>ASF Item (continued)</b>											
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
<b>14</b>	<b>Total ASF</b>					<b>17,720,370</b>					<b>17,329,553</b>
<b>RSF Item</b>											
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

### 3.1 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)

No.	(In RMB millions, except percentages)	The Fourth Quarter of 2019					The Third Quarter of 2019				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
<b>RSF Item (continued)</b>											
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

### 3.1 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)

No.	(In RMB millions, except percentages)	The Fourth Quarter of 2019				Weighted value	The Third Quarter of 2019				Weighted value
		Unweighted value by residual maturity					Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	<b>RSF Item (continued)</b>										
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	-		
30	NSFR derivative liabilities before deduction of variation margin posted <sup>1</sup>	-		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	<b>Total RSF</b>				13,723,611				13,269,145		
34	<b>Net stable funding ratio (%)</b>				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.

## 3.2 Leverage ratio

From the first quarter of 2015, the Group measures the 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. 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)	<b>As at 31 December 2019</b>	<b>As at 30 September 2019</b>	<b>As at 30 June 2019</b>	<b>As at 31 March 2019</b>
<b>Leverage ratio</b>	<b>8.28%</b>	<b>8.27%</b>	<b>7.98%</b>	<b>8.05%</b>
Tier 1 capital after regulatory adjustments	<b>2,209,692</b>	<b>2,126,153</b>	<b>2,045,186</b>	<b>2,042,655</b>
On and off-balance sheet assets after adjustments	<b>26,694,733</b>	<b>25,720,002</b>	<b>25,616,737</b>	<b>25,383,975</b>

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)	<b>As at 31 December 2019</b>	As at 31 December 2018
Total on-balance sheet assets <sup>1</sup>	<b>25,436,261</b>	23,222,693
Consolidated adjustment <sup>2</sup>	<b>(171,735)</b>	(125,786)
Derivatives adjustment	<b>58,591</b>	64,440
Securities financing transactions adjustment	<b>899</b>	678
Off-balance sheet items adjustment <sup>3</sup>	<b>1,380,975</b>	1,307,807
Other adjustments <sup>4</sup>	<b>(10,258)</b>	(9,683)
<b>On and off-balance sheet assets after adjustments</b>	<b>26,694,733</b>	24,460,149

- Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.
- Consolidated adjustment refers to the difference between regulatory consolidated total assets and accounting consolidated total assets.
- 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)*.
- Other adjustments mainly comprise regulatory adjustments to Tier 1 capital.

## 3.2 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)	<b>As at 31 December 2019</b>	As at 31 December 2018
On-balance sheet assets (excluding derivatives and securities financing transactions) <sup>1</sup>	<b>24,675,900</b>	22,847,332
Less: Regulatory adjustments to Tier 1 capital	<b>(10,258)</b>	(9,683)
<b>On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)</b>	<b>24,665,642</b>	22,837,649
Replacement costs of various derivatives (excluding eligible margin)	<b>40,064</b>	53,984
Potential risk exposures of various derivatives	<b>52,930</b>	60,899
Nominal principals arising from sales of credit derivatives	-	80
<b>Derivative assets</b>	<b>92,994</b>	114,963
Accounting assets arising from securities financing transactions	<b>554,223</b>	199,052
Counterparty credit risk exposure arising from securities financing transactions	<b>899</b>	678
<b>Securities financing transactions assets</b>	<b>555,122</b>	199,730
Off-balance sheet assets	<b>3,735,906</b>	2,848,724
Less: Decrease in off-balance sheet assets due to credit conversion	<b>(2,354,931)</b>	(1,540,917)
<b>Off-balance sheet assets after adjustments</b>	<b>1,380,975</b>	1,307,807
Tier 1 capital after regulatory adjustments	<b>2,209,692</b>	1,969,110
On and off-balance sheet assets after adjustments	<b>26,694,733</b>	24,460,149
<b>Leverage Ratio<sup>2</sup></b>	<b>8.28%</b>	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 regulatory adjustments by on and off-balance sheet assets after adjustments.



### 3.3 Currency concentrations

	31 December 2019			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
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	<b>20,810</b>	<b>42,734</b>	<b>24,712</b>	<b>88,256</b>
Net structural position	<b>41,583</b>	<b>1,487</b>	<b>(15,465)</b>	<b>27,605</b>
	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	<b>15,951</b>	<b>39,715</b>	<b>20,072</b>	<b>75,738</b>
Net structural position	<b>37,835</b>	<b>2,131</b>	<b>(15,523)</b>	<b>24,443</b>

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.

### 3.4 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.

	<b>31 December 2019</b>				<b>Total</b>
	<b>Banks</b>	<b>Public sector entities</b>	<b>Non-bank private institutions</b>	<b>Others</b>	
Asia Pacific	<b>428,976</b>	<b>65,572</b>	<b>703,741</b>	<b>28,957</b>	<b>1,227,246</b>
- of which attributed to Hong Kong	<b>41,970</b>	<b>8,987</b>	<b>337,889</b>	<b>-</b>	<b>388,846</b>
Europe	<b>32,647</b>	<b>63,025</b>	<b>67,410</b>	<b>101</b>	<b>163,183</b>
North and South America	<b>37,786</b>	<b>118,407</b>	<b>142,693</b>	<b>-</b>	<b>298,886</b>
<b>Total</b>	<b>499,409</b>	<b>247,004</b>	<b>913,844</b>	<b>29,058</b>	<b>1,689,315</b>

  

	<b>31 December 2018</b>				<b>Total</b>
	<b>Banks</b>	<b>Public sector entities</b>	<b>Non-bank private institutions</b>	<b>Others</b>	
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
<b>Total</b>	<b>467,023</b>	<b>248,265</b>	<b>975,619</b>	<b>25,083</b>	<b>1,715,990</b>

### 3.5 Overdue loans and advances to customers by geographical sector

	<b>31 December 2019</b>	31 December 2018
Central	<b>33,505</b>	21,981
Western	<b>26,066</b>	22,512
Bohai Rim	<b>14,309</b>	22,079
Yangtze River Delta	<b>16,404</b>	17,528
Pearl River Delta	<b>13,071</b>	14,564
Northeastern	<b>11,669</b>	13,512
Head office	<b>7,505</b>	6,730
Overseas	<b>1,787</b>	1,770
Total	<b>124,316</b>	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.

### 3.6 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.

## **4 MANAGEMENT DISCUSSION & ANALYSIS**

### **4.1 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.

### 4.1.1 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 due 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
<b>Operating income</b>	<b>678,001</b>	<b>633,772</b>	<b>6.98</b>
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
<b>Profit before tax</b>	<b>326,597</b>	<b>308,160</b>	<b>5.98</b>
Income tax expense	(57,375)	(52,534)	9.21
<b>Net profit</b>	<b>269,222</b>	<b>255,626</b>	<b>5.32</b>

## 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.

(In millions of RMB, except percentages)	2019			2018		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
<b>Assets</b>						
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	
<b>Liabilities</b>						
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	
<b>Net interest income</b>		<b>510,680</b>			<b>486,278</b>	
<b>Net interest spread</b>			<b>2.12</b>			<b>2.18</b>
<b>Net interest margin</b>			<b>2.26</b>			<b>2.31</b>

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.

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 <sup>1</sup>	Interest rate factor <sup>1</sup>	Change in interest income/expense
<b>Assets</b>			
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)
<b>Change in interest income</b>	<b>67,285</b>	<b>5,188</b>	<b>72,473</b>
<b>Liabilities</b>			
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)
<b>Change in interest expense</b>	<b>23,312</b>	<b>24,759</b>	<b>48,071</b>
<b>Change in net interest income</b>	<b>43,973</b>	<b>(19,571)</b>	<b>24,402</b>

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.

(In millions of RMB, except percentages)	2019			2018		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
<b>Corporate loans and advances</b>	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
<b>Personal loans and advances</b>	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
<b>Discounted bills</b>	438,401	13,948	3.18	137,720	4,972	3.61
<b>Overseas operations and subsidiaries</b>	1,080,732	45,702	4.23	1,207,015	41,036	3.40
<b>Gross loans and advances to customers</b>	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.

(In millions of RMB, except percentages)	2019			2018		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>	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
<b>Personal deposits</b>	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
<b>Overseas operations and subsidiaries</b>	496,570	10,565	2.13	522,695	10,430	2.00
<b>Total deposits from customers</b>	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
<b>Net fee and commission income</b>	<b>137,284</b>	<b>123,035</b>	<b>11.58</b>
<b>Other net non-interest income</b>	<b>30,037</b>	<b>24,459</b>	<b>22.81</b>
<b>Total other net non-interest income</b>	<b>167,321</b>	<b>147,494</b>	<b>13.44</b>

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 (%)
<b>Fee and commission income</b>	<b>155,262</b>	<b>138,017</b>	<b>12.49</b>
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)
<b>Fee and commission expense</b>	<b>(17,978)</b>	<b>(14,982)</b>	<b>20.00</b>
<b>Net fee and commission income</b>	<b>137,284</b>	<b>123,035</b>	<b>11.58</b>

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 RMB 16,894 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)
<b>Total other net non-interest income</b>	<b>30,037</b>	<b>24,459</b>	<b>22.81</b>

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)	<b>2019</b>	<b>2018</b>
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
<b>Total operating expenses</b>	<b>188,132</b>	<b>174,764</b>
<b>Cost-to-income ratio (%)</b>	<b>26.75</b>	<b>26.61</b>

In 2019, the Group continuously strengthened cost management and optimized 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
<b>Loans and advances to customers</b>	148,942	143,045
<b>Financial investments</b>	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
<b>Others</b>	7,293	6,855
<b>Total impairment losses</b>	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.

## 4.1.2 Statement of Financial Position Analysis

### Assets

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

(In millions of RMB, except percentages)	As at 31 December 2019		As at 31 December 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total	Amount	% of total
<b>Loans and advances to customers</b>	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
<b>Financial investments</b>	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
<b>Cash and deposits with central banks</b>	2,621,010	10.30	2,632,863	11.34	2,988,256	13.51
<b>Deposits and placements with banks and non-bank financial institutions</b>	950,807	3.74	836,676	3.60	500,238	2.26
<b>Financial assets held under resale agreements</b>	557,809	2.19	201,845	0.87	208,360	0.94
<b>Interest receivable</b>	N/A	N/A	N/A	N/A	116,993	0.53
<b>Others<sup>1</sup></b>	552,727	2.17	470,970	2.03	554,415	2.50
<b>Total assets</b>	<b>25,436,261</b>	<b>100.00</b>	<b>23,222,693</b>	<b>100.00</b>	<b>22,124,383</b>	<b>100.00</b>

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

(In millions of RMB, except percentages)	As at 31 December 2019		As at 31 December 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total	Amount	% of total
<b>Corporate loans and advances</b>	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
<b>Personal loans and advances</b>	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 <sup>1</sup>	196,554	1.31	187,407	1.36	188,145	1.46
<b>Discounted bills</b>	492,693	3.28	308,368	2.24	122,495	0.95
<b>Overseas operations and subsidiaries</b>	1,058,017	7.04	1,100,406	7.98	1,143,569	8.86
<b>Accrued interest</b>	34,919	0.23	36,798	0.27	N/A	N/A
<b>Gross loans and advances to customers</b>	<b>15,022,825</b>	<b>100.00</b>	<b>13,783,053</b>	<b>100.00</b>	<b>12,903,441</b>	<b>100.00</b>

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.

(In millions of RMB, except percentages)	As at 31 December 2019		As at 31 December 2018	
	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
<b>Gross loans and advances to customers</b>	<b>15,022,825</b>	<b>100.00</b>	<b>13,783,053</b>	<b>100.00</b>

*Allowances for impairment losses on loans and advances to customers*

(In millions of RMB)	2019			
	Stage 1	Stage 2	Stage 3	Total
<b>As at 1 January 2019</b>	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
<b>As at 31 December 2019</b>	<b>240,027</b>	<b>92,880</b>	<b>149,251</b>	<b>482,158</b>

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.

### *Financial investments*

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

(In millions of RMB, except percentages)	As at 31 December 2019		As at 31 December 2018	
	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
<b>Total financial investments</b>	<b>6,213,241</b>	<b>100.00</b>	<b>5,714,909</b>	<b>100.00</b>

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%.

### *Debt securities investments*

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

(In millions of RMB, except percentages)	As at 31 December 2019		As at 31 December 2018	
	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
<b>Total debt securities investments</b>	<b>5,846,133</b>	<b>100.00</b>	<b>5,260,061</b>	<b>100.00</b>

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.

(In millions of RMB, except percentages)	As at 31 December 2019		As at 31 December 2018	
	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
<b>Total debt securities investments</b>	<b>5,846,133</b>	<b>100.00</b>	<b>5,260,061</b>	<b>100.00</b>

### ***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.

## Liabilities

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

(In millions of RMB, except percentages)	As at 31 December 2019		As at 31 December 2018		As at 31 December 2017	
	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 <sup>1</sup>	899,924	3.88	913,782	4.30	1,026,076	5.05
<b>Total liabilities</b>	<b>23,201,134</b>	<b>100.00</b>	<b>21,231,099</b>	<b>100.00</b>	<b>20,328,556</b>	<b>100.00</b>

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.

(In millions of RMB, except percentages)	As at 31 December 2019		As at 31 December 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total	Amount	% of total
<b>Corporate deposits</b>	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
<b>Personal deposits</b>	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
<b>Overseas operations and subsidiaries</b>	510,907	2.78	492,942	2.88	557,069	3.40
<b>Accrued interest</b>	207,507	1.13	177,249	1.04	N/A	N/A
<b>Total deposits from customers</b>	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 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. Personal deposits 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, and accounted 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, up by RMB901,936 million or 9.88% over 2018, and accounted for 56.82% of the domestic deposits from customers, up by 1.31 percentage points over 2018. The 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*.

## 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
<b>Total equity attributable to equity shareholders of the Bank</b>	<b>2,216,257</b>	<b>1,976,463</b>
Non-controlling interests	18,870	15,131
<b>Total equity</b>	<b>2,235,127</b>	<b>1,991,594</b>

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.

## 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. 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.

### 4.1.3 Credit quality analyses

#### 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.

(In millions of RMB, except percentages)	As at 31 December 2019		As at 31 December 2018	
	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
<b>Gross loans and advances excluding accrued interest</b>	<b>14,987,906</b>	<b>100.00</b>	<b>13,746,255</b>	<b>100.00</b>
<b>NPLs</b>	<b>212,473</b>		<b>200,881</b>	
<b>NPL ratio</b>		<b>1.42</b>		<b>1.46</b>

In 2019, the Group built and continuously optimized comprehensive, active 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.

(In millions of RMB, except percentages)	As at 31 December 2019			As at 31 December 2018		
	Loans	NPLs	NPL ratio (%)	Loans	NPLs	NPL ratio (%)
<b>Corporate loans and advances</b>	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
<b>Personal loans and advances</b>	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
<b>Discounted bills</b>	492,693	724	0.15	308,368	-	-
<b>Overseas operations and subsidiaries</b>	1,058,017	13,167	1.24	1,100,406	7,557	0.69
<b>Gross loans and advances excluding accrued interest</b>	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.

(In millions of RMB, except percentages)	As at 31 December 2019				As at 31 December 2018			
	Loans	% of total	NPLs	NPL ratio (%)	Loans	% of total	NPLs	NPL ratio (%)
<b>Corporate loans</b>	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
<b>Personal Loans</b>	6,477,352	43.22	26,736	0.41	5,839,803	42.48	24,076	0.41
<b>Discounted bills</b>	492,693	3.29	724	0.15	308,368	2.24	-	-
<b>Overseas operations and subsidiaries</b>	1,058,017	7.06	13,167	1.24	1,100,406	8.01	7,557	0.69
<b>Gross loans and advances excluding accrued interest</b>	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 the 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.

#### 4.1.4 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.

#### 4.1.5 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.

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.

## 4.2 BUSINESS REVIEW

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

The following table sets forth, for the periods indicated, the profit before tax of each major business segment:

(In millions of RMB, except percentages)	2019		2018	
	Amount	% of total	Amount	% of total
Corporate banking	72,694	22.26	74,168	24.07
Personal banking	148,642	45.51	139,734	45.34
Treasury business	91,693	28.08	84,735	27.50
Others	13,568	4.15	9,523	3.09
<b>Profit before tax</b>	<b>326,597</b>	<b>100.00</b>	<b>308,160</b>	<b>100.00</b>

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.

## 4.2.1 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 leasing system and created a housing model under the New Financial. The Group built a comprehensive house leasing 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 leasing 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 leasing 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 cumulative 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<sup>+</sup> 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<sup>+</sup> 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.

## **4.2.2 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%.

### **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 Yunongto ng 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.

### **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 depositary 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.

### **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 11.05 million corporate RMB settlement accounts, an increase of 1.02 million, and its active cash management customers increased by 810.3 thousand to 2.97 million.

### **4.2.3 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 Rapid 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.

#### **Debit card business**

The Bank continuously intensified its efforts in mobile payment innovation. It continued to upgrade its "Long Pay" business, attracting 12.2 million users with 3.49 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.

## 4.2.4 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.

### ***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.

### **4.2.5 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 5 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.

### **4.2.6 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.

## 4.2.7 Analysed by Geographical Segments

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

(In millions of RMB, except percentages)	2019		2018	
	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
<b>Profit before tax</b>	<b>326,597</b>	<b>100.00</b>	<b>308,160</b>	<b>100.00</b>

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

(In millions of RMB, except percentages)	As at 31 December 2019		As at 31 December 2018	
	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
<b>Total assets<sup>1</sup></b>	<b>35,006,080</b>	<b>100.00</b>	<b>33,037,487</b>	<b>100.00</b>

1. Total assets exclude elimination and deferred tax assets.



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

(In millions of RMB, except percentages)	As at 31 December 2019				As at 31 December 2018			
	Gross loans and advances	% of total	NPLs	NPL ratio (%)	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
<b>Gross loans and advances excluding accrued interest</b>	<b>14,987,906</b>	<b>100.00</b>	<b>212,473</b>	<b>1.42</b>	<b>13,746,255</b>	<b>100.00</b>	<b>200,881</b>	<b>1.46</b>

The following table sets forth, as at the dates indicated, the di stribution of the Group’s deposits by geographical segment:

(In millions of RMB, except percentages)	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total	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
<b>Total deposits from customers</b>	<b>18,366,293</b>	<b>100.00</b>	<b>17,108,678</b>	<b>100.00</b>

## 4.3 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.

### 4.3.1 Capital Adequacy Ratios

#### Scope for calculating 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.

(In millions of RMB, except percentages)	As at 31 December 2019		As at 31 December 2018	
	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%

## 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
<b>Credit risk-weighted assets</b>	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
<b>Market risk-weighted assets</b>	123,700	120,524
Covered by the internal models approach	74,509	72,578
Uncovered by the internal models approach	49,191	47,946
<b>Operational risk-weighted assets</b>	1,140,845	1,065,444
<b>Additional risk-weighted assets due to the application of capital floor</b>	-	-
<b>Total risk-weighted assets</b>	15,053,291	13,659,497

### 4.3.2 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
<b>Leverage ratio</b>	<b>8.28%</b>	<b>8.27%</b>	<b>7.98%</b>	<b>8.05%</b>	<b>8.05%</b>
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

## 4.4 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.

## **5 OTHER INFORMATION**

### **5.1 DETAILS OF SECURITIES ISSUANCE AND LISTING**

During the reporting period, the Bank did not issue any ordinary shares or convertible bonds.

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.

## 5.2 DETAILS OF ISSUANCE, LISTING AND PROFIT DISTRIBUTION 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

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:

(In millions of RMB, except percentages)	2019 <sup>1</sup>		2018		2017	
	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.



### **5.3 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.

### **5.4 CORPORATE GOVERNANCE**

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.

### **5.5 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.

### **5.6 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 evolution 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.

### **5.7 DIVIDENDS**

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.

The Bank's register of members will be closed from 4 July 2020 to 9 July 2020 (both days inclusive), during which period no transfer of H-shares will be effected. In order to receive the final dividend, holders of H-shares of the Bank, who have not registered the transfer documents, must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 3 July 2020. The address is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## **5.8 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The 2019 annual general meeting will be held on 19 June 2020. In order to determine the holders of H-shares who are entitled to attend the annual general meeting, the Bank's register of members will be closed from 20 May 2020 to 19 June 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to attend the 2019 annual general meeting, holders of H-shares must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 19 May 2020.

## **5.9 ANNUAL REPORT AND ANNOUNCEMENT**

This results announcement is available on the "HKExnews" website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk), the websites of Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn) and the Bank at [www.ccb.com](http://www.ccb.com). The annual reports prepared in accordance with IFRS and PRC GAAP will be published on the above websites in due course.

By order of the board of directors

**CHINA CONSTRUCTION BANK CORPORATION**

**Liu Guiping**

*Vice chairman, executive director and president*

27 March 2020

As of the date of this announcement, the executive directors of the Bank are Mr. Tian Guoli, Mr. Liu Guiping and Mr. Zhang Gengsheng; the non-executive directors of the Bank are Ms. Feng Bing, Mr. Zhu Hailin, Mr. Zhang Qi, Mr. Tian Bo and Mr. Xia Yang; and the independent non-executive directors of the Bank are Ms. Anita Fung Yuen Mei, Sir Malcolm Christopher McCarthy, Mr. Carl Walter, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler and Mr. Michel Madelain.